

LAKE MILLS COMMUNITY SCHOOL DISTRICT

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

June 30, 2005

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lake Mills Community School District, Lake Mills, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lake Mills Community School District as of June 30, 2005, 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.

In accordance with Government Auditing Standards, we have also issued our report dated October 3, 2005, on our consideration of Lake Mills Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake Mills Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004, (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

October 3, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lake Mills 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, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,351,420 in fiscal 2004 to \$5,473,144 in fiscal 2005, while General Fund expenditures decreased from \$5,421,934 in fiscal 2004 to \$5,284,002 in fiscal 2005. The District's General Fund deficit balance decreased from \$(195,219) in fiscal 2004 to \$(3,599) in fiscal 2005.
- The increase in General Fund revenues was attributable to an increase in other local revenue and federal grant revenue in fiscal 2005.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

Figure A-1
Lake Mills Community School District Annual Financial Report

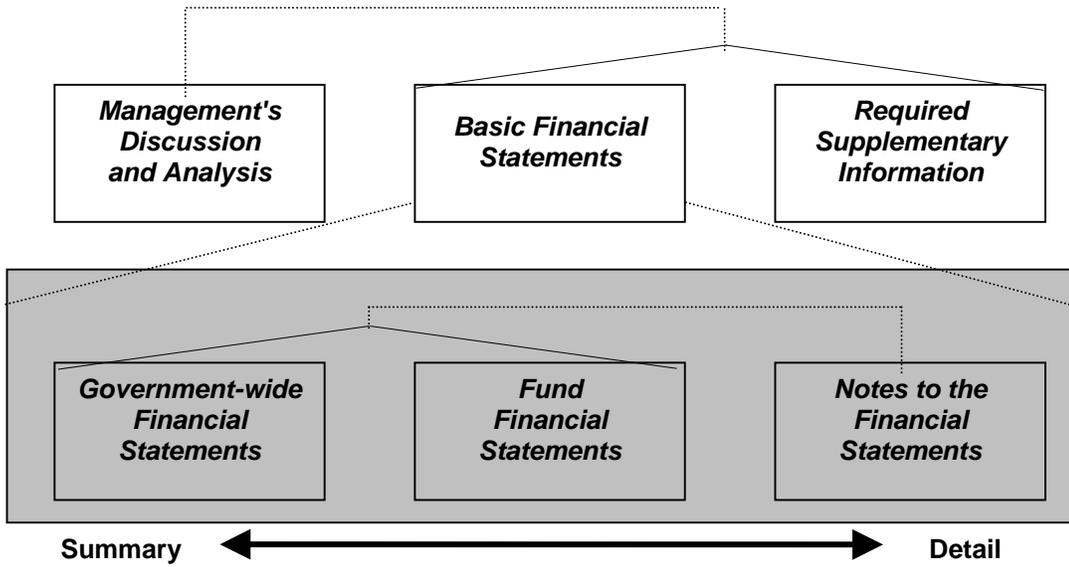


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 1) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.
- 2) The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2005 compared to June 30, 2004.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2004-2005
	Governmental Activities		Business-type Activities		Total School District		
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Current and other assets	5,273,780	4,560,562	48,464	66,658	5,322,244	4,627,220	15%
Capital assets	1,418,795	1,561,265	34,321	25,092	1,453,116	1,586,357	-8%
Total assets	6,692,575	6,121,827	82,785	91,750	6,775,360	6,213,577	9%
Long-term liabilities	1,439,709	1,549,839	-	-	1,439,709	1,549,839	-7%
Other liabilities	4,550,851	4,140,103	21,906	21,055	4,572,757	4,161,158	10%
Total liabilities	5,990,560	5,689,942	21,906	21,055	6,012,466	5,710,997	5%
Net Assets:							
Invested in capital assets, net of related debt	37,060	29,241	34,321	25,092	71,381	54,333	31%
Restricted	593,888	390,863	-	-	593,888	390,863	52%
Unrestricted	71,067	11,781	26,558	45,603	97,625	57,384	70%
TOTAL NET ASSETS	702,015	431,885	60,879	70,695	762,894	502,580	52%

The District's combined net assets increased by nearly 52%, or approximately \$260,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$203,000 or 52% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$40,000, or 52%.

Figure A-4 shows the change in net assets for the years ended June 30, 2005 and 2004.

