

LAMONI COMMUNITY SCHOOL DISTRICT
LAMONI, IOWA

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

JUNE 30, 2006

TABLE OF CONTENTS

	Page
OFFICIALS	3
INDEPENDENT AUDITOR’S REPORT	4-5
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	6-15
BASIC FINANCIAL STATEMENTS	
Exhibit	
District-Wide Financial Statements:	
A Statement of Net Assets	18-19
B Statement of Activities	20-23
Governmental Fund Financial Statements:	
C Balance Sheet	24
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	25
E Statement of Revenues, Expenditures and Changes in Fund Balances	26-27
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	28
Proprietary Fund Financial Statements:	
G Statement of Net Assets	29
H Statement of Revenues, Expenses, and Changes in Net Assets	30
I Statement of Cash Flows	31-32
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Net Assets	33
K Statement of Changes in Fiduciary Net Assets	34
Notes to Financial Statements	35-48
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Fund	50
Budgetary Comparison Schedule - Budget to GAAP Reconciliation	51
Notes to Required Supplementary Information – Budgetary Reporting	52
OTHER SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	54
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	55
3 Schedule of Changes in Special Revenue Fund, Student Activity Accounts	56
4 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	57
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	58-59
SCHEDULE OF FINDINGS	60-61

LAMONI COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2005 Election)		
Alan Elefson	President	2006
William Morain	Vice President	2005
Mary Ann Manuel	Board Member	2006
Michelle Dickey-Kotz	Board Member	2007
Bob Bell	Board Member	(Military Leave) 2007
Mike Ranney	Board Member	(Appointed 5-23-05) Indefinite

<u>Board of Education</u>		
(After September 2005 Election)		
William Morain	President	2008
Mary Ann Manuel	Vice President	2006
Alan Elefson	Board Member	2006
Michelle Dickey-Kotz	Board Member	2007
Bob Bell	Board Member	(Military Leave) 2007
Mike Ranney	Board Member	Indefinite

<u>School Officials</u>		
Michael Harrold	Superintendent	2006
Charlene Simmerman	District Secretary/Treasurer	2006
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, the business-type activities, each major fund, and the aggregate remaining fund information of Lamoni Community School District, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements 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 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 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, the business-type activities, each major fund, and the aggregate remaining fund information of Lamoni Community School District as of June 30, 2006, 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 August 15, 2006 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, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards 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 15 and 50 through 52 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. 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, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary 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.

Oskaloosa, Iowa
August 15, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Lamoni Community School District's comprehensive annual financial report presents management's discussion and analysis of the District's financial performance for the year ending June 30, 2006. Please read it in conjunction with the district's financial statements.

Financial Highlights

- The District's revenues decreased from \$3,924,459 in fiscal 2005 to \$3,821,565 in fiscal 2006, (a 2.6% decrease). Revenues included \$1,100,611 in local tax, charges for services of \$322,278 operating grants, contributions and restricted interest of \$753,049, capital grants of \$100,000 unrestricted interest of \$109,180 and other general revenues of \$1,436,447.
- District expenditures increased from \$3,550,437 in fiscal 2005 to \$3,744,263 in fiscal 2006 (a 5.5% increase) Expenses included \$2,161,469 for instructional services, \$380,722 for administration services, and \$322,263 for operation and maintenance of plant services.
- The general fund balance at the beginning of the 2006 school year was \$928,750 as compared to a general fund balance at the end of the 2006 school year of \$761,507. This represents a net change of -\$167,243. This is a result of paying the Teacher Compensation money (\$41,954) that had inadvertently not been paid the previous year. There were also some expenses incurred with Herald Hall's historic register status.
- The total fund balance at the beginning of the 2006 school year was \$1,418,073 as compared to \$4,389,425 at the end of the 2006 school year. This represents a net change of +\$2,971,352. This is a result of an issuance of 3.1 million obligation bonds most of which have not been spent through the school year.
- The district has started their building project. The demolition crew started demolition the high school building and the gymnasium at the end of June. We had to wait for clearance on Herald Hall.
- The district received \$163,776 in School Infrastructure Local Option Sales Tax from Decatur and Ringgold counties and state supplemental funds

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.

