

LAMONI COMMUNITY SCHOOL DISTRICT
LAMONI, IOWA

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

JUNE 30, 2007

TABLE OF CONTENTS

	Page
OFFICIALS	4
INDEPENDENT AUDITOR’S REPORT	5-6
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	7-16
BASIC FINANCIAL STATEMENTS	
Exhibit	
District-Wide Financial Statements:	
A Statement of Net Assets	18-19
B Statement of Activities	20-23
Governmental Fund Financial Statements:	
C Balance Sheet	24
D Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	25
E Statement of Revenues, Expenditures and Changes in Fund Balances	26-27
F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	28
Proprietary Fund Financial Statements:	
G Statement of Net Assets	29
H Statement of Revenues, Expenses and Changes in Net Assets	30
I Statement of Cash Flows	31
Fiduciary Fund Financial Statements:	
J Statement of Fiduciary Net Assets	32
K Statement of Changes in Fiduciary Net Assets	33
Notes to Financial Statements	34-43
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund	48
Notes to Required Supplementary Information – Budgetary Reporting	49
OTHER SUPPLEMENTARY INFORMATION:	
Schedule	
Nonmajor Governmental Funds:	
1 Combining Balance Sheet	52
2 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	53
3 Schedule of Changes in Special Revenue Fund, Student Activity Accounts	54
4 Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	55
5 Schedule of Expenditures of Federal Awards	56-57
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	58-59

TABLE OF CONTENTS
(continued)

	Page
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	60-61
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	62-67

LAMONI COMMUNITY SCHOOL DISTRICT

OFFICIALS

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

<u>Board of Education</u>		
(After September 2006 Election)		
William Morain	President	2008
Bob Bell	Vice President	2007
Michelle Dickey-Kotz	Board Member	2007
Mike Ranney	Board Member	2009
Mike Quick	Board Member	2009

<u>School Officials</u>		
Diane Fine	Superintendent	2007
Charlene Simmerman	District Secretary/Treasurer	2007
Ahlers & Cooney, P.C.	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Lamoni Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lamoni Community School District, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 activities, each major fund, and the aggregate remaining fund information of Lamoni Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 14, 2007 on our consideration of Lamoni Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 7 through 16 and 48 through 49 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lamoni Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
September 14, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Lamoni Community School District's comprehensive annual financial report presents management's discussion and analysis of the District's financial performance for the year ending June 30, 2007. Please read it in conjunction with the district's financial statements.

Financial Highlights

- District-wide revenues increased from \$3,821,565 in fiscal 2006 to \$5,225,210 in fiscal 2007 (a 36.7% increase). Revenues included \$1,344,623 in local tax, charges for services of \$309,448, operating grants, contributions and restricted interest of \$886,458, capital grants and contributions of \$956,000, unrestricted interest of \$210,628, and other general revenues of \$1,518,053.
- District-wide expenses increased from \$3,744,263 in fiscal 2006 to \$3,947,930 in fiscal 2007 (a 5.4% increase). Expenses included \$2,332,116 for instructional services, \$372,054 for administration services, and \$304,002 for operation and maintenance of plant services.
- The general fund balance at the beginning of the 2007 school year was \$761,507 as compared to a general fund balance at the end of the 2007 school year of \$599,676. This represents a net change of -\$161,831. There have been some extra expenses not covered by the bond issue.
- The total governmental fund balance at the beginning of the 2007 school year was \$4,389,425 as compared to \$2,454,237 at the end of the 2007 school year. This represents a net change of -\$1,935,188. This is a result of spending down the prior year bond proceeds and an increase in expenses.
- The district's building project is progressing nicely. It is behind schedule due to the fact that the district had to wait for clearance in demolishing Herald Hall.
- The district received \$202,325 compared to \$163,776 in School Infrastructure Local Option Sales Tax from Decatur and Ringgold counties and state supplemental funds compared to the previous year. This is an increase of \$38,549.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