Figure A-4

	Change in Net Assets						Percentage Change 2004-2005
	Governmental Activities		Business-type Activities		Total School District		
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	729,633	663,876	151,292	138,833	880,925	802,709	10%
Operating grants & contributions	501,837	500,293	98,645	108,588	600,482	608,881	-1%
Capital grants & contributions	-	-	-	-	-	-	0%
General Revenues:							
Property taxes	2,225,268	2,409,422	-	-	2,225,268	2,409,422	-8%
Income Surtax	218,428	209,497	-	-	218,428	209,497	4%
Local option sales tax	301,244	-	-	-	301,244	-	0%
Unrestricted state grants	2,265,507	2,292,032	-	-	2,265,507	2,292,032	-1%
Unrestricted investment earnings	32,366	3,484	122	129	32,488	3,613	799%
Other revenue	77,404	28,200	-	-	77,404	28,200	174%
Total Revenues	6,351,687	6,106,804	250,059	247,550	6,601,746	6,354,354	4%
Expenses:							
Instruction	3,759,934	3,593,425	-	-	3,759,934	3,593,425	5%
Support services	1,700,329	1,883,809	-	-	1,700,329	1,883,809	-10%
Non-instructional programs	-	3,391	259,875	259,439	259,875	262,830	-1%
Other expenditures	621,294	541,339	-	-	621,294	541,339	15%
Total expenses	6,081,557	6,021,964	259,875	259,439	6,341,432	6,281,403	1%
Change in net assets before transfers	270,130	84,840	(9,816)	(11,889)	260,314	72,951	257%
Transfers	-	-	-	-	-	-	0%
CHANGE IN NET ASSETS	270,130	84,840	(9,816)	(11,889)	260,314	72,951	257%
Net assets beginning of year	431,885	347,045	70,695	82,584	502,580	429,629	17%
Net assets end of year	702,015	431,885	60,879	70,695	762,894	502,580	52%

Property tax and unrestricted state grants account for 70% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$6,351,687 and expenses were \$6,081,557. The District was able to balance the budget by trimming expenses to match available revenues.

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

	Total Cost of Services 2005 \$	Total Cost of Services 2004 \$	Net Cost of Services 2005 \$	Net Cost of Services 2004 \$
Instruction	3,759,934	3,593,425	2,730,985	2,635,875
Support Services	1,700,329	1,883,809	1,697,353	1,882,013
Non-instructional Programs	-	3,391	-	3,391
Other Expenses	621,294	541,339	421,749	336,516
TOTAL	6,081,557	6,021,964	4,850,087	4,857,795

- The cost financed by users of the District's programs was \$729,633.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$501,837.
- The net cost of governmental activities was financed with \$2,744,940 in property and other taxes and \$2,265,507 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$250,059 and expenses were \$259,875. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$531,028, well above last year's ending fund balances of \$227,096

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues.
- The General Fund deficit balance decreased from \$(195,219) to \$(3,599).

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$70,695 at June 30, 2004 to \$60,879 at June 30, 2005

BUDGETARY HIGHLIGHTS

The District's receipts were \$306,466 more than budgeted receipts. The most significant variance resulted from the District receiving more in local sources of revenues than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$1.45 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$210,131.

The original cost of the District's capital assets was \$4.94 million. Governmental funds account for \$4.78 million, with the remainder of \$0.16 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2004-2005
	Activities		Activities		School District		
	2005	2004	2005	2004	2005	2004	
	\$	\$	\$	\$	\$	\$	
Land	6,000	6,000	-	-	6,000	6,000	0%
Buildings	980,000	1,102,500	-	-	980,000	1,102,500	-11%
Improvements	203,437	204,800	-	-	203,437	204,800	-1%
Equipment & Furniture	229,358	247,965	34,321	25,092	263,679	273,057	-3%
TOTAL	1,418,795	1,561,265	34,321	25,092	1,453,116	1,586,357	-8%

Long-Term Debt

At June 30, 2005, the District had \$1,584,709 in general obligation and other long-term debt outstanding. This represents an increase of approximately 13% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Outstanding Long-Term Obligations

	Total School District		Percentage
	2005	2004	Change
			2004-2005
	\$	\$	
General Obligation Bonds	1,495,000	1,350,000	11%
Special Assessment	31,735	37,024	-14%
Early Retirement	57,974	17,815	225%
	1,584,709	1,404,839	13%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

School financing is highly dependent upon student enrollment. The District's September 2005 enrollment decreased by 7 students. This drop in enrollment will decrease the District's funding for fiscal year 2007.

- Although the District has experienced declining enrollment for the past three years, the District expects a slight increase in future enrollment due to more businesses within the District.
- We continue to receive more students from Minnesota through Open Enrollment. Currently we have 79 students enrolling from Minnesota. We expect that number to continue to increase.

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 Chris Mathahs, Business Manager, Lake Mills Community School, 102 South 4th Avenue East, Lake Mills, IA 50450.

