

**LAWTON-BRONSON COMMUNITY
SCHOOL DISTRICT**

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2007

**LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2007
TABLE OF CONTENTS**

	Page
List of Officials	1
FINANCIAL SECTION	
Independent Auditors' Report	2 – 3
Management Discussion and Analysis	4 – 16
BASIC FINANCIAL STATEMENTS	
District-Wide Financial Statements:	
Statement of Net Assets	17
Statement of Activities	18 – 19
Governmental Fund Financial Statements:	
Balance Sheet	20 – 21
Statements of Revenues, Expenditures, and Changes in Fund Balances	22 – 23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Proprietary Fund Statements:	
Statement of Net Assets	25
Statement of Revenue, Expenses and Changes in Net Assets	26
Statement of Cash Flows – Business Type Activity	27
Statement of Net Assets – Fiduciary Funds	28
Notes to Financial Statements	29 – 38
REQUIRED SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances – Budget and Actual – Governmental Funds and Proprietary Fund	39
Notes to Required Supplemental Information – Budgetary Reporting	40
SUPPLEMENTAL INFORMATION	
	Schedule
Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund	1 41 – 43
Combining Balance Sheet – Governmental Nonmajor Funds	2 44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Nonmajor Funds	3 45
Schedule of Individual Student Activity Account Activity	4 46
Comparison of Taxes and Intergovernmental Revenues and Receipts	5 47
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	48 – 49
Schedule of Findings and Questioned Costs	50 – 52

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LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT

LIST OF OFFICIALS

June 30, 2007

**Board of Education
(Before September 2006 Election)**

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

**Board of Education
(After September 2006 Election)**

Amy Denney	President	2007
Steve Olson	Vice President	2007
Kevin Grieme	Board Member	2008
Paul Roberts	Board Member	2008
Machele Dunning	Board Member	2009

School Officials

Robert Morrison	Superintendent	2007
Kimberly Brouwer	Secretary-Treasurer	2007
James Hanks	Attorney	Indefinite



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Lawton-Bronson Community School District as of and for the year ended June 30, 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 Lawton-Bronson Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Lawton-Bronson Community School District as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2008, on our consideration of the Lawton-Bronson Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 16 and page 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lawton-Bronson Community School District's basic financial statements. The financial statements for the three years ended June 30, 2006 were audited by us (none of which are presented herein) in accordance with the standards referred to in the second paragraph of this report, and had

unqualified opinions expressed on them. The supplemental information, included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Williams & Company, P.C.
Certified Public Accountants

Sioux City, Iowa
January 3, 2008

Management Discussion and Analysis

Lawton-Bronson Community School District provides this Management Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow this section.

Overview of the Financial Statements

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

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

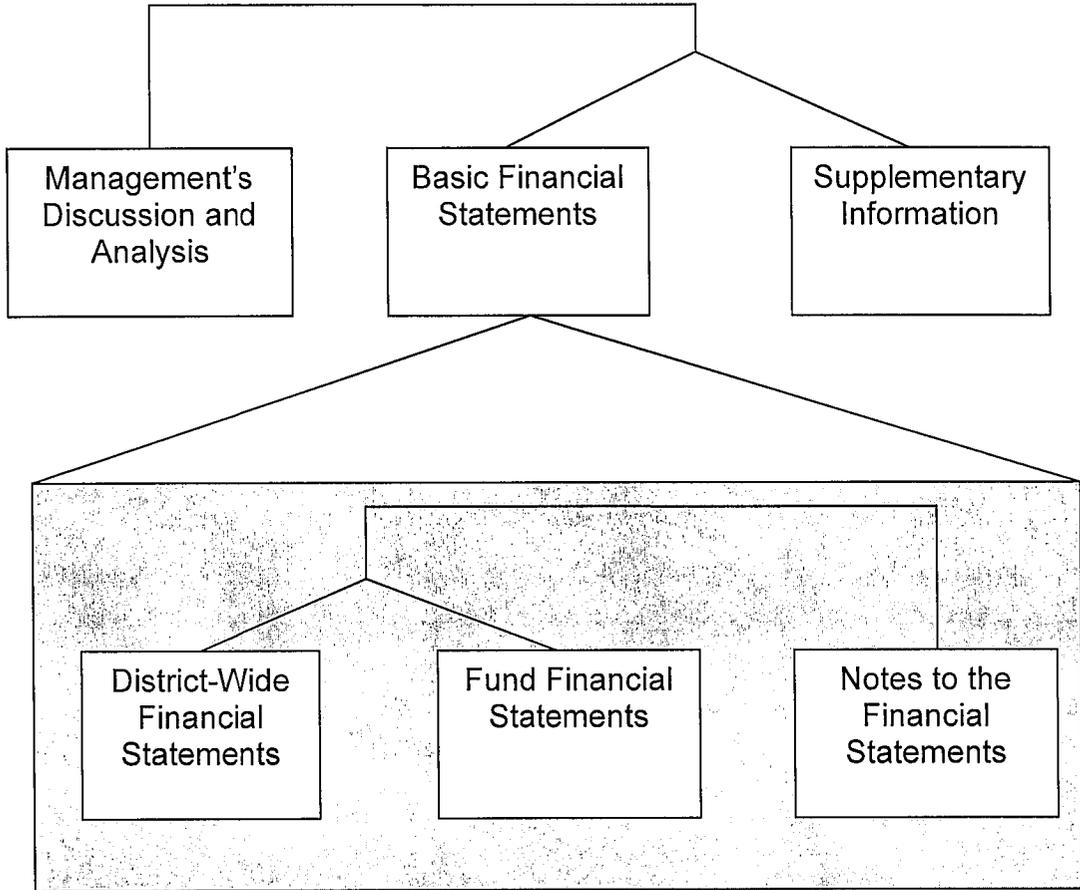
Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