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

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

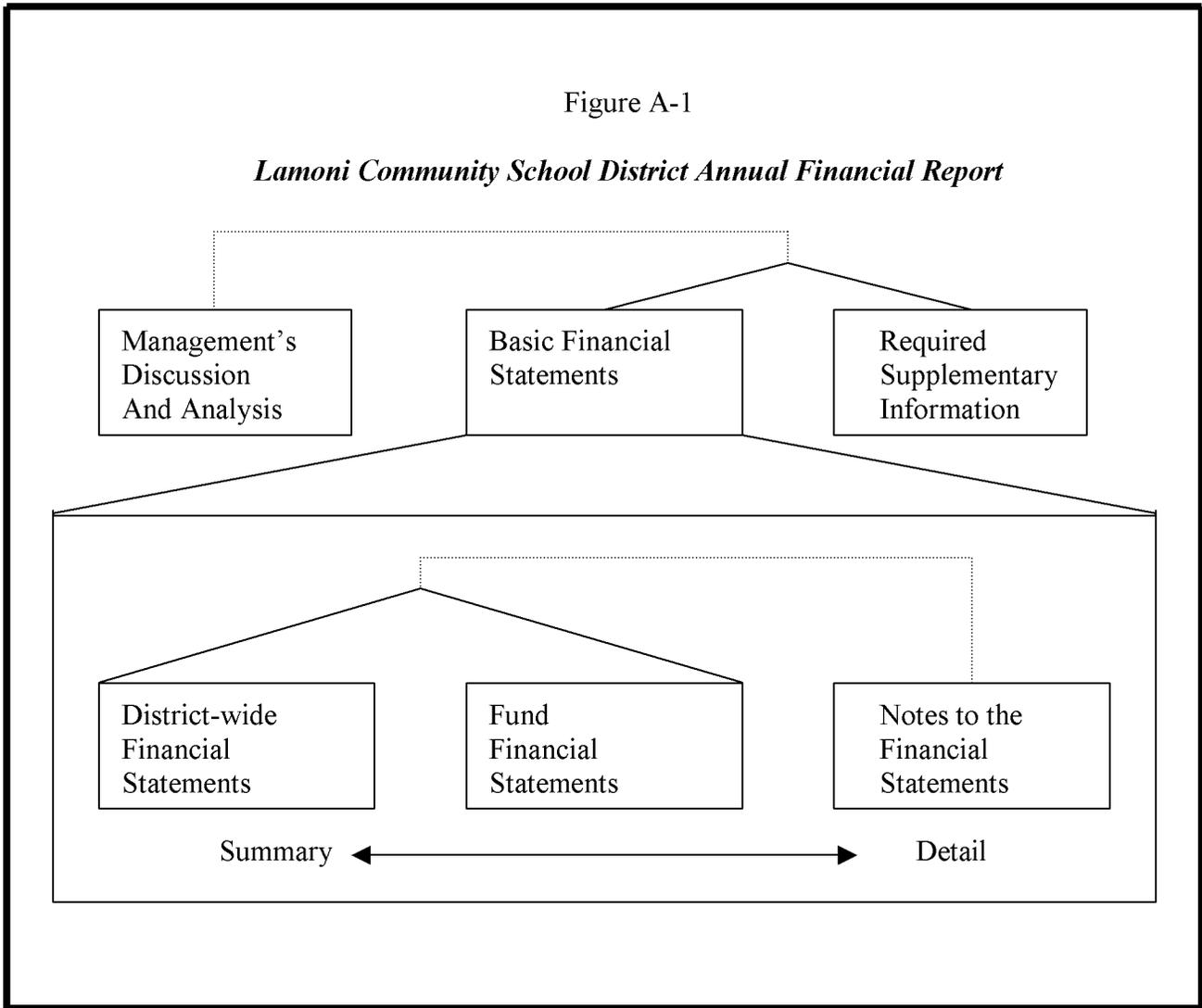


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents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

Figure A-2 <i>Major Features of the District-Wide and Fund Financial Statements</i>				
	District-wide Statements	Fund Statements		
		Governmental funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets Statement of Activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of revenues, expenses and changes in net assets Statement of cash Flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provided a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

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

The School District as a Whole

Net assets. A comparison of the District's combined net assets for 2006 and 2007 follows:

Figure A-3
Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District	
	2007	2006	2007	2006	2007	2006
Assets:						
Current and other Assets	\$4,371,839	\$5,755,955	\$ 48,256	\$35,065	\$4,420,095	\$5,791,020
Capital assets	<u>5,356,528</u>	<u>2,297,959</u>	<u>8,910</u>	<u>10,903</u>	<u>5,365,438</u>	<u>2,308,862</u>
Total assets	9,728,367	8,053,914	57,166	45,968	9,785,533	8,099,882
Long-term obligations	3,355,000	3,475,000	0	0	3,355,000	3,475,000
Other obligations	<u>1,834,831</u>	<u>1,310,272</u>	<u>8,191</u>	<u>4,379</u>	<u>1,843,022</u>	<u>1,314,651</u>
Total liabilities	5,189,831	4,785,272	8,191	4,379	5,198,022	4,789,651
Net assets						
Invested in capital assets net of related debt	3,512,716	1,765,473	8,910	10,903	3,521,626	1,776,376
Restricted	336,314	683,500			336,314	683,500
Unrestricted	<u>689,506</u>	<u>819,669</u>	<u>40,065</u>	<u>30,686</u>	<u>\$ 729,571</u>	<u>850,355</u>
Total net assets	<u>\$4,538,536</u>	<u>\$3,268,642</u>	<u>\$48,975</u>	<u>\$41,589</u>	<u>\$4,587,511</u>	<u>\$ 3,310,231</u>

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

Change in net assets – Figure A-4 shows a comparison of the changes in net assets for two years ending June 30, 2007.

Figure A-4

Changes in Net Assets

	Governmental Activities		Business-type Activities		Total School District	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for service & sales	\$ 249,568	\$ 262,910	\$ 59,880	\$ 59,368	\$ 309,448	\$ 322,278
Operating grants, contributions, and restricted interest	760,559	640,338	125,899	112,711	886,458	753,049
Capital grants, contributions and restricted interest	956,000	100,000	0	0	956,000	100,000
General revenues:						
Property tax	707,519	751,848	0	0	707,519	751,848
Debt Service	251,163	0	0	0	251,163	0
PPEL	86,021	82,948	0	0	86,021	82,948
Local Option Sales and Services tax	202,325	163,776	0	0	202,325	163,776
Income Surtax	97,595	102,039	0	0	97,595	102,039
Unrestricted state grants	1,502,806	1,408,552	0	0	1,502,806	1,408,552
Unrestricted interest earnings	209,067	108,636	1,561	544	210,628	109,180
Other	15,247	27,895	0	0	15,247	27,895
Total revenues	\$5,037,870	\$ 3,648,942	\$ 187,340	\$172,623	\$5,225,210	\$3,821,565
Program expenses:						
Governmental activities:						
Instruction	\$2,332,116	\$2,161,469	0	0	\$2,332,116	\$2,161,469
Support Services	1,072,943	1,108,468	0	0	1,072,943	1,108,468
Non-instructional programs		5,517	179,954	164,197	179,954	169,714
Other expenses	362,917	304,612	0	0	362,917	304,612
	<u>\$3,767,976</u>	<u>\$3,580,066</u>	<u>\$ 179,954</u>	<u>\$164,197</u>	<u>\$3,947,930</u>	<u>\$3,744,263</u>
Change in net assets	\$1,269,894	\$ 68,876	\$ 7,386	\$ 8426	\$1,277,280	\$ 77,302

The major sources of 2007 revenues for the District were property tax and unrestricted state grants, accounting for 48.7% of the 2007 revenues. Other revenue sources were charges for sales and services, 5.9%; operating grants, contributions, and restricted interest 16.9%; capital grants and contributions, 18.3%; sales and services tax, income surtax, interest and other sources, 10%.

The District's expenses primarily relate to instruction and support services, which accounted for 86% of the total expenses this year.

