

LAKE MILLS COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

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## Independent Auditor's Report

To the Board of Education of  
Lake Mills Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lake Mills Community School District, Lake Mills, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lake Mills Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 9 to the financial statements, during the year ended June 30, 2004, Lake Mills Community School District adopted Governmental Accounting Standards Board Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement Number 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement Number 38, Certain Financial Statement Note Disclosures; Statement Number 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation Number 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated October 5, 2004, on our consideration of Lake Mills Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake Mills Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003, (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

October 5, 2004

## Lake Mills Community School District

### Management Discussion & Analysis

This section of the Lake Mills Community School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2004. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section. Because the Lake Mills Community School District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

#### Financial Highlights

- The Lake Mills CSD Board of Directors approved a Property Tax decrease from \$14.11914 to \$13.84437 per \$1,000 taxable valuation creating a savings to tax payers in the amount of \$31,022.
- The State of Iowa imposed a reduction in State Foundation Aid, Instructional Support Programs, Educational Excellence Allocations, Teacher Compensation Allocations, and Iowa Early Intervention Allocations in November, which reduced state FY04 in the General Fund.
- Since the reduction occurred mid year, the District had already obligated the resources to fund fiscal 2004 salaries and programs. The District responded to the reduction by a combination of reducing expenditures in technology, purchased services, equipment, and supplies using a portion of fund balance.
- Because of the increase in salaries, benefits, utilities and special education costs the District's General Fund balance decreased.

#### Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are *Government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.

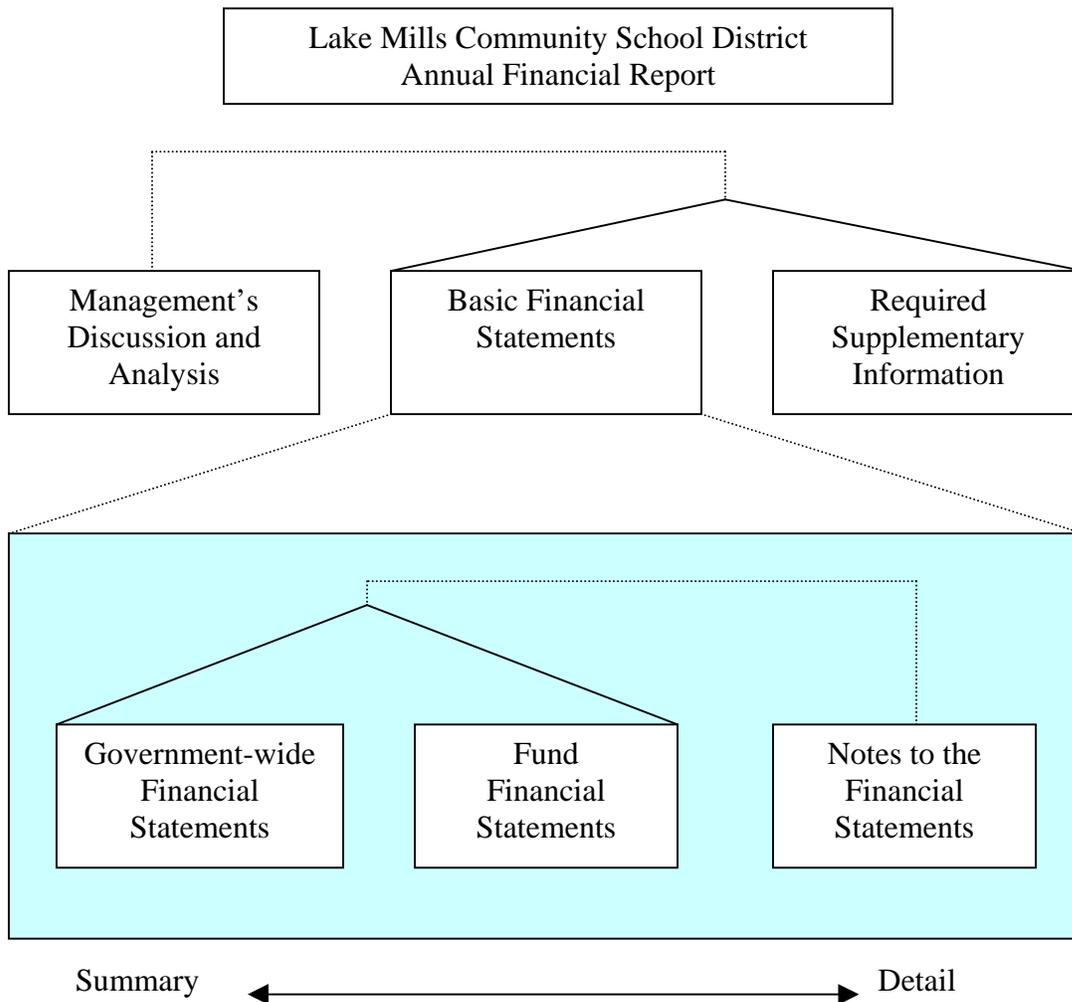
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the Government-wide statements.
- The *governmental funds statements* explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- *Proprietary funds statements* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

- *Fiduciary funds statements* provide information about the relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s budget for the year.

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

Figure A-1



*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. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

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

	Government-wide Statements	Fund Financial 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 business: food services is included here	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 assets</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 balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flow</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset / liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow / outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	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

### **Government-wide Statements**

The Government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and

expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Government-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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 taxes 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 food service program would be 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:

- *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 funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements. The

District's governmental funds include the General Fund and Special Revenue Funds that consist of Activity, Management, and Physical Plant and Equipment Levy funds.