District-wide Financial Statements

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

Figure A-1

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



Summary ← -----> Detail

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

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. *Internal service funds*, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities. At this time the District chooses not to use any internal service funds.

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

Financial Analysis of the District as a Whole

As previously noted, Lawton-Bronson Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year, utilizing statutorily prescribed procedures. This fiscal year the District's budget was prepared on GAAP basis but had been on a cash basis in previous years. No amendments to the budget were made.

As a whole, the financial health of the district is good. The net assets of the total district saw an increase of \$445,594. Figure A-3 provides a summary of the District's net assets for the fiscal years ended June 30, 2007, and June 30, 2006. Figure A-4 shows the changes in net assets for the same three fiscal years. To provide a better understanding of the financial makeup of the district the following sections will provide an analysis of each of the funds.

Figure A-3 Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total District	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$7,449,568	\$5,765,307	\$(11,342)	\$ (959)	\$7,438,226	\$5,764,348
Capital assets	5,660,185	5,510,458	46,652	56,534	5,706,837	5,566,992
Total Assets	13,109,753	11,275,765	35,310	55,575	13,145,063	11,331,340
Long-term debt outstanding	3,004,960	3,150,000			3,004,960	3,150,000
Other liabilities	4,758,297	3,245,289	16,007	15,846	4,774,304	3,261,135
Total Liabilities	7,763,257	6,395,289	16,007	15,846	7,779,264	6,411,135
Invested in capital assets, net of related debt	2,760,185	2,360,458	46,652	56,534	2,806,837	2,416,992
Restricted	46,336	82,815			46,336	82,815
Unrestricted	2,539,975	2,437,203	(27,349)	(16,805)	2,512,626	2,420,398
Total Net Assets	\$5,346,496	\$4,880,476	\$ 19,303	\$39,729	\$5,365,799	\$4,920,205

	% Change Governmental Activities	% Change Business-type Activities	% Change Total District
	FY06 - FY07	FY06 - FY07	FY06 - FY07
Current and other assets	29.2%	1082.7%	29.0%
Capital assets	2.7%	-17.5%	2.5%
Total Assets	16.3%	-36.5%	16.0%
Long-term debt outstanding	-4.6%		-4.6%
Other liabilities	46.6%	1.0%	46.4%
Total Liabilities	21.4%	1.0%	21.3%
Invested in capital assets, net of related debt	16.9%	-17.5%	16.1%
Restricted	-44.0%		-44.0%
Unrestricted	4.2%	62.7%	3.8%
Total Net Assets	9.5%	-51.4%	9.1%

