

LAMONI COMMUNITY SCHOOL DISTRICT  
LAMONI, IOWA

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

JUNE 30, 2004

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LAMONI COMMUNITY SCHOOL DISTRICT

OFFICIALS

| <u>Name</u>                      | <u>Title</u>                 | <u>Term Expires</u> |
|----------------------------------|------------------------------|---------------------|
| <u>Board of Education</u>        |                              |                     |
| (Before September 2003 Election) |                              |                     |
| Judy Badder                      | President                    | 2004                |
| William Morain                   | Vice President               | 2005                |
| Kindle Mahi                      | Board Member                 | 2003                |
| Michele Dickey-Kotz              | Board Member                 | 2003                |
| Alan Elefson                     | Board Member                 | 2003                |
| <u>Board of Education</u>        |                              |                     |
| (After September 2003 Election)  |                              |                     |
| Judy Badder                      | President                    | 2004                |
| William Morain                   | Vice President               | 2005                |
| Lois Russell                     | Board Member                 | 2004                |
| Alan Elefson                     | Board Member                 | 2006                |
| Mary Ann Manuel                  | Board Member                 | 2006                |
| <u>School Officials</u>          |                              |                     |
| Michael Harrold                  | Superintendent               | 2004                |
| Linda Hamaker                    | District Secretary/Treasurer | 2004                |
| Ahlers & Cooney, P.C.            | Attorney                     | Indefinite          |

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Lamoni Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, the major fund, and the aggregate remaining fund information of Lamoni Community School District, 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 basic 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 basic 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 that 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, business-type activities, the major fund, and the aggregate remaining fund information of Lamoni 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 10 to the financial statements, during the year ended June 30, 2004, Lamoni Community School District adopted Governmental Accounting Standards Board 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 Disclosure; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 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 August 27, 2004 on our consideration of Lamoni Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. 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.

The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 14 and 46 through 48 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 Lamoni 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 supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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.

Oskaloosa, Iowa  
August 27, 2004

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

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Lamoni 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, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the 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**

- General Fund revenues increased from \$3,013,641 in fiscal 2003 to \$3,068,546 in fiscal 2004, while General Fund expenditures decreased from \$3,148,650 in fiscal 2003 to \$3,125,990 in fiscal 2004. This resulted in a decrease in the District's General Fund balance from \$937,687 in fiscal 2003 to \$880,753 in fiscal 2004, a 6 percent decrease from the prior year.
- Open enrollment costs for fiscal 2004 were \$35,844 compared to fiscal 2003 costs of \$49,483, a decrease of \$13,639.
- The General Fund balance decreased by approximately \$57,000 due primarily to the 2.25% across the board state budget cuts.

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## 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 *District-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 District-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial 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.

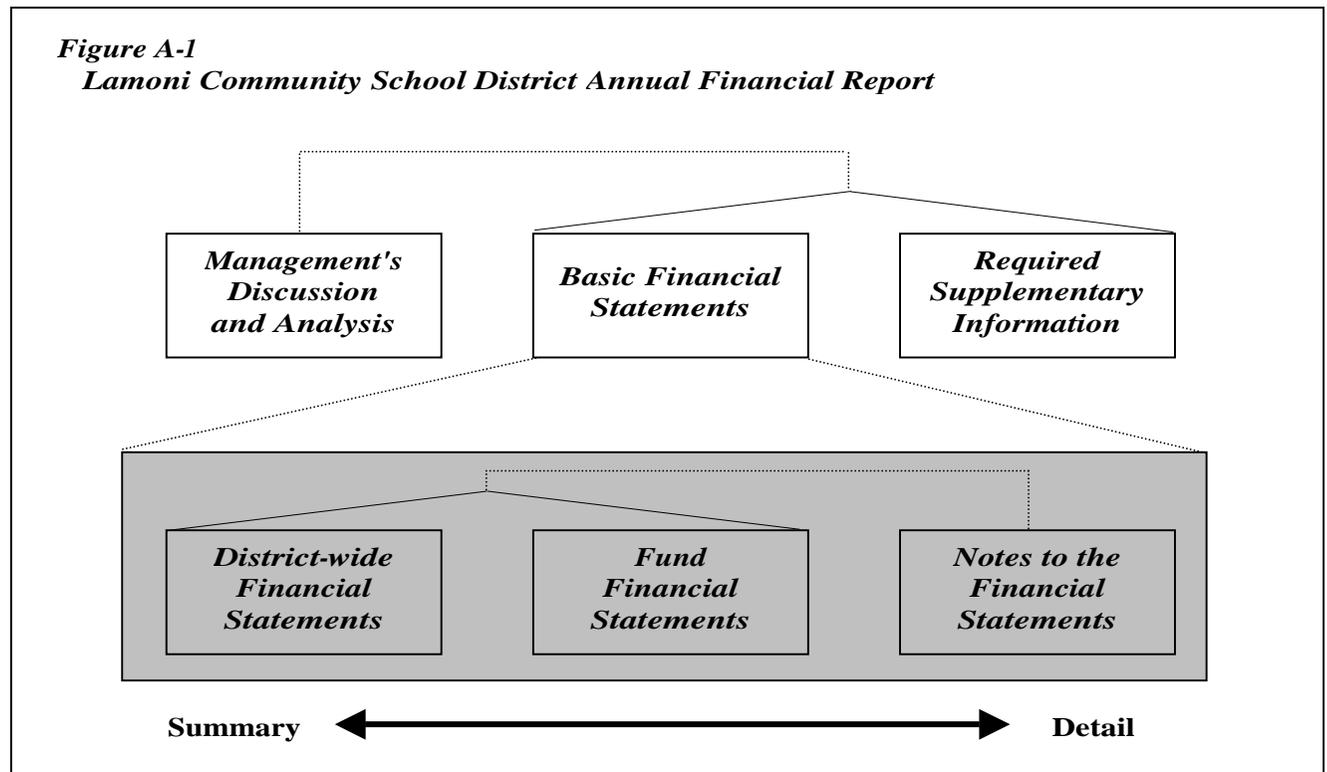


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents of each of the statements.

| <b>Figure A-2</b>   |  |  |   |   |
|---|--|--|---|---|
| <b><i>Major Features of the District-Wide and Fund Financial Statements</i></b> |  |  |   |   |
|   | District-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   | 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 balances</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 flows</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 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   |

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## District-wide Statements

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

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

## Fund Financial Statements

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

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

The District has three kinds of funds:

- *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. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.

- The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund.
- *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 District-wide 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 one enterprise fund, the School Nutrition Fund.
- *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust funds.
  - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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

### Financial Analysis of the District as a Whole

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2004.

| <b>Figure A-3</b>                                  |  |   |  |
|--|--|---|--|
| <b>Condensed Statement of Net Assets</b>           |  |   |  |
| <b>June 30, 2004</b>                               |  |   |  |
|  | <u>Governmental</u><br><u>Activities</u> | <u>Business-type</u><br><u>Activities</u> | <u>Total</u><br><u>School District</u> |
| Current and other assets                           | \$2,386,436                              | \$31,076                                  | \$2,417,512                            |
| Capital assets                                     | <u>\$1,933,514</u>                       | <u>\$11,231</u>                           | <u>\$1,944,745</u>                     |
| Total assets                                       | \$4,319,950                              | \$42,307                                  | \$4,362,257                            |
| Long-term obligations                              | \$575,000                                | \$0                                       | \$575,000                              |
| Other obligations                                  | <u>\$1,065,234</u>                       | <u>\$4,133</u>                            | <u>\$1,069,367</u>                     |
| Total liabilities                                  | \$1,640,234                              | \$4,133                                   | \$1,644,367                            |
| Net assets   |  |   |  |
| Invested in capital assets,<br>net of related debt | \$1,358,514                              | \$11,231                                  | \$1,369,745                            |
| Restricted   | \$243,321                                | \$0                                       | \$243,321                              |
| Unrestricted                                       | <u>\$1,077,881</u>                       | <u>\$26,943</u>                           | <u>\$1,104,824</u>                     |
| Total Net Assets                                   | <u><u>\$2,679,716</u></u>                | <u><u>\$38,174</u></u>                    | <u><u>\$2,717,890</u></u>              |