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide statements. The District's enterprise fund, one type of a proprietary fund, is the same as its business-type activities but provides more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as Scholarship funds. The District accounts for outside donations for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

### Financial Analysis of the District as a Whole

**Net assets.** The District's combined net assets were slightly larger on June 30, 2004, than they were the year before, increasing \$63,139 (*see Figure A-3*)

*Figure A-3*

**Condensed Statement of Net Assets**

	<u>Governmental Activities</u> <u>2004</u>	<u>Business-type Activities</u> <u>2004</u>	<u>Total School District</u> <u>2004</u>
Current and other assets	\$4,560,562	\$66,658	\$4,627,220
Capital assets	1,561,265	25,092	1,586,357
<b>Total Assets</b>	<b>6,121,827</b>	<b>91,750</b>	<b>6,213,577</b>
Long-term liabilities	1,549,839	-	1,549,839
Other liabilities	4,140,103	21,055	4,161,158
<b>Total liabilities</b>	<b>5,689,942</b>	<b>21,055</b>	<b>5,710,997</b>
Net Assets:			
Invested in capital assets, net of related debt	29,241	25,092	54,333
Restricted	390,863	-	390,863
Unrestricted	11,781	45,603	57,384
<b>TOTAL NET ASSETS</b>	<b>\$431,885</b>	<b>\$70,695</b>	<b>\$502,580</b>

**Changes in net assets.** Fiscal year 2003-2004 marks the initial District implementation of the GASB-34 financial reporting model. As a result, prior year comparisons are not available but will be provided in all subsequent years. *Figure A-4* reflects only totals from the current fiscal year ending June 30, 2004.

*Governmental Activities* -

Referring to *Figure A-4*, revenues for the District's governmental activities were \$6,106,804 for fiscal year 2004. Total governmental expenditures were \$6,028,776.

In a difficult budget year, the District did a remarkable job trimming expenses to match available revenues in a year when the Board of Directors had lowered the overall District tax rate from \$14.11914 per thousand dollars of taxable valuation to \$13.84437.

*Figure A-4*

**Changes in Net Assets from Operating Results**

	<u>Governmental Activities</u> <u>2004</u>	<u>Business-type Activities</u> <u>2004</u>	<u>Total School District</u> <u>2004</u>
<b>Revenues</b>			
Program Revenues			
Charges for services	\$663,876	\$138,833	\$802,709
Operating Grants & Contributions	500,293	108,588	608,881
Capital Grants & Contributions	-	-	-
General Revenues			
Property taxes & other taxes	2,618,919	-	2,618,918
Unrestricted State Grants	2,292,032	-	2,292,032
Unrestricted Investment Earnings	3,484	129	3,613
Other Revenue	28,200	-	28,200
<b>Total Revenues</b>	<b>\$6,106,804</b>	<b>\$247,550</b>	<b>\$6,354,354</b>
<b>Expenses</b>			
Instruction	3,593,425	-	3,593,425
Support Services	1,883,809	-	1,883,809
Non-Instructional Programs	3,391	259,439	262,830
Other Expenses	541,339	-	541,339
<b>Total Expenses</b>	<b>\$6,021,964</b>	<b>\$259,439</b>	<b>\$6,281,403</b>
Transfers	-	-	-
<b>Change in Net Assets</b>	<b>\$84,840</b>	<b>\$(11,889)</b>	<b>\$72,951</b>

*Figure A-5*  
**Net Cost of Governmental Activities**

	<b>Total Cost Of Services 2004</b>	<b>Net Cost of Services 2004</b>
Instruction	\$3,593,425	\$2,635,875
Support Services	1,883,809	1,882,013
Non-instructional Programs	3,391	3,391
Other Expenses	541,339	336,516
<b>TOTAL</b>	<b>\$6,021,964</b>	<b>\$4,857,795</b>

*Figure A-5* presents the cost of the District’s major governmental activities: instruction, support services, non-instruction programs and other expenses. The table shows each activity’s net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District’s taxpayers by each of these functions. (As with *Figure A-4*, a two-year comparison with the prior fiscal year is not possible under the new GASB 34 format. In the future a two-year comparison will be provided.)

- The cost of all governmental activities this year was \$6,021,964.
- Some of the cost was financed by the users of the District’s programs (\$663,876).
- The federal and state governments and private contributors subsidized certain programs with grants and contributions (\$500,293).
- Most of the District’s costs (\$4,857,795), however, were financed by District and state taxpayers.
- This portion of governmental activities was financed with \$2,618,919 in property and other local taxes, and \$2,323,716 in unrestricted state aid (based in large part on the statewide education aid formula), investment earnings and miscellaneous revenues.

*Business-Type Activities -*

The District’s business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements, and investment income. The District’s business-type activities show a decrease in net assets with expenses exceeding revenues \$11,889 (refer to *Figure A-4*).

**Financial Analysis of the District’s Funds**

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$227,096, slightly more than last year’s ending fund balances of \$204,822.

**Governmental Fund Highlights**

The General Fund balance decreased from \$(129,827) to \$(195,219), due in part to the mid-year reduction in state aid and the elimination of Phase III funding.

The Nonmajor Governmental (Management, Activity, PPEL, Debt Service, and District Support Trusts) Funds balance increased \$87,666 to \$422,315. The increase was due in part to decreased expenses in the PPEL Fund.