Governmental Activities

Governmental activities revenues for 2007 were \$5,037,870 and expenses were \$3,767,976, resulting in a net asset increase of \$1,269,894.

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

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Instruction	\$2,332,116	\$2,161,469	\$1,442,243	\$1,411,649
Support Services	1,072,943	1,108,468	1,067,077	1,060,682
Non-instructional programs	0	5,517	0	5,506
Other expenses	<u>362,917</u>	<u>304,612</u>	<u>(707,471)</u>	<u>98,981</u>
Totals	\$3,767,976	\$3,580,066	\$1,801,849	\$2,576,818

The cost financed by users of the District's programs was \$249,568 in 2007 compared to \$262,910 in 2006.

- Federal and state governments subsidized certain programs with operating grants and contributions totaling \$760,559 in 2007 compared to \$640,338 in 2006.
- The federal government and local contributors subsidized the building construction with \$956,000 in capital grants and contributions.
- The net cost of governmental activities was financed with \$1,044,703 in property tax, \$1,502,806 in unrestricted state funds, \$97,595 in income surtax, \$202,325 in local option sales tax, \$209,067 interest income and \$15,247 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$187,340 and expenses were \$179,954. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Financial Analysis of the District's Funds

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District ended 2007, its governmental funds reported combined fund balances of \$2,454,237 compared to \$4,389,425 for 2006. This is a decrease of \$1,935,188.

Governmental Fund Highlights

The District's General Fund balance decreased by \$161,831 to \$599,676. The decrease was due to an increase in salaries and benefits paid to its employees and a general overall increase in District expenditures. The Debt Service Fund increased by \$15,200 to \$33,239. The Capital Projects Fund decreased from \$3,366,729 to \$1,511,188, which was the result of spending down the bond proceeds received in the prior year.

Proprietary Fund Highlights

The District did well in increasing the School Nutrition fund. The net assets increased \$7,386 for 2007, to \$48,975. This was due to an increase in meal prices and an increase in federal funding.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust fund. Although the budget document presents functional area expenditures of expenses by fund, the legal level of control is at the aggregated functional level, at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

Legal Budgetary Highlights

The District's total actual revenues were \$313,005 more than the total projected certified budget receipts, a variance of 6.3%. This increase was attributed to higher than anticipated revenues in local, intermediate, and federal funding sources.

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

Capital Asset and Debt Administration

Capital Assets

The year end balance of the District's capital assets was \$5,365,438, net of accumulated depreciation of \$1,551,397, in a broad range of governmental capital assets, including land, buildings and building improvements, ground improvements, vehicles, and furniture. Governmental activities account for \$5,356,528 with the remainder of \$8,910 in the business-type activities, which are the same as the Proprietary, School Nutrition Fund. More detailed information is available in note 4 to the financial statements.

Figure A-6

Capital Assets, net of Depreciation

	Governmental Activities	Business-type Activities	Total School District
Land	\$ 5,000	\$ 0	\$ 5,000
Construction in progress	3,368,073	0	3,368,073
Buildings	1,929,188	0	1,929,188
Improvements, other than buildings	13,500	0	13,500
Furniture and equipment	<u>40,767</u>	<u>8,910</u>	<u>49,677</u>
Total	<u>\$5,356,528</u>	<u>\$8,910</u>	<u>\$5,365,438</u>

Long-Term Liabilities

At June 30, 2007, the District had long-term liabilities totaling \$3,355,000 of which \$3,030,000 is for general obligation bonds and \$325,000 for capital loan notes. More detailed information is available in Note 5 to the financial statements.

Factors Bearing on the District's Future

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

- The District did incur some added cost to our building project because of the delay of demolition of Herald Hall. We had to pay for added winter costs, extra custodial costs, busing costs between the two buildings and for athletics, additional facilities rentals, and legal fees. These additional costs will affect funding levels available for future programs.
- The District had a negative special education balance at the close of 2007. The District's increased negative balance is due to increased special education costs for out-of-district tuition, transportation, and an increased need for one-on-one teacher associates for high needs students. The District funds this negative balance with general fund sources. This again exerts pressure on funding available for future programs.
- The District issued \$475,000 in Local Options Sales Tax Revenue Bonds in July 2007. These bonds were calculated in the original project. The bonds will be paid solely by the local option sales tax proceeds.
- The District needs to be aware of the decrease in the General Fund balance of -\$161,831. At this rate, in 3-4 years we will have a negative balance.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mrs. Charlene Simmerman, District Secretary/Business Manager, Lamoni Community School District, 202 N. Walnut, Lamoni, Iowa 50140.

Basic Financial Statements

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2007

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 2,866,567	\$ 41,586	\$ 2,908,153
Receivables:			
Property tax:			
Current year	24,832	-	24,832
Succeeding year	999,000	-	999,000
Income surtax	97,171	-	97,171
Accounts	4,058	90	4,148
Due from other governments	380,211	5,466	385,677
Inventories	-	1,114	1,114
Capital assets, net of accumulated depreciation (note 4)	5,356,528	8,910	5,365,438
Total assets	9,728,367	57,166	9,785,533
Liabilities			
Accounts payable	507,713	2,813	510,526
Salaries and benefits payable	304,864	3,787	308,651
Accrued interest payable	23,254	-	23,254
Deferred revenue:			
Succeeding year property tax	999,000	-	999,000
Other	-	1,591	1,591
Long-term liabilities (note 5):			
Portion due within one year:			
Bonds payable	105,000	-	105,000
Notes payable	50,000	-	50,000
Portion due after one year:			
Bonds payable	2,925,000	-	2,925,000
Notes payable	275,000	-	275,000
Total liabilities	5,189,831	8,191	5,198,022

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
June 30, 2007

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 3,512,716	\$ 8,910	\$ 3,521,626
Restricted for:			
Management levy	99,318	-	99,318
Physical plant and equipment levy	184,433	-	184,433
Other special revenue purposes	42,578	-	42,578
Debt service	9,985	-	9,985
Unrestricted	<u>689,506</u>	<u>40,065</u>	<u>729,571</u>
Total net assets	<u>\$ 4,538,536</u>	<u>\$ 48,975</u>	<u>\$ 4,587,511</u>