BASIC FINANCIAL STATEMENTS

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	1,725,853	-	1,725,853
Other	886,252	41,155	927,407
Receivables:			
Property tax:			
Delinquent	37,091	-	37,091
Succeeding year	2,270,849	-	2,270,849
Accounts	-	45	45
Accrued interest:			
ISCAP	8,168	-	8,168
Due from other governments	345,567	-	345,567
Inventories	-	7,264	7,264
Capital assets, net of accumulated depreciation	1,418,795	34,321	1,453,116
	<u>6,692,575</u>	<u>82,785</u>	<u>6,775,360</u>
Liabilities			
Accounts payable	9,119	444	9,563
Salaries and benefits payable	513,893	17,186	531,079
Accrued interest payable	11,613	-	11,613
Deferred revenue:			
Succeeding year property tax	2,270,849	-	2,270,849
Other	-	4,276	4,276
ISCAP warrants payable	1,719,000	-	1,719,000
ISCAP accrued interest payable	7,878	-	7,878
ISCAP premium	18,499	-	18,499
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	155,000	-	155,000
Special assessment	5,289	-	5,289
Early retirement	22,925	-	22,925
Portion due after one year:			
General obligation bonds payable	1,195,000	-	1,195,000
Special assessment	26,446	-	26,446
Early retirement	35,049	-	35,049
	<u>5,990,560</u>	<u>21,906</u>	<u>6,012,466</u>

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	37,060	34,321	71,381
Restricted for:			
Physical plant and equipment levy	183,082	-	183,082
Other special revenue purposes	59,081	-	59,081
Local option sales tax capital projects	301,444		301,444
Debt service	50,281	-	50,281
Unrestricted	71,067	26,558	97,625
Total net assets	<u>702,015</u>	<u>60,879</u>	<u>762,894</u>

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Governmental activities:				
Instruction:				
Regular instruction	2,276,667	504,348	212,795	-
Special instruction	830,145	10,169	82,611	-
Other instruction	653,122	214,159	4,867	-
	<u>3,759,934</u>	<u>728,676</u>	<u>300,273</u>	<u>-</u>
Support services:				
Student services	166,909	-	2,019	-
Instructional staff services	267,626	-	-	-
Administration services	628,437	-	-	-
Operation and maintenance of plant services	348,211	957	-	-
Transportation services	289,146	-	-	-
	<u>1,700,329</u>	<u>957</u>	<u>2,019</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	211,269	-	-	-
Long-term debt interest	65,696	-	-	-
AEA flowthrough	199,545	-	199,545	-
Depreciation (unallocated)*	144,784	-	-	-
	<u>621,294</u>	<u>-</u>	<u>199,545</u>	<u>-</u>
Total governmental activities	6,081,557	729,633	501,837	-
Business type activities:				
Non-instructional programs:				
Food service operations	259,875	151,292	98,645	-
Total	<u>6,341,432</u>	<u>880,925</u>	<u>600,482</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net assets

Net assets beginning of year

Net assets end of year

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

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

Net (Expense) Revenue and Changes in Net

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(1,559,524)	-	(1,559,524)
(737,365)	-	(737,365)
<u>(434,096)</u>	-	<u>(434,096)</u>
<u>(2,730,985)</u>	-	<u>(2,730,985)</u>
(164,890)	-	(164,890)
(267,626)	-	(267,626)
(628,437)	-	(628,437)
(347,254)	-	(347,254)
<u>(289,146)</u>	-	<u>(289,146)</u>
<u>(1,697,353)</u>	-	<u>(1,697,353)</u>
(211,269)	-	(211,269)
(65,696)	-	(65,696)
-	-	-
<u>(144,784)</u>	-	<u>(144,784)</u>
<u>(421,749)</u>	-	<u>(421,749)</u>
(4,850,087)	-	(4,850,087)
-	<u>(9,938)</u>	<u>(9,938)</u>
<u>(4,850,087)</u>	<u>(9,938)</u>	<u>(4,860,025)</u>
1,978,985	-	1,978,985
188,184	-	188,184
58,099	-	58,099
218,428	-	218,428
301,244	-	301,244
2,265,507	-	2,265,507
32,366	122	32,488
<u>77,404</u>	-	<u>77,404</u>
<u>5,120,217</u>	<u>122</u>	<u>5,120,339</u>
270,130	(9,816)	260,314
<u>431,885</u>	<u>70,695</u>	<u>502,580</u>
<u>702,015</u>	<u>60,879</u>	<u>762,894</u>