**Changes in net assets** – Figure A-4 shows the changes in net assets for the year ended June 30, 2004.

**Figure A-4  
Changes in Net Assets**

|  | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Total<br/>School District</u> |
|--|------------------------------------|-------------------------------------|----------------------------------|
| Revenues:  |                                    |                                     |                                  |
| Program revenues:  |                                    |                                     |                                  |
| Charges for service and sales                              | \$360,582                          | \$57,810                            | \$418,392                        |
| Operating grants, contributions and<br>restricted interest | \$703,879                          | \$64,823,                           | \$768,702                        |
| Capital grants, contributions, and<br>restricted interest  | \$48,280                           | \$0                                 | \$48,280                         |
| General revenues:  |                                    |                                     |                                  |
| Property tax   | \$954,906                          | \$0                                 | \$954,906                        |
| Local Option sales and services tax                        | \$36,860                           | \$0                                 | \$36,860                         |
| Income surtax  | \$94,599                           | \$0                                 | \$94,599                         |
| Unrestricted state grants                                  | \$1,238,022                        | \$0                                 | \$1,238,022                      |
| Unrestricted investment earnings                           | \$10,041                           | \$105                               | \$10,146                         |
| Other  | <u>\$42,418</u>                    | <u>\$0</u>                          | <u>\$42,418</u>                  |
| Total revenues   | \$3,489,587                        | \$122,738                           | \$3,612,325                      |
| Program expenses:  |                                    |                                     |                                  |
| Governmental activities:                                   |                                    |                                     |                                  |
| Instruction  | \$2,060,581                        | \$0                                 | \$2,060,581                      |
| Support services   | \$1,124,180                        | \$0                                 | \$1,124,180                      |
| Non-instructional programs                                 | \$5,584                            | \$117,667                           | \$123,251                        |
| Other expenses   | <u>\$209,084</u>                   | <u>\$0</u>                          | <u>\$209,084</u>                 |
| Total expenses   | \$3,399,429                        | \$117,667                           | \$3,517,096                      |
| Change in net assets                                       | \$90,158                           | \$5,071                             | \$95,229                         |

Property tax and unrestricted state grants account for 63 percent of the total revenue. The District's expenses primarily relate to instruction and support services, accounting for 94 percent of the total expenses.

### **Governmental Activities**

Revenues for governmental activities were \$3,489,587 and expenses were \$3,399,429.

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.

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

|                            | <u>Total Cost<br/>of Services</u> | <u>Net Cost<br/>of Services</u> |
|----------------------------|-----------------------------------|---------------------------------|
| Instruction                | \$2,060,581                       | \$1,171,557                     |
| Support Services           | \$1,124,180                       | \$1,053,073                     |
| Non-instructional programs | \$5,584                           | \$4,732                         |
| Other expenses             | <u>\$209,084</u>                  | <u>\$57,326</u>                 |
| Totals                     | \$3,399,429                       | \$2,286,688                     |

- 
- The cost financed by users of the District's programs was \$360,582.
  - Federal and state governments subsidized certain programs with grants and contributions totaling \$703,879.
  - The net cost of governmental activities was financed with \$954,906 in property tax, \$1,238,022 in state foundation aid, \$94,599 in income surtax, \$36,860 in local option sales tax, \$10,041 in interest income, and \$42,418 in other general revenues.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$122,738 and expenses were \$117,667. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2004, the District slightly increased meal prices. The School Nutrition Fund has been running efficiently for a significant number of years. Participation has remained steady. The unrestricted net assets are \$26,943.

## **Financial Analysis of the District's Funds**

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,232,875.

### **Governmental Fund Highlights**

- The District's deteriorating General Fund financial position is the product of many factors. A slight increase in student enrollment in 2003-2004 helped to offset the 2.25% state budget cuts.
- The General Fund balance decreased from \$937,687 to \$880,753, due in part to the negotiated salary and benefits settlement and the across the board state cuts of 2.25 per cent.

### **Proprietary Fund Highlights**

The Nutrition Fund had an increase in net assets of \$5,071 due to a slight increase in meal prices and a slight increase in the total number of meals served for the year.

## **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, except its private-purpose trust and agency 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. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 46-48.

### Legal Budgetary Highlights

The District's total actual receipts were \$202,152 less than the total budgeted receipts, a variance of 6%.

Total expenditures were more than budgeted in the other expenditures functional area due primarily to the District's spending in the Capital Projects Fund and PPEL Fund related to the elementary renovation project. Overall, expenditures were \$746,689 less than budgeted, a variance of 14%.

## Capital Asset and Debt Administration

### Capital Assets

At June 30, 2004, the District had invested \$1,944,745, net of accumulated depreciation of \$1,316,936, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$89,100.

The balance of the District's capital assets at June 30, 2004 was \$1,944,745. Governmental funds account for \$1,933,514 with the remainder of \$11,231 in the Proprietary, School Nutrition Fund.

**Figure A-6**

**Capital Assets, net of Depreciation**

|                                    | Governmental<br>Activities | Business-type<br>Activities | Total<br>School District |
|------------------------------------|----------------------------|-----------------------------|--------------------------|
| Land                               | \$5,000                    | \$0                         | \$5,000                  |
| Construction in progress           | \$782,432                  | \$0                         | \$782,432                |
| Buildings                          | \$1,024,550                | \$0                         | \$1,024,550              |
| Improvements, other than buildings | \$33,749                   | \$0                         | \$33,749                 |
| Furniture and equipment            | <u>\$87,783</u>            | <u>\$11,231</u>             | <u>\$99,014</u>          |
| Total                              | <u>\$1,933,514</u>         | <u>\$11,231</u>             | <u>\$1,944,745</u>       |

### Long-Term Debt

At June 30, 2004, the District had long-term debt totaling \$575,000 for the remainder of general obligation bonds for the middle school building and a new \$500,000 capital loan note to renovate the elementary building. More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

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

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

- The District has evaluated the condition of its transportation vehicles and determined that, due to safety precautions, one van may need to be replaced during fiscal 2005 at a cost of approximately \$30,000.
- Open enrollment-out expenditures should be at approximately the same level for fiscal 2005 as the previous year.
- Decatur County held an election in 2003, to determine the collection of the School Infrastructure Local Option sales tax. This would create approximately \$80,000 in revenues for the Capital Project Fund in fiscal 2005.
- District enrollment continues to decrease.

## **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 Linda Hamaker, Business Manager/ District Secretary/ Treasurer, or Mike Harrold, Superintendent, at Lamoni Community School District, 202 North Walnut Street, Lamoni, Iowa 50140.

## Basic Financial Statements

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
June 30, 2004

|  | <u>Governmental</u><br><u>Activities</u> | <u>Business-type</u><br><u>Activities</u> | <u>Total</u> |
|--|--|---|--------------|
| Assets   |  |   |              |
| Cash and pooled investments                              | \$ 1,374,262                             | \$ 29,980                                 | \$ 1,404,242 |
| Receivables:   |  |   |              |
| Property tax:  |  |   |              |
| Current year   | 26,953                                   | -   | 26,953       |
| Succeeding year  | 826,000                                  | -   | 826,000      |
| Income surtax  | 89,956                                   | -   | 89,956       |
| Accrued interest   | 325                                      | -   | 325          |
| Accounts   | 427                                      | 8   | 435          |
| Due from other governments                               | 68,513                                   | -   | 68,513       |
| Inventories  | -  | 1,088                                     | 1,088        |
| Capital assets, net of accumulated depreciation (note 4) | 1,933,514                                | 11,231                                    | 1,944,745    |
|  | <hr/>                                    | <hr/>                                     | <hr/>        |
| Total assets   | 4,319,950                                | 42,307                                    | 4,362,257    |
| Liabilities  |  |   |              |
| Accounts payable   | 42,814                                   | 125                                       | 42,939       |
| Salaries and benefits payable                            | 194,791                                  | 4,008                                     | 198,799      |
| Accrued interest payable                                 | 1,629                                    | -   | 1,629        |
| Deferred revenue:  |  |   |              |
| Succeeding year property tax                             | 826,000                                  | -   | 826,000      |
| Long-term liabilities (note 5):                          |  |   |              |
| Portion due within one year:                             |  |   |              |
| Bonds payable  | 105,000                                  | -   | 105,000      |
| Notes payable  | 45,000                                   | -   | 45,000       |
| Portion due after one year:                              |  |   |              |
| Notes payable  | 425,000                                  | -   | 425,000      |
|  | <hr/>                                    | <hr/>                                     | <hr/>        |
| Total liabilities  | 1,640,234                                | 4,133                                     | 1,644,367    |