Figure A-4
Changes in Net Assets from Operating Results

	Governmental Activities		Business-type Activities		Total District	
	2007	2006	2007	2006	2007	2006
Revenues						
<i>Program Revenues</i>						
Charges for Services	\$ 654,230	\$ 596,754	\$ 142,516	\$ 134,535	\$ 796,746	\$ 731,289
Operating Grants & Contributions	579,043	536,397	93,708	86,535	672,751	622,932
Capital Grants & Contributions	86,285	-			86,285	-
<i>General Revenues</i>						
Property and Other Taxes	2,471,965	2,223,894			2,471,965	2,223,894
State Formula Aid	2,315,977	2,161,081			2,315,977	2,161,081
Other	227,857	232,619	7,984	8,972	235,841	241,591
Total Revenues	6,335,357	5,750,745	244,208	230,042	6,579,565	5,980,787
Expenses						
Instruction	3,577,670	3,134,507	264,634	243,987	3,842,304	3,378,494
Support Services	1,844,969	1,755,798			1,844,969	1,755,798
Facilities Acquisition	89,603	57,683			89,603	57,683
Debt Service	162,827	175,109			162,827	175,109
Intergovernmental	194,268	175,489			194,268	175,489
Total Expenses	5,869,337	5,298,586	264,634	243,987	6,133,971	5,542,573
Increase (Decrease) in Net Assets	\$ 466,020	\$ 452,159	\$ (20,426)	\$ (13,945)	\$ 445,594	\$ 438,214

	% Change Governmental Activities		% Change Business-type Activities		% Change Total District	
	FY06-FY07	FY06-FY07	FY06-FY07	FY06-FY07	FY06-FY07	FY06-FY07
Revenues						
<i>Program Revenues</i>						
Charges for Services	9.6%		5.9%		9.0%	
Operating Grants & Contributions	8.0%		8.3%		8.0%	
Capital Grants & Contributions	100.0%				100.0%	
<i>General Revenues</i>						
Property and Other Taxes	11.2%				11.2%	
State Formula Aid	7.2%				7.2%	
Other	-2.0%		-11.0%		-2.4%	
Total Revenues	10.2%		6.2%		10.0%	
Expenses						
Instruction	14.1%		8.5%		13.7%	
Support Services	5.1%				5.1%	
Facilities Acquisition	55.3%				55.3%	
Debt Service	-7.0%				-7.0%	
Intergovernmental	10.7%				10.7%	
Total Expenses	10.8%		8.5%		10.7%	
Increase (Decrease) in Net Assets	3.1%		46.5%		1.7%	

Financial Analysis of the District's Funds

Governmental Activities

Governmental activities consist of the following District funds: General; Student Activity; Management; Physical, Plant & Equipment; Local Option Sales Tax; Capital Projects; and Debt Servicing. Figure A-5 presents the cost of five major district activities: instruction, support services, facilities acquisition, debt services, and intergovernmental. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions. As a whole these funds provided the district with the increase in net assets.

- The cost of all governmental activities this year was \$5,869,337.
- The users of the District's programs financed a portion of the cost.
- Most of the District's \$4,551,355 net costs were financed by District and state taxpayers.
- Governmental activities were financed with \$2,471,965 in property taxes and other taxes, \$2,315,977 of unrestricted state aid, and \$173,897 of investment earnings.

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

	Total Cost of Services		Net Cost of Services		Net % Change
	2007	2006	2007	2006	2006-2007
Instruction	\$ 3,577,670	\$ 3,134,507	\$ 2,590,333	\$ 2,259,573	14.6%
Support Services	1,844,969	1,755,798	1,794,877	1,673,070	7.3%
Facilities Acquisition	89,603	57,683	3,318	57,683	-94.2%
Debt Service	162,827	175,109	162,827	175,109	-7.0%
Intergovernmental	194,268	175,489			
Total	\$ 5,869,337	\$ 5,298,586	\$ 4,551,355	\$ 4,165,435	9.3%

General Fund - The general fund is described as follows from Uniform Financial Accounting Appendix G provided by the Iowa Department of Education:

"This fund is the chief operating fund of the school district. It is used to account for all financial resources of the school district except for those required to be accounted for in another fund. A district or AEA may have only one general fund."

The General Fund saw an increase in both assets and liabilities. The main reason for the increases can be attributed to the District's participation in the Iowa School Cash Anticipation Program (ISCAP) for a second year. This is a program that assists school districts by providing a source of cash for districts that are experiencing cash shortfalls throughout the school year. Last year was the first year in some time that the district had participated and the financial statements reflected the Series A borrowings only. Series A borrowings are issued in June for use July 1st through January 31st. Series B borrowings are issued in January for use February 1st through June 30th. By participating in both series A and B this fiscal year there was a significant change in the assets and liabilities for the general fund and the greatest

change in assets and liabilities for the district as a whole. Warrants for both Series A and B were issued in the amount of \$1,812,520 to aid with cash flow problems. When the funds are not needed by the district they are invested by ISCAP historically at a rate higher than the borrowing rate. The interest earnings then reduce the total interest cost to the district.