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 1,263,494	\$ 97,279	\$ 338,847	\$ -
Special instruction	453,115	74,056	288,185	-
Other instruction	615,507	77,867	13,639	-
	<u>2,332,116</u>	<u>249,202</u>	<u>640,671</u>	<u>-</u>
Support services:				
Student services	186,829	-	5,500	-
Instructional staff services	18,776	-	-	-
Administration services	372,054	-	-	-
Operation and maintenance of plant services	304,002	280	-	-
Transportation services	191,282	86	-	-
	<u>1,072,943</u>	<u>366</u>	<u>5,500</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	31,478	-	-	956,000
Long-term debt interest and fiscal charges	154,302	-	-	-
AEA flowthrough	114,388	-	114,388	-
Depreciation (unallocated) *	62,749	-	-	-
	<u>362,917</u>	<u>-</u>	<u>114,388</u>	<u>956,000</u>
Total governmental activities	<u>3,767,976</u>	<u>249,568</u>	<u>760,559</u>	<u>956,000</u>
Business-Type Activities:				
Non-instructional programs:				
Food service operations	<u>179,954</u>	<u>59,880</u>	<u>125,899</u>	<u>-</u>
Total	<u>\$ 3,947,930</u>	<u>\$ 309,448</u>	<u>\$ 886,458</u>	<u>\$ 956,000</u>

Net (Expense) Revenue
and Changes in Net Assets

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$	(827,368)	-	\$ (827,368)
	(90,874)	-	(90,874)
	(524,001)	-	(524,001)
	<u>(1,442,243)</u>	<u>-</u>	<u>(1,442,243)</u>
	(181,329)	-	(181,329)
	(18,776)	-	(18,776)
	(372,054)	-	(372,054)
	(303,722)	-	(303,722)
	(191,196)	-	(191,196)
	<u>(1,067,077)</u>	<u>-</u>	<u>(1,067,077)</u>
	924,522	-	924,522
	(154,302)	-	(154,302)
	-	-	-
	<u>(62,749)</u>	<u>-</u>	<u>(62,749)</u>
	<u>707,471</u>	<u>-</u>	<u>707,471</u>
	<u>(1,801,849)</u>	<u>-</u>	<u>(1,801,849)</u>
	<u>-</u>	<u>5,825</u>	<u>5,825</u>
	<u>(1,801,849)</u>	<u>5,825</u>	<u>(1,796,024)</u>

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Income surtax

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$	707,519	\$ -	\$ 707,519
	251,163	-	251,163
	86,021	-	86,021
	97,595	-	97,595
	202,325	-	202,325
	1,502,806	-	1,502,806
	209,067	1,561	210,628
	15,247	-	15,247
	<hr/> 3,071,743	1,561	<hr/> 3,073,304
	1,269,894	7,386	1,277,280
	<hr/> 3,268,642	41,589	<hr/> 3,310,231
\$	<u><u>4,538,536</u></u>	<u><u>\$ 48,975</u></u>	<u><u>\$ 4,587,511</u></u>

LAMONI COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and pooled investments	\$ 896,604	\$ 27,340	\$ 1,632,493	\$ 310,130	\$ 2,866,567
Receivables:					
Property tax:					
Current year	15,685	5,899	-	3,248	24,832
Succeeding year	703,000	216,000	-	80,000	999,000
Income surtax	80,976	-	-	16,195	97,171
Accounts	4,038	-	-	20	4,058
Due from other governments	61,917	-	318,294	-	380,211
 Total assets	 \$ 1,762,220	\$ 249,239	\$ 1,950,787	\$ 409,593	\$ 4,371,839
 Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 64,850	\$ -	\$ 439,599	\$ 3,264	\$ 507,713
Salaries and benefits payable	304,864	-	-	-	304,864
Deferred revenue:					
Succeeding year property tax	703,000	216,000	-	80,000	999,000
Other	89,830	-	-	16,195	106,025
Total liabilities	1,162,544	216,000	439,599	99,459	1,917,602
 Fund balance:					
Reserved for:					
Debt service	-	33,239	-	-	33,239
Unreserved:					
Reported in nonmajor Special Revenue Funds	-	-	-	310,134	310,134
Undesignated	599,676	-	1,511,188	-	2,110,864
Total fund balances	599,676	33,239	1,511,188	310,134	2,454,237
 Total liabilities and fund balances	 \$ 1,762,220	\$ 249,239	\$ 1,950,787	\$ 409,593	\$ 4,371,839

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2007

Total fund balances of governmental funds	\$ 2,454,237
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,356,528
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	106,025
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(23,254)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,355,000)</u>
Net assets of governmental activities	<u>\$ 4,538,536</u>
See notes to financial statements.	

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 737,749	\$ 250,986	\$ 202,325	\$ 152,651	\$ 1,343,711
Tuition	166,688	-	-	-	166,688
Other	61,389	2,058	655,572	95,652	814,671
Intermediate sources	81,143	-	-	-	81,143
State sources	1,936,509	177	-	51	1,936,737
Federal sources	241,708	-	450,000	-	691,708
Total revenues	<u>3,225,186</u>	<u>253,221</u>	<u>1,307,897</u>	<u>248,354</u>	<u>5,034,658</u>
Expenditures:					
Current:					
Instruction	2,255,003	-	-	67,344	2,322,347
Support services:					
Student services	91,795	-	-	-	91,795
Instructional staff services	113,810	-	-	-	113,810
Administration services	358,557	-	-	9,243	367,800
Operation and maintenance of plant services	265,182	-	-	38,821	304,003
Transportation services	191,282	-	-	-	191,282
	<u>1,020,626</u>	<u>-</u>	<u>-</u>	<u>48,064</u>	<u>1,068,690</u>
Other expenditures:					
Facilities acquisition	-	-	3,163,438	3,382	3,166,820
Long term debt:					
Principal	-	120,000	-	-	120,000
Interest and fiscal charges	-	180,601	-	-	180,601
AEA flowthrough	114,388	-	-	-	114,388
	<u>114,388</u>	<u>300,601</u>	<u>3,163,438</u>	<u>3,382</u>	<u>3,581,809</u>
Total expenditures	<u>3,390,017</u>	<u>300,601</u>	<u>3,163,438</u>	<u>118,790</u>	<u>6,972,846</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(164,831)</u>	<u>(47,380)</u>	<u>(1,855,541)</u>	<u>129,564</u>	<u>(1,938,188)</u>