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2004

|   | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Total</u>        |
|---|------------------------------------|-------------------------------------|---------------------|
| Net Assets                                      |                                    |                                     |                     |
| Invested in capital assets, net of related debt | \$ 1,358,514                       | \$ 11,231                           | \$ 1,369,745        |
| Restricted for:                                 |                                    |                                     |                     |
| Management levy                                 | 82,029                             | -                                   | 82,029              |
| Physical plant and equipment levy               | 116,474                            | -                                   | 116,474             |
| Other special revenue purposes                  | 30,648                             | -                                   | 30,648              |
| Debt service                                    | 14,170                             | -                                   | 14,170              |
| Unrestricted                                    | <u>1,077,881</u>                   | <u>26,943</u>                       | <u>1,104,824</u>    |
| Total net assets                                | <u>\$ 2,679,716</u>                | <u>\$ 38,174</u>                    | <u>\$ 2,717,890</u> |

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2004

| Functions/Programs                          | Expenses            | Program Revenues     |   |   |
|---|---------------------|----------------------|---|---|
|   |                     | Charges for Services | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| <b>Governmental Activities:</b>             |                     |                      |   |   |
| Instruction:                                |                     |                      |   |   |
| Regular instruction                         | \$ 1,188,724        | \$ 115,472           | \$ 266,520  | \$ -  |
| Special instruction                         | 558,389             | 141,663              | 272,776   | -   |
| Other instruction                           | 313,468             | 85,149               | 7,444   | -   |
|   | <u>2,060,581</u>    | <u>342,284</u>       | <u>546,740</u>  | <u>-</u>  |
| Support services:                           |                     |                      |   |   |
| Student services                            | 147,948             | -                    | 53,661  | -   |
| Instructional staff services                | 70,901              | -                    | -   | -   |
| Administration services                     | 357,269             | -                    | -   | -   |
| Operation and maintenance of plant services | 380,067             | 3,276                | -   | -   |
| Transportation services                     | 167,995             | 14,170               | -   | -   |
|   | <u>1,124,180</u>    | <u>17,446</u>        | <u>53,661</u>   | <u>-</u>  |
| Non-instructional programs                  | <u>5,584</u>        | <u>852</u>           | <u>-</u>  | <u>-</u>  |
| Other expenditures:                         |                     |                      |   |   |
| Facilities acquisition                      | 38,694              | -                    | -   | 48,280  |
| Long-term debt interest and fiscal charges  | 24,054              | -                    | -   | -   |
| AEA flowthrough                             | 103,478             | -                    | 103,478   | -   |
| Depreciation (unallocated) *                | 42,858              | -                    | -   | -   |
|   | <u>209,084</u>      | <u>-</u>             | <u>103,478</u>  | <u>48,280</u>   |
| Total governmental activities               | 3,399,429           | 360,582              | 703,879   | 48,280  |
| <b>Business-Type Activities:</b>            |                     |                      |   |   |
| Non-instructional programs:                 |                     |                      |   |   |
| Food service operations                     | <u>117,667</u>      | <u>57,810</u>        | <u>64,823</u>   | <u>-</u>  |
| Total                                       | <u>\$ 3,517,096</u> | <u>\$ 418,392</u>    | <u>\$ 768,702</u>                                       | <u>\$ 48,280</u>                                      |

Net (Expense) Revenue  
and Changes in Net Assets

---

|    | <u>Governmental</u><br><u>Activities</u> | <u>Business-Type</u><br><u>Activities</u> |    | <u>Total</u>       |
|----|--|---|----|--------------------|
| \$ | (806,732)                                | -   | \$ | (806,732)          |
|    | (143,950)                                | -   |    | (143,950)          |
|    | (220,875)                                | -   |    | (220,875)          |
|    | <u>(1,171,557)</u>                       | -   |    | <u>(1,171,557)</u> |
|    | (94,287)                                 | -   |    | (94,287)           |
|    | (70,901)                                 | -   |    | (70,901)           |
|    | (357,269)                                | -   |    | (357,269)          |
|    | (376,791)                                | -   |    | (376,791)          |
|    | (153,825)                                | -   |    | (153,825)          |
|    | <u>(1,053,073)</u>                       | -   |    | <u>(1,053,073)</u> |
|    | <u>(4,732)</u>                           | -   |    | <u>(4,732)</u>     |
|    | 9,586                                    | -   |    | 9,586              |
|    | (24,054)                                 | -   |    | (24,054)           |
|    | -  | -   |    | -                  |
|    | <u>(42,858)</u>                          | -   |    | <u>(42,858)</u>    |
|    | <u>(57,326)</u>                          | -   |    | <u>(57,326)</u>    |
|    | (2,286,688)                              | -   |    | (2,286,688)        |
|    | <u>-</u>                                 | <u>4,966</u>                              |    | <u>4,966</u>       |
|    | <u>(2,286,688)</u>                       | <u>4,966</u>                              |    | <u>(2,281,722)</u> |

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2004

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Local option sales and services tax

Income surtax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year, as restated (note 10)

Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

---

|    | <u>Governmental</u><br><u>Activities</u> | <u>Business-Type</u><br><u>Activities</u> | <u>Total</u>               |
|----|--|---|----------------------------|
| \$ | 778,409                                  | \$ -                                      | \$ 778,409                 |
|    | 110,783                                  | -   | 110,783                    |
|    | 65,714                                   | -   | 65,714                     |
|    | 36,860                                   | -   | 36,860                     |
|    | 94,599                                   | -   | 94,599                     |
|    | 1,238,022                                | -   | 1,238,022                  |
|    | 10,041                                   | 105                                       | 10,146                     |
|    | 42,418                                   | -   | 42,418                     |
|    | <hr/> 2,376,846                          | 105                                       | <hr/> 2,376,951            |
|    | 90,158                                   | 5,071                                     | 95,229                     |
|    | <hr/> 2,589,558                          | 33,103                                    | <hr/> 2,622,661            |
| \$ | <u><u>2,679,716</u></u>                  | <u><u>\$ 38,174</u></u>                   | <u><u>\$ 2,717,890</u></u> |

## LAMONI COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2004

|   | <u>General</u>      | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------|--|---|
| Assets  |                     |  |   |
| Cash and pooled investments                   | \$ 1,032,806        | \$ 341,456                                 | \$ 1,374,262                            |
| Receivables:                                  |                     |  |   |
| Property tax:                                 |                     |  |   |
| Current year                                  | 21,012              | 5,941                                      | 26,953                                  |
| Succeeding year                               | 607,000             | 219,000                                    | 826,000                                 |
| Income surtax                                 | 74,963              | 14,993                                     | 89,956                                  |
| Accrued interest                              | 325                 | -  | 325                                     |
| Accounts                                      | 427                 | -  | 427                                     |
| Due from other governments                    | 54,554              | 13,959                                     | 68,513                                  |
|   | <u>1,791,087</u>    | <u>595,349</u>                             | <u>2,386,436</u>                        |
| Total assets                                  | \$ <u>1,791,087</u> | \$ <u>595,349</u>                          | \$ <u>2,386,436</u>                     |
| Liabilities and Fund Balances                 |                     |  |   |
| Liabilities:                                  |                     |  |   |
| Accounts payable                              | \$ 33,580           | \$ 9,234                                   | \$ 42,814                               |
| Salaries and benefits payable                 | 194,791             | -  | 194,791                                 |
| Deferred revenue:                             |                     |  |   |
| Succeeding year property tax                  | 607,000             | 219,000                                    | 826,000                                 |
| Other   | 74,963              | 14,993                                     | 89,956                                  |
| Total liabilities                             | <u>910,334</u>      | <u>243,227</u>                             | <u>1,153,561</u>                        |
| Fund balance:                                 |                     |  |   |
| Reserved for:                                 |                     |  |   |
| Debt service                                  | -                   | 15,799                                     | 15,799                                  |
| Unreserved:                                   |                     |  |   |
| Reported in nonmajor Special<br>Revenue Funds | -                   | 214,158                                    | 214,158                                 |
| Undesignated                                  | 880,753             | 122,165                                    | 1,002,918                               |
| Total fund balances                           | <u>880,753</u>      | <u>352,122</u>                             | <u>1,232,875</u>                        |
| Total liabilities and fund balances           | \$ <u>1,791,087</u> | \$ <u>595,349</u>                          | \$ <u>2,386,436</u>                     |