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2005

Assets	<u>General Fund</u> \$	<u>Nonmajor Governmental Funds</u> \$	<u>Total</u> \$
Cash and pooled investments:			
ISCAP	1,725,853	-	1,725,853
Other	508,058	378,194	886,252
Receivables:			
Property tax:			
Delinquent	32,984	4,107	37,091
Succeeding year	1,833,357	437,492	2,270,849
Accrued interest - ISCAP	8,168	-	8,168
Interfund receivable	-	27,861	27,861
Due from other governments	113,873	231,694	345,567
Total assets	<u>4,222,293</u>	<u>1,079,348</u>	<u>5,301,641</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	3,647	5,472	9,119
Salaries and benefits payable	513,893	-	513,893
Interfund payable	27,861	-	27,861
ISCAP warrants payable	1,719,000	-	1,719,000
ISCAP accrued interest payable	7,878	-	7,878
ISCAP premium	18,499	-	18,499
Deferred revenue:			
Succeeding year property tax	1,833,357	437,492	2,270,849
Other	101,757	101,757	203,514
Total liabilities	<u>4,225,892</u>	<u>544,721</u>	<u>4,770,613</u>
Fund balances:			
Reserved for:			
Debt service	-	61,894	61,894
Unreserved reported in:			
General fund	(3,599)	-	(3,599)
Special revenue funds	-	171,289	171,289
Capital projects funds	-	301,444	301,444
Total fund balances	<u>(3,599)</u>	<u>534,627</u>	<u>531,028</u>
Total liabilities and fund balances	<u>4,222,293</u>	<u>1,079,348</u>	<u>5,301,641</u>

LAKE MILLS COMMUNITY SCHOOL DISTRICT

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

June 30, 2005

	\$
Total fund balances of governmental funds (Exhibit C)	531,028
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,418,795
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	203,514
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	(11,613)
Long-term liabilities, including bonds payable, special assessments and early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(1,439,709)</u>
Net assets of governmental activities (Exhibit A)	<u><u>702,015</u></u>

LAKE MILLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	General Fund	Nonmajor Governmental	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	2,074,415	673,011	2,747,426
Tuition	455,967	-	455,967
Other	175,570	205,388	380,958
State sources	2,646,263	152	2,646,415
Federal sources	120,929	-	120,929
Total revenues	<u>5,473,144</u>	<u>878,551</u>	<u>6,351,695</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	2,163,168	113,499	2,276,667
Special instruction	830,145	-	830,145
Other instruction	487,487	165,635	653,122
	<u>3,480,800</u>	<u>279,134</u>	<u>3,759,934</u>
Support services:			
Student services	132,567	34,342	166,909
Instructional staff services	267,626	-	267,626
Administration services	588,278	-	588,278
Operation and maintenance of plant services	374,755	11,393	386,148
Transportation services	240,431	-	240,431
	<u>1,603,657</u>	<u>45,735</u>	<u>1,649,392</u>
Other expenditures:			
Facilities acquisition	-	224,361	224,361
Long-term debt:			
Principal	-	150,289	150,289
Interest and fiscal charges	-	66,720	66,720
AEA flowthrough	199,545	-	199,545
	<u>199,545</u>	<u>441,370</u>	<u>640,915</u>
Total expenditures	<u>5,284,002</u>	<u>766,239</u>	<u>6,050,241</u>
Excess (deficiency) of revenues over (under) expenditures	<u>189,142</u>	<u>112,312</u>	<u>301,454</u>
Other financing sources (uses):			
Compensation for loss of fixed assets	1,611	-	1,611
Sales of materials and equipment	867	-	867
Operating transfers in	-	8,066	8,066
Operating transfers out	-	(8,066)	(8,066)
Total other financing sources (uses)	<u>2,478</u>	<u>-</u>	<u>2,478</u>
Net change in fund balances	191,620	112,312	303,932
Fund balances beginning of year	<u>(195,219)</u>	<u>422,315</u>	<u>227,096</u>
Fund balances end of year	<u><u>(3,599)</u></u>	<u><u>534,627</u></u>	<u><u>531,028</u></u>

LAKE MILLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		303,932
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded Capital outlay expenditures in the year as follows:		
Expenditures for capital assets	59,851	
Depreciation expense	<u>(202,321)</u>	(142,470)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		(2,486)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net		150,289
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		1,024
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Early retirement		<u>(40,159)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>270,130</u></u>

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds
June 30, 2005

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	41,155
Accounts receivable	45
Inventories	7,264
Capital assets, net of accumulated depreciation	<u>34,321</u>
Total assets	<u>82,785</u>
Liabilities	
Accounts payable	444
Salaries and benefits payable	17,186
Deferred revenue	<u>4,276</u>
Total liabilities	<u>21,906</u>
Net assets	
Invested in capital assets, net of related debt	34,321
Unrestricted	<u>26,558</u>
Total net assets	<u><u>60,879</u></u>