### **Business Type Fund Highlights**

The School Nutrition Fund net assets decreased from \$82,584 at June 30, 2003 to \$70,695 at June 30, 2004, representing a decrease of 11,889

### **Budgetary Highlights**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

During FY04, total revenues were above expectations held when the FY04 budget was assembled in February, 2003. Ultimately, actual amounts exceeded budgeted revenue by \$360,223. On the expense side, the District began adjusting to all of these factors, and succeeded in keeping total disbursements below total receipts. It is apparent that even in such a difficult fiscal year in which to accurately predict revenues, the District was able to meet its goal and keep total disbursements \$6,272,214 below total receipts \$6,395,404. Expenditures did not exceed the total budgeted amount, but did exceed the budgets in two of the functional areas, support services and non-instructional programs.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

By the end of 2004, the District had invested \$1,586,357, net of accumulated depreciation, in a broad range of assets, including school buildings, athletic facilities, transportation equipment, and computer and audio-visual equipment (see *Figure A-6*). This amount represents a net decrease of \$100,305 from last year. (More detailed information about capital assets can be found in Note 4 to the financial statements.) The District was able to stay within its means and not accumulate any debt in FY04. Capital assets were purchased as revenue became available and included primarily buses during the year.

**Figure A-6**

<i>Capital Assets (net of depreciation)</i>			
	<b>Governmental Activities 2004</b>	<b>Business Type Activities 2004</b>	<b>Total School District 2004</b>
Land	6,000	-	6,000
Construction in progress	204,800	-	204,800
Buildings	1,102,500	-	1,102,500
Equipment & Furniture	247,965	25,092	273,057
<b>TOTAL</b>	<b><u>1,561,265</u></b>	<b><u>25,092</u></b>	<b><u>1,586,357</u></b>

### **Long-Term Debt**

At June 30, 2004, the District had general obligation and other long-term debt outstanding (Figure A-7). This represents a 9% decrease from last year. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

**Figure A-7**

<i>Long-Term Debt</i>		
	<u>Balance End of 2004</u>	<u>Due Within One Year</u>
General obligation bonds	\$1,495,000	\$145,000
Special assessment	37,024	5,289
Early retirement	17,815	17,815
Total	<u>\$1,549,839</u>	<u>\$168,104</u>

### **Factors Bearing on the District's Future**

Budgeting practices such as making sure disbursements do not exceed receipts, even during challenging years like FY04, combined with a solid foundation of cash balance and unspent balance, allow the District to provide the resources needed for excellent student achievement while still keeping the tax burden reasonable. In FY05, the District received additional new money for the first time in years, and FY06 looks even brighter for additional new money when an enrollment increase is combined with projected 4% allowable growth. However, costs outside of the Board's control such as continual increases in health insurance and utility costs are worrisome, and employee contract settlements will also have an effect on the District's financial viability.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional financial information, contact Daryl Sherman, Superintendent, or Chris Mathahs, Business Manager Lake Mills Community School District, 102 South 4<sup>th</sup> Avenue East, Lake Mills, Iowa 50450.

## BASIC FINANCIAL STATEMENTS

## LAKE MILLS COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents:			
ISCAP	1,232,983	-	1,232,983
Other	802,174	52,696	854,870
Receivables:			
Property tax:			
Delinquent	31,215	-	31,215
Succeeding year	2,234,147	-	2,234,147
Accounts	-	70	70
Accrued interest:			
ISCAP	1,331	-	1,331
Due from other governments	258,712	-	258,712
Inventories	-	13,892	13,892
Capital assets, net of accumulated depreciation	1,561,265	25,092	1,586,357
<b>Total assets</b>	<b>6,121,827</b>	<b>91,750</b>	<b>6,213,577</b>
<b>Liabilities</b>			
Accounts payable	121,972	-	121,972
Salaries and benefits payable	528,523	16,598	545,121
Accrued interest payable	12,637	-	12,637
Deferred revenue:			
Succeeding year property tax	2,234,147	-	2,234,147
Other	-	4,457	4,457
ISCAP warrants payable	1,226,000	-	1,226,000
ISCAP accrued interest payable	2,018	-	2,018
ISCAP premium	14,806	-	14,806
Long-term liabilities			
Portion due within one year:			
General obligation bonds payable	145,000	-	145,000
Special assessment	5,289	-	5,289
Early retirement	17,815	-	17,815
Portion due after one year:			
General obligation bonds payable	1,350,000	-	1,350,000
Special assessment	31,735	-	31,735
<b>Total liabilities</b>	<b>5,689,942</b>	<b>21,055</b>	<b>5,710,997</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	29,241	25,092	54,333
Restricted for:			
Management levy	110,531	-	110,531
Capital outlay	155,662	-	155,662
Other special revenue purposes	54,769	-	54,769
Debt service	69,901	-	69,901
Unrestricted	11,781	45,603	57,384
<b>Total net assets</b>	<b>431,885</b>	<b>70,695</b>	<b>502,580</b>

See notes to financial statements.