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2004

|  |                     |
|--|---------------------|
| Total fund balances of governmental funds  | \$ 1,232,875        |
| Amounts reported for governmental activities in the statement of net assets are different because:   |                     |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.   | 1,933,514           |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.  | 89,956              |
| 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.                               | (1,629)             |
| Long-term liabilities, including bonds payable and capital loan notes payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | <u>(575,000)</u>    |
| Net assets of governmental activities  | <u>\$ 2,679,716</u> |

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2004

|   | General          | Nonmajor<br>Governmental<br>Funds | Total            |
|---|------------------|-----------------------------------|------------------|
| Revenues:                                   |                  |                                   |                  |
| Local sources:                              |                  |                                   |                  |
| Local tax                                   | \$ 819,384       | \$ 248,565                        | \$ 1,067,949     |
| Tuition                                     | 249,622          | -                                 | 249,622          |
| Other                                       | 46,166           | 104,267                           | 150,433          |
| Intermediate sources                        | 30,029           | -                                 | 30,029           |
| State sources                               | 1,627,673        | 166                               | 1,627,839        |
| Federal sources                             | 295,672          | 48,280                            | 343,952          |
| Total revenues                              | <u>3,068,546</u> | <u>401,278</u>                    | <u>3,469,824</u> |
| Expenditures:                               |                  |                                   |                  |
| Current:                                    |                  |                                   |                  |
| Instruction:                                |                  |                                   |                  |
| Regular instruction                         | 1,158,218        | -                                 | 1,158,218        |
| Special instruction                         | 558,389          | -                                 | 558,389          |
| Other instruction                           | 233,930          | 79,538                            | 313,468          |
|   | <u>1,950,537</u> | <u>79,538</u>                     | <u>2,030,075</u> |
| Support services:                           |                  |                                   |                  |
| Student services                            | 147,948          | -                                 | 147,948          |
| Instructional staff services                | 70,901           | -                                 | 70,901           |
| Administration services                     | 350,405          | 5,846                             | 356,251          |
| Operation and maintenance of plant services | 341,648          | 38,419                            | 380,067          |
| Transportation services                     | 155,489          | -                                 | 155,489          |
|   | <u>1,066,391</u> | <u>44,265</u>                     | <u>1,110,656</u> |
| Non-instructional programs                  | <u>5,584</u>     | <u>-</u>                          | <u>5,584</u>     |
| Other expenditures:                         |                  |                                   |                  |
| Facilities acquisition                      | -                | 660,454                           | 660,454          |
| Long term debt:                             |                  |                                   |                  |
| Principal                                   | -                | 130,000                           | 130,000          |
| Interest and fiscal charges                 | -                | 23,335                            | 23,335           |
| AEA flowthrough                             | 103,478          | -                                 | 103,478          |
|   | <u>103,478</u>   | <u>813,789</u>                    | <u>917,267</u>   |
| Total expenditures                          | <u>3,125,990</u> | <u>937,592</u>                    | <u>4,063,582</u> |
| Deficiency of revenues under expenditures   | <u>(57,444)</u>  | <u>(536,314)</u>                  | <u>(593,758)</u> |

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2004

|                                      | <u>General</u>    | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total</u>        |
|--------------------------------------|-------------------|--|---------------------|
| Other financing sources (uses):      |                   |  |                     |
| Sale of equipment                    | \$ 510            | \$ -                                       | \$ 510              |
| Interfund transfers in               | -                 | 43,082                                     | 43,082              |
| Interfund transfers out              | -                 | (43,082)                                   | (43,082)            |
| Capital loan note proceeds           | -                 | 496,618                                    | 496,618             |
| Total other financing sources (uses) | <u>510</u>        | <u>496,618</u>                             | <u>497,128</u>      |
| Net change in fund balances          | (56,934)          | (39,696)                                   | (96,630)            |
| Fund balances beginning of year      | <u>937,687</u>    | <u>391,818</u>                             | <u>1,329,505</u>    |
| Fund balances end of year            | <u>\$ 880,753</u> | <u>\$ 352,122</u>                          | <u>\$ 1,232,875</u> |

See notes to financial statements.

## LAMONI COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ (96,630)

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 reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense in the year are as follows:

|  |                      |                 |         |
|--|----------------------|-----------------|---------|
|  | Capital outlays      | \$ 625,142      |         |
|  | Depreciation expense | <u>(86,888)</u> | 538,254 |

Certain income surtax not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the statement of activities. 19,253

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets. 130,000

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (719)

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. (3,382)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but increase long-term liabilities in the statement of net assets and do not affect the statement of activities. (496,618)

Change in net assets of governmental activities \$ 90,158

See notes to financial statements.

## LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
PROPRIETARY FUND

June 30, 2004

|   | <u>School<br/>Nutrition</u> |
|---|-----------------------------|
| Assets  |                             |
| Cash and cash equivalents                       | \$ 29,980                   |
| Accounts receivable                             | 8                           |
| Inventories                                     | 1,088                       |
| Capital assets, net of accumulated depreciation | <u>11,231</u>               |
| Total assets                                    | <u>42,307</u>               |
| Liabilities                                     |                             |
| Accounts payable                                | 125                         |
| Salaries and benefits payable                   | <u>4,008</u>                |
| Total liabilities                               | <u>4,133</u>                |
| Net Assets                                      |                             |
| Invested in capital assets, net of related debt | 11,231                      |
| Unrestricted                                    | <u>26,943</u>               |
| Total net assets                                | <u>\$ 38,174</u>            |

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
Year Ended June 30, 2004

|                              | <u>School<br/>Nutrition</u> |
|------------------------------|-----------------------------|
| Operating revenues:          |                             |
| Local sources:               |                             |
| Charges for services         | \$ <u>57,810</u>            |
| Operating expenses:          |                             |
| Non-instructional programs:  |                             |
| Food service operations:     |                             |
| Salaries                     | 40,764                      |
| Benefits                     | 17,832                      |
| Purchased services           | 2,596                       |
| Supplies                     | 54,263                      |
| Depreciation                 | <u>2,212</u>                |
|                              | <u>117,667</u>              |
| Operating loss               | <u>(59,857)</u>             |
| Non-operating revenues:      |                             |
| Interest on investments      | 105                         |
| State sources                | 1,968                       |
| Federal sources              | <u>62,855</u>               |
| Total non-operating revenues | <u>64,928</u>               |
| Change in net assets         | 5,071                       |
| Net assets beginning of year | <u>33,103</u>               |
| Net assets end of year       | \$ <u><u>38,174</u></u>     |

See notes to financial statements.

## LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2004

|   | <u>School<br/>Nutrition</u> |
|---|-----------------------------|
| Cash flows from operating activities:   |                             |
| Cash received from sale of lunches and breakfasts                                 | \$ 57,810                   |
| Cash payments to employees for services   | (58,028)                    |
| Cash payments to suppliers for goods or services                                  | <u>(48,555)</u>             |
| Net cash used in operating activities   | <u>(48,773)</u>             |
| Cash flows from non-capital financing activities:                                 |                             |
| State grants received   | 1,968                       |
| Federal grants received   | <u>55,234</u>               |
| Net cash provided by non-capital financing activities                             | <u>57,202</u>               |
| Cash flows from investing activities:   |                             |
| Interest on investments   | <u>105</u>                  |
| Net increase in cash and cash equivalents   | 8,534                       |
| Cash and cash equivalents beginning of year                                       | <u>21,446</u>               |
| Cash and cash equivalents end of year   | <u>\$ 29,980</u>            |
| Reconciliation of operating loss to net cash used in operating activities:        |                             |
| Operating loss  | \$ (59,857)                 |
| Adjustments to reconcile operating loss to net cash used in operating activities: |                             |
| Depreciation  | 2,212                       |
| Commodities used  | 7,621                       |
| (Increase) in accounts receivable   | (8)                         |
| Decrease in inventories   | 1,869                       |
| (Decrease) in accounts payable  | (1,178)                     |
| Increase in salaries and benefits payable   | <u>568</u>                  |
| Net cash used in operating activities   | <u>\$ (48,773)</u>          |

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

During the year ended June 30, 2004, the District received \$7,621 of federal commodities.

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 June 30, 2004

|                             | <u>Private Purpose<br/>Trust</u> | <u>Scholarship</u> |
|-----------------------------|----------------------------------|--------------------|
| Assets                      |                                  |                    |
| Cash and pooled investments | \$                               | <u>10,437</u>      |
| Liabilities                 |                                  |                    |
| Liabilities:                |                                  |                    |
| None                        | \$                               | <u>-</u>           |
| Net assets:                 |                                  |                    |
| Reserved for scholarships   | \$                               | <u>10,437</u>      |

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year Ended June 30, 2004

|                              |    | Private Purpose<br>Trust |
|------------------------------|----|--------------------------|
|                              |    | <u>Scholarship</u>       |
| Additions:                   |    |                          |
| Local sources:               |    |                          |
| Gifts and contributions      | \$ | 2,202                    |
| Interest                     |    | <u>65</u>                |
| Total additions              |    | <u>2,267</u>             |
| Deductions:                  |    |                          |
| None                         |    | <u>-</u>                 |
| Change in net assets         |    | 2,267                    |
| Net assets beginning of year |    | <u>8,170</u>             |
| Net assets end of year       | \$ | <u><u>10,437</u></u>     |

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

For financial reporting purposes, Lamoni Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Lamoni 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 Decatur County Assessor's Conference Board.

B. Basis of Presentation

District-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.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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 which can be removed or modified.

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-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 fund:

The General Fund is the main 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 expenses, including instructional, support and other costs.

The District reports the following non-major proprietary fund:

The Enterprise, School Nutrition 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 with restrictions of income earned to be used to benefit individuals through scholarship awards.

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

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there 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.

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

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

LAMONI COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and 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 that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes 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 contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

LAMONI COMMUNITY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment are reported in the applicable governmental or business-type activities columns in the District-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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| Asset Class                       | Amount   |
|-----------------------------------|----------|
| Land                              | \$ 5,000 |
| Buildings                         | 5,000    |
| 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 of depreciation over the following estimated useful lives:

| Asset Class                       | Estimated Useful Lives |
|-----------------------------------|------------------------|
| Buildings                         | 50 years               |
| Improvements other than buildings | 20 years               |
| Furniture and equipment           | 5-15 years             |

Salaries and Benefits Payable – Payroll and related expenses 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 collectible 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 represents 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, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District’s policy is not to reimburse employees for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2004.

Long-term Liabilities – In the District-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 Balances – 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.

Invested in capital assets, net of related debt – In the District-wide statement of net assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-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. Budgets 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 other expenditures functional area exceeded the amount budgeted.

Note 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.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 2. Cash and Pooled Investments (continued)

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$483,239 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u>              | <u>Amount</u>    |
|--------------------|-----------------------------------|------------------|
| Debt Service       | Capital Projects                  | \$ 17,008        |
|                    | Special Revenue:                  |                  |
|                    | Physical Plant and Equipment Levy | <u>26,074</u>    |
| Total              |                                   | <u>\$ 43,082</u> |

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

|   | Balance<br>Beginning<br>of Year,<br>as Restated<br>(note 10) | Increases         | Decreases     | Balance<br>End<br>of Year |
|---|--|-------------------|---------------|---------------------------|
| Governmental activities:                    |  |                   |               |                           |
| Capital assets not being depreciated:       |  |                   |               |                           |
| Land  | \$ 5,000   | \$ -              | \$ -          | \$ 5,000                  |
| Construction in progress                    | 260,112  | 522,320           | -             | 782,432                   |
| Total capital assets not being depreciated  | <u>265,112</u>   | <u>522,320</u>    | <u>-</u>      | <u>787,432</u>            |
| Capital assets being depreciated:           |  |                   |               |                           |
| Buildings                                   | 1,852,633  | 102,822           | 60,547        | 1,894,908                 |
| Improvements other than buildings           | 150,998  | -                 | -             | 150,998                   |
| Furniture and equipment                     | 402,258  | -                 | 17,788        | 384,470                   |
| Total capital assets being depreciated      | <u>2,405,889</u>   | <u>102,822</u>    | <u>78,335</u> | <u>2,430,376</u>          |
| Less accumulated depreciation for:          |  |                   |               |                           |
| Buildings                                   | 892,575  | 38,330            | 60,547        | 870,358                   |
| Improvements other than buildings           | 109,699  | 7,550             | -             | 117,249                   |
| Furniture and equipment                     | 273,467  | 41,008            | 17,788        | 296,687                   |
| Total accumulated depreciation              | <u>1,275,741</u>   | <u>86,888</u>     | <u>78,335</u> | <u>1,284,294</u>          |
| Total capital assets being depreciated, net | <u>1,130,148</u>   | <u>15,934</u>     | <u>-</u>      | <u>1,146,082</u>          |
| Governmental activities capital assets, net | <u>\$ 1,395,260</u>  | <u>\$ 538,254</u> | <u>\$ -</u>   | <u>\$ 1,933,514</u>       |

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 4. Capital Assets (continued)

|  | Balance<br>Beginning<br>of Year | Increases         | Decreases   | Balance<br>End<br>of Year |
|--|---------------------------------|-------------------|-------------|---------------------------|
| Business-type activities:                    |                                 |                   |             |                           |
| Furniture and equipment                      | \$ 43,873                       | \$ -              | \$ -        | \$ 43,873                 |
| Less accumulated depreciation                | 30,430                          | 2,212             | -           | 32,642                    |
| Business-type activities capital assets, net | <u>\$ 13,443</u>                | <u>\$ (2,212)</u> | <u>\$ -</u> | <u>\$ 11,231</u>          |

Depreciation expense was charged by the District to the following functions:

|  |  |                  |
|--|--|------------------|
| Governmental activities:                           |  |                  |
| Instruction:                                       |  |                  |
| Regular  |  | \$ 30,506        |
| Support services:                                  |  |                  |
| Administration                                     |  | 1,018            |
| Transportation                                     |  | 12,506           |
|  |  | <u>44,030</u>    |
| Unallocated depreciation                           |  | <u>42,858</u>    |
| Total governmental activities depreciation expense |  | <u>\$ 86,888</u> |
| Business-type activities:                          |  |                  |
| Food service operations                            |  | <u>\$ 2,212</u>  |

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

|                           | General<br>Obligation<br>Bonds | Capital<br>Loan<br>Notes | Total             |
|---------------------------|--------------------------------|--------------------------|-------------------|
| Balance beginning of year | \$ 205,000                     | \$ -                     | \$ 205,000        |
| Additions                 | -                              | 500,000                  | 500,000           |
| Reductions                | 100,000                        | 30,000                   | 130,000           |
| Balance end of year       | <u>\$ 105,000</u>              | <u>\$ 470,000</u>        | <u>\$ 575,000</u> |
| Due within one year       | <u>\$ 105,000</u>              | <u>\$ 45,000</u>         | <u>\$ 150,000</u> |

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 5. Long-Term Liabilities (continued)

Bonds Payable

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

| <u>Year Ending<br/>June 30,</u> | <u>Interest<br/>Rate</u> | <u>Principal</u>  | <u>Interest</u> | <u>Total</u>      |
|---------------------------------|--------------------------|-------------------|-----------------|-------------------|
| 2005                            | 5.4 %                    | \$ <u>105,000</u> | \$ <u>5,670</u> | \$ <u>110,670</u> |

Capital Loan Notes Payable

During the year ended June 30, 2004, the District issued \$500,000 of capital loan notes with interest rates ranging from 1.20% to 3.80%.