For a second year the District has a negative unreserved, undesignated fund balance. This year, it dropped to -\$269,631. With a negative unreserved, undesignated fund balance the district also has a negative solvency ratio. Figure A-6 is a summary of the solvency ratios over the last three fiscal years. The solvency ratio is calculated by dividing the general fund's unreserved, undesignated fund balance by the general fund's revenues. Each component of the calculation is included in Figure A-6.

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

Each year in the budgeting process a district can have a cash reserve levy. This levy does not increase the amount that a district can spend. It simply gives a district cash to cover the authority the state has already given. Our district has historically had a cash reserve levy but in the past the levy was not always high enough to cover the cash needs of the district. The Board of Education took steps during the 2007-2008 budget process that is completed by April 15, 2007 to increase the cash reserve levy. This was done to improve the District's solvency ratio and to reduce the amount of borrowing needed for cash flow purposes. The District is also reviewing expenses to see where reductions can be made.

Figure A-6
Solvency Ratio History (General Fund)

	2007	2006
Solvency Ratio	-5.57%	-3.37%
Unreserved Fund Balance	\$ (269,631)	\$ (146,828)
Revenues	\$ 4,842,381	\$ 4,358,926

Revenues increased \$483,455 to total \$4,842,381 for FY 2007. There are several reasons for the increase in revenues. First, with increasing enrollment the state formula will provide additional funding to the district. Second, the 2005 audit revealed an error in the certified enrollment count taken in September of 2004. This error was discovered after the budget for the 2005-2006 year had been finalized with the state, so the correction was made on the 2006-2007 budget which generated additional revenues. Third, the District had an increase in miscellaneous income. Miscellaneous income is a combination of many sources including but not limited to grants, donations, fees charged and interest income.

Expenditures increased as well by \$447,091 to total \$5,008,065 for FY 2007. Increasing enrollment, while very positive for a district, comes with challenges. School funding is based on the student count that was taken in the previous school year. The funding is always a year behind for a district, so schools that have increasing enrollment are educating students that they have not yet received the funding for. The State does provide the District with the opportunity to apply for additional spending authority to cover these costs but the additional spending authority is not funded. The State will allow the District to spend the money but they provide no cash to back the spending. The District faced an additional challenge with increased enrollment in this fiscal year. The student to teacher ratio became higher than the District felt was in the best interest for our students in secondary science as well as kindergarten. With the students in mind the Board made the decision to higher two additional teachers.

Having expenditures that exceed revenues is not a situation that can be maintained overtime. The District's expenditures exceeded the revenues by \$164,108 for FY 2007 which is down from \$201,510 for FY 2006. Salaries and benefits make up the bulk of the total budget for the District. Staffing changes have been made for the 2007-2008 school year through attrition and reductions. The District is working to balance their revenues and expenditures through decreased salary expenditures and close monitoring of all other spending.

Student Activity Fund – The Student Activity Fund is described as follows from Uniform Financial Accounting Appendix G provided by the Iowa Department of Education:

“This fund is used to account for money from student-related activities such as admissions, activity fees, student dues, student fund-raising events, or other student related cocurricular or extracurricular activities. Money in this fund shall be used to support only the cocurricular program defined in Department of Education Administrative Rules. The Activity fund should not be used as a clearing account for another fund.”

The Student Activity Fund Balance decreased by \$9,997 to end the year with a fund balance of \$75,452. Multiple sub-accounts comprise the Student Activity Fund. A breakdown is included in the supplemental information of the report. The athletic accounts have been combined into one account for reporting purposes. Some sub-accounts had increased while others decreased. There was a combination of expenditures that lead to a decrease in fund balance including one-time equipment purchases, girls' basketball playing at the state tournament, and reduced funding for programs from the general fund.

Management Fund – The Management Fund is described as follows from Uniform Financial Accounting Appendix G provided by the Iowa Department of Education:

“A special revenue fund used to account for all financial transactions from the levy authorized by Iowa Code section 298.4. The purpose of this fund is to pay the costs of unemployment or early retirement benefits, and the costs of liability insurance and judgments or settlements relating to liability. This fund is used to account for moneys from the levy for unemployment benefits, liability insurance, non-benefit insurance agreements, early retirement benefits, and the costs of a judgment. This fund cannot be used for employee health, life or disability insurance, even if the district is self-insured.”