## LAKE MILLS COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2004

<b>Functions/Programs</b>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Governmental activities:				
Instruction:				
Regular instruction	2,145,851	358,772	210,681	-
Special instruction	826,940	40,960	77,571	-
Other instruction	620,634	263,132	6,434	-
	<u>3,593,425</u>	<u>662,864</u>	<u>294,686</u>	<u>-</u>
Support services:				
Student services	266,257	-	-	-
Instructional staff services	283,036	-	784	-
Administration services	625,970	337	-	-
Operation and maintenance of plant services	481,558	675	-	-
Transportation services	226,988	-	-	-
	<u>1,883,809</u>	<u>1,012</u>	<u>784</u>	<u>-</u>
Non-instructional programs	<u>3,391</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	124,275	-	-	-
Long-term debt interest	68,112	-	-	-
AEA flowthrough	204,823	-	204,823	-
Depreciation (unallocated)*	144,129	-	-	-
	<u>541,339</u>	<u>-</u>	<u>204,823</u>	<u>-</u>
Total governmental activities	<u>6,021,964</u>	<u>663,876</u>	<u>500,293</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	259,439	138,833	108,588	-
Total	<u>6,281,403</u>	<u>802,709</u>	<u>608,881</u>	<u>-</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

**Change in net assets**

Net assets beginning of year, as restated

Net assets end of year

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

## LAKE MILLS COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2004

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(1,576,398)	-	(1,576,398)
(708,409)	-	(708,409)
(351,068)	-	(351,068)
<u>(2,635,875)</u>	<u>-</u>	<u>(2,635,875)</u>
(266,257)	-	(266,257)
(282,252)	-	(282,252)
(625,633)	-	(625,633)
(480,883)	-	(480,883)
(226,988)	-	(226,988)
<u>(1,882,013)</u>	<u>-</u>	<u>(1,882,013)</u>
<u>(3,391)</u>	<u>-</u>	<u>(3,391)</u>
(124,275)	-	(124,275)
(68,112)	-	(68,112)
-	-	-
(144,129)	-	(144,129)
<u>(336,516)</u>	<u>-</u>	<u>(336,516)</u>
(4,857,795)	-	(4,857,795)
<u>-</u>	<u>(12,018)</u>	<u>(12,018)</u>
<u>(4,857,795)</u>	<u>(12,018)</u>	<u>(4,869,813)</u>
2,065,259	-	2,065,259
237,074	-	237,074
107,089	-	107,089
209,497	-	209,497
2,292,032	-	2,292,032
3,484	129	3,613
28,200	-	28,200
<u>4,942,635</u>	<u>129</u>	<u>4,942,764</u>
84,840	(11,889)	72,951
<u>347,045</u>	<u>82,584</u>	<u>429,629</u>
<u>431,885</u>	<u>70,695</u>	<u>502,580</u>

## LAKE MILLS COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2004

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments:			
ISCAP	1,232,983	-	1,232,983
Other	381,404	420,770	802,174
Receivables:			
Property tax:			
Delinquent	26,067	5,148	31,215
Succeeding year	1,966,987	267,160	2,234,147
Accrued interest - ISCAP	1,331	-	1,331
Due from other governments	155,712	103,000	258,712
<b>Total assets</b>	<u>3,764,484</u>	<u>796,078</u>	<u>4,560,562</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	118,369	3,603	121,972
Salaries and benefits payable	528,523	-	528,523
ISCAP warrants payable	1,226,000	-	1,226,000
ISCAP accrued interest payable	2,018	-	2,018
ISCAP premium	14,806		14,806
Deferred revenue:			
Succeeding year property tax	1,966,987	267,160	2,234,147
Other	103,000	103,000	206,000
Total liabilities	<u>3,959,703</u>	<u>373,763</u>	<u>4,333,466</u>
Fund balances:			
Reserved for:			
Debt service	-	82,538	82,538
Unreserved	(195,219)	339,777	144,558
Total fund balances	<u>(195,219)</u>	<u>422,315</u>	<u>227,096</u>
<b>Total liabilities and fund balances</b>	<u>3,764,484</u>	<u>796,078</u>	<u>4,560,562</u>

## LAKE MILLS COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2004

<b>Total fund balances of governmental funds (Exhibit C)</b>	227,096
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,561,265
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	206,000
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	(12,637)
Long-term liabilities, including bonds payable, special assessments and early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(1,549,839)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>431,885</u></u>

## LAKE MILLS COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2004

	General Fund	Nonmajor Governmental	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	2,099,440	526,479	2,625,919
Tuition	392,806	-	392,806
Other	67,143	229,089	296,232
Intermediate sources	5,799	-	5,799
State sources	2,672,281	294	2,672,575
Federal sources	113,951	-	113,951
Total revenues	<u>5,351,420</u>	<u>755,862</u>	<u>6,107,282</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	2,110,044	48,538	2,158,582
Special instruction	826,940	-	826,940
Other instruction	449,879	170,755	620,634
	<u>3,386,863</u>	<u>219,293</u>	<u>3,606,156</u>
Support services:			
Student services	163,948	102,309	266,257
Instructional staff services	283,036	-	283,036
Administration services	625,970	-	625,970
Operation and maintenance of plant services	471,104	9,065	480,169
Transportation services	282,799	-	282,799
	<u>1,826,857</u>	<u>111,374</u>	<u>1,938,231</u>
Non-instructional programs	3,391	-	3,391
Other expenditures:			
Facilities acquisition	-	129,564	129,564
Long-term debt:			
Principal	-	140,000	140,000
Interest and fiscal charges	-	69,365	69,365
AEA flowthrough	204,823	-	204,823
	<u>204,823</u>	<u>338,929</u>	<u>543,752</u>
Total expenditures	<u>5,421,934</u>	<u>669,596</u>	<u>6,091,530</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(70,514)</u>	<u>86,266</u>	<u>15,752</u>
Other financing sources (uses):			
Compensation for loss of fixed assets	2,169	1,400	3,569
Sales of materials and equipment	2,953	-	2,953
Total other financing sources (uses)	<u>5,122</u>	<u>1,400</u>	<u>6,522</u>
Net change in fund balances	(65,392)	87,666	22,274
Fund balances beginning of year, as restated	<u>(129,827)</u>	<u>334,649</u>	<u>204,822</u>
Fund balances end of year	<u>(195,219)</u>	<u>422,315</u>	<u>227,096</u>

See notes to financial statements.