Details of the District's June 30, 2004 capital loan note indebtedness are as follows:

| <u>Year Ending<br/>June 30,</u> | <u>Interest<br/>Rate</u> | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|---------------------------------|--------------------------|-------------------|------------------|-------------------|
| 2005                            | 1.55 %                   | \$ 45,000         | \$ 13,878        | \$ 58,878         |
| 2006                            | 2.00                     | 50,000            | 13,180           | 63,180            |
| 2007                            | 2.40                     | 50,000            | 12,180           | 62,180            |
| 2008                            | 2.80                     | 50,000            | 10,980           | 60,980            |
| 2009                            | 3.05                     | 50,000            | 9,580            | 59,580            |
| 2010                            | 3.35                     | 55,000            | 8,054            | 63,054            |
| 2011                            | 3.50                     | 55,000            | 6,212            | 61,212            |
| 2012                            | 3.65                     | 55,000            | 4,288            | 59,288            |
| 2013                            | 3.80                     | <u>60,000</u>     | <u>2,280</u>     | <u>62,280</u>     |
|                                 |                          | \$ <u>470,000</u> | \$ <u>80,632</u> | \$ <u>550,632</u> |

LAMONI COMMUNITY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2004

Note 6. Operating Lease

During the year ended June 30, 2004, the District renewed an operating lease for school buses for a two year period.

During the year ended June 30, 2004, the District made nine monthly payments of \$6,095 for two 53 passenger buses and a 71 passenger bus for a total of \$54,858.

Future minimum lease payments using the 2004-2005 fiscal year base payment amount of \$6,175 and a nine month school year are as follows:

| <u>Year Ending<br/>June 30,</u> | <u>Minimum<br/>Lease<br/>Payments</u> |
|---------------------------------|---------------------------------------|
| 2005                            | \$ 55,571                             |
| 2006                            | <u>55,571</u>                         |
|                                 | <u>\$ 111,142</u>                     |

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$104,205, \$104,247, and \$99,187 respectively, equal to the required contributions for each year.

Note 8. Risk Management

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

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 8. Risk Management (continued)

Each member's contributions to ISEBA fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2004 were \$344,802.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$103,478 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.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 10. Accounting Change

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during 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 Disclosure; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; were implemented during the year June 30, 2004. The statements create new basic financial statements for reporting the District’s financial activities. The financial statements now include District-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 District-wide financial statements separate the District’s programs between business-type and governmental 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:

|  | Fund              |                   |                     |
|--|-------------------|-------------------|---------------------|
|  | General           | Nonmajor          | Total               |
| Net assets, June 30, 2003, as previously reported for governmental funds | \$ <u>937,687</u> | \$ <u>391,818</u> | \$ 1,329,505        |
| GASB 34 adjustments:   |                   |                   |                     |
| Capital assets, net of accumulated depreciation of \$1,275,741           |                   |                   | 1,395,260           |
| Long-term liabilities:   |                   |                   |                     |
| Bonds and notes  |                   |                   | (205,000)           |
| Accrued interest payable   |                   |                   | (910)               |
| Deferred revenue   |                   |                   | <u>70,703</u>       |
| Net assets, July 1, 2003, as restated                                    |                   |                   | \$ <u>2,589,558</u> |

Required Supplementary Information

LAMONI 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<br>Funds -<br>Actual | Proprietary<br>Fund -<br>Actual | Total<br>Actual     | Budgeted<br>Amounts<br>Original<br>and Final | Final to<br>Actual<br>Variance |
|--|-----------------------------------|---------------------------------|---------------------|--|--------------------------------|
| <b>RECEIPTS:</b>   |                                   |                                 |                     |  |                                |
| Local sources  | \$ 1,454,569                      | \$ 57,915                       | \$ 1,512,484        | \$ 1,677,920                                 | \$ (165,436)                   |
| Intermediate sources   | 26,700                            | -                               | 26,700              | -  | 26,700                         |
| State sources  | 1,632,463                         | 1,968                           | 1,634,431           | 1,699,293                                    | (64,862)                       |
| Federal sources  | 310,591                           | 62,855                          | 373,446             | 372,000                                      | 1,446                          |
| <b>Total receipts</b>  | <b>3,424,323</b>                  | <b>122,738</b>                  | <b>3,547,061</b>    | <b>3,749,213</b>                             | <b>(202,152)</b>               |
| <b>DISBURSEMENTS:</b>  |                                   |                                 |                     |  |                                |
| Instruction  | 2,011,274                         | -                               | 2,011,274           | 2,880,011                                    | 868,737                        |
| Support services   | 1,128,309                         | -                               | 1,128,309           | 1,240,000                                    | 111,691                        |
| Non-instructional programs   | 5,584                             | 114,204                         | 119,788             | 163,791                                      | 44,003                         |
| Other expenditures   | 1,167,148                         | -                               | 1,167,148           | 889,406                                      | (277,742)                      |
| <b>Total disbursements</b>   | <b>4,312,315</b>                  | <b>114,204</b>                  | <b>4,426,519</b>    | <b>5,173,208</b>                             | <b>746,689</b>                 |
| Excess (deficiency) of receipts<br>over (under) disbursements                                | (887,992)                         | 8,534                           | (879,458)           | (1,423,995)                                  | 544,537                        |
| Other financing sources, net   | 497,128                           | -                               | 497,128             | -  | 497,128                        |
| Excess (deficiency) of receipts<br>and other financing sources<br>over (under) disbursements | (390,864)                         | 8,534                           | (382,330)           | (1,423,995)                                  | 1,041,665                      |
| Balance beginning of year  | 1,765,126                         | 21,446                          | 1,786,572           | 1,603,475                                    | 183,097                        |
| Balance end of year  | \$ <u>1,374,262</u>               | \$ <u>29,980</u>                | \$ <u>1,404,242</u> | \$ <u>179,480</u>                            | \$ <u>1,224,762</u>            |

See accompanying independent auditor's report.

LAMONI COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year Ended June 30, 2004

|                                | Governmental Funds  |                     |                     |
|--------------------------------|---------------------|---------------------|---------------------|
|                                | Cash                | Accrual             | Modified            |
|                                | Basis               | Adjust-<br>ments    | Accrual<br>Basis    |
| Revenues                       | \$ 3,424,323        | \$ 45,501           | \$ 3,469,824        |
| Expenditures                   | 4,312,315           | (248,733)           | 4,063,582           |
| Net                            | (887,992)           | 294,234             | (593,758)           |
| Other financing sources (uses) | 497,128             | -                   | 497,128             |
| Beginning fund balances        | 1,765,126           | (435,621)           | 1,329,505           |
| Ending fund balances           | <u>\$ 1,374,262</u> | <u>\$ (141,387)</u> | <u>\$ 1,232,875</u> |
|                                | Proprietary Fund    |                     |                     |
|                                | Enterprise          |                     |                     |
|                                | Cash                | Accrual             | Accrual             |
|                                | Basis               | Adjust-<br>ments    | Basis               |
| Revenues                       | \$ 122,738          | \$ -                | \$ 122,738          |
| Expenses                       | 114,204             | 3,463               | 117,667             |
| Net                            | 8,534               | (3,463)             | 5,071               |
| Beginning net assets           | 21,446              | 11,657              | 33,103              |
| Ending net assets              | <u>\$ 29,980</u>    | <u>\$ 8,194</u>     | <u>\$ 38,174</u>    |

See accompanying independent auditor's report.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

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 functional areas, not by fund or fund type. These four functional areas 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 at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2004, disbursements in the other expenditures functional area exceeded the amount budgeted.