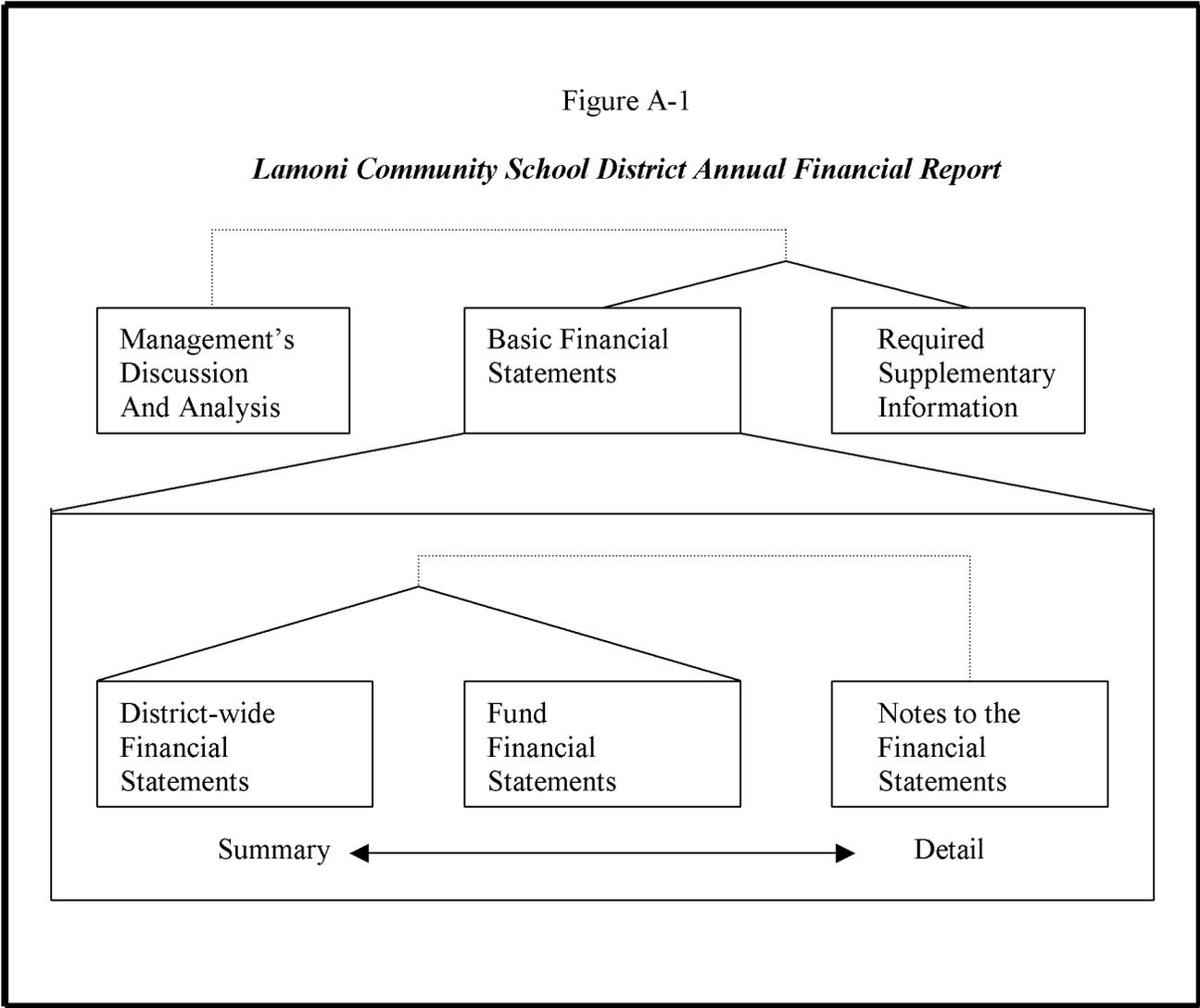


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents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

Figure A-2 <i>Major Features of the District-Wide and Fund Financial Statements</i>				
	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	Statement of net assets Statement of Activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of revenues, expenses and changes in net assets Statement of cash Flows	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, 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

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-section 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 the 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 use 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 funds.

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provided a detailed short-term view that helps the reader 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 funds statements explains the relationship (or differences) between them.

- *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 are the same as its business-type activities but provide more detail and additional information, such as cash flows.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District school for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The School District as a Whole

Net assets. A comparison of the District's combined net assets for 2005 and 2006 follows:

Figure A-3
Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District	
	2005	2006	2005	2006	2005	2006
Assets:						
Current and other Assets	\$2,491,762	\$5,755,955	\$ 30,113	\$35,065	\$2,521,875	\$5,791,020
Capital assets	<u>2,116,002</u>	<u>2,297,959</u>	<u>9,445</u>	<u>10,903</u>	<u>2,125,447</u>	<u>2,308,862</u>
Total assets	4,607,764	8,053,914	39,558	45,968	4,647,322	8,099,882
Long-term obligations	425,000	3,475,000	0	0	425,000	3,475,000
Other obligations	<u>982,998</u>	<u>1,310,272</u>	<u>6,395</u>	<u>4,379</u>	<u>989,393</u>	<u>1,314,651</u>
Total liabilities	1,407,998	4,785,272	6,395	4,379	1,414,393	4,789,651
Net assets						
Invested in capital assets net of related debt	1,691,002	1,765,473	9,445	10,903	1,700,447	1,776,376
Restricted	503,523	683,500			503,523	683,500
Unrestricted	<u>1,005,241</u>	<u>819,669</u>	<u>23,718</u>	<u>30,686</u>	<u>\$1,028,959</u>	<u>850,355</u>
Total net assets	<u>\$3,199,766</u>	<u>\$3,268,642</u>	<u>\$33,163</u>	<u>\$41,589</u>	<u>\$3,232,929</u>	<u>\$ 3,310,231</u>

A large portion of the District's net assets reflects its investment in capital assets (land, buildings and building improvements, and equipment and machinery), less related debt (general obligation bonds and notes payable). The District uses these capital assets to provide services to students and are available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Change in net assets – Figure A-4 shows a comparison of the changes in net assets for two years ending June 30, 2006.

Figure A-4

Changes in Net Assets

	Governmental Activities		Business-type Activities		Total School District	
	2005	2006	2005	2006	2005	2006
Revenues:						
Program revenues:						
Charges for service & sales	\$ 303,911	\$ 262,910	\$ 59,793	\$ 59,368	\$ 363,704	\$ 322,278
Operating grants, contributions, and restricted interest	810,008	640,338	74,679	112,711	884,687	753,049
Capital grants, contributions and restricted interest	0	100,000	0	0	0	100,000
General revenues:						
Property tax	726,696	751,848	0	0	726,696	751,848
Debt Service	111,500	0	0	0	111,500	0
PPEL	83,132	82,948	0	0	83,132	82,948
Local Option Sales and Services tax	179,560	163,776	0	0	179,560	163,776
Income Surtax	117,015	102,039	0	0	117,015	102,039
Unrestricted state grants	1,388,293	1,408,552	0	0	1,388,293	1,408,552
Unrestricted interest earnings	23,462	108,636	237	544	23,699	109,180
Other	46,173	27,895	0	0	46,173	27,895
Total revenues	\$3,789,750	\$ 3,648,942	\$134,709	\$172,623	\$3,924,459	\$3,821,565
Program expenses:						
Governmental activities:						
Instruction	\$2,104,410	\$2,161,469	0	0	\$2,104,410	\$2,161,469
Support Services	1,125,787	1,108,468	0	0	1,125,787	1,108,468
Non-instructional programs	4,233	5,517	139,720	164,197	143,953	169,714
Other expenses	176,287	304,612	0	0	176,287	304,612
	<u>\$3,410,717</u>	<u>\$3,580,066</u>	<u>\$ 139,720</u>	<u>\$164,197</u>	<u>\$3,550,437</u>	<u>\$3,744,263</u>
Change in net assets	\$ 379,033	\$ 68,876	\$ (5011)	\$ 8426	\$ 374,022	\$ 77,302