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Other financing sources (uses):					
Sale of equipment	\$ 3,000	\$ -	\$ -	\$ -	\$ 3,000
Interfund transfers in (note 3)	-	62,580	-	-	62,580
Interfund transfers out (note 3)	-	-	-	(62,580)	(62,580)
Total other financing sources (uses)	<u>3,000</u>	<u>62,580</u>	<u>-</u>	<u>(62,580)</u>	<u>3,000</u>
Net change in fund balances	(161,831)	15,200	(1,855,541)	66,984	(1,935,188)
Fund balances beginning of year	<u>761,507</u>	<u>18,039</u>	<u>3,366,729</u>	<u>243,150</u>	<u>4,389,425</u>
Fund balances end of year	<u>\$ 599,676</u>	<u>\$ 33,239</u>	<u>\$ 1,511,188</u>	<u>\$ 310,134</u>	<u>\$ 2,454,237</u>

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Net change in fund balances - total governmental funds \$ (1,935,188)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 3,135,342	
Depreciation expense	<u>(76,773)</u>	3,058,569

Income surtax and grant revenues not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. 214

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 120,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 26,299

Change in net assets of governmental activities \$ 1,269,894

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2007

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 41,586
Accounts receivable	90
Due from other governments	5,466
Inventories	1,114
Capital assets, net of accumulated depreciation (note 4)	<u>8,910</u>
Total assets	<u>57,166</u>
Liabilities	
Accounts payable	2,813
Salaries and benefits payable	3,787
Deferred revenue:	
Other	<u>1,591</u>
Total liabilities	<u>8,191</u>
Net Assets	
Invested in capital assets	8,910
Unrestricted	<u>40,065</u>
Total net assets	<u>\$ 48,975</u>

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2007

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>59,880</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	50,258
Benefits	23,181
Purchased services	2,943
Supplies	101,579
Depreciation	<u>1,993</u>
	<u>179,954</u>
Operating loss	<u>(120,074)</u>
Non-operating revenues:	
Interest on investments	1,561
State sources	2,142
Federal sources	<u>123,757</u>
Total non-operating revenues	<u>127,460</u>
Change in net assets	7,386
Net assets beginning of year	<u>41,589</u>
Net assets end of year	\$ <u><u>48,975</u></u>

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2007

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 61,035
Cash received from miscellaneous operating activities	346
Cash payments to employees for services	(73,872)
Cash payments to suppliers for goods or services	<u>(92,476)</u>
Net cash used by operating activities	<u>(104,967)</u>
Cash flows from non-capital financing activities:	
State grants received	2,142
Federal grants received	<u>112,868</u>
Net cash provided by non-capital financing activities	<u>115,010</u>
Cash flows from investing activities:	
Interest on investments	<u>1,561</u>
Net increase in cash and cash equivalents	11,604
Cash and cash equivalents beginning of year	<u>29,982</u>
Cash and cash equivalents end of year	<u>\$ 41,586</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (120,074)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	1,993
Commodities used	9,090
(Increase) in accounts receivable	(90)
Decrease in inventories	302
Increase in accounts payable	2,654
(Decrease) in salaries and benefits payable	(433)
Increase in deferred revenues	<u>1,591</u>
Net cash used by operating activities	<u>\$ (104,967)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$9,090 of federal commodities.

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2007

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>11,166</u>
Liabilities:	
None	<u>-</u>
Net assets:	
Reserved for scholarships	\$ <u><u>11,166</u></u>

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 Year Ended June 30, 2007

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$	25
Interest		<u>450</u>
Total additions		<u>475</u>
Deductions:		
None		<u>-</u>
Change in net assets		475
Net assets beginning of year		<u>10,691</u>
Net assets end of year	\$	<u><u>11,166</u></u>

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

The District reports the following major governmental funds:

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

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

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

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

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

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

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

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

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

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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

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

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

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

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

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unearned meal revenues.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse employees for sick leave or vacation.

Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2007.

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

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

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

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

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

During the year ended June 30, 2007, expenditures in the non-instructional programs function exceeded the amount budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 2. Cash and Pooled Investments (continued)

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>536,695</u>

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

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

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue: Physical Plant and Equipment Levy	\$ <u>62,580</u>

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

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Construction in progress	232,731	3,135,342	-	3,368,073
Total capital assets not being depreciated	<u>237,731</u>	<u>3,135,342</u>	<u>-</u>	<u>3,373,073</u>
Capital assets being depreciated:				
Buildings	2,953,376	-	-	2,953,376
Improvements other than buildings	150,998	-	-	150,998
Furniture and equipment	392,065	-	-	392,065
Total capital assets being depreciated	<u>3,496,439</u>	<u>-</u>	<u>-</u>	<u>3,496,439</u>
Less accumulated depreciation for:				
Buildings	968,188	56,000	-	1,024,188
Improvements other than buildings	130,749	6,749	-	137,498
Furniture and equipment	337,274	14,024	-	351,298
Total accumulated depreciation	<u>1,436,211</u>	<u>76,773</u>	<u>-</u>	<u>1,512,984</u>
Total capital assets being depreciated, net	<u>2,060,228</u>	<u>(76,773)</u>	<u>-</u>	<u>1,983,455</u>
Governmental activities capital assets, net	<u>\$ 2,297,959</u>	<u>\$ 3,058,569</u>	<u>\$ -</u>	<u>\$ 5,356,528</u>