Other Supplementary Information

LAMONI COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2004

|                                   | Special Revenue    |                     |  |                 |
|-----------------------------------|--------------------|---------------------|--|-----------------|
|                                   | Management<br>Levy | Student<br>Activity | Physical<br>Plant and<br>Equipment<br>Levy | Debt<br>Service |
| Assets                            |                    |                     |  |                 |
| Cash and pooled investments       | \$ 81,038          | \$ 30,663           | \$ 99,625                                  | \$ 12,705       |
| Receivables:                      |                    |                     |  |                 |
| Property tax:                     |                    |                     |  |                 |
| Current year                      | 991                | -                   | 1,856                                      | 3,094           |
| Succeeding year                   | 43,000             | -                   | 76,000                                     | 100,000         |
| Income surtax                     | -                  | -                   | 14,993                                     | -               |
| Due from other governments        | -                  | -                   | -  | -               |
|                                   |                    |                     |  |                 |
| Total assets                      | \$ 125,029         | \$ 30,663           | \$ 192,474                                 | \$ 115,799      |
| Liabilities and Fund Equity       |                    |                     |  |                 |
| Liabilities:                      |                    |                     |  |                 |
| Accounts payable                  | \$ -               | \$ 15               | \$ -                                       | \$ -            |
| Deferred revenue:                 |                    |                     |  |                 |
| Succeeding year property tax      | 43,000             | -                   | 76,000                                     | 100,000         |
| Other                             | -                  | -                   | 14,993                                     | -               |
| Total liabilities                 | 43,000             | 15                  | 90,993                                     | 100,000         |
| Fund equity:                      |                    |                     |  |                 |
| Fund balances:                    |                    |                     |  |                 |
| Reserved for:                     |                    |                     |  |                 |
| Debt service                      | -                  | -                   | -  | 15,799          |
| Unreserved:                       |                    |                     |  |                 |
| Undesignated                      | 82,029             | 30,648              | 101,481                                    | -               |
| Total fund equity                 | 82,029             | 30,648              | 101,481                                    | 15,799          |
| Total liabilities and fund equity | \$ 125,029         | \$ 30,663           | \$ 192,474                                 | \$ 115,799      |

See accompanying independent auditor's report.

| <u>Capital<br/>Projects</u> | <u>Total</u> |
|-----------------------------|--------------|
| \$ 117,425                  | \$ 341,456   |
| -                           | 5,941        |
| -                           | 219,000      |
| -                           | 14,993       |
| 13,959                      | 13,959       |
| \$ 131,384                  | \$ 595,349   |

|          |          |
|----------|----------|
| \$ 9,219 | \$ 9,234 |
| -        | 219,000  |
| -        | 14,993   |
| 9,219    | 243,227  |

|            |            |
|------------|------------|
| -          | 15,799     |
| 122,165    | 336,323    |
| 122,165    | 352,122    |
| \$ 131,384 | \$ 595,349 |

LAMONI COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2004

|  | Special Revenue    |                     |  |                 |
|--|--------------------|---------------------|--|-----------------|
|  | Management<br>Levy | Student<br>Activity | Physical<br>Plant and<br>Equipment<br>Levy | Debt<br>Service |
| <b>Revenues:</b>   |                    |                     |  |                 |
| Local sources:   |                    |                     |  |                 |
| Local tax  | \$ 35,084          | \$ -                | \$ 65,737                                  | \$ 110,884      |
| Local option sales and services tax  | -                  | -                   | -  | -               |
| Other  | 633                | 85,338              | 16,581                                     | 488             |
| State sources  | 28                 | -                   | 52   | 86              |
| Federal sources  | -                  | -                   | 48,280                                     | -               |
| Total revenues   | <u>35,745</u>      | <u>85,338</u>       | <u>130,650</u>                             | <u>111,458</u>  |
| <b>Expenditures:</b>   |                    |                     |  |                 |
| Current:   |                    |                     |  |                 |
| Instruction:   |                    |                     |  |                 |
| Other instruction  | -                  | 79,538              | -  | -               |
| Support services:  |                    |                     |  |                 |
| Administration services  | 5,846              | -                   | -  | -               |
| Operation and maintenance of<br>plant services                                     | 38,419             | -                   | -  | -               |
| Other expenditures:  |                    |                     |  |                 |
| Facilities acquisition   | -                  | -                   | 264,922                                    | -               |
| Long term debt:  |                    |                     |  |                 |
| Principal  | -                  | -                   | -  | 130,000         |
| Interest and fiscal charges  | -                  | -                   | -  | 23,335          |
| Total expenditures   | <u>44,265</u>      | <u>79,538</u>       | <u>264,922</u>                             | <u>153,335</u>  |
| Excess (deficiency) of revenues over<br>(under) expenditures                       | (8,520)            | 5,800               | (134,272)                                  | (41,877)        |
| <b>Other financing sources (uses)</b>  |                    |                     |  |                 |
| Capital loan note proceeds (net issuance<br>costs and accrued interest of \$3,382) | -                  | -                   | -  | -               |
| Interfund transfers in   | -                  | -                   | -  | 43,082          |
| Interfund transfers out  | -                  | -                   | (26,074)                                   | -               |
| Total other financing sources (uses)   | <u>-</u>           | <u>-</u>            | <u>(26,074)</u>                            | <u>43,082</u>   |

|    | <u>Capital<br/>Projects</u> | <u>Total</u>   |
|----|-----------------------------|----------------|
| \$ | -                           | \$ 211,705     |
|    | 36,860                      | 36,860         |
|    | 1,227                       | 104,267        |
|    | -                           | 166            |
|    | -                           | 48,280         |
|    | <u>38,087</u>               | <u>401,278</u> |
|    |                             | 79,538         |
|    |                             | 5,846          |
|    |                             | 38,419         |
|    | 395,532                     | 660,454        |
|    | -                           | 130,000        |
|    | -                           | 23,335         |
|    | <u>395,532</u>              | <u>937,592</u> |
|    | (357,445)                   | (536,314)      |
|    | 496,618                     | 496,618        |
|    | -                           | 43,082         |
|    | (17,008)                    | (43,082)       |
|    | <u>479,610</u>              | <u>496,618</u> |

LAMONI COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2004

|  | <u>Special Revenue</u>     |                             |  |                         |
|--|----------------------------|-----------------------------|--|-------------------------|
|  | <u>Management<br/>Levy</u> | <u>Student<br/>Activity</u> | <u>Physical<br/>Plant and<br/>Equipment<br/>Levy</u> | <u>Debt<br/>Service</u> |
| Excess (deficiency) of revenues over<br>(under) expenditures and other<br>financing uses | \$ (8,520)                 | \$ 5,800                    | \$ (160,346)   | \$ 1,205                |
| Fund balances beginning of year  | <u>90,549</u>              | <u>24,848</u>               | <u>261,827</u>                                       | <u>14,594</u>           |
| Fund balances end of year  | <u><u>\$ 82,029</u></u>    | <u><u>\$ 30,648</u></u>     | <u><u>\$ 101,481</u></u>                             | <u><u>\$ 15,799</u></u> |

See accompanying independent auditor's report.

| <u>Capital<br/>Projects</u> | <u>Total</u>             |
|-----------------------------|--------------------------|
| \$ 122,165                  | \$ (39,696)              |
| <u>-</u>                    | <u>391,818</u>           |
| <u><u>\$ 122,165</u></u>    | <u><u>\$ 352,122</u></u> |