The major sources of 2006 revenues for the District were property tax and unrestricted state grants, accounting for 57% of the 2006 revenues. Other revenue sources were charges for sales and services, 8%; operating and capital grants, contributions, and restricted interest 22%; sales and services tax, income surtax, interest and other sources, 11%.

The District's expenses primarily relate to instruction and support services, which have accounted for 87% of the total expenses this year.

Governmental Activities

Governmental activities revenues for 2006 were \$3,648,942 and expenses were \$3,580,066, resulting in a net asset increase of \$68,876.

Figure A-5 presents a comparison of the total and net cost of the District's major governmental activities:

	Total Cost of Services		Net Cost of Services	
	2005	2006	2005	2006
Instruction	\$2,104,410	\$2,161,469	\$1,188,743	\$1,411,649
Support Services	1,125,787	1,108,468	1,033,252	1,060,682
Non-instructional programs	4,233	5,517	2,879	5,506
Other expenses	<u>176,287</u>	<u>304,612</u>	<u>71,924</u>	<u>98,981</u>
Totals	\$3,410,717	\$3,580,066	\$2,296,798	\$2,576,818

The cost financed by users of the District's programs was \$262,910 in 2006 compared to \$303,911 in 2005.

- Federal and state governments subsidized certain programs with grants and contributions totaling \$640,338 in 2006 compared to \$810,008 in 2005.
- The net cost of governmental activities was financed with \$834,796 in property tax, \$1,408,552 in unrestricted state funds, \$102,039 in income surtax, \$163,776 in local option sales tax, \$108,636 interest income and \$27,895 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$172,623 and expenses were \$164,197. 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.

Financial Analysis of the District's Funds

As previously noted, the Lamoni Community School District used 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 the District ended 2006, its governmental funds reported combined fund balances of \$4,389,425 compared to \$1,418,073 for 2005. This is an increase of \$2,971,352. This is because of our \$3,100,000 bond issue.

Governmental Fund Highlights

The District's General Fund balance decreased \$167,243 to \$761,507. The decrease was due to a drop in state grants received and an overall increase in salaries and benefits paid to employees. The Debt Service fund remained steady, increasing \$418 to \$18,039. The Capital Projects fund increased \$3,164,512 to \$3,366,729 due to the issuance of bonds, the proceeds of which were not spent in 2006, as discussed earlier in this section.

Proprietary Fund Highlights

The District did well in stopping the slide of the School Nutrition fund. The net assets increased \$8,426 for 2006, to \$41,589. This was due to an increase in meal prices and an increase in state funding.

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 fund. Although the budget document presents functional area expenditures of expenses by fund, the legal level of control is at the aggregated functional level, 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 GAAP 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.

Legal Budgetary Highlights

The District's total actual revenues were \$96,995 more than the total projected certified budget receipts, a variance of 2.6%. This increase was attributed to higher than anticipated revenues in local, state and federal funding sources.

Total expenditures were less than budgeted. It is the practice of the District to budget expenditures at the maximum authorized spending authority for all funds. The district controls spending through the line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

Capital Asset and Debt Administration

Capital Assets

The year end balance of the District's capital assets was \$2,308,862, net of accumulated depreciation of \$1,472,631, in a broad range of governmental capital assets, including land, buildings and building improvements, ground improvements, vehicles, and furniture. Governmental activities account for \$2,297,959 with the remainder of \$10,903 in the Proprietary, School Nutrition Fund (the same as the District's business-type activities). More detailed information is available in note 4 to the financial statements.

Figure A-6

	Capital Assets, net of Depreciation		
	Governmental Activities	Business-type Activities	Total School District
Land	\$ 5,000	\$ 0	\$ 5,000
Construction in progress	232,731	0	232,731
Buildings	1,985,188	0	1,985,188
Improvements, other than buildings	20,249	0	20,249
Furniture and equipment	<u>54,791</u>	<u>10,903</u>	<u>65,694</u>
Total	<u>\$2,297,959</u>	<u>\$10,903</u>	<u>\$2,308,862</u>

Long-Term LIABILITIES

At June 30, 2006, the District had long-term liabilities totaling \$3,475,000 of which \$3,100,000 is for general obligations bonds, and \$375,000 for capital loan notes. More detailed information is available in Note 5 to the financial statements.

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 did pass a total of \$3,100,000 in general obligation bonds in two separate issuances. The first issue of general obligation bonds, dated January 1, 2006, was for \$2,080,000 and is payable over 19 years with interest rates ranging from 3.85% to 5.00%. The second issue of general obligation bonds, dated May 1, 2006, was for \$1,020,000 and is payable over 20 years with interest rates ranging from 4.2% to 5.7%.
- The demolition of Herald Hall was delayed since some patrons had asked for it to be placed on the Historic Registry. We could not start demolition as planned in early June. This will be extra cost for the district. The high school and gymnasium were vacated at the end of May so demolition could occur.
- The District's negative special education balance at the close of 2006. The District's increased negative balance is due to increased special education costs for out-of-district tuition, transportation, and an increased need for one-on-one teacher associations for high needs students. The District funds this negative balance with general fund sources.

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 Mrs. Charlene Simmerman, District Secretary/Business Manager, Lamoni Community School District, 202 N. Walnut, Lamoni, Iowa 50140.

This page intentionally left blank

Basic Financial Statements

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2006

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 4,574,788	\$ 29,982	\$ 4,604,770
Receivables:			
Property tax:			
Current year	16,651	-	16,651
Succeeding year	890,000	-	890,000
Income surtax	96,811	-	96,811
Accounts	475	-	475
Due from other governments	177,230	3,667	180,897
Inventories	-	1,416	1,416
Capital assets, net of accumulated depreciation (note 4)	2,297,959	10,903	2,308,862
Total assets	8,053,914	45,968	8,099,882
Liabilities			
Accounts payable	92,371	159	92,530
Salaries and benefits payable	278,348	4,220	282,568
Accrued interest payable	49,553	-	49,553
Deferred revenue:			
Succeeding year property tax	890,000	-	890,000
Long-term liabilities (note 5):			
Portion due within one year:			
Bonds payable	70,000	-	70,000
Notes payable	50,000	-	50,000
Portion due after one year:			
Bonds payable	3,030,000	-	3,030,000
Notes payable	325,000	-	325,000
Total liabilities	4,785,272	4,379	4,789,651

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2006

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 1,765,473	\$ 10,903	\$ 1,776,376
Restricted for:			
Management levy	88,940	-	88,940
Physical plant and equipment levy	140,087	-	140,087
Other special revenue purposes	30,258	-	30,258
Capital projects	424,215	-	424,215
Unrestricted	<u>819,669</u>	<u>30,686</u>	<u>850,355</u>
Total net assets	<u>\$ 3,268,642</u>	<u>\$ 41,589</u>	<u>\$ 3,310,231</u>

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 1,155,952	\$ 95,074	\$ 233,278	\$ -
Special instruction	415,941	72,697	229,255	-
Other instruction	589,576	94,457	25,059	-
	<u>2,161,469</u>	<u>262,228</u>	<u>487,592</u>	<u>-</u>
Support services:				
Student services	198,909	-	47,115	-
Instructional staff services	36,026	-	-	-
Administration services	380,722	-	-	-
Operation and maintenance of plant services	322,263	649	-	-
Transportation services	170,548	22	-	-
	<u>1,108,468</u>	<u>671</u>	<u>47,115</u>	<u>-</u>
Non-instructional programs	<u>5,517</u>	<u>11</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	70,596	-	-	100,000
Long-term debt interest and fiscal charges	62,135	-	-	-
AEA flowthrough	105,631	-	105,631	-
Depreciation (unallocated) *	66,250	-	-	-
	<u>304,612</u>	<u>-</u>	<u>105,631</u>	<u>100,000</u>
Total governmental activities	3,580,066	262,910	640,338	100,000
Business-Type Activities:				
Non-instructional programs:				
Food service operations	<u>164,197</u>	<u>59,368</u>	<u>112,711</u>	<u>-</u>
Total	<u>\$ 3,744,263</u>	<u>\$ 322,278</u>	<u>\$ 753,049</u>	<u>\$ 100,000</u>

Net (Expense) Revenue
and Changes in Net Assets

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$	(827,600)	-	\$ (827,600)
	(113,989)	-	(113,989)
	(470,060)	-	(470,060)
	<u>(1,411,649)</u>	<u>-</u>	<u>(1,411,649)</u>
	(151,794)	-	(151,794)
	(36,026)	-	(36,026)
	(380,722)	-	(380,722)
	(321,614)	-	(321,614)
	(170,526)	-	(170,526)
	<u>(1,060,682)</u>	<u>-</u>	<u>(1,060,682)</u>
	<u>(5,506)</u>	<u>-</u>	<u>(5,506)</u>
	29,404	-	29,404
	(62,135)	-	(62,135)
	-	-	-
	<u>(66,250)</u>	<u>-</u>	<u>(66,250)</u>
	<u>(98,981)</u>	<u>-</u>	<u>(98,981)</u>
	(2,576,818)	-	(2,576,818)
	<u>-</u>	<u>7,882</u>	<u>7,882</u>
	<u>(2,576,818)</u>	<u>7,882</u>	<u>(2,568,936)</u>

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

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 expense of the various programs.

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ 751,848	\$ -	\$ 751,848
82,948	-	82,948
102,039	-	102,039
163,776	-	163,776
1,408,552	-	1,408,552
108,636	544	109,180
27,895	-	27,895
<hr/>		
2,645,694	544	2,646,238
<hr/>		
68,876	8,426	77,302
<hr/>		
3,199,766	33,163	3,232,929
<hr/>		
<u>\$ 3,268,642</u>	<u>\$ 41,589</u>	<u>\$ 3,310,231</u>

LAMONI COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and pooled investments	\$ 1,030,462	\$ 18,039	\$ 3,265,748	\$ 260,539	\$ 4,574,788
Receivables:					
Property tax:					
Current year	13,997	-	-	2,654	16,651
Succeeding year	559,000	214,000	-	117,000	890,000
Income surtax	80,676			16,135	96,811
Accounts	33	-	-	442	475
Due from other governments	55,628	-	121,602	-	177,230
Total assets	\$ 1,739,796	\$ 232,039	\$ 3,387,350	\$ 396,770	\$ 5,755,955
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 51,265	\$	\$ 20,621	\$ 20,485	\$ 92,371
Salaries and benefits payable	278,348	-	-	-	278,348
Deferred revenue:					
Succeeding year property tax	559,000	214,000	-	117,000	890,000
Other	89,676	-	-	16,135	105,811
Total liabilities	978,289	214,000	20,621	153,620	1,366,530
Fund balance:					
Reserved for:					
Debt service	-	18,039	-	-	18,039
Unreserved:					
Reported in nonmajor Special Revenue Funds	-	-	-	243,150	243,150
Undesignated	761,507	-	3,366,729	-	4,128,236
Total fund balances	761,507	18,039	3,366,729	243,150	4,389,425
Total liabilities and fund balances	\$ 1,739,796	\$ 232,039	\$ 3,387,350	\$ 396,770	\$ 5,755,955

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2006

Total fund balances of governmental funds	\$ 4,389,425
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.	2,297,959
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	105,811
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.	(49,553)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,475,000)</u>
Net assets of governmental activities	<u>\$ 3,268,642</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, 2006

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 781,669	\$ -	\$ 163,776	\$ 149,064	\$ 1,094,509
Tuition	163,176	-	-	-	163,176
Other	75,996	518	159,107	105,399	341,020
Intermediate sources	35,072	-	-	-	35,072
State sources	1,801,120	-	-	505	1,801,625
Federal sources	189,640	-	-	-	189,640
Total revenues	<u>3,046,673</u>	<u>518</u>	<u>322,883</u>	<u>254,968</u>	<u>3,625,042</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	1,152,563	-	-	-	1,152,563
Special instruction	415,941	-	-	-	415,941
Other instruction	489,837	-	-	99,739	589,576
	<u>2,058,341</u>	<u>-</u>	<u>-</u>	<u>99,739</u>	<u>2,158,080</u>
Support services:					
Student services	198,909	-	-	-	198,909
Instructional staff services	36,026	-	-	-	36,026
Administration services	366,395	-	-	10,073	376,468
Operation and maintenance of plant services	282,274	-	-	39,989	322,263
Transportation services	165,740	-	-	-	165,740
	<u>1,049,344</u>	<u>-</u>	<u>-</u>	<u>50,062</u>	<u>1,099,406</u>
Non-instructional programs	<u>5,517</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,517</u>
Other expenditures:					
Facilities acquisition	-	-	263,332	67,922	331,254
Long term debt:					
Principal	-	50,000	-	-	50,000
Interest and fiscal charges	-	13,680	-	-	13,680
AEA flowthrough	105,631	-	-	-	105,631
	<u>105,631</u>	<u>63,680</u>	<u>263,332</u>	<u>67,922</u>	<u>500,565</u>
Total expenditures	<u>3,218,833</u>	<u>63,680</u>	<u>263,332</u>	<u>217,723</u>	<u>3,763,568</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(172,160)</u>	<u>(63,162)</u>	<u>59,551</u>	<u>37,245</u>	<u>(138,526)</u>

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Other financing sources (uses):					
Sale of equipment	\$ 4,917	\$ -	\$ -	\$ -	\$ 4,917
Interfund transfers in (note 3)	-	63,580	-	-	63,580
Interfund transfers out (note 3)	-	-	-	(63,580)	(63,580)
General obligation bonds issued	-	-	3,104,961	-	3,104,961
Total other financing sources (uses)	<u>4,917</u>	<u>63,580</u>	<u>3,104,961</u>	<u>(63,580)</u>	<u>3,109,878</u>
Net change in fund balances	(167,243)	418	3,164,512	(26,335)	2,971,352
Fund balances beginning of year	<u>928,750</u>	<u>17,621</u>	<u>202,217</u>	<u>269,485</u>	<u>1,418,073</u>
Fund balances end of year	<u>\$ 761,507</u>	<u>\$ 18,039</u>	<u>\$ 3,366,729</u>	<u>\$ 243,150</u>	<u>\$ 4,389,425</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, 2006

Net change in fund balances - total governmental funds \$ 2,971,352

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:

Expenditures for capital assets	\$ 268,253	
Depreciation expense	<u>(86,296)</u>	181,957

Income surtax revenue 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. 14,022

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 50,000

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. (48,455)

Some revenues reported in the Statement of Activities are netted to other financing uses in the governmental funds 4,961

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. (3,104,961)

Change in net assets of governmental activities \$ 68,876

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2006

	<u>Non-Major Enterprise Fund</u>
Assets	
Cash and cash equivalents	\$ 29,982
Due from other governments	3,667
Inventories	1,416
Capital assets, net of accumulated depreciation (note 4)	<u>10,903</u>
Total assets	<u>45,968</u>
Liabilities	
Accounts payable	159
Salaries and benefits payable	<u>4,220</u>
Total liabilities	<u>4,379</u>
Net Assets	
Invested in capital assets	10,903
Unrestricted	<u>30,686</u>
Total net assets	<u>\$ 41,589</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, 2006

	<u>Non-Major Enterprise Fund</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>59,368</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	46,807
Benefits	22,651
Purchased services	3,322
Supplies	89,425
Depreciation	<u>1,992</u>
	<u>164,197</u>
Operating loss	<u>(104,829)</u>
Non-operating revenues:	
Interest on investments	544
State sources	2,055
Federal sources	<u>110,656</u>
Total non-operating revenues	<u>113,255</u>
Change in net assets	8,426
Net assets beginning of year	<u>33,163</u>
Net assets end of year	\$ <u><u>41,589</u></u>

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2006

	Non-Major Enterprise Fund
	<u>Fund</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 59,368
Cash payments to employees for services	(69,725)
Cash payments to suppliers for goods or services	<u>(85,811)</u>
Net cash used in operating activities	<u>(96,168)</u>
Cash flows from non-capital financing activities:	
State grants received	2,055
Federal grants received	<u>99,963</u>
Net cash provided by non-capital financing activities	<u>102,018</u>
Cash flows from capital and related financing activities:	
Purchase of equipment	<u>(3,450)</u>
Cash flows from investing activities:	
Interest on investments	<u>570</u>
Net increase in cash and cash equivalents	2,970
Cash and cash equivalents beginning of year	<u>27,012</u>
Cash and cash equivalents end of year	<u>\$ 29,982</u>

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2006

	<u>Non-Major Enterprise Fund</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (104,829)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,992
Commodities used	8,641
Decrease in inventories	44
(Decrease) in accounts payable	(1,749)
(Decrease) in salaries and benefits payable	<u>(267)</u>
Net cash used in operating activities	<u>\$ (96,168)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$8,641 of federal commodities.

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2006

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>10,691</u>
Liabilities:	
None	<u>-</u>
Net assets:	
Reserved for scholarships	\$ <u><u>10,691</u></u>

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 Year Ended June 30, 2006

	<u>Private Purpose Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$ <u>301</u>
Deductions:	
None	<u>-</u>
Change in net assets	301
Net assets beginning of year	<u>10,390</u>
Net assets end of year	\$ <u><u>10,691</u></u>

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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 agricultural territory in Decatur and Ringgold 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, 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 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, 2006

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 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 funds:

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

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

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

The District's proprietary fund is the Enterprise, School Nutrition Fund, 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.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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, 2006

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. 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 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 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, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

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, 2006

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, 2006

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, 2006.

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, 2006, disbursements in the other expenditures function exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2006 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, 2006

Note 2. Cash and Pooled Investments (continued)

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>1,539,110</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody’s Investors Service.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue: Physical Plant and Equipment Levy	\$ <u>63,580</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, 2006

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Construction in progress	1,030,541	260,658	1,058,468	232,731
Total capital assets not being depreciated	<u>1,035,541</u>	<u>260,658</u>	<u>1,058,468</u>	<u>237,731</u>
Capital assets being depreciated:				
Buildings	1,894,908	1,058,468	-	2,953,376
Improvements other than buildings	150,998	-	-	150,998
Furniture and equipment	384,470	7,595	-	392,065
Total capital assets being depreciated	<u>2,430,376</u>	<u>1,066,063</u>	<u>-</u>	<u>3,496,439</u>
Less accumulated depreciation for:				
Buildings	908,688	59,500	-	968,188
Improvements other than buildings	123,999	6,750	-	130,749
Furniture and equipment	317,228	20,046	-	337,274
Total accumulated depreciation	<u>1,349,915</u>	<u>86,296</u>	<u>-</u>	<u>1,436,211</u>
Total capital assets being depreciated, net	<u>1,080,461</u>	<u>979,767</u>	<u>-</u>	<u>2,060,228</u>
Governmental activities capital assets, net	<u>\$ 2,116,002</u>	<u>\$ 1,240,425</u>	<u>\$ 1,058,468</u>	<u>\$ 2,297,959</u>

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 4. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 43,873	\$ 3,450	\$ -	\$ 47,323
Less accumulated depreciation	34,428	1,992	-	36,420
Business-type activities capital assets, net	<u>\$ 9,445</u>	<u>\$ 1,458</u>	<u>\$ -</u>	<u>\$ 10,903</u>

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

Governmental activities:	
Instruction:	
Regular	\$ 10,984
Support services:	
Administration	4,254
Transportation	4,808
	<u>20,046</u>
Unallocated depreciation	<u>66,250</u>
Total governmental activities depreciation expense	<u>\$ 86,296</u>
Business-type activities:	
Food service operations	<u>\$ 1,992</u>

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	General Obligation Bonds	Capital Loan Notes	Total
Balance beginning of year	\$ -	\$ 425,000	\$ 425,000
Additions	3,100,000	-	3,100,000
Reductions	-	50,000	50,000
Balance end of year	<u>\$ 3,100,000</u>	<u>\$ 375,000</u>	<u>\$ 3,475,000</u>
Due within one year	<u>\$ 70,000</u>	<u>\$ 50,000</u>	<u>\$ 120,000</u>

Bonds Payable

During the year ended June 30, 2006, the District issued a total of \$3,100,000 in general obligation bonds in two separate issuances. The first issue of general obligation bonds, dated January 1, 2006, was for \$2,080,000 and is payable over 19 years with interest rates ranging from 3.85% to 5.00%. The second issue of general obligation bonds, dated May 1, 2006, was for \$1,020,000 and is payable over 20 years with interest rates ranging from 4.2% to 5.7%.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 5. Long-Term Liabilities

Bonds Payable (continued)

Details of the District's general obligation bonded indebtedness at June 30, 2006, are as follows:

Year Ending June 30,	Bond Issue dated January 1, 2006			Bond Issue dated May 1, 2006			Total	
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest
2007	5.000 %	\$ 65,000	\$ 118,613	5.70 %	\$ 5,000	\$ 48,608	\$ 70,000	\$ 167,221
2008	5.000	75,000	85,710	5.70	30,000	48,322	105,000	134,032
2009	5.000	75,000	81,960	5.70	35,000	46,612	110,000	128,572
2010	5.000	80,000	78,210	5.70	35,000	44,618	115,000	122,828
2011	4.550	90,000	74,210	5.50	30,000	42,622	120,000	116,832
2012	4.550	90,000	70,115	5.50	35,000	40,972	125,000	111,087
2013	4.550	95,000	66,020	5.25	35,000	39,048	130,000	105,068
2014	4.500	100,000	61,698	5.25	40,000	37,210	140,000	98,908
2015	4.500	105,000	57,197	5.00	40,000	35,110	145,000	92,307
2016	3.850	110,000	52,473	4.20	40,000	33,110	150,000	85,583
2017	3.875	110,000	48,238	4.25	45,000	31,430	155,000	79,668
2018	3.900	120,000	43,975	4.30	45,000	29,518	165,000	73,493
2019	3.950	120,000	39,295	4.35	50,000	27,582	170,000	66,877
2020	4.000	125,000	34,555	4.40	50,000	25,408	175,000	59,963
2021	4.000	130,000	29,555	4.45	55,000	23,208	185,000	52,763
2022	4.050	135,000	24,355	4.50	55,000	20,760	190,000	45,115
2023	4.100	145,000	18,887	4.55	55,000	18,286	200,000	37,173
2024	4.150	155,000	12,943	4.60	55,000	15,782	210,000	28,725
2025	4.200	155,000	6,510	4.65	60,000	13,252	215,000	19,762
2026		-	-	4.65	225,000	10,462	225,000	10,462
		<u>\$ 2,080,000</u>	<u>\$ 1,004,519</u>		<u>\$ 1,020,000</u>	<u>\$ 631,920</u>	<u>\$ 3,100,000</u>	<u>\$ 1,636,439</u>

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 5. Long-Term Liabilities (continued)

Capital Loan Notes Payable

Details of the District's June 30, 2006 capital loan note indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 375,000</u>	<u>\$ 53,574</u>	<u>\$ 428,574</u>

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. The lease was renewed and extended in July, 2005 for three years until July 31, 2008,

During the year ended June 30, 2006, the District made nine monthly payments of \$6,298 for two 53 passenger buses and a 71 passenger bus for a total of \$56,682.

Future minimum lease payments under the new lease agreement are as follows:

<u>Year Ending June 30,</u>	<u>Minimum Lease Payments</u>
2007	\$ 57,816
2008	<u>58,972</u>
	<u>\$ 116,788</u>

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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, 2006, 2005, and 2004 were \$104,982, \$101,941, and \$104,205 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 (ISEBA), an Iowa Code Chapter 28E organization. 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.

In July 2004, ISEBA converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members continuing membership in the Association had their deficit recovery assessment included in their annual premium for the 2004-2005 and 2005-2006 plan years. The deficit recovery is equal to 2% of the annual premium. The total amount of the deficit recoveries of current members is estimated to be \$2.2 million. Since the program is now fully insured, there will be no additional assessments due to claims exceeding premiums charged to members.

The District's contributions, which include deficit recovery assessments, 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, 2006 were \$404,837.

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.

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.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

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 \$105,631 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Construction Commitments

The District entered into various contracts totaling \$4,384,605 for a new high school. As of June 30, 2006, no costs had been incurred against the contracts.

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, 2006

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
RECEIPTS:					
Local sources	\$ 1,759,526	\$ 59,938	\$ 1,819,464	\$ 1,486,011	\$ 333,453
Intermediate sources	51,618	-	51,618	-	51,618
State sources	1,678,367	2,055	1,680,422	1,905,441	(225,019)
Federal sources	201,339	108,604	309,943	373,000	(63,057)
Total receipts	3,690,850	170,597	3,861,447	3,764,452	96,995
DISBURSEMENTS:					
Instruction	2,029,244	-	2,029,244	3,128,058	1,098,814
Support services	1,124,668	-	1,124,668	1,285,000	160,332
Non-instructional programs	5,517	167,627	173,144	173,180	36
Other expenditures	525,831	-	525,831	518,793	(7,038)
Total disbursements	3,685,260	167,627	3,852,887	5,105,031	1,252,144
Excess (deficiency) of receipts over (under) disbursements	5,590	2,970	8,560	(1,340,579)	1,349,139
Other financing sources, net	3,109,878	-	3,109,878	500	3,109,378
Excess (deficiency) of receipts and other financing sources over (under) disbursements	3,115,468	2,970	3,118,438	(1,340,079)	4,458,517
Balance beginning of year	1,459,320	27,012	1,486,332	1,404,707	81,625
Balance end of year	\$ <u>4,574,788</u>	\$ <u>29,982</u>	\$ <u>4,604,770</u>	\$ <u>64,628</u>	\$ <u>4,540,142</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, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 3,690,850	\$ (65,808)	\$ 3,625,042
Expenditures	3,685,260	78,308	3,763,568
Net	5,590	(144,116)	(138,526)
Other financing sources (uses)	3,109,878	-	3,109,878
Beginning fund balances	1,459,320	(41,247)	1,418,073
Ending fund balances	<u>\$ 4,574,788</u>	<u>\$ (185,363)</u>	<u>\$ 4,389,425</u>

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 170,597	\$ 2,026	\$ 172,623
Expenses	167,627	(3,430)	164,197
Net	2,970	5,456	8,426
Beginning net assets	27,012	6,151	33,163
Ending net assets	<u>\$ 29,982</u>	<u>\$ 11,607</u>	<u>\$ 41,589</u>

See accompanying independent auditor's report.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2006

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except 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 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 ended June 30, 2006, disbursements in the other expenditures function exceeded the amount budgeted.

Other Supplementary Information

LAMONI COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Assets				
Cash and pooled investments	\$ 87,940	\$ 31,236	\$ 141,363	\$ 260,539
Receivables:				
Property tax:				
Current year	1,000	-	1,654	2,654
Succeeding year	43,000	-	74,000	117,000
Income surtax	-	-	16,135	16,135
Accounts	-	442	-	442
Total assets	\$ 131,940	\$ 31,678	\$ 233,152	\$ 396,770
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ 1,420	\$ 19,065	\$ 20,485
Interfund payable				
Deferred revenue:				
Succeeding year property tax	43,000	-	74,000	117,000
Other	-	-	16,135	16,135
Total liabilities	43,000	1,420	109,200	153,620
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	88,940	30,258	123,952	243,150
Total liabilities and fund equity	\$ 131,940	\$ 31,678	\$ 233,152	\$ 396,770

See accompanying independent auditor's report.

LAMONI COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 49,764	\$ -	\$ 99,300	\$ 149,064
Other	4,925	95,332	5,142	105,399
State sources	364	-	141	505
Total revenues	55,053	95,332	104,583	254,968
Expenditures:				
Current:				
Instruction:				
Other instruction	-	99,739	-	99,739
Support services:				
Administration services	10,073	-	-	10,073
Operation and maintenance of plant services	39,989	-	-	39,989
Other expenditures:				
Facilities acquisition	-	-	67,922	67,922
Total expenditures	50,062	99,739	67,922	217,723
Excess (deficiency) of revenues over (under) expenditures	4,991	(4,407)	36,661	37,245
Other financing uses:				
Interfund transfers out	-	-	(63,580)	(63,580)
Excess (deficiency) of revenues over (under) expenditures and other financing uses	4,991	(4,407)	(26,919)	(26,335)
Fund balances beginning of year	83,949	34,665	150,871	269,485
Fund balances end of year	\$ 88,940	\$ 30,258	\$ 123,952	\$ 243,150

See accompanying independent auditor's report.

LAMONI COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary Computer Club	\$ 65	\$ -	\$ -	\$ 65
Playground	256	-	-	256
Drama Club	-	-	-	-
Interest Fund	1,321	927	-	2,248
Academic Team	730	125	62	793
Yearbook	(1,782)	3,919	5,698	(3,561)
Elementary Yearbook	850	-	-	850
Music Booster Uniforms	380	-	-	380
Future Farmers of America	4,746	7,515	12,162	99
National Honor Society	(148)	-	574	(722)
Spanish Club	137	-	-	137
Speech	(16)	-	-	(16)
Band	2,839	14,557	13,842	3,554
Orchestra	1,103	48	87	1,064
Demon Success	325	337	-	662
Seniors	(349)	14,359	14,810	(800)
Juniors	499	4,750	4,702	547
Sophomores	(111)	14	14	(111)
Freshmen	(34)	-	-	(34)
Middle School	1,488	1,382	1,115	1,755
Helping Hands	(81)	-	-	(81)
Student Council	32	2,172	1,838	366
Vocal	549	2,048	75	2,522
Athletics	21,674	51,808	53,318	20,164
Music Festival	114	-	-	114
Peer Helpers	78	-	79	(1)
Unreserved Fund Balance	-	8	-	8
Intrafund Transfers	-	(8,637)	(8,637)	-
Total	\$ 34,665	\$ 95,332	\$ 99,739	\$ 30,258

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			
	Years Ended June 30,			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 1,094,509	\$ 1,216,070	\$ 1,067,949	\$ 897,272
Tuition	163,176	196,308	249,622	221,426
Other	341,020	178,995	150,433	149,740
Intermediate sources	35,072	44,442	30,029	14,872
State sources	1,801,625	1,767,497	1,627,839	2,302,866
Federal sources	189,640	383,859	343,952	250,789
Total revenues	\$ 3,625,042	\$ 3,787,171	\$ 3,469,824	\$ 3,836,965
Expenditures:				
Instruction:				
Regular instruction	\$ 1,152,563	\$ 1,199,287	\$ 1,158,218	\$ 1,092,583
Special instruction	415,941	574,898	558,389	580,141
Other instruction	589,576	315,724	313,468	314,356
Support services:				
Student services	198,909	161,457	147,948	160,465
Instructional staff services	36,026	57,960	70,901	156,895
Administration services	376,468	366,236	356,251	351,101
Operation and maintenance of plant services	322,263	364,932	380,067	348,418
Transportation services	165,740	166,140	155,489	171,429
Non-instructional programs	5,517	4,233	5,584	4,949
Other expenditures:				
Facilities acquisition	331,254	117,116	660,454	415,094
Long-term debt:				
Principal	50,000	150,000	130,000	90,000
Interest and fiscal charges	13,680	20,373	23,335	15,945
AEA flowthrough	105,631	104,363	103,478	111,847
Total expenditures	\$ 3,763,568	\$ 3,602,719	\$ 4,063,582	\$ 3,813,223

See accompanying independent auditor's report.

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
Lamoni 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 Lamoni Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 15, 2006. 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 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 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 item I-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lamoni 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, 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 or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters 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, 2006 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 Lamoni Community School District and other parties to whom Lamoni Community School District may report, including federal awarding agencies and pass-through entities. 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 15, 2006

LAMONI COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2006

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

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

I-A-06 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 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-06 Capital Assets – The District did not reconcile the current year capital assets listing to the prior year totals. Accumulated depreciation calculations were not accurate.

Recommendation – The District should reconcile the year end capital assets listing, including depreciation expense and accumulated depreciation, to the prior listing and insure accurate calculations of depreciation expense and accumulated depreciation.

Response – We will correct the errors in depreciation calculations and we will properly reconcile capital asset totals in the future.

Conclusion – Response accepted.

LAMONI COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Part II: Other Findings Related to Statutory Reporting:

- II-A-06 Certified Budget – Disbursements for the year ended June 30, 2006, 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-B-06 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-C-06 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-06 Business Transactions – We noted no business transactions between the District and District officials or employees.
- II-E-06 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-F-06 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-06 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-06 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-I-06 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-J-06 Financial Condition – We noted that several individual accounts within the nonmajor Special Revenue Fund, Student Activity had deficit balances of June 30, 2006.
- Recommendation – The District should look into ways to eliminate these deficit balances.
- Response – We will attempt to eliminate the deficit balances.
- Conclusion – Response accepted.