There was a decrease of \$7,556 in unreserved, undesignated, fund balance for the Management fund for an ending balance of \$60,622. This District must monitor the fund balance to ensure that there are adequate funds available to cover insurance expenditures as well as current and potential early retirement expenditures. This year's ending fund balance is adequate for the District at this time.

Physical, Plant & Equipment Fund – The Physical, Plant & Equipment Fund is described as follows from Uniform Financial Accounting Appendix G provided by the Iowa Department of Education:

“A special revenue fund used to account for all financial transactions from the levy authorized, whether regular or voter-approved, by Iowa Code Section 298.2. This fund is created to deposit and expend money from a levy certified by the Board of Directors not to exceed 33 cents and/or a levy authorized by a simple majority of the voters not to exceed \$1.34. The purpose of the fund is to pay the cost of specified major expenditures related to real property and equipment. This fund is used to account for moneys from the levy for facilities, grounds, and certain equipment.”

Currently the district only uses the Board Certified 33 cent levy as revenue. This year the ending fund balance for the Physical, Plant & Equipment fund was \$-23,501. The District purchased two buses this fiscal year which lead to the negative fund balance. There is an interfund payable of \$29,481. This payable has been present for several years and the District is going to take steps to repay this amount.

Capital Projects Funds – Capital Project Funds are described as follows from Uniform Financial Accounting Appendix G provided by the Iowa Department of Education:

“These funds are used to account for financial resources to be used to acquire or construct major capital facilities (other than those of Proprietary funds and trust funds). The most common source of capital projects funding is the sale of bonds or other capital financing instruments. A separate fund may be used for each capital project or one fund may be used, supplemented by the classification Project/Reporting code.”

Currently the District has two Capital Project funds. One is the Local Option Sales Tax Fund, also known as SILO, and is described below. The other fund was established for the building of the fitness center. In this report both funds are grouped together as Capital Projects. Revenues exceeded expenditures by \$419,654 bringing the end of year balance to \$2,759,089. Local option sales tax and interest are the main revenue sources for this fund. The board has taken action to set aside a portion of the proceeds received each month to payoff the bonds outstanding on the secondary facility or to build an additional facility. Bills were paid as donations were received in the Fitness Center fund thus this fund would not have made a significant contribution to an increase in fund balance.

Local Option Sales Tax Fund – The Local Option Sales Tax Fund is described as follows from Uniform Financial Accounting Appendix G provided by the Iowa Department of Education:

“This fund is used to account for revenues received from the local option sales and services tax for school infrastructure. If a district has more than one county with a LOST, the fund code may be supplemented by the classification Project/Reporting code used to account for all financial transactions from the local options sales and services tax for school infrastructure authorized by Iowa Code chapter 422E.”

Debt Servicing Fund – The Debt Servicing Fund is described as follows from Uniform Financial Accounting Appendix G provided by the Iowa Department of Education:

“This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. A district or AEA may have only one debt service fund.”

Revenues for Debt Servicing exceeded Expenditures by \$6,136 bringing the end of year balance to \$46,336. Interest income and the debt levy are the revenue sources for this fund. The only bills paid from this fund are principal and interest payments as well as the wire fees to complete the transaction.

Long Term Debt

At year-end, the District had \$2,900,000 in general obligation bonds and other long-term debt outstanding.

Figure A-7 Outstanding Long-Term Debt

	2007	2006	2006-2007 % Change
General obligation bonds & notes	\$ 2,900,000	\$ 3,150,000	-7.9%

Proprietary Activities

The District currently has one proprietary fund. The School Nutrition Fund is "used to account for all transactions for the nutrition program authorized by Iowa Code Chapter 283A", as described from the Uniform Financial Accounting Appendix G provided by the Iowa Department of Education.

Schools are faced with a challenge in proprietary funds. These funds need to maintain a small operating profit or no loss while providing services that are affordable to families within the district. Currently the District's funds have been operating with losses for multiple years. Expenditures and fees charged will need to be reviewed and changed to eliminate future losses. See Figure A-3 and Figure A-4.

Budgetary Highlights

The District's total revenues were \$207,807 more than total budgeted revenues, a variance of 3.3%. The increase was mostly due to increases in local real estate and sales tax revenues.