LAKE MILLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>151,292</u>
Operating expenses:	
Non-instructional programs:	
Salaries	102,451
Benefits	34,273
Purchased services	3,706
Supplies	111,635
Depreciation	<u>7,810</u>
	<u>259,875</u>
Operating gain (loss)	<u>(108,583)</u>
Non-operating revenue:	
State sources	4,001
Federal sources	94,644
Interest income	122
Total non-operating revenue	<u>98,767</u>
Change in net assets	(9,816)
Net assets beginning of year	<u>70,695</u>
Net assets end of year	<u><u>60,879</u></u>

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2005

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	151,136
Cash payments to employees for services	(136,136)
Cash payments to suppliers for goods or services	(92,916)
Net cash used by operating activities	<u>(77,916)</u>
Cash flows from non-capital financing activities:	
State grants received	4,001
Federal grants received	79,291
Net cash provided by non-capital financing activities	<u>83,292</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	<u>(17,039)</u>
Cash flows from investing activities:	
Interest on investments	<u>122</u>
Net increase (decrease) in cash and cash equivalents	(11,541)
Cash and cash equivalents at beginning of year	<u>52,696</u>
Cash and cash equivalents at end of year	<u><u>41,155</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(108,583)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	15,353
Depreciation	7,810
Decrease (increase) in inventories	6,628
Decrease (increase) in accounts receivable	25
(Decrease) increase in accounts payable	444
(Decrease) increase in salaries and benefits payable	588
(Decrease) increase in deferred revenue	(181)
Net cash used in operating activities	<u><u>(77,916)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$15,353 of federal commodities.

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2005

	Private Purpose Trust <u>Scholarship</u> \$
Assets	
Cash and pooled investments	262,193
Liabilities	
	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>262,193</u></u>

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2005

	Private Purpose Trust Scholarsh <u> </u> \$
Additions:	
Local sources:	
Interest	14,186
Deductions:	
Support services:	
Scholarships awarded	<u>7,859</u>
Change in net assets	6,327
Net assets beginning of year	<u>255,866</u>
Net assets end of year	<u><u>262,193</u></u>

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

1. Summary of Significant Accounting Policies

Lake Mills Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Lake Mills, Iowa and the predominately agricultural territory in a portion of Winnebago and Worth Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

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

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

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

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

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

The District reports the following major governmental fund:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004, through June 30, 2005, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

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

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

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

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

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

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements in the other expenditures function exceeded the amount budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 40.

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
Nonmajor Governmental, Capital Projects Fund	General Fund	27,891

During fiscal year 2005 sales tax revenues were deposited in the General Fund when they should have been deposited in the Capital Projects Fund. The Capital Projects Fund will be reimbursed during fiscal year 2006.

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
		\$
Nonmajor Governmental: Debt Service Fund	Nonmajor Governmental: Physical Plant and Equipment Levy Fund	8,066

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

5. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2005, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2004-05A	6/30/04	6/30/05	181	-	-	-
2004-05B	1/28/05	1/27/06	614,772	7,930	613,000	7,509
2005-06A	6/30/05	6/30/06	1,110,900	238	1,106,000	369
Total			<u>1,725,853</u>	<u>8,168</u>	<u>1,719,000</u>	<u>7,878</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2005, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	1,200,000	1,200,000	-

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

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2004-05A	3.000	2.463
2004-05B	3.500	2.280
2005-06A	4.000	3.903

6. Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	6,000	-	-	6,000
Capital assets being depreciated:				
Buildings	3,390,307	-	-	3,390,307
Improvements other than buildings	300,000	13,092	-	313,092
Furniture and equipment	1,031,854	46,759	-	1,078,613
Total capital assets being deprec.	4,722,161	59,851	-	4,782,012
Less accumulated depreciation for:				
Buildings	2,287,807	122,500	-	2,410,307
Improvements other than buildings	95,200	14,455	-	109,655
Furniture and equipment	783,889	65,366	-	849,255
Total accumulated depreciation	3,166,896	202,321	-	3,369,217
Total capital assets being depreciated, net	1,555,265	(142,470)	-	1,412,795
Governmental activities capital assets, net	1,561,265	(142,470)	-	1,418,795
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	139,230	17,039	-	156,269
Less accumulated depreciation	114,138	7,810	-	121,948
Business type activities capital assets, net	25,092	9,229	-	34,321

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Support Services:	
Operation and maintenance of plant services	3,222
Transportation	54,315
	<u>57,537</u>
Unallocated depreciation	144,784
	<u>202,321</u>
Total depreciation expense – governmental activities	<u>202,321</u>
Business type activities:	
Food services	7,810
	<u>7,810</u>

7. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	1,495,000	-	145,000	1,350,000	155,000
Special assessment	37,024	-	5,289	31,735	5,289
Early retirement	17,815	57,974	17,815	57,974	22,925
	<u>1,549,839</u>	<u>57,974</u>	<u>168,104</u>	<u>1,439,709</u>	<u>183,214</u>
Total	<u>1,549,839</u>	<u>57,974</u>	<u>168,104</u>	<u>1,439,709</u>	<u>183,214</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives are based on the salary schedule in effect during year of retirement. Early retirement expenditures for the year ended June 30, 2005 totaled \$17,815.

General Obligation Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of December, 1998			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2006	4.10	155,000	57,380	212,380
2007	4.10	165,000	51,025	216,025
2008	4.15	165,000	44,360	209,360
2009	4.25	175,000	37,413	212,413
2010	4.30	185,000	29,975	214,975
2010-13	4.30-4.40	505,000	40,177	545,177
		<u>1,350,000</u>	<u>260,330</u>	<u>1,610,330</u>

Special Assessment Payable

Details of the District's June 30, 2005 special assessment liability for a year 2000 street improvement is as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2006	7.5	5,289	2,464	7,753
2007	7.5	5,289	2,053	7,342
2008	7.5	5,289	1,642	6,931
2009	7.5	5,289	1,232	6,521
2010	7.5	5,289	821	6,110
2011	7.5	5,289	410	5,699
		<u>31,735</u>	<u>8,622</u>	<u>40,356</u>

8. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$191,482, \$186,200, and \$177,686 respectively, equal to the required contributions for each year.

9. Risk Management

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

10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$199,545 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LAKE MILLS COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2005

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Receipts:						
Local sources	3,512,032	151,258	3,663,290	3,392,061	3,392,061	271,229
Intermediate sources	-	-	-	800	800	(800)
State sources	2,731,171	4,001	2,735,172	2,690,673	2,690,673	44,499
Federal sources	91,894	94,644	186,538	195,000	195,000	(8,462)
Total receipts	<u>6,335,097</u>	<u>249,903</u>	<u>6,585,000</u>	<u>6,278,534</u>	<u>6,278,534</u>	<u>306,466</u>
Disbursements:						
Instruction	3,846,156	-	3,846,156	4,002,756	4,002,756	156,600
Support services	1,762,067	-	1,762,067	2,014,984	2,014,984	252,917
Non-instructional programs	3,492	261,444	264,936	282,868	282,868	17,932
Other expenditures	640,915	-	640,915	425,905	425,905	(215,010)
Total disbursements	<u>6,252,630</u>	<u>261,444</u>	<u>6,514,074</u>	<u>6,726,513</u>	<u>6,726,513</u>	<u>212,439</u>
Excess (deficiency) of receipts over (under) disbursements	82,467	(11,541)	70,926	(447,979)	(447,979)	518,905
Other financing sources (uses) net	<u>1,611</u>	<u>-</u>	<u>1,611</u>	<u>-</u>	<u>-</u>	<u>1,611</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	84,078	(11,541)	72,537	(447,979)	(447,979)	520,516
Balance beginning of year	<u>802,174</u>	<u>52,696</u>	<u>854,870</u>	<u>980,129</u>	<u>980,129</u>	<u>(125,259)</u>
Balance end of year	<u><u>886,252</u></u>	<u><u>41,155</u></u>	<u><u>927,407</u></u>	<u><u>532,150</u></u>	<u><u>532,150</u></u>	<u><u>395,257</u></u>

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	\$	\$	\$
Revenues	6,335,097	16,598	6,351,695
Expenditures	6,252,630	(202,389)	6,050,241
Net	82,467	218,987	301,454
Other financing sources (uses) net	1,611	867	2,478
Beginning fund balances	802,174	(575,078)	227,096
Ending fund balances	<u>886,252</u>	<u>(355,224)</u>	<u>531,028</u>

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
\$	\$	\$	
Revenues	249,903	156	250,059
Expenditures	261,444	(1,569)	259,875
Net	(11,541)	1,725	(9,816)
Beginning fund balances	52,696	17,999	70,695
Ending fund balances	<u>41,155</u>	<u>19,724</u>	<u>60,879</u>

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

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

During the year ended June 30, 2005, disbursements in the other expenditures function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2005