## LAMONI COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2004

| Account                   | Balance<br>Beginning<br>of Year | Revenues         | Expenditures     | Balance<br>End<br>of Year |
|---------------------------|---------------------------------|------------------|------------------|---------------------------|
| Elementary Computer Club  | \$ 65                           | \$ -             | \$ -             | 65                        |
| Playground                | 237                             | 83               | -                | 320                       |
| Interest Fund             | 1,013                           | 182              | 361              | 834                       |
| Academic Team             | 915                             | 20               | 305              | 630                       |
| Yearbook                  | 824                             | 5,331            | 5,699            | 456                       |
| Elementary Yearbook       | 850                             | -                | -                | 850                       |
| Music Booster Uniforms    | 385                             | -                | 5                | 380                       |
| Future Farmers of America | 3,382                           | 9,524            | 10,031           | 2,875                     |
| National Honor Society    | (89)                            | 2,011            | 1,990            | (68)                      |
| Spanish Club              | 249                             | -                | 112              | 137                       |
| Speech                    | 62                              | -                | 78               | (16)                      |
| Band                      | 2,458                           | 9,880            | 10,529           | 1,809                     |
| Orchestra                 | 1,055                           | 1,253            | 903              | 1,405                     |
| Demon Success             | 478                             | -                | 15               | 463                       |
| Seniors                   | 778                             | 17,542           | 18,896           | (576)                     |
| Juniors                   | (809)                           | 6,364            | 5,021            | 534                       |
| Sophomores                | (77)                            | -                | 34               | (111)                     |
| Freshmen                  | -                               | -                | 34               | (34)                      |
| Middle School             | 826                             | 621              | 73               | 1,374                     |
| Helping Hands             | 44                              | -                | 125              | (81)                      |
| Student Council           | 74                              | 2,712            | 3,926            | (1,140)                   |
| Vocal                     | 598                             | 1,762            | 2,697            | (337)                     |
| Athletics                 | 11,530                          | 29,909           | 20,674           | 20,765                    |
| Music Festival            | -                               | 464              | 350              | 114                       |
| Less: Intrafund Transfers | -                               | (2,320)          | (2,320)          | -                         |
| <b>Total</b>              | <b>\$ 24,848</b>                | <b>\$ 85,338</b> | <b>\$ 79,538</b> | <b>\$ 30,648</b>          |

See accompanying independent auditor's report.

LAMONI COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 Year Ended June 30, 2004

|                          | <u>Balance<br/>Beginning<br/>of Year</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance<br/>End<br/>of Year</u> |
|--------------------------|--|------------------|-------------------|------------------------------------|
| Assets                   |  |                  |                   |                                    |
| Cash                     | \$ <u>124</u>                            | \$ <u>73,842</u> | \$ <u>73,966</u>  | \$ <u>-</u>                        |
| Liabilities              |  |                  |                   |                                    |
| Due to other governments | \$ <u>124</u>                            | \$ <u>73,842</u> | \$ <u>73,966</u>  | \$ <u>-</u>                        |

See accompanying independent auditor's report.

LAMONI COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST FOUR YEARS

|   | Modified Accrual Basis<br>Years Ended June 30, |                     |                     |                     |
|---|--|---------------------|---------------------|---------------------|
|   | 2004   | 2003                | 2002                | 2001                |
| Revenues:                                   |  |                     |                     |                     |
| Local sources:                              |  |                     |                     |                     |
| Local tax                                   | \$ 1,067,949                                   | \$ 897,272          | \$ 901,714          | \$ 949,236          |
| Tuition                                     | 249,622  | 221,426             | 229,121             | 201,958             |
| Other                                       | 150,433  | 149,740             | 171,723             | 237,715             |
| Intermediate sources                        | 30,029   | 14,872              | 16,740              | 12,678              |
| State sources                               | 1,627,839                                      | 2,302,866           | 1,624,255           | 1,654,866           |
| Federal sources                             | 343,952  | 250,789             | 188,941             | 233,495             |
|   | <u>\$ 3,469,824</u>                            | <u>\$ 3,836,965</u> | <u>\$ 3,132,494</u> | <u>\$ 3,289,948</u> |
| Expenditures:                               |  |                     |                     |                     |
| Instruction:                                |  |                     |                     |                     |
| Regular instruction                         | \$ 1,158,218                                   | \$ 1,092,583        | \$ 1,051,273        | \$ 986,002          |
| Special instruction                         | 558,389  | 580,141             | 556,872             | 641,881             |
| Other instruction                           | 313,468  | 314,356             | 328,368             | 200,607             |
| Support services:                           |  |                     |                     |                     |
| Student services                            | 147,948  | 160,465             | 112,520             | 122,082             |
| Instructional staff services                | 70,901   | 156,895             | 126,794             | 113,983             |
| Administration services                     | 356,251  | 351,101             | 378,284             | 343,853             |
| Operation and maintenance of plant services | 380,067  | 348,418             | 253,474             | 256,011             |
| Transportation services                     | 155,489  | 171,429             | 142,002             | 156,550             |
| Non-instructional programs                  | 5,584  | 4,949               | 4,267               | 5,102               |
| Other expenditures:                         |  |                     |                     |                     |
| Facilities acquisition                      | 660,454  | 415,094             | 21,601              | 22,108              |
| Long-term debt:                             |  |                     |                     |                     |
| Principal                                   | 130,000  | 90,000              | 85,000              | 80,000              |
| Interest and fiscal charges                 | 23,335   | 15,945              | 20,322              | 24,323              |
| AEA flowthrough                             | 103,478  | 111,847             | 110,090             | 115,480             |
|   | <u>\$ 4,063,582</u>                            | <u>\$ 3,813,223</u> | <u>\$ 3,190,867</u> | <u>\$ 3,067,982</u> |

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Education of  
Lamoni Community School District:

We have audited the financial statements of Lamoni Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated August 27, 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 Lamoni Community School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 Lamoni Community School 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 been resolved except for item II-B-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lamoni Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions 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 judgment, 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 item I-A-04 is a material weakness. Prior year reportable conditions have been resolved except for item I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Lamoni Community School District and other parties to whom Lamoni Community School 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 Lamoni Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
August 27, 2004

LAMONI COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

I-A-04 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The bank deposits, the posting of the cash receipts to the cash receipts journal, and making journal entry adjustments to the general ledger were all done by the same person.

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

Response – We have increased involvement of a second individual in the accounting functions in recent years, including the bank reconciliations, check preparation, and mailing. We will investigate other areas where it may be possible to strengthen internal control.

Conclusion – Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-04 Student Activity Fundraising – We noted in our testing of Special Revenue, Student Activity Fund receipts that the District has no reconciliation procedure or fundraising summary to match fundraising activities to related expenditures.

Recommendation – The District should implement control procedures over all Student Activity fundraising activities. All fundraisers should be pre-approved by the Superintendent or Board of Education. Activity sponsors should be required to complete a fundraiser summary/reconciliation form tying all receipts to the associated costs of supplies and providing all profit margin information.

Responses – We will discuss this procedure at future Board meetings.

Conclusion – Response accepted.

I-C-04 Improper Receipt Coding – We noted several instances where receipts were improperly coded to expenditure accounts.

Recommendation – All receipts should be recorded only to revenue accounts. Recording any receipts to an expenditure account lowers District expenditures and bypasses the budget.

Response – We will properly record all receipts in the future.

Conclusion – Response accepted.

LAMONI COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

II-A-04 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.

II-B-04 Certified Budget – Disbursements for the year ended June 30, 2004, exceeded the amount budgeted in the other expenditures function.

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.

Response – We will amend our budget before disbursements exceed the budget.

Conclusion – Response accepted.

II-C-04 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

II-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-E-04 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

| <u>Name, Title and<br/>Business Connection</u> | <u>Transaction<br/>Description</u> | <u>Amount</u> |
|--|------------------------------------|---------------|
| Greg Badder, spouse of Board Member            | Officiating                        | \$ 820        |

In accordance with an Attorney General’s opinion dated November 9, 1976, the transactions with the spouse of Board Member Badder does not appear to represent a conflict of interest since the transactions were less than \$2,500 as provided by Chapter 279.7A of the Code of Iowa.

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

II-G-04 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

LAMONI COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

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

- II-H-04 Certified Enrollment – We noted in our testing of the basic enrollment data certified to the Department of Education that the number of students open enrolled in to the District was understated by four students.
- Recommendation – The District should contact the Department of Education and Department of Management to resolve this difference.
- Response – We will contact the proper agencies. We will complete the certification more carefully in the future to insure accuracy.
- Conclusion – Response accepted.
- II-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-04 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-04 Improper Use of Journal Entries – We noted in our testing of journal entries made by the District that many receipts are recorded only through journal entries and not as miscellaneous receipts.
- Recommendation – All receipts received by the District should be recorded in the cash receipts journal. This enables the tracking of revenues through the District’s accounting system from time of receipt to date recorded and subsequent deposit protecting the underlying asset.
- Response – We will record all receipts through the cash receipts journal in the future.
- Conclusion – Response accepted.

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