## LAKE MILLS COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds to the  
Statement of Activities

Year ended June 30, 2004

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		22,274
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
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 Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded Capital outlay expenditures in the year as follows:		
Expenditures for capital assets	116,612	
Depreciation expense	<u>(206,319)</u>	(89,707)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		
		(7,000)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
		145,289
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.		
		1,253
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Early retirement		<u>12,731</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>84,840</u></u>

## LAKE MILLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds  
June 30, 2004

	(Nonmajor) School Nutrition
	<u>          </u>
	\$
<b>Assets</b>	
Cash and cash equivalents	52,696
Accounts receivable	70
Inventories	13,892
Capital assets, net of accumulated depreciation	<u>25,092</u>
<b>Total assets</b>	<u>91,750</u>
<b>Liabilities</b>	
Salaries and benefits payable	16,598
Deferred revenue	<u>4,457</u>
<b>Total liabilities</b>	<u>21,055</u>
<b>Net assets</b>	
Invested in capital assets, net of related debt	25,092
Unrestricted	<u>45,603</u>
<b>Total net assets</b>	<u><u>70,695</u></u>

## LAKE MILLS COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Funds

Year ended June 30, 2004

	(Nonmajor) School Nutrition <u>          </u> \$
Operating revenue:	
Local sources:	
Charges for service	<u>138,833</u>
Operating expenses:	
Non-instructional programs:	
Salaries	98,476
Benefits	31,618
Purchased services	3,889
Supplies	114,858
Depreciation	<u>10,598</u>
	<u>259,439</u>
Operating gain (loss)	<u>(120,606)</u>
Non-operating revenue:	
State sources	4,010
Federal sources	104,581
Interest income	126
Total non-operating revenue	<u>108,717</u>
Change in net assets	(11,889)
Net assets beginning of year	<u>82,584</u>
Net assets end of year	<u><u>70,695</u></u>

## LAKE MILLS COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2004

	(Nonmajor) School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	139,282
Cash received from daycare services	-
Cash payments to employees for services	(129,713)
Cash payments to suppliers for goods or services	<u>(93,723)</u>
Net cash used by operating activities	<u>(84,154)</u>
Cash flows from non-capital financing activities:	
State grants received	4,010
Federal grants received	<u>79,746</u>
Net cash provided by non-capital financing activities	<u>83,756</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>126</u>
Net increase (decrease) in cash and cash equivalents	(272)
Cash and cash equivalents at beginning of year	<u>52,968</u>
Cash and cash equivalents at end of year	<u><u>52,696</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>	
Operating gain (loss)	(120,606)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	24,835
Depreciation	10,598
Decrease (increase) in inventories	(779)
Decrease (increase) in accounts receivable	(53)
(Decrease) increase in salaries and benefits payable	1,349
(Decrease) increase in deferred revenue	<u>502</u>
Net cash used in operating activities	<u><u>(84,154)</u></u>

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

During the year ended June 30, 2004, the District received \$24,835 of federal commodities.

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2004

	Private Purpose Trust Scholarship
	<u>\$</u>
<b>Assets</b>	
Cash and pooled investments	255,850
Accrued interest receivable	<u>16</u>
<b>Total Assets</b>	255,866
<b>Liabilities</b>	<u>-</u>
<b>Net Assets</b>	
Reserved for scholarships	<u><u>255,866</u></u>

## LAKE MILLS COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2004

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	3,882
Interest	<u>883</u>
Total additions	4,765
Deductions:	
Support services:	
Scholarships awarded	<u>8,324</u>
Change in net assets	(3,559)
Net assets beginning of year	<u>259,425</u>
Net assets end of year	<u><u>255,866</u></u>

# LAKE MILLS COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2004

### 1. Summary of Significant Accounting Policies

**Lake Mills** Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of **Lake Mills**, Iowa and the predominately agricultural territory in a portion of **Winnebago and Worth** 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, **Lake Mills** 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 **Lake Mills** Community School District **has no component units that** 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 Assets 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 Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 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 instruction, support and other costs.

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

The District also reports fiduciary funds, which focus on net assets and changes in net assets. The District's fiduciary funds include 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 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 judgements, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under 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 assets 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.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, 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 the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-

wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003, through June 30, 2004, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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 Assets. 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 repair 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	5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-25 years
Furniture and equipment	3-15 years

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

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

collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

[Compensated Absences](#) - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

[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 Assets.

[Fund Equity](#) – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

[Restricted Net Assets](#) – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset 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.

#### E. [Budgeting and Budgetary Control](#)

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the support services and [non-instructional programs](#) functions exceeded the amounts budgeted.