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 4. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 47,323	\$ -	\$ -	\$ 47,323
Less accumulated depreciation	36,420	1,993	-	38,413
Business-type activities capital assets, net	<u>\$ 10,903</u>	<u>\$ (1,993)</u>	<u>\$ -</u>	<u>\$ 8,910</u>

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

Governmental activities:		
Instruction:		
Regular		\$ 9,770
Support services:		
Administration		4,254
		14,024
Unallocated depreciation		<u>62,749</u>
Total governmental activities depreciation expense		<u>\$ 76,773</u>
Business-type activities:		
Food service operations		<u>\$ 1,993</u>

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	General Obligation Bonds	Capital Loan Notes	Total
Balance beginning of year	\$ 3,100,000	\$ 375,000	\$ 3,475,000
Additions	-	-	-
Reductions	70,000	50,000	120,000
Balance end of year	<u>\$ 3,030,000</u>	<u>\$ 325,000</u>	<u>\$ 3,355,000</u>
Due within one year	<u>\$ 105,000</u>	<u>\$ 50,000</u>	<u>\$ 155,000</u>

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 5. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's general obligation bonded indebtedness at June 30, 2007 are as follows:

Year Ending June 30,	Bond Issue dated January 1, 2006			Bond Issue dated May 1, 2006			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2008	5.000 %	\$ 75,000	\$ 85,710	5.70 %	\$ 30,000	\$ 48,322	\$ 105,000	\$ 134,032
2009	5.000	75,000	81,960	5.70	35,000	46,612	110,000	128,572
2010	5.000	80,000	78,210	5.70	35,000	44,618	115,000	122,828
2011	4.550	90,000	74,210	5.50	30,000	42,622	120,000	116,832
2012	4.550	90,000	70,115	5.50	35,000	40,972	125,000	111,087
2013	4.550	95,000	66,020	5.25	35,000	39,048	130,000	105,068
2014	4.500	100,000	61,698	5.25	40,000	37,210	140,000	98,908
2015	4.500	105,000	57,197	5.00	40,000	35,110	145,000	92,307
2016	3.850	110,000	52,473	4.20	40,000	33,110	150,000	85,583
2017	3.875	110,000	48,238	4.25	45,000	31,430	155,000	79,668
2018	3.900	120,000	43,975	4.30	45,000	29,518	165,000	73,493
2019	3.950	120,000	39,295	4.35	50,000	27,582	170,000	66,877
2020	4.000	125,000	34,555	4.40	50,000	25,408	175,000	59,963
2021	4.000	130,000	29,555	4.45	55,000	23,208	185,000	52,763
2022	4.050	135,000	24,355	4.50	55,000	20,760	190,000	45,115
2023	4.100	145,000	18,887	4.55	55,000	18,286	200,000	37,173
2024	4.150	155,000	12,943	4.60	55,000	15,782	210,000	28,725
2025	4.200	155,000	6,510	4.65	60,000	13,252	215,000	19,762
2026		-	-	4.65	225,000	10,462	225,000	10,462
		<u>\$ 2,015,000</u>	<u>\$ 885,906</u>		<u>\$ 1,015,000</u>	<u>\$ 583,312</u>	<u>\$ 3,030,000</u>	<u>\$ 1,469,218</u>

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 5. Long-Term Liabilities (continued)

Capital Loan Notes Payable

Details of the District's June 30, 2007 capital loan note indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2008	2.80 %	\$ 50,000	\$ 10,980	\$ 60,980
2009	3.05	50,000	9,580	59,580
2010	3.35	55,000	8,054	63,054
2011	3.50	55,000	6,212	61,212
2012	3.65	55,000	4,288	59,288
2013	3.80	60,000	2,280	62,280
		<u>\$ 325,000</u>	<u>\$ 41,394</u>	<u>\$ 366,394</u>

Note 6. Operating Lease

During the year ended June 30, 2004, the District renewed an operating lease for school buses for a two year period. The lease was renewed and extended in July, 2005 for three years until July 31, 2008.

During the year ended June 30, 2007, the District made nine monthly payments of \$6,424 for two 53 passenger buses and a 71 passenger bus for a total of \$57,816.

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

Year Ending June 30,	Minimum Lease Payments
2008	<u>\$ 58,972</u>

Note 7. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006, and 2005.

Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$115,437, \$104,982, and \$101,941, respectively, equal to the required contributions for each year.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 8. Risk Management

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$114,388 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 10. Construction Commitments

The District has entered into various contracts totaling \$4,875,075 for a new high school. As of June 30, 2007, costs of \$3,084,241 had been incurred against the contracts. The balance of \$1,790,834 remaining at June 30, 2007 will be paid as work on the project progresses.

Note 11. Subsequent Event

On July 16, 2007, the District issued \$475,000 in School Infrastructure Local Option Sales and Services Tax Revenue Bonds with interest rates ranging from 4.2% to 4.3%. The bonds are payable through the year ended June 30, 2014.

Note 12. Restatement of Account Balances

During the year ended June 30, 2007, the District made adjustments to the beginning balances of individual accounts within the Special Revenue Fund, Student Activity to more accurately represent the true balance of each account. These changes have no effect on the overall balance of the Student Activity fund or on any related financial statement.