Assets	Special Revenue Funds				Capital Projects Funds	Debt Service	Total
	Management	Student	Physical	District	Local		
	Levy	Activity	Plant and	Support	Option		
	\$	\$	\$	\$	\$	\$	\$
Cash and pooled investments	30,626	61,066	80,625	3,487	143,646	58,744	378,194
Receivables:							
Property tax:							
Delinquent	257	-	700	-	-	3,150	4,107
Succeeding year	150,000	-	74,700	-	-	212,792	437,492
Interfund receivable	-	-	-	-	27,861	-	27,861
Due from other governments	-	-	101,757	-	129,937	-	231,694
Total assets	180,883	61,066	257,782	3,487	301,444	274,686	1,079,348
Liabilities & Fund Balances							
Liabilities:							
Accounts payable	-	5,472	-	-	-	-	5,472
Deferred revenue:							
Succeeding year property tax	150,000	-	74,700	-	-	212,792	437,492
Other	-	-	101,757	-	-	-	101,757
Total liabilities	<u>150,000</u>	<u>5,472</u>	<u>176,457</u>	<u>-</u>	<u>-</u>	<u>212,792</u>	<u>544,721</u>
Fund balances:							
Reserved for debt service	-	-	-	-	-	61,894	61,894
Unreserved reported in:							
Special revenue funds	30,883	55,594	81,325	3,487	-	-	171,289
Capital projects funds	-	-	-	-	301,444	-	301,444
Total fund balances	<u>30,883</u>	<u>55,594</u>	<u>81,325</u>	<u>3,487</u>	<u>301,444</u>	<u>61,894</u>	<u>534,627</u>
Total liabilities and fund balances	180,883	61,066	257,782	3,487	301,444	274,686	1,079,348

LAKE MILLS COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	Special Revenue Funds				Capital Projects Funds	Debt Service	Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	District Support Trust Funds	Local Option Sales and Services Tax		
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Local tax	15,027	-	168,556	-	301,244	188,184	673,011
Other	-	176,423	899	27,866	200	-	205,388
State sources	9	-	28	-	-	115	152
Total revenues	<u>15,036</u>	<u>176,423</u>	<u>169,483</u>	<u>27,866</u>	<u>301,444</u>	<u>188,299</u>	<u>878,551</u>
Expenditures:							
Current:							
Instruction:							
Regular instruction	113,499	-	-	-	-	-	113,499
Other instruction	-	165,635	-	-	-	-	165,635
Support services:							
Student services	-	-	-	34,342	-	-	34,342
Operation and maintenance of plant services	-	-	11,393	-	-	-	11,393
Other expenditures:							
Facilities acquisition	-	-	224,361	-	-	-	224,361
Long-term debt:							
Principal	-	-	-	-	-	150,289	150,289
Interest and fiscal charges	-	-	-	-	-	66,720	66,720
Total expenditures	<u>113,499</u>	<u>165,635</u>	<u>235,754</u>	<u>34,342</u>	<u>-</u>	<u>217,009</u>	<u>766,239</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(98,463)</u>	<u>10,788</u>	<u>(66,271)</u>	<u>(6,476)</u>	<u>301,444</u>	<u>(28,710)</u>	<u>112,312</u>
Other financing sources (uses):							
Operating transfers in	-	-	-	-	-	8,066	8,066
Operating transfers out	-	-	(8,066)	-	-	-	(8,066)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(8,066)</u>	<u>-</u>	<u>-</u>	<u>8,066</u>	<u>-</u>
Net changes in fund balances	<u>(98,463)</u>	<u>10,788</u>	<u>(74,337)</u>	<u>(6,476)</u>	<u>301,444</u>	<u>(20,644)</u>	<u>112,312</u>
Fund balances beginning of year	<u>129,346</u>	<u>44,806</u>	<u>155,662</u>	<u>9,963</u>	<u>-</u>	<u>82,538</u>	<u>422,315</u>
Fund balances end of year	<u><u>30,883</u></u>	<u><u>55,594</u></u>	<u><u>81,325</u></u>	<u><u>3,487</u></u>	<u><u>301,444</u></u>	<u><u>61,894</u></u>	<u><u>534,627</u></u>