### 2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2004 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.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

### 3. **Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest

earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of [June 30, 2004](#), is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments \$	Accrued Interest Receivable \$	Warrants Payable \$	Accrued Interest Payable \$
2003-04B	1/30/04	1/28/05	244,655	1,331	243,000	2,018
2004-05A	6/30/04	6/30/05	988,328	-	983,000	-
Total			<u>1,232,983</u>	<u>1,331</u>	<u>1,226,000</u>	<u>2,018</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, [2004](#), is as follows:

Balance Beginning of Year \$	Advances Received \$	Advances Repaid \$	Balance End of Year \$
-	700,000	700,000	-

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants %	Interest Rates on Investments %
2003-04B	2.000	1.310
2004-05A	3.000	2.463

#### 4. Capital Assets

Capital assets activity for the year ended June 30, [2004](#) is as follows:

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	6,000	-	-	6,000
Capital assets being depreciated:				
Buildings	3,390,307	-	-	3,390,307
Improvements other than buildings	300,000	-	-	300,000
Furniture and equipment	915,242	116,612	-	1,031,854
Total capital assets being deprec.	<u>4,605,549</u>	<u>116,612</u>	-	<u>4,722,161</u>
Less accumulated depreciation for:				
Buildings	2,165,307	122,500	-	2,287,807
Improvements other than buildings	81,400	13,800	-	95,200
Furniture and equipment	713,870	70,019	-	783,889
Total accumulated depreciation	<u>2,960,577</u>	<u>206,319</u>	-	<u>3,166,896</u>
Total capital assets being depreciated, net	<u>1,644,972</u>	<u>(89,707)</u>	-	<u>1,555,265</u>
Governmental activities capital assets, net	<u>1,650,972</u>	<u>(89,707)</u>	-	<u>1,561,265</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	139,230	-	-	139,230
Less accumulated depreciation	<u>103,540</u>	<u>10,598</u>	-	<u>114,138</u>
Business type activities capital assets, net	<u>35,690</u>	<u>(10,598)</u>	-	<u>25,092</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Support Services:	
Operation and maintenance of plant services	1,389
Transportation	<u>60,801</u>
	62,190
Unallocated depreciation	<u>144,129</u>
Total depreciation expense – governmental activities	<u>206,319</u>
Business type activities:	
Food services	<u>10,598</u>

## 5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	1,635,000	-	140,000	1,495,000	145,000
Special assessment	42,313	-	5,289	37,024	5,289
Early retirement	30,546	-	12,731	17,815	17,815
<b>Total</b>	<b>1,707,859</b>	<b>-</b>	<b>158,020</b>	<b>1,549,839</b>	<b>168,104</b>

### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age **fifty-five** and must have completed **fifteen** years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives are based on the salary schedule in effect during year of retirement. Early retirement expenditures for the year ended June 30, 2004 totaled \$12,731.

### General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of <b>December, 1998</b>			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2005	4.10	145,000	63,325	208,325
2006	4.10	155,000	57,380	212,380
2007	4.10	165,000	51,025	216,025
2008	4.15	165,000	44,360	209,360
2009	4.25	175,000	37,413	212,413
2010	4.30-4.40	690,000	70,152	760,152
		<u>1,495,000</u>	<u>323,655</u>	<u>1,818,655</u>

### Special Assessment Payable

Details of the District's June 30, 2004 special assessment liability for a year 2000 street improvement is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2005	7.5	5,289	2,874	8,163
2006	7.5	5,289	2,464	7,753
2007	7.5	5,289	2,053	7,342
2008	7.5	5,289	1,642	6,931
2009	7.5	5,289	1,232	6,521
2010-2011	7.5	10,579	1,231	11,810
		<u>37,024</u>	<u>11,496</u>	<u>48,520</u>

## 6. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$186,200, \$177,686, and \$172,658 respectively, equal to the required contributions for each year.

## 7. Risk Management

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

## 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 \$204,823 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## 9. Accounting Change and Restatement

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities, and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	<u>Fund</u>		<u>Total</u>
	<u>General</u>	<u>Nonmajor</u>	
	\$	\$	\$
Net assets, June 30, 2003, as previously reported	(129,827)	327,837	198,010
GASB Interpretation 6 adjustments	<u>-</u>	<u>6,812</u>	<u>6,812</u>
Net assets, July 1, 2003, as restated for Governmental funds	<u>(129,827)</u>	<u>334,649</u>	204,822
GASB 34 adjustments:			
Capital assets net of accumulated depreciation of \$2,960,577			1,650,972
Long-term liabilities:			
Bonds			(1,635,000)
Special assessment			(42,313)
Early retirement			(30,546)
Accrued interest payable			(13,890)
Deferred revenue			<u>213,000</u>
Net assets, July 1, 2003, as restated			<u>347,045</u>

REQUIRED SUPPLEMENTARY INFORMATION

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Receipts:						
Local sources	3,402,202	139,408	3,541,610	3,187,334	3,187,334	354,276
Intermediate sources	2,606	-	2,606	600	600	2,006
State sources	2,665,671	4,010	2,669,681	2,767,247	2,767,247	(97,566)
Federal sources	76,926	104,581	181,507	80,000	80,000	101,507
Total receipts	<u>6,147,405</u>	<u>247,999</u>	<u>6,395,404</u>	<u>6,035,181</u>	<u>6,035,181</u>	<u>360,223</u>
Disbursements:						
Instruction	3,611,105	-	3,611,105	4,145,000	4,145,000	533,895
Support services	1,869,086	-	1,869,086	1,353,500	1,353,500	(515,586)
Non-instructional programs	-	248,271	248,271	234,823	234,823	(13,448)
Other expenditures	543,752	-	543,752	574,592	574,592	30,840
Total disbursements	<u>6,023,943</u>	<u>248,271</u>	<u>6,272,214</u>	<u>6,307,915</u>	<u>6,307,915</u>	<u>35,701</u>
Excess (deficiency) of receipts over (under) disbursements	123,462	(272)	123,190	(272,734)	(272,734)	395,924
Other financing sources (uses) net	<u>3,569</u>	<u>-</u>	<u>3,569</u>	<u>-</u>	<u>-</u>	<u>3,569</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	127,031	(272)	126,759	(272,734)	(272,734)	399,493
Balance beginning of year	<u>675,143</u>	<u>52,968</u>	<u>728,111</u>	<u>915,176</u>	<u>915,176</u>	<u>(187,065)</u>
Balance end of year	<u><u>802,174</u></u>	<u><u>52,696</u></u>	<u><u>854,870</u></u>	<u><u>642,442</u></u>	<u><u>642,442</u></u>	<u><u>212,428</u></u>

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	\$	\$	\$
Revenues	6,147,405	(40,123)	6,107,282
Expenditures	6,023,943	67,587	6,091,530
Net	123,462	(107,710)	15,752
Other financing sources (uses) net	3,569	2,953	6,522
Beginning fund balances	675,143	(470,321)	204,822
Ending fund balances	802,174	(575,078)	227,096

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
\$	\$	\$	
Revenues	247,999	(449)	247,550
Expenditures	248,271	11,168	259,439
Net	(272)	(11,617)	(11,889)
Beginning fund balances	52,968	29,616	82,584
Ending fund balances	52,696	17,999	70,695

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2004

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

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

During the year ended June 30, [2004](#), disbursements in the support services and non-[instructional programs](#) functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

## LAKE MILLS COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2004

Assets	Special Revenue Funds					Total \$
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	District Support Trust Funds	Debt Service	
	\$	\$	\$	\$	\$	
Cash and pooled investments	128,367	48,409	154,590	9,963	79,441	420,770
Receivables:						
Property tax:						
Delinquent	979	-	1,072	-	3,097	5,148
Succeeding year	15,000	-	42,817	-	209,343	267,160
Due from other governments	-	-	103,000	-	-	103,000
<b>Total assets</b>	<u>144,346</u>	<u>48,409</u>	<u>301,479</u>	<u>9,963</u>	<u>291,881</u>	<u>796,078</u>
<b>Liabilities &amp; Fund Balances</b>						
Liabilities:						
Accounts payable	-	3,603	-	-	-	3,603
Succeeding year property tax	15,000	-	42,817	-	209,343	267,160
Other	-	-	103,000	-	-	103,000
Other current liabilities	-	-	-	-	-	-
Total liabilities	<u>15,000</u>	<u>3,603</u>	<u>145,817</u>	<u>-</u>	<u>209,343</u>	<u>373,763</u>
Fund balances:						
Reserved for debt service	-	-	-	-	82,538	82,538
Unreserved fund balance	<u>129,346</u>	<u>44,806</u>	<u>155,662</u>	<u>9,963</u>	<u>-</u>	<u>339,777</u>
Total fund balances	<u>129,346</u>	<u>44,806</u>	<u>155,662</u>	<u>9,963</u>	<u>82,538</u>	<u>422,315</u>
<b>Total liabilities and fund balances</b>	<u>144,346</u>	<u>48,409</u>	<u>301,479</u>	<u>9,963</u>	<u>291,881</u>	<u>796,078</u>

## LAKE MILLS COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2004

	Special Revenue Funds					Total
	Management	Student	Physical	District	Debt	
	Levy	Activity	Plant and	Support	Service	
		Equipment	Trust Funds			
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	74,199	-	215,206	-	237,074	526,479
Other	-	180,065	2,583	46,441	-	229,089
State sources	55	-	66	-	173	294
Total revenues	<u>74,254</u>	<u>180,065</u>	<u>217,855</u>	<u>46,441</u>	<u>237,247</u>	<u>755,862</u>
Expenditures:						
Current:						
Instruction:						
Regular instruction	48,538	-	-	-	-	48,538
Other instruction	-	170,755	-	-	-	170,755
Support services:						
Student services	59,276	-	-	43,033	-	102,309
plant services	-	-	9,065	-	-	9,065
Other expenditures:						
Facilities acquisition	-	-	129,564	-	-	129,564
Long-term debt:						
Principal	-	-	-	-	140,000	140,000
Interest and fiscal charges	-	-	-	-	69,365	69,365
Total expenditures	<u>107,814</u>	<u>170,755</u>	<u>138,629</u>	<u>43,033</u>	<u>209,365</u>	<u>669,596</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(33,560)</u>	<u>9,310</u>	<u>79,226</u>	<u>3,408</u>	<u>27,882</u>	<u>86,266</u>
Other financing sources (uses):						
Compensation for loss of fixed assets			1,400			1,400
Net changes in fund balances	(33,560)	9,310	80,626	3,408	27,882	87,666
Fund balances beginning of year, as restated	<u>162,906</u>	<u>35,496</u>	<u>75,036</u>	<u>6,555</u>	<u>54,656</u>	<u>334,649</u>
Fund balances end of year	<u>129,346</u>	<u>44,806</u>	<u>155,662</u>	<u>9,963</u>	<u>82,538</u>	<u>422,315</u>