This page intentionally left blank

Required Supplementary Information

LAMONI COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances –
 Budget and Actual – All Governmental Funds
 and Proprietary Fund
 Required Supplementary Information
 Year Ended June 30, 2007

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 2,325,070	\$ 61,441	\$ 2,386,511	\$ 1,933,326	\$ 453,185
Intermediate sources	81,143	-	81,143	-	81,143
State sources	1,936,737	2,142	1,938,879	2,520,667	(581,788)
Federal sources	691,708	123,757	815,465	455,000	360,465
Total revenues	<u>5,034,658</u>	<u>187,340</u>	<u>5,221,998</u>	<u>4,908,993</u>	<u>313,005</u>
EXPENDITURES:					
Instruction	2,322,347	-	2,322,347	2,810,454	488,107
Support services	1,068,690	-	1,068,690	1,751,087	682,397
Non-instructional programs	-	179,954	179,954	177,683	(2,271)
Other expenditures	3,581,809	-	3,581,809	4,739,134	1,157,325
Total expenditures	<u>6,972,846</u>	<u>179,954</u>	<u>7,152,800</u>	<u>9,478,358</u>	<u>2,325,558</u>
Excess (deficiency) of revenues over (under) expenditures	(1,938,188)	7,386	(1,930,802)	(4,569,365)	2,638,563
Other financing sources, net	<u>3,000</u>	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(1,935,188)	7,386	(1,927,802)	(4,569,365)	2,641,563
Balance beginning of year	<u>4,389,425</u>	<u>41,589</u>	<u>4,431,014</u>	<u>4,569,365</u>	<u>(138,351)</u>
Balance end of year	<u>\$ 2,454,237</u>	<u>\$ 48,975</u>	<u>\$ 2,503,212</u>	<u>\$ -</u>	<u>\$ 2,503,212</u>

See accompanying independent auditor's report.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2007

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

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 function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2007, expenditures in the non-instructional programs function exceeded the amount budgeted.

This page intentionally left blank

Other Supplementary Information

LAMONI COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007

	Special Revenue			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 98,122	\$ 45,822	\$ 166,186	\$ 310,130
Receivables:				
Property tax:				
Current year	1,196	-	2,052	3,248
Succeeding year	-	-	80,000	80,000
Income surtax	-	-	16,195	16,195
Accounts	-	20	-	20
Total assets	<u>\$ 99,318</u>	<u>\$ 45,842</u>	<u>\$ 264,433</u>	<u>\$ 409,593</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ 3,264	\$ -	\$ 3,264
Deferred revenue:				
Succeeding year property tax	-	-	80,000	80,000
Other	-	-	16,195	16,195
Total liabilities	<u>-</u>	<u>3,264</u>	<u>96,195</u>	<u>99,459</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	99,318	42,578	168,238	310,134
Total fund equity	<u>99,318</u>	<u>42,578</u>	<u>168,238</u>	<u>310,134</u>
Total liabilities and fund equity	<u>\$ 99,318</u>	<u>\$ 45,842</u>	<u>\$ 264,433</u>	<u>\$ 409,593</u>

See accompanying independent auditor's report.

LAMONI COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 50,090	\$ -	\$ 102,561	\$ 152,651
Other	8,316	79,664	7,672	95,652
State sources	36	-	15	51
Total revenues	58,442	79,664	110,248	248,354
Expenditures:				
Current:				
Instruction	-	67,344	-	67,344
Support services:				
Administration services	9,243	-	-	9,243
Operation and maintenance of plant services	38,821	-	-	38,821
Other expenditures:				
Facilities acquisition	-	-	3,382	3,382
Total expenditures	48,064	67,344	3,382	118,790
Excess (deficiency) of revenues over (under) expenditures	10,378	12,320	106,866	129,564
Other financing sources (uses):				
Interfund transfers out	-	-	(62,580)	(62,580)
Excess (deficiency) of revenues over (under) expenditures and other financing uses	10,378	12,320	44,286	66,984
Fund balances beginning of year	88,940	30,258	123,952	243,150
Fund balances end of year	\$ 99,318	\$ 42,578	\$ 168,238	\$ 310,134

See accompanying independent auditor's report.

LAMONI COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2007

Account	Balance Beginning of Year, as restated	Revenues	Expenditures	Balance End of Year
Elementary Computer Club	\$ 65	\$ -	\$ -	65
Playground	256	-	-	256
Interest Fund	2,157	1,796	-	3,953
Academic Team	793	100	190	703
Yearbook	(2,785)	3,592	607	200
Elementary Yearbook	850	-	-	850
Music Booster Uniforms	380	412	-	792
Future Farmers of America	77	12,389	8,902	3,564
National Honor Society	156	-	191	(35)
Spanish Club	137	-	-	137
Speech	(16)	-	-	(16)
Band	3,505	8,346	4,966	6,885
Orchestra	1,101	363	75	1,389
Demon Success	691	-	-	691
Seniors	161	10,200	10,088	273
Juniors	14	5,258	5,272	-
Middle School	845	841	450	1,236
Helping Hands	169	-	-	169
Student Council	316	2,795	2,263	848
Vocal	2,597	824	2,222	1,199
Athletics	18,642	42,598	41,968	19,272
Music Festival	114	-	-	114
Peer Helpers	25	-	-	25
Unreserved Fund Balance	8	-	-	8
Intrafund Transfers	-	(9,850)	(9,850)	-
Total	<u>\$ 30,258</u>	<u>\$ 79,664</u>	<u>\$ 67,344</u>	<u>\$ 42,578</u>

See accompanying independent auditor's report.

LAMONI COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 1,343,711	\$ 1,094,509	\$ 1,216,070	\$ 1,067,949
Tuition	166,688	163,176	196,308	249,622
Other	814,671	341,020	178,995	150,433
Intermediate sources	81,143	35,072	44,442	30,029
State sources	1,936,737	1,801,625	1,767,497	1,627,839
Federal sources	691,708	189,640	383,859	343,952
Total revenues	\$ 5,034,658	\$ 3,625,042	\$ 3,787,171	\$ 3,469,824
Expenditures:				
Instruction	\$ 2,322,347	\$ 1,152,563	\$ 1,199,287	\$ 1,158,218
Support services:		198,909	161,457	147,948
Student services	91,795	36,026	57,960	70,901
Instructional staff services	113,810	376,468	366,236	356,251
Administration services	367,800	322,263	364,932	380,067
Operation and maintenance of plant services	304,003	165,740	166,140	155,489
Transportation services	191,282	-	-	-
Non-instructional programs	-	5,517	4,233	5,584
Other expenditures:				
Facilities acquisition	3,166,820	331,254	117,116	660,454
Long-term debt:				
Principal	120,000	50,000	150,000	130,000
Interest and fiscal charges	180,601	13,680	20,373	23,335
AEA flowthrough	114,388	105,631	104,363	103,478
Total expenditures	\$ 6,972,846	\$ 3,763,568	\$ 3,602,719	\$ 4,063,582

See accompanying independent auditor's report.