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Boys basketball	(3,171)	72	3,322	-	(6,421)
Football	(8,786)	-	8,447	-	(17,233)
Wrestling	(3,219)	1,004	5,136	-	(7,351)
Baseball	(4,371)	250	3,623	-	(7,744)
Boys golf	(126)	60	321	-	(387)
Boys track	(916)	1,231	2,189	-	(1,874)
Girls basketball	(1,302)	-	2,371	-	(3,673)
Girls golf	(140)	-	453	-	(593)
Girls track	(2,148)	1,047	3,214	-	(4,315)
Volleyball	(3,689)	602	4,617	-	(7,704)
Softball	(2,926)	1,286	4,399	-	(6,039)
Athletics	33,033	66,719	35,549	(31)	64,172
Cross country	(360)	-	374	-	(734)
Special olympics	588	-	-	-	588
Bulldog store	752	5,055	3,571	-	2,236
Varsity cheerleaders	1,208	7,674	8,625	(36)	221
FFA	3,625	15,203	18,399	(129)	300
FCCLA	50	2,944	2,473	72	593
Speech club	3,884	1,979	2,385	165	3,643
Science club	587	-	-	-	587
Student council	777	1,421	1,727	-	471
Flag & rifle team	489	1,357	411	(237)	1,198
Concessions	1	12,608	8,570	(4,039)	-
MS student council	345	739	558	-	526
MS speech	71	-	-	-	71
Grade 7 quest	738	10,081	11,104	3,733	3,448
Grade 8-1 quest	630	454	-	(630)	454
Grade 8-2 quest	856	651	1	(855)	651
Grade 8-3 quest	2,264	-	-	(2,264)	-
Sixth grade camp fund	268	-	-	-	268
Class of 2004	3,958	-	143	-	3,815
Class of 2005	3,614	1,001	2,409	-	2,206
Class of 2006	-	926	3,690	4,330	1,566
Band fundraising	8,994	20,999	12,264	(39)	17,690
Band	4,064	2,854	636	-	6,282
Pops concert fund	4,501	3,559	2,132	-	5,928
Musical/school play	4,172	692	303	-	4,561
High school annual	-	13,803	10,350	(40)	3,413
Interest	94	152	-	-	246
Beginning accruals	(3,603)	-	(3,603)	-	-
Ending accruals	-	-	5,472	-	(5,472)
Total	44,806	176,423	165,635	-	55,594

LAKE MILLS COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

	Modified Accrual Basis			
	2005	2004	2003	2002
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,747,426	2,625,919	2,653,458	2,357,690
Tuition	455,967	392,806	171,916	192,587
Other	380,958	296,232	329,284	415,339
Intermediate sources	-	5,799	826	780
State sources	2,646,415	2,672,575	2,640,383	2,596,294
Federal sources	120,929	113,951	102,063	71,861
Total revenues	<u>6,351,695</u>	<u>6,107,282</u>	<u>5,897,930</u>	<u>5,634,551</u>
Expenditures:				
Instruction:				
Regular instruction	2,276,667	2,158,582	2,194,776	2,307,260
Special instruction	830,145	826,940	778,787	826,363
Other instruction	653,122	620,634	765,763	590,899
Support services:				
Student services	166,909	266,257	113,515	95,945
Instructional staff services	267,626	283,036	254,968	230,988
Administration services	588,278	624,184	474,968	458,068
Operation and maintenance of plant services	386,148	480,169	441,868	385,109
Transportation services	240,431	282,799	250,532	239,632
Central support services	-	1,786	-	1,704
Non-instructional programs	-	3,391	-	3,261
Other expenditures:				
Facilities acquisition	224,361	129,564	183,083	299,769
Long-term debt:				
Principal	150,289	140,000	115,000	105,000
Interest and other charges	66,720	69,365	96,272	101,203
AEA flowthrough	199,545	204,823	211,269	211,481
Total expenditures	<u>6,050,241</u>	<u>6,091,530</u>	<u>5,880,801</u>	<u>5,856,682</u>

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lake Mills Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 3, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lake Mills Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items 05-I-A, 05-I-B, and 05-I-C are material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 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.

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

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

October 3, 2005

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

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

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

05-I-C Supporting Documentation: We noted certain credit card payments and travel reimbursements that were not supported by invoices or receipts.

Recommendation: The District should receive sufficient documentation for all travel payments and credit card charges and then reconcile the documentation to the invoices each month.

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

Conclusion: Response accepted.

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting:

- 05-II-A Official Depositories: Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.
- 05-II-B Certified Budget: Disbursements for the year ended June 30, 2005, exceeded the amount budgeted in the other expenditures functional area.
- Recommendation: The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.
- District Response: We will amend our budget before disbursements exceed the budget in the future.
- Conclusion: Response accepted.
- 05-II-C Questionable Disbursements: We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 05-II-D Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 05-II-E Business Transactions: We noted no transactions between the District and District officials or employees.
- 05-II-F Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 05-II-G Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- 05-II-H Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.
- 05-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 05-II-J Certified Annual Report (CAR): The CAR was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

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

05-II-K Financial Condition: The District has an unreserved, undesignated deficit fund balance in the General Fund of \$3,599, and the Student Activity Fund has a few accounts with deficit balances at June 30, 2005.

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

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted