

**LAWTON-BRONSON COMMUNITY
SCHOOL DISTRICT**

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2006

**LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2006
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LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT

LIST OF OFFICIALS

June 30, 2006

**Board of Education
(Before September 2005 Election)**

		Term Expires
Kevin Grieme	President	2005
Julie Karrer	Vice President	2005
Mark Thompson	Board Member	2006
Amy Denney	Board Member	2007
Steve Olson	Board Member	2007

**Board of Education
(After September 2005 Election)**

Kevin Grieme	President	2008
Amy Denney	Vice President	2007
Mark Thompson	Board Member	2006
Steve Olson	Board Member	2007
Paul Roberts	Board Member	2008

School Officials

Robert Morrison	Superintendent	2006
Kimberly Brouwer	Secretary-Treasurer	2006
James Hanks	Attorney	Indefinite



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INDEPENDENT AUDITORS' REPORT

To the Board of Education of
Lawton-Bronson Community School District
Lawton, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Lawton-Bronson Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Lawton-Bronson Community School District's management. 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 the 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 activity, each major fund, and the aggregate remaining fund information of Lawton-Bronson Community School District as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof 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 18, 2006, on our consideration of the Lawton-Bronson Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 15 and page 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lawton-Bronson Community School District's basic financial statements. The financial statements for the three years ended June 30, 2005 were audited by us or other auditors (none of which are presented herein) in accordance with the standards referred to in the second paragraph of this report, and they had an unqualified opinion expressed on them. The supplemental information, included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the

basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Williams + Company, P.C.
Certified Public Accountants

Sioux City, Iowa
August 18, 2006

Management Discussion and Analysis

Lawton-Bronson Community School District provides this Management Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow this section.

Overview of the Financial Statements

This annual report consists of three parts: Management's discussion and analysis (this section), the basic financial statements, and 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 operation in *more detail* than the District-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds statements* offer *short and long-term* financial information about the activities that the District operates *like businesses*, such as food services.
- Fiduciary funds statements 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 related to one another.

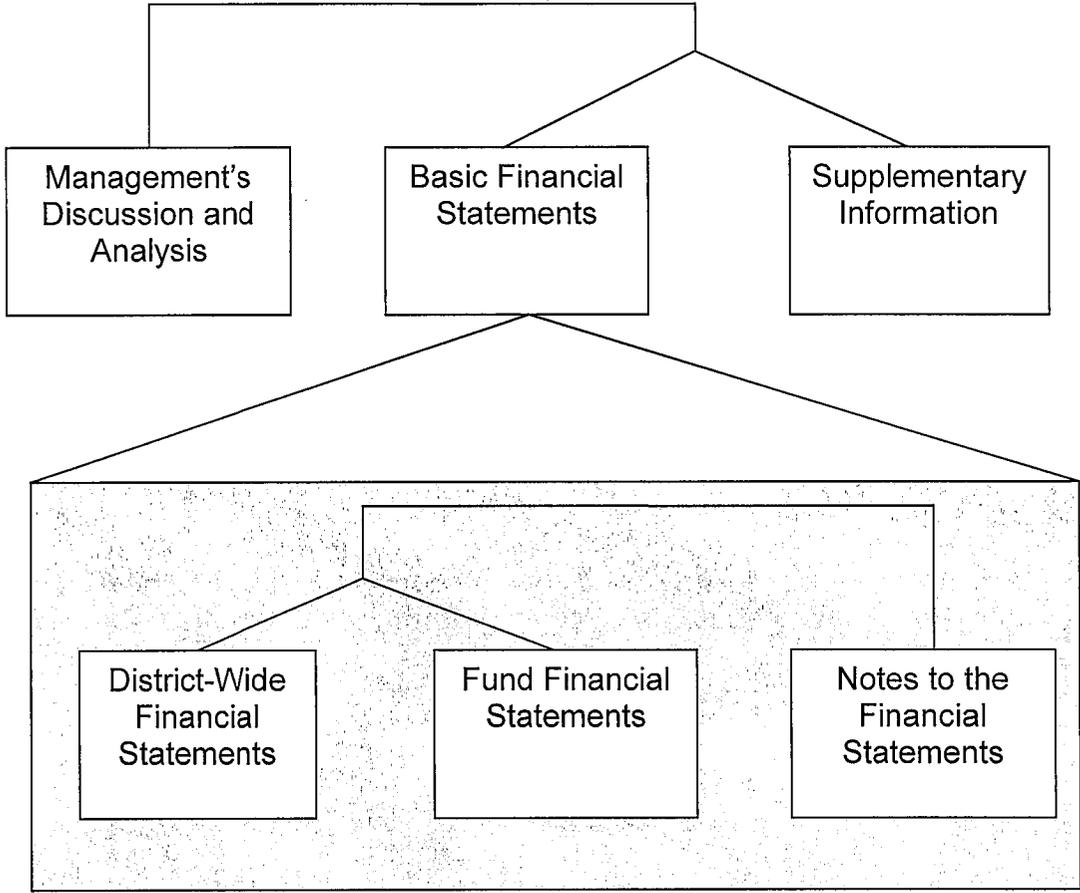
Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

District-wide Financial Statements

The District-wide statements report information about the district as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Figure A-1

Organization of Lawton-Bronson Community School District's Annual Financial Report



Summary ← -----> Detail

**Figure A-2
Major Features of the District Wide and Fund Financial Statements**

	District - wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses; food services is included here	Instances in which the district administers resources on behalf of someone else; such as scholarship programs and student activities monies
Required financial statements	Statement of net assets and statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of 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 focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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 its 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 taxes and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service program would be included here.

Fund Financial Statements

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

- Some funds are required by law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps 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* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. *Internal service funds*, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities. At this time the District chooses not to use any internal service funds.
- *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 schools 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.

Financial Analysis of the District as a Whole

Overall the financial health of the district remains good. The total governmental funds saw an increase of \$220,090 in the unreserved/undesignated fund balance. Figure A-3 provides a summary of the District's net assets for the fiscal years ended June 30, 2006, June 30, 2005, and June 30, 2004. Figure A-4 shows the changes in net assets for the same three fiscal years.

Total assets for the District saw a significant increase from the previous year but there was also a significant increase in the total liabilities from the previous year. One major change from the preceding two years is the District's participation in Iowa School Cash Anticipation Program (ISCAP). Due to cash shortfalls in the general fund that are discussed later, warrants in the amount of \$465,000 were issued to aid with cash flow problems. When the funds are not needed by the district they will be invested by ISCAP and will earn interest that is typically higher than the interest expense for the District.

In the 2005 audit, an error in the certified enrollment count taken in September of 2004 was discovered. This error was discovered after the budget for the 2005-2006 year had been finalized with the state so the correction could not be made until the 2006-2007 budget year. Thus in fiscal year 2006 we were educating more students than we received funding for. Additional students increase costs thus we were expecting to see higher expenses without the revenues to support the expenses in their entirety. While it is always the goal of the district to not overspend their revenues this particular year there were extenuating circumstances that would have lead to additional spending.

Employees make up the bulk of the total budget for the District. There were staffing changes this year. Positions were added and others eliminated. With salary increases and changes in staff the overall net effect did not have a great impact on expenditures as a whole.

In fiscal year 2005 the District was the victim of alleged embezzlement by a previous employee. The District is working with local authorities to prosecute any illegal acts to the fullest extent of the law. All monies taken from the District net of the deductible was paid by insurance. Steps are being taken to ensure that checks and balances are present in the accounting process. Management will continue to monitor transactions and make changes toward increased checks and balances when necessary. There were additional costs that arose from the situation that were part of the expenses for fiscal year 2006. A special audit was completed and the auditor was hired to assist with additional situations that arose. A new business manager was hired but an additional temporary business manager was also needed throughout part of the year.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities			Business-type Activities			Total District		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
Current and other assets	\$ 5,765,307	\$ 4,762,487	\$ 4,511,826	\$ 13,689	\$ 19,039	\$ 24,167	\$ 5,778,996	\$ 4,781,526	\$ 4,535,993
Capital assets	5,510,458	5,549,101	5,630,642	56,534	66,416	77,151	5,566,992	5,615,517	5,707,793
Total Assets	11,275,765	10,311,588	10,142,468	70,223	85,455	101,318	11,345,988	10,397,043	10,243,786
Long-term debt outstanding	3,150,000	3,385,000	3,610,000				3,150,000	3,385,000	3,610,000
Other liabilities	3,245,289	2,498,271	2,377,282	30,494	31,781	29,440	3,275,783	2,530,052	2,406,722
Total Liabilities	6,395,289	5,883,271	5,987,282	30,494	31,781	29,440	6,425,783	5,915,052	6,016,722
Invested in capital assets, net of related debt	2,360,458	2,164,101	2,020,642	56,534	66,416	77,151	2,416,992	2,230,517	2,097,793
Restricted	82,815	57,518	46,483				82,815	57,518	46,483
Unrestricted	2,437,203	2,206,698	2,088,061	(16,805)	(12,742)	(5,273)	2,420,398	2,193,956	2,082,788
Total Net Assets	\$ 4,880,476	\$ 4,428,317	\$ 4,155,186	\$ 39,729	\$ 53,674	\$ 71,878	\$ 4,920,205	\$ 4,481,991	\$ 4,227,064

	Governmental Activities		% Changes Business-type Activities		Total District	
	FY05 - FY06	FY04 - FY05	FY05 - FY06	FY04 - FY05	FY05 - FY06	FY04 - FY05
Current and other assets	21.1%	5.6%	-28.1%	-21.2%	20.9%	5.4%
Capital assets	-0.7%	-1.4%	-14.9%	-13.9%	-0.9%	-1.6%
Total Assets	9.4%	1.7%	-17.8%	-15.7%	9.1%	1.5%
Long-term debt outstanding	-6.9%	-6.2%			-6.9%	-6.2%
Other liabilities	29.9%	5.1%	-4.0%	8.0%	29.5%	5.1%
Total Liabilities	8.7%	-1.7%	-4.0%	8.0%	8.6%	-1.7%
Invested in capital assets, net of related debt	9.1%	7.1%	-14.9%	-13.9%	8.4%	6.3%
Restricted	44.0%	23.7%			44.0%	23.7%
Unrestricted	10.4%	5.7%	31.9%	141.6%	10.3%	5.3%
Total Net Assets	10.2%	6.6%	-26.0%	-25.3%	9.8%	6.0%

Figure A-4
Changes in Net Assets from Operating Results

	Governmental Activities			Business-type Activities			Total District		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
Revenues									
<i>Program Revenues</i>									
Charges for Services	\$ 596,754	\$ 543,824	\$ 494,945	\$ 134,535	\$ 135,775	\$ 126,810	\$ 731,289	\$ 679,599	\$ 621,755
Operating Grants & Contributions	536,397	465,269	427,321	86,535	85,678	78,519	622,932	550,947	505,840
<i>General Revenues</i>									
Property and Other Taxes	2,223,894	2,179,574	2,143,277				2,223,894	2,179,574	2,143,277
State Formula Aid	2,161,081	1,975,400	2,086,041				2,161,081	1,975,400	2,086,041
Other	232,619	83,285	59,220	8,972	5,804	4,043	241,591	89,089	63,263
Total Revenues	5,750,745	5,247,352	5,210,804	230,042	227,257	209,372	5,980,787	5,474,609	5,420,176
Expenses									
Instruction	3,134,507	3,074,252	2,944,660	243,987	245,461	244,731	3,378,494	3,319,713	3,189,391
Support Services	1,755,798	1,515,198	1,327,680				1,755,798	1,515,198	1,327,680
Facilities Acquisition	57,683	28,829	78,417				57,683	28,829	78,417
Debt Service	175,109	186,890	198,119				175,109	186,890	198,119
Intergovernmental	175,489	169,052	167,090				175,489	169,052	167,090
Total Expenses	5,298,586	4,974,221	4,715,966	243,987	245,461	244,731	5,542,573	5,219,682	4,960,697
Increase (Decrease) in Net Assets	\$ 452,159	\$ 273,131	\$ 494,838	\$ (13,945)	\$ (18,204)	\$ (35,359)	\$ 438,214	\$ 254,927	\$ 459,479

	Governmental Activities		% Changes Business-type Activities		Total District	
	FY05-FY06	FY04-FY05	FY05-FY06	FY04-FY05	FY05-FY06	FY04-FY05
Revenues						
<i>Program Revenues</i>						
Charges for Services	9.7%	9.9%	-0.9%	7.1%	7.6%	9.3%
Operating Grants & Contributions	15.3%	8.9%	1.0%	9.1%	13.1%	8.9%
<i>General Revenues</i>						
Property and Other Taxes	2.0%	1.7%			2.0%	1.7%
State Formula Aid	9.4%	-5.3%			9.4%	-5.3%
Other	179.3%	40.6%	54.6%	43.6%	171.2%	40.8%
Total Revenues	9.6%	0.7%	1.2%	8.5%	9.2%	1.0%
Expenses						
Instruction	2.0%	4.4%	-0.6%	0.3%	1.8%	4.1%
Support Services	15.9%	14.1%			15.9%	14.1%
Facilities Acquisition	100.1%	-63.2%			100.1%	-63.2%
Debt Service	-6.3%	-5.7%			-6.3%	-5.7%
Intergovernmental	3.8%	1.2%			3.8%	1.2%
Total Expenses	6.5%	5.5%	-0.6%	0.3%	6.2%	5.2%
Increase (Decrease) in Net Assets	65.5%	-44.8%	-23.4%	-48.5%	71.9%	-44.5%

Governmental Activities

Figure A-5 presents the cost of five major district activities: instruction, support services, facilities acquisition, debt services, and intergovernmental. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

- The cost of all governmental activities this year was \$5,298,586.
- The users of the District's programs financed a portion of the cost.
- Most of the District's \$4,165,435 net costs were financed by District and state taxpayers.
- Governmental activities were financed with \$2,223,894 in property taxes and other taxes, \$2,161,081 of unrestricted state aid, and \$100,038 of investment earnings.

Figure A-5
Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services			Net % Change	Net % Change
	2006	2005	2004	2006	2005	2004	2005-2006	2004-2005
Instruction	\$ 3,134,507	\$ 3,074,252	\$ 2,944,660	\$ 2,259,573	\$ 2,285,322	\$ 2,198,481	-1.1%	4.0%
Support Services	1,755,798	1,515,198	1,327,680	1,673,070	1,464,087	1,318,683	14.3%	11.0%
Facilities Acquisition	57,683	28,829	78,417	57,683	28,829	78,417	100.1%	-63.2%
Debt Service	175,109	186,890	198,119	175,109	186,890	198,119	-6.3%	-5.7%
Intergovernmental	175,489	169,052	167,090					
Total	\$ 5,298,586	\$ 4,974,221	\$ 4,715,966	\$ 4,165,435	\$ 3,965,128	\$ 3,793,700	5.1%	4.5%

The general fund is the main component of governmental activities and it saw the unreserved, undesignated fund balance fall to -\$146,828, which in turn has caused the district to have a negative solvency ratio. Figure A-6 is a summary of the solvency ratios over the last three fiscal years. The solvency ratio is calculated by dividing the general fund's unreserved, undesignated fund balance by the general fund's revenues. Each component of the calculation is included in Figure A-6.

The unreserved, undesignated fund balance can be compared to owner's equity in a regular business setting which is calculated by taking total assets minus total liabilities. A school's general fund operates differently than a regular business setting. The general fund is given spending authority from the state. This spending authority determines how much a district is able to spend. The amount a district can spend is not determined by the amount of cash a district has in the bank. The district has not overspent its spending authority from the state but must take action to correct the current cash position. Cash is the main component of a school's assets that can be easily modified.

Each year in the budgeting process a district can have a cash reserve levy. This levy does not increase the amount that a district can spend. It simply gives a district cash to cover the authority the state has already given. Our district has historically had a cash reserve levy but this levy will need to be increased to improve the district's solvency ratio and reduce the amount of borrowing needed to cover cash flow deficiencies. The District is also reviewing expenses to see where reductions can be made.

**Figure A-6
Solvency Ratio History (General Fund)**

	2006	2005	2004
Solvency Ratio	-3.37%	1.88%	6.66%
Unreserved Fund Balance	\$ (146,828)	\$ 76,377	\$ 268,308
Revenues	\$ 4,358,926	\$ 4,071,367	\$ 4,030,938

While the general fund had expenditures higher than revenues the other components of the governmental funds including capital projects, debt service, management, activity and PPEL did not. Each fund balance is described below:

- Capital Projects increased by \$390,897 bringing the end of year balance to \$2,339,435. Local option sales tax and interest are the main revenue sources for this fund. The board has taken action to set aside a portion of the proceeds received each month to payoff the bonds outstanding on the secondary facility or to build an additional facility. A new fund was established for the building of the fitness center. Bills were paid as donations were received thus this fund would not have made a significant contribution to an increase in fund balance.
- Debt Service increased by \$8,726 bringing the end of year balance to \$40,200. Interest income and the debt levy are the revenue sources for this fund. The only bills paid from this fund are principal and interest payments as well as the wire fees to complete the transaction.
- Management increased by \$16,439 bringing the end of year balance to \$68,178. Interest income and the management levy are the revenue sources for this fund. This fund is used to pay expenses related to early retirement policies, property insurance for the district, and property insurance deductibles.
- Activity increased by \$10,199 bringing the end of the year balance to \$85,449. Interest income, fundraisers, tickets/gate monies, and student payments are sources of revenues for this fund. There are various sub accounts within the activity fund. A breakdown is included in the supplemental information of the report. Each sub account would have various expenses.
- PPEL (Property, Plant & Equipment Levy) increased by \$25,760 bringing the end of year balance to \$151,568. Interest and the \$0.33 PPEL levy are the revenue sources for this fund. This year the only expenditure was the purchase of a school van.

Business-Type Activities

Revenues of the District's business-type activities (school food and nutrition services) totaled \$230,042 and expenses totaled \$243,987 (Refer to Figure A-4). As a result there was a deficit of \$13,945. There was also a deficit in the previous year two years. The deficit has been decreasing over the past three years but changes will need to be made to eliminate this as continual deficits lead to a declining unrestricted fund balance as seen in Figure A-3.

Financial Analysis of the District's Funds

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

General Fund Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year, utilizing statutorily prescribed procedures. The District's budget has been prepared on a cash basis but will be on a GAAP basis starting with the 2006-2007 fiscal year. This year an amendment was made to increase non-instructional programs due to increased expenses and to increase total other expenditures due to increased donations and expenses for the building of the fitness center.

Capital Asset and Debt Administration

Capital Assets

By the end of 2006, the district had invested \$8,839,237 in a broad range of assets including school buildings, land, athletic facilities, computer and audio-visual equipment, and vehicles. Total depreciation expense for governmental and business-type activities was \$218,979 and \$9,882 respectively. The District provided land for the community, through the help of a non-profit foundation, to build a fitness center. All expenses were paid by the district upon receipt of donations to cover the expense. The District will maintain the building when the project is completed in fiscal year 2007. The value of the project in progress is included in the capital assets of the district and is shown in Figure A-7.

**Figure A-7
Capital Assets**

	Governmental Activities			Business-type Activities			Total District		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
Land	\$ 283,677	\$ 283,677	\$ 283,677				\$ 283,677	\$ 283,677	\$ 283,677
Construction in Progress	129,391	8,188					129,391	8,188	
Buildings	6,486,434	6,486,434	6,464,484				6,486,434	6,486,434	6,464,484
Furniture & Equipment	1,708,520	1,737,920	1,688,129	231,215	231,215	231,215	1,939,735	1,969,135	1,919,344
Total Assets	8,608,022	8,516,219	8,436,290	231,215	231,215	231,215	8,839,237	8,747,434	8,667,505
Less Accumulated Depreciation	(3,097,564)	(2,967,118)	(2,805,648)	(174,681)	(164,799)	(154,064)	(3,272,245)	(3,131,917)	(2,959,712)
Net Capital Assets	\$ 5,510,458	\$ 5,549,101	\$ 5,630,642	\$ 56,534	\$ 66,416	\$ 77,151	\$ 5,566,992	\$ 5,615,517	\$ 5,707,793

	% Changes					
	Governmental Activities		Business-type Activities		Total District	
	FY05 - FY06	FY04 - FY05	FY05 - FY06	FY04 - FY05	FY05 - FY06	FY04 - FY05
Land	0.0%	0.0%			0.0%	0.0%
Construction in Progress	1480.3%				1480.3%	
Buildings	0.0%	0.3%			0.0%	0.3%
Furniture & Equipment	-1.7%	2.9%	0.0%	0.0%	-1.5%	2.6%
Total Assets	1.1%	0.9%	0.0%	0.0%	1.0%	0.9%
Less Accumulated Depreciation	4.4%	5.8%	6.0%	7.0%	4.5%	5.8%
Net Capital Assets	-0.7%	-1.4%	-14.9%	-13.9%	-0.9%	-1.6%

Long Term Debt

At year-end, the District had \$3,150,000 in general obligation bonds and other long-term debt outstanding.

**Figure A-8
Outstanding Long-Term Debt**

	2006	2005	2004	2005-2006	2004-2005
				% Change	% Change
General obligation bonds & notes	\$ 3,150,000	\$ 3,385,000	\$ 3,610,000	-6.9%	-6.2%

Factors Bearing on the District's Future

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

- The national economy will continually have a great impact on State of Iowa's budget. As the economy grows there is hope that the funding for education will be increased. School budgets were allowed to increase by 1% for fiscal year 2004, by 2% for fiscal year 2005, and by 4% for fiscal years 2006 and 2007. While 4% is higher in comparison to other recent years it is still not at a level high enough to allow districts to recover from the extremely low allowable growth they have had in recent history.
- District enrollment will continue to greatly impact the District's financial future. Funding for an Iowa school is based on the District's certified enrollment thus stable or increased enrollment is crucial to the financial health of a District. The auditor had found that certified enrollment for fiscal year 2006 was incorrectly certified with a lower number of students than should have been reported, which means the district has experienced an even greater increase in enrollment. The funds for this error were not received this fiscal year as the budget had been finalized with the state before the error could be found. The correction will be made in the 2006-2007 budget.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions, about this report or need additional financial information, contact Dr. Robert Morrison, Superintendent, Lawton-Bronson Community School District, 100 Tara Way, Lawton, IA 51030.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business Type Activity	Total
ASSETS			
Cash and Pooled Investments	\$ 3,051,194	\$ 5,985	\$ 3,057,179
Receivables:			
Property Tax	32,068		32,068
Succeeding Year Property Tax	1,969,730		1,969,730
Interfund Receivable (Payable)	14,648	(14,648)	-
Due from Other Governmental Agencies	199,074		199,074
Inventories		7,704	7,704
Prepaid Expenses	34,095		34,095
Restricted ISCAP Assets:			
Investments	464,354		464,354
Accrued Interest Receivable	144		144
Land	283,677		283,677
Construction In Progress	129,391		129,391
Infrastructure, Property and Equipment, Net of Accumulated Depreciation (Note 4)	5,097,390	56,534	5,153,924
Total Assets	11,275,765	56,575	11,331,340
LIABILITIES			
Payables:			
Accounts Payable	247,129		247,129
Deferred Revenue:			
Succeeding Year Property Tax	1,969,730		1,969,730
Accrued Wages and Benefits	443,482	15,846	459,328
Accrued Early Retirement	103,280		103,280
Accrued Interest Payable	13,014		13,014
ISCAP Liabilities:			
ISCAP Warrants Payable	465,000		465,000
ISCAP Unamortized Premium	3,539		3,539
ISCAP Accrued Interest Payable	115		115
Long Term Debt Due Within One Year	250,000		250,000
Long Term Debt Due in More Than One Year	2,900,000		2,900,000
Total Liabilities	6,395,289	15,846	6,411,135
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	2,360,458	56,534	2,416,992
Restricted for:			
Talented and Gifted Program	42,615		42,615
Debt Service	40,200		40,200
Unrestricted	2,437,203	(16,805)	2,420,398
Total Net Assets	\$ 4,880,476	\$ 39,729	\$ 4,920,205

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Charges for Services</u>
Governmental Activities:			
Instruction:			
Regular	\$ 2,228,516	\$ 221,598	
Special Programs	449,943	80,088	
Vocational	138,712		
Co-curricular	317,336		222,037
Support Services:			
Student Support	173,195		62,543
Instructional Staff Support	162,855		
General Administration	341,226		
Building Administration	251,321		
Business Administration	112,709		
Operations and Maintenance	359,880		
Student Transportation	354,612		10,488
Facilities Acquisition:			
Building Improvement Services	3,880		
Construction Services	53,803		
Debt Service:			
Services	60		
Interest	175,049		
Intergovernmental:			
AEA Flowthrough	175,489		
Total governmental activities	<u>5,298,586</u>		<u>596,754</u>
Business Type Activity			
School Nutrition Fund	<u>243,987</u>		<u>134,535</u>
Total School District	<u>\$ 5,542,573</u>		<u>\$ 731,289</u>
General Revenues:			
Property taxes			
Other taxes			
Interest on Investments			
State aid not restricted to specific programs			
Contributions			
Sale of Equipment & Material			
Miscellaneous			
Total general revenues			
Change in net assets			
Net assets - beginning			
Net assets - ending			

See Accompanying Notes to Financial Statements

Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
Operating Grants Contributions	Capital Grants Contributions	Governmental Activities	Business Type Activity	Total
\$ 317,527		\$ (1,689,391)		\$ (1,689,391)
30,594		(339,261)		(339,261)
3,090		(135,622)		(135,622)
		(95,299)		(95,299)
		(110,652)		(110,652)
		(162,855)		(162,855)
		(341,226)		(341,226)
		(251,321)		(251,321)
		(112,709)		(112,709)
9,697		(350,183)		(350,183)
		(344,124)		(344,124)
		(3,880)		(3,880)
		(53,803)		(53,803)
		(60)		(60)
		(175,049)		(175,049)
175,489		-		-
<u>536,397</u>	<u>-</u>	<u>(4,165,435)</u>		<u>(4,165,435)</u>
86,535	-		\$ (22,917)	(22,917)
<u>\$ 622,932</u>	<u>\$ -</u>	<u>(4,165,435)</u>	<u>(22,917)</u>	<u>(4,188,352)</u>
		1,821,898		1,821,898
		401,996		401,996
		100,038	585	100,623
		2,161,081		2,161,081
		107,806		107,806
		538		538
		24,237	8,387	32,624
		<u>4,617,594</u>	<u>8,972</u>	<u>4,626,566</u>
		452,159	(13,945)	438,214
		4,428,317	53,674	4,481,991
		<u>\$ 4,880,476</u>	<u>\$ 39,729</u>	<u>\$ 4,920,205</u>

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
Governmental Funds
JUNE 30, 2006

		General
Assets		
Cash and Pooled Investments	\$	349,460
Receivables:		
Property Tax		22,067
Succeeding Year Property Tax		1,440,623
Due from Other Funds		54,595
Due from Other Governmental Agencies		134,766
Prepaid Expenses		34,095
Restricted ISCAP Assets:		
Investments		464,354
Accrued Interest Receivable		144
Total Assets		2,500,104
Liabilities and Equity		
Payables:		
Accounts Payable		217,463
Due to Other Funds		
Deferred Revenue:		
Succeeding Year Property Tax		1,440,623
Accrued Wages and Benefits		443,482
Accrued Early Retirement		
ISCAP Liabilities:		
ISCAP Warrants Payable		465,000
ISCAP Unamortized Premium		3,539
ISCAP Accrued Interest Payable		115
Total Liabilities		2,570,222
Fund Balances:		
Reserved for Talented and Gifted Program		42,615
Reserved for Debt Service		
Reserved for Prepaid Expenses		34,095
Unreserved for:		
Undesignated		(146,828)
Total Fund Balances		(70,118)
Total Liabilities and Equity	\$	2,500,104

See Accompanying Notes to Financial Statements

	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
\$	2,321,682	\$ 12,490	\$ 367,562	\$ 3,051,194
		7,310	2,691	32,068
		413,800	115,307	1,969,730
		20,400		74,995
	64,308			199,074
				34,095
				464,354
				144
	2,385,990	454,000	485,560	5,825,654
	24,084		5,582	247,129
	22,471		37,876	60,347
		413,800	115,307	1,969,730
				443,482
			21,600	21,600
				465,000
				3,539
				115
	46,555	413,800	180,365	3,210,942
				42,615
		40,200		40,200
				34,095
	2,339,435		305,195	2,497,802
	2,339,435	40,200	305,195	2,614,712
\$	2,385,990	\$ 454,000	\$ 485,560	

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	5,510,458
Accrued expenses from the balance sheet that provide current financial resources for governmental activities	(94,694)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(3,150,000)
Net Assets of Governmental Activities	\$ 4,880,476

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
Year Ended June 30, 2006

		General
<hr/>		
Revenue:		
Local Sources	\$	1,587,874
State Appropriations		2,607,387
Federal Appropriations		163,665
Total Revenue		<u>4,358,926</u>
Expenditures:		
Governmental Activities:		
Instruction:		
Regular		2,212,621
Special Programs		452,323
Vocational		135,189
Co-curricular		97,480
Support Services:		
Student Support		173,868
Instructional Staff Support		184,969
General Administration		149,168
Building Administration		252,071
Business Administration		112,709
Operations and Maintenance		320,555
Student Transportation		294,532
Facilities Acquisition:		
Building Improvement Services		
Construction Services		
Debt Service:		
Services		
Principal		
Interest		
Intergovernmental:		
AEA Flowthrough		175,489
Total Expenditures		<u>4,560,974</u>
Excess (Deficiency) of Revenues Over Expenditures		(202,048)
Other Financing Sources (Uses):		
Sale of Equipment & Material		538
Total Other Financing Sources (Uses)		<u>538</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses		(201,510)
Fund Balances-Beginning of Year		131,392
Fund Balances-End of Year	\$	<u><u>(70,118)</u></u>

See Accompanying Notes to Financial Statements

	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
\$	584,144	\$ 419,806	\$ 387,331	\$ 2,979,155
				2,607,387
				163,665
	584,144	419,806	387,331	5,750,207
				2,212,621
				452,323
				135,189
			217,175	314,655
				173,868
				184,969
			56,588	205,756
				252,071
				112,709
	2,615		30,224	353,394
			30,946	325,478
	5,065			5,065
	185,567			185,567
		60		60
		235,000		235,000
		176,020		176,020
				175,489
	193,247	411,080	334,933	5,500,234
	390,897	8,726	52,398	249,973
				538
				538
	390,897	8,726	52,398	250,511
	1,948,538	31,474	252,797	2,364,201
\$	2,339,435	\$ 40,200	\$ 305,195	\$ 2,614,712

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 22)	\$ 250,511
Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current year.	(38,643)
Accrued Expenses not reported on modified accrual basis	5,291
The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was:	<u>235,000</u>
Change in net assets of governmental activities (page 18)	<u>\$ 452,159</u>

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Balance Sheet
Proprietary Fund
June 30, 2006

	School Nutrition Fund
Assets	
Cash and Pooled Investments	\$ 5,985
Inventories	7,704
Property and Equipment, Net of Accumulated Depreciation	56,534
Total Assets	70,223
Liabilities	
Due to Other Funds	14,648
Accrued Wages and Benefits	15,846
Total Liabilities	30,494
Equity	
Invested in Capital Assets	56,534
Unrestricted	(16,805)
Total Equity	39,729
Total Liabilities and Equity	\$ 70,223

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Equity
Proprietary Fund
For the Year Ended June 30, 2006

	School Nutrition Fund
Operating Revenues:	
Sales of lunches and breakfasts:	
Students	\$ 124,964
Adults	9,537
A la carte	32
Miscellaneous	8,389
	<hr/>
Total Operating Revenue	142,922
	<hr/>
Operating Expenditures:	
Food Service Operations:	
Salaries	91,864
Benefits	17,932
Supplies	117,596
Other	6,713
Depreciation	9,882
	<hr/>
Total Operating Expenses	243,987
	<hr/>
Operating Loss	(101,065)
	<hr/>
Non-Operating Revenues :	
Interest Income	585
State Lunch and Breakfast Program Claims	3,411
National School Lunch Program	60,654
Federal Food Commodities Received	22,470
	<hr/>
Total Non-Operating Revenues	87,120
	<hr/>
Change in equity	(13,945)
	<hr/>
Equity-beginning	53,674
	<hr/>
Equity-ending	\$ 39,729
	<hr/> <hr/>

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
Business Type Activity
For the Year Ended June 30, 2006

	School Nutrition Fund
Cash flows from operating activities:	
Cash received from customers	\$ 134,533
Cash received from miscellaneous operating activities	8,389
Cash payments to employees for services	(111,083)
Cash payments to suppliers for goods and services	(123,499)
Total cash used by operating activities	(91,660)
Cash flows from noncapital financing activities:	
State grants received	3,411
Federal grants received	83,124
Net cash provided by noncapital financing activities	86,535
Cash flows from investing activities:	
Interest on investments	585
Net decrease in cash and cash equivalents	(4,540)
Cash and pooled investments - beginning of year	10,525
Cash and pooled investments - end of year	5,985
Reconciliation of operating loss to net cash used in operating activities:	
Operating Loss	(101,065)
Depreciation Expense	9,882
Change in assets and liabilities:	
Decrease in inventory	810
Decrease in salaries and benefits payable	(1,287)
Net cash used in operating activities	(91,660)
Supplemental schedule of noncash noncapital financing activities:	
Federal food commodities received	\$ 22,470

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
Fiduciary Funds
For the Year Ended June 30, 2006

	<u>2006</u>
ASSETS	
Cash and Temporary Cash Investments	<u>\$ 37,418</u>
LIABILITIES	
Other Payables	<u>\$ 37,418</u>

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2006

Note 1 – Summary of Significant Accounting Policies

The Lawton-Bronson 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 areas served include the cities of Lawton and Bronson, Iowa, and the predominant agricultural territory in Woodbury County. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

A. Reporting Entity

For financial reporting purposes, Lawton-Bronson Community School District has included all funds, organizations, account groups, 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 Lawton-Bronson Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

These financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) that apply to governmental units. All funds created under the authority of the State Code of Iowa, the operations of which are under the control of the District's governing body, and by financial reporting standards for governmental units are included herewith.

The Governmental Accounting Standards Board is responsible for establishing U.S. GAAP for state and local government through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The District applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations. The more significant accounting policies established in U.S. GAAP and used by the District are discussed below.

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

B. Basic Financial Statements- Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's general, special revenue, capital project, and debt service funds are classified as governmental activities. The District's school nutrition fund is classified as a business-type activity.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts- invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The District first uses restricted resources to finance qualifying activities.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2006

Note 1 – Summary of Significant Accounting Policies (Continued)

The Government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenues, operating grants, and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

C. Fund Accounting

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into two types: governmental and proprietary. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The various funds reported in the financial statements are grouped into fund types as follows:

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities, except those accounted for in proprietary funds, are accounted for through governmental funds. The measurement focus is on determination of financial position and changes in financial position, rather than upon net income determination. The following are the District's governmental funds.

General Fund – The General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.

Special Revenue Fund – Special Revenue Funds account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted for specified purposes. Each of the District's Special Revenue Funds has been established to reflect restricted revenue sources provided to school districts by the Iowa State Statutes. The funds included in this category and their purposes are as follows:

Management Fund – Accounts for a levy of eighty-eight cents per thousand dollars of assessed valuation in the district for insurance premiums and unemployment compensation insurance claims.

Physical Plant and Equipment Levy – Accounts for a regular levy of thirty-three cents per thousand dollars of assessed valuation in the district for use in purchase of equipment and repairing and improving schoolhouse buildings and grounds.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2006

Note 1 – Summary of Significant Accounting Policies (Continued)

Student Activity Fund – Accounts for student clubs and other activities not necessary to regular instruction services that are financed partly or entirely by admissions and student fund-raising activities.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for and the payment of general long-term debt principal and interest.

Capital Projects Fund – The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

PROPRIETARY FUND TYPES

Proprietary funds are used to account for the District's ongoing activities that are similar to those often found in the private sector, where the measurement focus is upon the flow of economic resources. The fund included in this category and its' purpose are as follows:

Enterprise Fund – The Enterprise Fund is used to account for operations: (a) which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The fund included in this category and its purpose is as follows:

School Nutrition Fund – Accounts for the food service operations of the District. It is the policy of the District to treat all direct food sales as operating revenues, and to treat all investment income and state and federal aid as nonoperating revenues.

FIDUCIARY FUND TYPE

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The following are the District's fiduciary fund:

Agency Fund - The Teacher's Memorial, Grigg and Shoemaker Scholarship Funds hold monies for the school to distribute to students as scholarships. The monies are not to be used for any other purpose, and if the funds are ever dissolved, the monies return to the estates that provided the funding.

MAJOR FUNDS

Major funds are those funds whose operations have a material impact on the operation of the government on the whole. They are presented separately from the other governmental funds. The General Fund is always a major fund. This year, the Capital Projects Fund qualified for as a major fund, and the District requested that the Debt Service Fund be treated as a major fund.

D. Basis of Accounting/Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and agency funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2006

Note 1 – Summary of Significant Accounting Policies (Continued)

Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

All governmental fund types use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Because of their flow of current financial resources measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Those revenues susceptible to accrual are property taxes, interest revenue, and intergovernmental revenue (shared revenues, grants and reimbursements from other governments). Revenue from federal and state grants and similar programs are recognized when a District has done everything necessary to establish its right to the revenue. Usually this is at the time an expenditure has been incurred for an authorized purpose.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Propriety Fund type operating statements present increases (e.g. revenue) and decreases (e.g. expenses) in net total assets. In reporting the financial activity of its proprietary funds, 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 fund types utilize the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Budgetary Accounting- 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 expendable trust funds 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.

E. Assets, Liabilities, and Fund Equity

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

Cash and Temporary Cash Investments – The cash balances of most District funds are pooled and invested. For purposes of the statement of cash flows, the proprietary fund type considers all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2006 included certificates of deposits of \$760,362 with original maturity dates longer than three months.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2006

Note 1 – Summary of Significant Accounting Policies (Continued)

Interfund Activity – Interfund balances outstanding at year-end were between the General Fund, the Management Levy Fund, the Debt Service Fund, the Capital Projects Fund, the Nutrition Fund, and the Physical Plant and Equipment Levy (PPEL) Fund. The purpose of the balances between the General Fund and the Capital Projects Fund was to accrue expenses that the General Fund paid on the Capital Projects Fund's behalf. The purpose of the balances between the General Fund and the Nutrition Fund was to accrue expenses that the General Fund paid on the Nutrition Fund's behalf. The purpose of the balances between the General Fund, the Management Levy Fund, the Debt Service Fund, and the PPEL Fund was to accrue expenses that the General Fund and the Debt Service Fund paid on the Management Levy Fund and PPEL Fund's behalf.

Property Tax Receivable – Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes 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 Board of Education is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 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 revenue, grants and reimbursements from other governments.

Inventories – Inventory items are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities.

Property and Equipment – Property and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are reported at their fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The District's capitalization policy is \$5,000. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and structures	25 - 50 years
Machinery and equipment	5 - 20 years

During the year ended June 30, 2006, no interest costs were capitalized since the District's policy is not to capitalize interest costs on assets constructed or acquired with tax-exempt debt paid for from annual debt service tax levies.

Proprietary Fund – Proprietary fund type property and equipment is accounted for at historical costs or estimated historical costs where historical cost is not available. Contributed capital assets are recorded at estimated fair market value at the date received.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2006

Note 1 – Summary of Significant Accounting Policies (Continued)

The Proprietary Fund uses the same capitalization policy as the rest of the District. Accumulated depreciation is reported on the Proprietary Fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives for machinery and equipment are 15 years.

Accrued Payroll and Related Expenditures – 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 collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue 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 as well as delinquent property tax receivable and other receivables not collected within sixty days after year end, excluding grant receivables.

Compensated Absences – There is no liability for unpaid accumulated vacation or sick leave since the District does have a policy in which employees are required to use it or lose it. The District does not pay this amount when employees separate from service.

Note 2 – Deposits and Investments

The School District's deposits 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 School 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; and certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the District had deposits with financial institutions with a carrying amount of \$3,006,242 and a bank balance of \$3,105,003. At June 30, 2006, its investment balances were as follows:

Investment Type	Fair Value	Maturity	Rating
Iowa School Joint Investment Trust	\$ 50,937	None	Unrated

Note 3 – Area Education Agency

The District is required by the Code of Iowa to budget for its share of the media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$175,489 for the year ended June 30, 2006, and is recorded in the General Fund.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2006

Note 4 – Capital Assets

Capital Assets activity for the year ended June 30, 2006 was as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 283,677			\$ 283,677
Construction in Progress	8,188	\$ 121,203		129,391
Total capital assets not being depreciated	<u>291,865</u>	<u>121,203</u>		<u>413,068</u>
Capital assets being depreciated:				
Buildings	6,486,434			6,486,434
Furniture and Equipment	1,737,920	59,133	\$ 88,533	1,708,520
Total capital assets being depreciated	<u>8,224,354</u>	<u>59,133</u>	<u>88,533</u>	<u>8,194,954</u>
Less accumulated depreciation for:				
Buildings	1,514,971	135,470		1,650,441
Furniture and Equipment	1,452,147	83,509	88,533	1,447,123
Total accumulated depreciation	<u>2,805,648</u>	<u>218,979</u>	<u>88,533</u>	<u>3,097,564</u>
Total capital assets being depreciated, net	<u>5,257,236</u>	<u>(159,846)</u>	<u>(0)</u>	<u>5,097,390</u>
Governmental activities capital assets, net	<u>\$ 5,549,101</u>	<u>\$ (38,643)</u>	<u>\$ (0)</u>	<u>\$ 5,510,458</u>
	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Business-Type Activities:				
Furniture and Equipment	\$ 231,215			\$ 231,215
Less accumulated depreciation	164,799	\$ 9,882		174,681
Business-type activities capital assets, net	<u>\$ 66,416</u>	<u>\$ (9,882)</u>		<u>\$ 56,534</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Regular Instruction	\$ 20,215
Vocational Instruction	3,523
Co-Curricular Instruction	2,681
Student Support	77
Instructional Staff Support	243
General Administration/Multi-Functional	135,470
Operations and Maintenance	6,486
Transportation	<u>50,284</u>
Total depreciation expense – governmental activities	<u>\$ 218,979</u>
Business-Type Activities:	
Food Service Operations	<u>\$ 9,882</u>

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2006

Note 5 – Retirement System

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 that 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 salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$148,325, \$143,059, and \$144,165 respectively, equal to the required contributions for each year.

Note 6 – Long-Term Debt

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

	General Obligation Bonds	Early Retirement	Total
Balance beginning of year	\$ 3,385,000	\$ 104,720	\$ 3,489,720
Additions	-	17,280	17,280
Deletions	(235,000)	(18,720)	(253,720)
Balance end of year	\$ 3,150,000	\$ 103,280	\$ 3,253,280

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must be between the ages of 55 and 65 on or before June 30 of the year in which they wish to retire, and must have completed a total of ten years of service to the District as a full-time licensed employee. Employees must complete an application which is required to be approved by the Board of Education. Retirees select benefits under either of the following options:

Monetary Payment - A percentage of the employee's current annual full-time base salary, based on the employee's years of service.

Health Insurance Continuation – Allows the employee to continue to participate in the District's group health insurance plan until age 65 at the expense of the District, not to exceed \$200 per month for employees who retired prior to February 27, 2003, and \$240 per month for employees who retired after February 27, 2003.

Early retirement benefits (including payroll taxes) paid during the year ended June 30, 2006 totaled \$18,720. The cost of early retirement payments expected to be liquidated currently are recorded as a liability of the Special Revenue, Management Levy Fund. A liability has been recorded representing the District's commitment to fund non-current early retirement.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2006

Note 6 – Long-Term Debt (Continued)

Details of the District's June 30, 2006 early retirement obligation are as follows:

Ending June 30	Total
2007	\$ 21,600
2008	16,600
2009	13,920
2010	13,200
2011	11,040
2012 and after	26,920
Totals	\$ 103,280

Bonded Debt

In February 1997, the District completed a general obligation bond issue for \$5,075,000. It requires semi-annual payments every December and June through June 2016, and the average interest rate over the life of the issue is 5.37%. The District's assets were pledged in the event of default on the bonds. Future property tax proceeds will be used to make payments on the issue.

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

Ending June 30	Principal	Interest	Total
2007	\$ 250,000	\$ 163,800	\$ 413,800
2008	260,000	150,800	410,800
2009	275,000	137,280	412,280
2010	290,000	122,980	412,980
2011	305,000	107,900	412,900
2012-2016	1,770,000	285,220	2,055,220
Totals	\$ 3,150,000	\$ 967,980	\$ 4,117,980

Note 7 – Operating Leases

The District is committed under seven non-cancelable operating leases for copiers. Future minimum operating lease commitments are as follows:

Ending June 30	Total
2007	\$ 25,301
2008	22,994
2009	11,459
2010	10,337
2011	2,747
Totals	\$ 72,838

Rent expenditures were \$25,241 for the year ended June 30, 2006.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2006

Note 8 – Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools 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 semi-annual 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 semi-annual period. ISCAP accounts 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. The accounts are reflected as restricted assets on the balance sheet.

A summary of the District's participation in ISCAP as of June 30, 2006 is as follows:

Series	Warrant Date	Date Warrant Reinvested	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-2007A	6/30/06	6/26/07	\$ 464,354	\$ 144	\$ 465,000	\$ 115

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. There were no ISCAP borrowings for the year ended June 30, 2006.

The 2006-2007A Series warrants have an interest rate of 4.500%, and available proceeds of the warrants are invested at a rate of 5.676%.

Note 9 – Risk Financing

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the year ended June 30, 2006 the District has elected to purchase commercial insurance to cover against the risk of loss. There were no settlements that exceeded insurance coverage during the past three years or any significant reductions in coverage.

Note 10 – Deficit Fund Balances

As of June 30, 2006, the following funds had deficit fund balances in the amount shown:

General	\$ <u>70,118</u>
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The general fund deficit will be funded through future property tax and state aid receipts.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2006

Note 11 – Construction Commitments

The District entered into a construction agreement with a local nonprofit foundation to construct a community fitness center adjacent to the school. The District volunteered a section of its real property for the construction site, and the foundation will provide the construction costs to assemble the structure. When complete, the District will assume the costs of the center's operation and maintenance. The estimated cost of the new facility is projected to be \$229,500. The remaining balance not in process at year end was approximately \$100,000.

REQUIRED SUPPLEMENTAL INFORMATION

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances-
Budget and Actual (Cash Basis)-
Governmental Funds and Proprietary Fund
Year Ended June 30, 2006

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Final Budget	Variance with Budget Favorable (Unfavorable)
Receipts:					
Local Sources	\$ 2,984,799	\$ 143,507	\$ 3,128,306	\$ 2,811,832	\$ 316,474
State Sources	2,598,040	3,411	2,601,451	2,576,664	24,787
Federal Sources	148,956	60,654	209,610	142,000	67,610
Total Revenues	<u>5,731,795</u>	<u>207,572</u>	<u>5,939,367</u>	<u>5,530,496</u>	<u>408,871</u>
Expenditures:					
Instruction	3,055,833	-	3,055,833	3,341,284	285,451
Support Services	1,575,593	-	1,575,593	1,592,000	16,407
Non-Instructional Programs	-	212,112	212,112	250,000	37,888
Other Expenditures	752,401	-	752,401	803,010	50,609
Total Expenditures	<u>5,383,827</u>	<u>212,112</u>	<u>5,595,939</u>	<u>5,986,294</u>	<u>390,355</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>347,968</u>	<u>(4,540)</u>	<u>343,428</u>	<u>(455,798)</u>	<u>799,226</u>
Other Financing Sources					
Sale of Equipment & Material	<u>538</u>	<u>-</u>	<u>538</u>	<u>-</u>	
Total Other Financing Sources	<u>538</u>	<u>-</u>	<u>538</u>	<u>-</u>	
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	348,506	(4,540)	343,966	(455,798)	
Fund Balance/Retained Earnings Beginning of Year	<u>2,702,688</u>	<u>10,525</u>	<u>2,713,213</u>	<u>312,798</u>	
Fund Balance/Retained Earnings End of Year	<u>\$ 3,051,194</u>	<u>\$ 5,985</u>	<u>\$ 3,057,179</u>	<u>\$ (143,000)</u>	

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to Required Supplemental Information – Budgetary Reporting
June 30, 2006

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District disbursements the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$143,000.

There was one amendment made during the fiscal year ending June 30, 2006. The original budget by functional area, amendments, and the amended budget by functional area were as follows:

	Original Budget	Amendments	Amended Budget
Instruction	\$ 3,341,284		\$ 3,341,284
Student Support Services	1,592,000		1,592,000
Non-Instructional	227,000	\$ 23,000	250,000
Other Expenditures	683,010	120,000	803,010

A comparison of cash basis revenues, expenditures or expenses and changes in balance with the cash basis budget, which is legally controlled by functional areas, is presented here. Operations and ending fund balances on the cash and modified accrual or accrual basis have been reconciled as follows:

Governmental Fund Types			
	Cash Basis	General Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 4,317,749	\$ 41,177	\$ 4,358,926
Expenditures	4,476,778	84,196	4,560,974
Net	(159,029)	(43,019)	(202,048)
Other Financing Sources (Uses)	538	-	538
Beginning Fund Balance	507,951	(376,559)	131,392
Ending Fund Balance	\$ 349,460	\$ (419,578)	\$ (70,118)

Governmental Fund Types			
	Cash Basis	Special Revenue Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 423,353	\$ (36,022)	\$ 387,331
Expenditures	330,137	4,796	334,933
Net	93,216	(40,818)	52,398
Other Financing Sources (Uses)	-	-	-
Beginning Fund Balance	274,346	(21,549)	252,797
Ending Fund Balance	\$ 367,562	\$ (62,367)	\$ 305,195

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to Required Supplemental Information – Budgetary Reporting
June 30, 2006

	<u>Governmental Fund Types</u>		
	<u>Cash Basis</u>	<u>Debt Service</u>	<u>Modified Accrual Basis</u>
		<u>Accrual Adjustments</u>	
Revenues	\$ 421,821	\$ (2,015)	\$ 419,806
Expenditures	411,080	-	411,080
Net	10,741	(2,015)	8,726
Other Financing Sources (Uses)	-	-	-
Beginning Fund Balance	1,749	29,725	31,474
Ending Fund Balance	<u>\$ 12,490</u>	<u>\$ 27,710</u>	<u>\$ 40,200</u>

	<u>Governmental Fund Types</u>		
	<u>Cash Basis</u>	<u>Capital Projects</u>	<u>Modified Accrual Basis</u>
		<u>Accrual Adjustments</u>	
Revenues	\$ 568,872	\$ 15,272	\$ 584,144
Expenditures	165,832	27,415	193,247
Net	403,040	(12,143)	390,897
Other Financing Sources (Uses)	-	-	-
Beginning Fund Balance	1,918,642	29,896	1,948,538
Ending Fund Balance	<u>\$ 2,321,682</u>	<u>\$ 17,753</u>	<u>\$ 2,339,435</u>

	<u>Governmental Fund Types</u>		
	<u>Cash Basis</u>	<u>Total</u>	<u>Modified Accrual Basis</u>
		<u>Accrual Adjustments</u>	
Revenues	\$ 5,731,795	\$ 18,412	\$ 5,750,207
Expenditures	5,383,827	116,407	5,500,234
Net	347,968	(97,995)	249,973
Other Financing Sources (Uses)	538	-	538
Beginning Fund Balance	2,702,688	(338,487)	2,364,201
Ending Fund Balance	<u>\$ 3,051,194</u>	<u>\$ (436,482)</u>	<u>\$ 2,614,712</u>

	<u>Proprietary Fund Type-Enterprise</u>		
	<u>Cash Basis</u>	<u>Total</u>	<u>Accrual Basis</u>
		<u>Accrual Adjustments</u>	
Revenues	\$ 207,572	\$ 22,470	\$ 230,042
Expenditures	212,112	31,875	243,987
Net	(4,540)	(9,405)	(13,945)
Other Financing Sources (Uses)	-	-	-
Beginning Fund Balance	10,525	43,149	53,674
Ending Retained Earnings	<u>\$ 5,985</u>	<u>\$ 33,744</u>	<u>\$ 39,729</u>

SUPPLEMENTAL INFORMATION

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund
Year Ended June 30, 2006

Schedule 1

Revenues:

Local Sources:

Local Tax:

Property Tax \$ 1,253,358

Other Local Sources:

Interest on Investments 11,145

Tuition from Other Districts 225,742

Miscellaneous 97,629

334,516

1,587,874

State Sources:

Foundation Aid-District's Share 2,153,833

Experienced Teacher Compensation 79,795

Educational Excellence Program:

Phase I 29,750

Phase II 48,660

Non-Public Transportation Aid 9,697

Vocational Education Aid 3,090

Iowa Early Intervention Block Grant 26,794

Gas Tax Refund 10,488

Medicaid Reimbursement 62,543

AEA Flow-Through 175,489

Other 7,248

2,607,387

Federal Sources:

Title I Grants to Local Educational Agencies 29,497

Safe and Drug Free Schools and Communities 1,990

Innovative Education Program Strategies (Title VI Program) 1,436

Rural Education Achievement Program 41,075

Transition Alliance Program 45,732

Federal Teacher Quality Program 13,341

Other 30,594

163,665

Total Revenue 4,358,926

Expenditures:

Instruction:

Regular Program Instruction:

Salaries 1,428,663

Employee Benefits 413,608

Contractual Services 239,237

General Supplies 98,266

Equipment 3,344

Other 29,503

\$ 2,212,621

Continued

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
Year Ended June 30, 2006

Schedule 1 (Continued)

Expenditures (continued):

Instruction (continued):

Special Program Instruction:

Salaries	\$ 232,702
Employee Benefits	56,114
Contractual Services	146,799
General Supplies	9,478
Equipment	2,379
Other	4,851
	452,323

Vocational Program Instruction:

Salaries	94,724
Employee Benefits	32,578
Contractual Services	674
General Supplies	5,362
Other	1,851
	135,189

Co-Curricular Program Instruction and Sports:

Salaries	84,764
Employee Benefits	11,384
Other	1,332
	97,480

Total Instruction

2,897,613

Support Services:

Student Support Services:

Salaries	86,828
Employee Benefits	27,271
Contractual Services	54,393
General Supplies	2,607
Other	2,769
	173,868

Instructional Staff Support Services:

Salaries	102,896
Employee Benefits	26,448
General Supplies	10,891
Equipment	43,308
Other	1,426
	184,969

General Administration:

Salaries	104,184
Employee Benefits	31,522
Contractual Services	763
General Supplies	2,924
Other	9,775
	\$ 149,168

Continued

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
Year Ended June 30, 2006

Schedule 1 (Continued)

Expenditures (continued):

Support Services (continued):

Building Administration:

Salaries	\$ 163,328
Employee Benefits	61,023
Contractual Services	8,655
General Supplies	6,714
Equipment	6,693
Other	5,658
	252,071

Business Administration:

Salaries	49,544
Employee Benefits	11,753
Contractual Services	25,072
General Supplies	1,969
Other	24,371
	112,709

Operation and Maintenance Services:

Salaries	94,509
Employee Benefits	37,486
Contractual Services	38,493
General Supplies	147,316
Equipment	1,001
Other	1,750
	320,555

Student Transportation:

Salaries	148,389
Employee Benefits	28,334
Contractual Services	25,387
General Supplies	88,528
Other	3,894
	294,532

Total Support Services

1,487,872

Other Expenditures:

AEA Flow-Through	175,489
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4,560,974

(Deficiency) of Revenues Over Expenditures (202,048)

Other Financing Sources:

Sale of Equipment & Material	538
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(Deficiency) of Revenues and other Sources Over Expenditures (201,510)

Balance Beginning of Year 131,392

Balance End of Year \$ (70,118)

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
June 30, 2006

Schedule 2

	Special Revenue Funds			
	Management Fund	Activity Fund	PPEL Fund	Total
Assets				
Cash and Pooled Investments	\$ 96,608	\$ 91,003	\$ 179,951	\$ 367,562
Receivables:				
Property Tax	1,959		732	2,691
Succeeding Year Property Tax	70,001		45,306	115,307
Total Assets	<u>168,568</u>	<u>91,003</u>	<u>225,989</u>	<u>485,560</u>
Liabilities				
Accounts Payable	28	5,554		5,582
Due to Other Funds	8,761		29,115	37,876
Deferred Revenue:				
Succeeding Year Property Tax	70,001		45,306	115,307
Accrued Early Retirement	-			-
Total Liabilities	<u>78,790</u>	<u>5,554</u>	<u>74,421</u>	<u>158,765</u>
Fund Balances				
Unreserved, undesignated fund balance	68,178	85,449	151,568	305,195
Total Liabilities and Equity	<u>\$ 146,968</u>	<u>\$ 91,003</u>	<u>\$ 225,989</u>	<u>\$ 463,960</u>

**LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 Governmental Nonmajor Funds
 For the Year Ended June 30, 2006**

Schedule 3

	Special Revenue Funds			
	Management Fund	Activity Fund	PPEL Fund	Total
Revenue:				
Local Sources:				
Property Taxes	\$ 111,253		\$ 41,596	\$ 152,849
Other Local Sources:				
Interest on Investments	1,794	\$ 3,328	5,314	10,436
Student Activities		222,037		222,037
Miscellaneous		2,009		2,009
Total Revenue	113,047	227,374	46,910	387,331
Expenditures:				
Instruction:				
Regular	21,600			21,600
Co-curricular		217,175		217,175
Support Services:				
General Administration	34,988			34,988
Operations and Maintenance	30,224			30,224
Student Transportation	9,796		21,150	30,946
Total Expenditures	96,608	217,175	21,150	334,933
Excess (Deficiency) of Revenues of Expenditures	16,439	10,199	25,760	52,398
Fund Balances - Beginning of Year	51,739	75,250	125,808	252,797
Fund Balances - End of Year	\$ 68,178	\$ 85,449	\$ 151,568	\$ 305,195

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Schedule of Individual Student Activity Account Activity
For the Year Ended June 30, 2006

					Schedule 4
	Balance June 30, 2005	Revenues	Expenditures	Operating Transfers	Balance June 30, 2006
Senior High					
Classes Graduated	\$ 1,148	\$ -	\$ 196	\$ 643	\$ 1,595
Senior Class	644	1,011	1,865	210	-
Junior Class	1,353	740	2,604	2,447	1,936
Sophomore Class	3,800	2,232	1,314	(2,684)	2,034
Freshman Class	1,116	1,041	373	(1,116)	668
Concessions	220	-	20	-	200
Baseball Concessions	4,247	4,791	4,619	(169)	4,250
Softball Concessions	3,792	3,343	2,706	-	4,429
Drill Team	2,536	27,080	30,148	1,091	559
Cheerleaders	1,311	8,483	5,371	-	4,423
Junior High Activity	8,281	17,881	16,340	-	9,822
General Athletics	16,543	64,912	69,124	4,502	16,833
Activity Tickets	-	7,132	-	(7,132)	-
Library	2,042	-	-	-	2,042
Industrial Arts	4,824	4,789	7,875	88	1,826
Vocal Music	62	21,139	17,472	992	4,721
Instrumental Music	659	5,454	5,346	1,256	2,023
Elementary Music	310	-	233	400	477
Drama and Speech	(40)	294	1,029	428	(347)
National Honor Society	(14)	1,800	1,427	-	359
Destination Imagination	(781)	-	(781)	-	-
History Trip	18	-	-	-	18
Student Council	649	3,981	4,031	(6)	593
School Yearbook	5,442	10,505	14,301	500	2,146
Elementary Yearbook	5,418	1,622	2,267	-	4,773
Contingency Fund	7,629	3,928	2,241	-	9,316
Dollars for Scholars	2,398	3,309	1,849	(50)	3,808
Miscellaneous	(215)	1,408	1,297	-	(104)
Soup and Pie Supper	330	2,033	575	(1,400)	388
Bronson Teachers	1,528	28,466	23,333	-	6,661
	<u>\$ 75,250</u>	<u>\$ 227,374</u>	<u>\$ 217,175</u>	<u>\$ -</u>	<u>\$ 85,449</u>

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Comparison of Taxes and Intergovernmental Revenues and Receipts
For the Years Ended June 30, 2006, 2005, 2004, 2003

Schedule 5

	Modified Accrual Basis of Accounting			
	2006	2005	2004	2003
Local Sources:				
Property Taxes	\$ 1,817,644	\$ 1,792,076	\$ 1,735,316	\$ 1,674,822
Local Sales and Service Tax	401,996	387,498	407,961	388,270
	<u>2,219,640</u>	<u>2,179,574</u>	<u>2,143,277</u>	<u>2,063,092</u>
State Sources:				
State Foundation Aid	2,153,833	1,967,793	2,047,230	2,000,284
Teachers Compensation Allocation	79,795	50,734	44,861	39,378
Lunch and Breakfast Program Claims	3,411	5,083	3,520	3,680
Educational Excellence Program:				
Phase I	29,750	30,320	30,377	30,604
Phase II	48,660	47,921	49,018	50,507
Phase III	-	-	-	12,550
Non-Public Transportation Aid	9,697	9,919	8,997	8,748
Vocational Education Aid	3,090	4,231	3,924	-
Revenue in Lieu of Taxes - Military Credit	4,254	-	-	-
Iowa Early Intervention Block Grant	26,794	27,919	32,065	35,024
Gas Tax Refund	10,488	11,465	-	-
Medicaid Reimbursement	62,543	29,727	7,926	-
AEA Flow-Through	175,489	169,052	167,090	183,568
Other State Aid	7,248	5,449	5,045	3,077
	<u>2,615,052</u>	<u>2,359,613</u>	<u>2,400,053</u>	<u>2,367,420</u>
Federal Sources:				
Title I	29,497	30,180	32,076	29,198
Title V	-	-	22,839	-
Class Size Reduction	-	13,137	12,987	15,128
Safe and Drug Free Schools and Communities	1,990	2,490	-	1,881
Innovative Education Program Strategies (Title VI Program)	1,436	2,158	3,001	17,853
National School Lunch Fund	60,654	58,385	51,434	46,833
Food Distribution	22,470	22,210	23,565	36,718
Eisenhower Grant	-	-	-	1,049
Rural Education Achievement Program	41,075	41,075	6,993	28,813
Transition Alliance Program	45,732	40,781	38,933	13,218
Other Federal Aid	43,935	-	-	-
	<u>246,789</u>	<u>210,416</u>	<u>191,828</u>	<u>190,691</u>
Total	<u>\$ 5,081,481</u>	<u>\$ 4,749,603</u>	<u>\$ 4,735,158</u>	<u>\$ 4,621,203</u>



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the
Lawton-Bronson Community School District

We have audited the financial statements of the LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT as of and for the year ended June 30, 2006, and have issued our report thereon dated August 18, 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.

Compliance:

As part of obtaining reasonable assurance about whether the Lawton-Bronson Community School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the 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.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered Lawton-Bronson Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Lawton-Bronson Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-06 and II-B-06.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe II-A-06 and II-B-06 are material weaknesses.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of Lawton-Bronson Community School District and other parties to whom the Lawton-Bronson 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 Lawton-Bronson Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Williams + Company, P.C.
Certified Public Accountants

Sioux City, Iowa
August 18, 2006

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance, which is material to the financial statements.

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Prior year audit finding I-A-05 has been resolved.

REPORTABLE CONDITIONS:

II-A-06 Financial Accounting – Segregation of Duties

- A. Observation – The School District accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements. We did note that the accountant is not involved with the receipt of any cash or checks and that invoices/claims are not paid until reviewed by the superintendent. We also noted that the financial reporting is under the direction of the superintendent.

Recommendation – With a limited number of personnel, segregation of duties is difficult. The School District has implemented management review procedures which we feel aid in improving the internal controls of the School District. However, we comment that this weakness exists and the duties of the accountant should be continually monitored by management.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.

II-B-06 Financial Accounting – District Fundraising

- A. Observation – During the audit it was noted that several fundraising activities were conducted on the District's behalf by members of the staff. The proceeds from these fundraisers were not remitted to the school upon completion. Instead, the proceeds were spent on behalf of the District for new equipment. Upon further inquiry, the members of the staff involved in these fundraising activities could not immediately provide records accounting for funds brought in and funds distributed out.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

Recommendation – Any and all future fundraising done on behalf of the District by its staff must be coordinated with the District’s business staff. All proceeds must be remitted to the school on a timely basis without exception, and all disbursements of those proceeds must follow pre-existing district procedures of expenditure approval.

Response – The fundraising will be coordinated with the business staff. Any unspent proceeds from prior fundraisers will be remitted staff as soon as possible.

Conclusion – Response accepted.

Part III: Other Findings Related to Statutory Reporting:

- III-A-06 Official Depositories – A resolution naming official depositories has been approved by the District. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2006.
- III-B-06 Certified Budget – Disbursements for the year ended June 30, 2006 did not exceed amounts budgeted.
- III-C-05 Questionable Disbursements – No disbursements were noted that they may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- III-D-05 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.
- III-E-05 Business Transactions – There were no business transactions between the District and District officials or employees during the year ended June 30, 2006.
- III-F-05 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.
- III-G-05 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- III-H-05 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- III-I-05 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.
- III-J-05 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.