## LAKE MILLS COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

Account	Beginning of	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	Year				
	\$	\$	\$	\$	\$
Boys basketball	(2,848)	44	3,215	2,848	(3,171)
Football	(6,205)	-	8,785	6,204	(8,786)
Wrestling	(3,818)	1,276	4,495	3,818	(3,219)
Baseball	(2,816)	351	4,721	2,815	(4,371)
Boys golf	(425)	24	150	425	(126)
Boys track	(1,772)	1,125	2,041	1,772	(916)
Girls basketball	(2,010)	-	1,302	2,010	(1,302)
Girls golf	(231)	-	140	231	(140)
Girls track	(1,499)	302	2,450	1,499	(2,148)
Volleyball	(3,179)	175	3,864	3,179	(3,689)
Softball	(3,232)	780	3,706	3,232	(2,926)
Athletics	27,726	66,252	32,977	(27,968)	33,033
Cross country	(217)	-	360	217	(360)
Special olympics	588	-	-	-	588
Bulldog Store	-	4,339	3,587	-	752
Varsity cheerleaders	8	15,224	13,725	(299)	1,208
FFA	6,705	14,801	17,881	-	3,625
FCCLA	700	90	740	-	50
Speech club	4,576	3,511	4,203	-	3,884
Science club	587	-	-	-	587
Student council	1,511	2,234	2,968	-	777
Flag & rifle team	984	-	495	-	489
Concessions	-	14,664	10,496	(4,167)	1
MS student council	284	266	205	-	345
MS speech	71	-	-	-	71
Grade 7 quest	177	9,288	11,236	2,509	738
Grade 8-1 quest	2,387	880	250	(2,387)	630
Grade 8-2 quest	-	882	26	-	856
Grade 8-3 quest	122	2,264	-	(122)	2,264
Sixth grade camp fund	268	-	-	-	268
Class of 2004	5,636	1,175	2,853	-	3,958
Class of 2005	-	2,433	3,073	4,254	3,614
Band fundraising	3,929	17,747	12,636	(46)	8,994
Band	3,641	753	330	-	4,064
Pops concert fund	6,348	3,398	5,245	-	4,501
Musical/school play	3,612	2,483	1,923	-	4,172
High school annual	(3,451)	13,199	9,744	(4)	-
Interest	9	105	-	(20)	94
Beginning accruals	(2,670)	-	(2,670)	-	-
Ending accruals	-	-	3,603	-	(3,603)
Total	35,496	180,065	170,755	-	44,806

## LAKE MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,625,919	2,653,458	2,357,690	2,266,214
Tuition	392,806	171,916	192,587	177,681
Other	296,232	329,284	415,339	384,608
Intermediate sources	5,799	826	780	518
State sources	2,672,575	2,640,383	2,596,294	2,755,569
Federal sources	113,951	102,063	71,861	81,078
Total revenues	<u>6,107,282</u>	<u>5,897,930</u>	<u>5,634,551</u>	<u>5,665,668</u>
Expenditures:				
Instruction:				
Regular instruction	2,158,582	2,194,776	2,307,260	2,248,637
Special instruction	826,940	778,787	826,363	619,866
Other instruction	620,634	765,763	590,899	565,605
Support services:				
Student services	266,257	113,515	95,945	122,009
Instructional staff services	283,036	254,968	230,988	212,901
Administration services	624,184	474,968	458,068	355,563
Operation and maintenance of plant services	480,169	441,868	385,109	401,267
Transportation services	282,799	250,532	239,632	161,172
Central support services	1,786	-	1,704	1,361
Non-instructional programs	3,391	-	3,261	-
Other expenditures:				
Facilities acquisition	129,564	183,083	299,769	228,936
Long-term debt:				
Principal	140,000	115,000	105,000	100,000
Interest and other charges	69,365	96,272	101,203	105,653
AEA flowthrough	204,823	211,269	211,481	222,072
Total expenditures	<u>6,091,530</u>	<u>5,880,801</u>	<u>5,856,682</u>	<u>5,345,042</u>

## Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting

To the Board of Education of the  
[Lake Mills](#) Community School District:

We have audited the financial statements of the [Lake Mills](#) Community School District as of and for the year ended June 30, [2004](#), and have issued our report thereon dated October 5, [2004](#). We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether [Lake Mills](#) Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. [However, we noted certain immaterial instances of noncompliance that 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, [2004](#) are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved except for items [04-II-B](#), [04-II-K](#) and [04-II-L](#).

### Internal Control over Financial Reporting

In planning and performing our audit, we considered [Lake Mills](#) Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items [04-I-A](#) and [04-I-B](#) are material weaknesses. Prior year reportable conditions have all been resolved except for items [04-I-A](#) and [04-I-B](#).

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the [Lake Mills](#) Community School District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

October 5, [2004](#)

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

**04-I-A** Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing 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, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

**04-I-B** Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The stamp is under the care, custody, and control of the Administrative office. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The Board may designate a person other than the Board President to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

**04-II-A** Official Depositories: Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

**04-II-B** Certified Budget: Disbursements for the year ended June 30, 2004, exceeded the amounts budgeted in the support services and non-instructional programs functional areas.

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

District Response: We will amend our budget before disbursements exceed the budget in the future.

Conclusion: Response accepted.

**04-II-C** Questionable Disbursements: We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

**04-II-D** Travel Expenses: 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.

**04-II-E** Business Transactions: We noted no transactions between the District and District officials or employees.

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

**04-II-G** Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

**04-II-H** Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.

**04-II-I** Deposits and Investments: We 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.

**04-II-J** Certified Annual Report (CAR): The CAR was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting (continued):

**04-II-K**      Financial Condition: The District has an unreserved, undesignated deficit fund balance in the General Fund of \$195,219, and the Student Activity Fund has a few accounts with deficit balances at June 30, 2004.

Recommendation: The District should continue to monitor these accounts and investigate alternatives to eliminate these deficits.

District Response: We are working on ways to eliminate these deficits.

Conclusion: Response accepted.

**04-II-L**      Allocation of Interest: We noted that interest from a common bank account is not getting allocated to the Management Fund.

Recommendation: The District should allocate interest revenue to each fund within a common bank account.

District Response: We will review our procedures and make any necessary adjustments.

Conclusion: Response accepted