LAMONI COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Food Donation (non-cash)	10.550	FY 07	\$ <u>9,090</u>
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 07	16,912
National School Lunch Program	10.555	FY 07	<u>97,755</u>
			<u>114,667</u>
			<u>123,757</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	3465-G-07	<u>70,390</u>
Rural Education Achievement Program	84.358	FY 07	<u>23,689</u>
Improving Teacher Quality State Grants	84.367	FY 07	<u>22,232</u>
State Grants for Innovative Programs	84.298	FY 07	<u>601</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 07	<u>4,046</u>
Fund for the Improvement of Education	84.215	FY 07	<u>450,000</u>
Vocational Education Basic Grants	84.048	FY 07	<u>6,835</u>
Special Education - Grants to States	84.027	FY 07	<u>18,693</u>
Grants for State Assessments and Related Activities	84.369	FY 07	<u>1,232</u>
Reading First State Grant	84.357	FY 07	<u>47,061</u>
			<u>644,779</u>
Corporation for National and Community Service:			
Green Valley AEA:			
Learn and Serve America - School and Community Based Programs	94.004	FY 07	<u>9,633</u>
Total			<u>\$ <u>778,169</u></u>

LAMONI COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Lamoni Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Lamoni Community School District:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lamoni Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lamoni Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lamoni Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lamoni Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Lamoni Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Lamoni Community School District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Lamoni Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-07 and II-B-07 are material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about Lamoni Community School District's operations for the year ended June 30, 2007 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.

Lamoni Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Lamoni Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Lamoni Community School District and other parties to whom Lamoni Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Oskaloosa, Iowa
September 14, 2007

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

To the Board of Education of
Lamoni Community School District:

Compliance

We have audited the compliance of Lamoni Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Lamoni Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Lamoni Community School District's management. Our responsibility is to express an opinion on Lamoni Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lamoni Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lamoni Community School District's compliance with those requirements.

In our opinion, Lamoni Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Lamoni Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Lamoni Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in a District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control over compliance described in part III of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item III-A-07 is a material weakness

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Lamoni Community School District and other parties to whom Lamoni Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
September 14, 2007

LAMONI COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies 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.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements, which was considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.215 – Fund for the Improvement of Education
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Lamoni Community School District did not qualify as a low-risk auditee.

LAMONI COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

II-A-07 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The bank reconciliation, the posting of the cash receipts journal, check preparation and signing and making journal entry adjustments to the general ledger were all done by the same person.

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

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

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

II-B-07 Financial Reporting – During the audit, we identified material amounts of receivables not recorded in the District’s financial statements. In addition, we noted material classification errors in recording some revenues and expenditures. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables, payables and capital assets additions are identified and included in the District’s financial statements. The District should also implement procedures to ensure proper coding of future revenues and expenditures.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions and we will ensure the accuracy of revenue classifications in the future.

Conclusion – Response accepted.

II-C-07 Disbursement Support – We noted in our testing of disbursements made by the District that two disbursements out of forty tested were not fully supported by an invoice or contract at the time of the disbursement. Documentation was provided at the time of the audit upon request.

Recommendation – All disbursements should be fully supported at the time the disbursement is made. The District should educate all employees of this requirement and implement procedures to ensure all future disbursements are fully supported.

LAMONI COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Part II: Findings Related to the Basic Financial Statements:

Significant Deficiencies (continued):

II-C-07 Disbursement Support (continued)

Response – These items were an oversight for this year. We will require full documentation prior to making any disbursements in the future.

Conclusion – Response accepted.

II-D-07 Fundraisers – The District requires reconciliations to be completed for all fundraisers done by District activity groups. We noted that no reconciliation had been completed for one fundraiser tested. In addition, we noted that revenues recorded for the fundraiser were \$108 less than the amount calculated. The fundraiser reconciliation was completed at the date of the audit and the difference was reconciled.

Recommendation – The District should implement procedures to ensure the timely reconciliation of all fundraising activities and resolve any projected differences.

Response – We are educating all employees on the importance of this issue and will ensure timely and accurate reconciliations in the future.

Conclusion – Response accepted.

LAMONI COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Significant Deficiency:

CFDA Number 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2007
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies
Federal Award Year: 2007
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-07 Segregation of Duties – One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the checks for disbursements were entered into the software system, signed and mailed by the same person.

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

Response – We will consider this.

Conclusion – Response accepted.

LAMONI COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

Part IV: Other Findings Related to Statutory Reporting:

IV-A-07 Certified Budget – Expenditures for the year ended June 30, 2007, exceeded the amount budgeted in the non-instructional programs function.

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

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

Conclusion – Response accepted.

IV-B-07 Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

IV-C-07 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.

IV-D-07 Business Transactions – No material business transactions between the District and District officials or employees were noted.

IV-E-07 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.

IV-F-07 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-07 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

IV-H-07 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.

IV-I-07 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-J-07 Scholarship Fund – The District received and accepted responsibility for a \$1,000 bequeath which required the District to award a \$200 scholarship on an annual basis to a student who plans to be a future educator. The district has not issued any scholarships for the last two years.

Recommendation – The District should follow the terms of the bequeath in the future by awarding the scholarship to an eligible student.

Response – We will properly issue the scholarship in the future.

Conclusion – Response accepted.

LAMONI COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

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

IV-K-07 Activity Fund Account Balances – The District restated the beginning balances of various accounts within the Special Revenue Fund, Student Activity to more accurately reflect what the District believes to be the proper balances. The restatement had no effect on the Activity Fund overall balance.

Recommendation – The District’s records of individual student account balances should be accurate on an on-going basis, including any necessary accrual adjustments, and procedures should be implemented to ensure the accuracy of all individual activity accounts in the future.

Response – We will monitor these accounts more closely in the future.

Conclusion – Response accepted.