Total expenditures were more than budgeted, due primarily to higher than anticipated expenditures for student transportation and capital projects. The District purchased several new vehicles and resurfaced its athletic track in the current year. Also, the District did not amend the certified budget before year-end.

Capital Assets

**Figure A-8
Capital Assets**

	Governmental Activities		Business-type Activities		Total District	
	2007	2006	2007	2006	2007	2006
Land	\$ 283,677	\$ 283,677			\$ 283,677	\$ 283,677
Construction in Progress		129,391			-	129,391
Buildings	6,689,183	6,486,434			6,689,183	6,486,434
Furniture & Equipment	1,964,479	1,708,520	\$ 231,215	\$ 231,215	2,195,694	1,939,735
Total Assets	8,937,339	8,608,022	231,215	231,215	9,168,554	8,839,237
Less Accumulated Depreciation	(3,277,154)	(3,097,564)	(184,563)	(174,681)	(3,461,717)	(3,272,245)
Net Capital Assets	\$ 5,660,185	\$ 5,510,458	\$ 46,652	\$ 56,534	\$ 5,706,837	\$ 5,566,992

	Governmental Activities		% Changes Business-type Activities		Total District	
	FY06 - FY07		FY06 - FY07		FY06 - FY07	
Land	0.0%				0.0%	
Construction in Progress	-100.0%				-100.0%	
Buildings	3.1%				3.1%	
Furniture & Equipment	15.0%		0.0%		13.2%	
Total Assets	3.8%		0.0%		3.7%	
Less Accumulated Depreciation	5.8%		5.7%		5.8%	
Net Capital Assets	2.7%		-17.5%		2.5%	

By the end of 2007, the district had invested \$9,168,554 in a broad range of assets including school buildings, land, athletic facilities, computer and audio-visual equipment, and vehicles. Total depreciation expense for governmental and business-type activities was \$255,058 and \$9,882 respectively. The District provided land for the center, through the help of a non-profit foundation, to build a fitness center. All expenses were paid by the district upon receipt of donations to cover the expense. The project was completed in the fall of 2006 and the District will now maintain the building. In previous years the value of the project in progress was included in the capital assets of the district and is shown in Figure A-8.

Factors Bearing on the District's Future

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

- The national economy will continually have a great impact on State of Iowa's budget. As the economy grows there is hope that the funding for education will be increased. School budgets were allowed to increase by 1% for fiscal year 2004, by 2% for fiscal year 2005, and by 4% for fiscal years 2006, 2007, and 2008. While 4% is higher in comparison to previous years it is still not at a level high enough to allow districts to recover from the extremely low allowable growth they have had.
- District enrollment will consistently have a tremendous impact on the District's financial future. Funding for an Iowa school is based on the District's certified enrollment, thus stable or increased enrollment is crucial to the financial health of a District.

Contacting the District's Financial Management

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

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business Type Activity	Total
ASSETS			
Cash and Pooled Investments	\$ 3,036,750	\$ 16,911	\$ 3,053,661
Receivables:			
Property Tax	19,361		19,361
Succeeding Year Property Tax	2,301,014		2,301,014
Interfund Receivable (Payable)	38,393	(38,393)	-
Due from Other Governmental Agencies	192,075		192,075
Inventories		10,140	10,140
Prepaid Expenses	37,005		37,005
Restricted ISCAP Assets:			
Investments	1,812,520		1,812,520
Accrued Interest Receivable	12,450		12,450
Land	283,677		283,677
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	5,376,508	46,652	5,423,160
Total Assets	13,109,753	35,310	13,145,063
LIABILITIES			
Payables:			
Accounts Payable	133,704	161	133,865
Deferred Revenue:			
Succeeding Year Property Tax	2,301,014		2,301,014
Accrued Wages and Benefits	473,104	15,846	488,950
Accrued Interest Payable	11,981		11,981
ISCAP Liabilities:			
ISCAP Warrants Payable	1,816,000		1,816,000
ISCAP Unamortized Premium	22,202		22,202
ISCAP Accrued Interest Payable	292		292
Long-Term Liabilities:			
Portion Due Within One Year:			
General Obligation Bonds Payable	260,000		260,000
Accrued Early Retirement	19,480		19,480
Portion Due After One Year:			
General Obligation Bonds Payable	2,640,000		2,640,000
Accrued Early Retirement	85,480		85,480
Total Liabilities	7,763,257	16,007	7,779,264
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	2,760,185	46,652	2,806,837
Restricted for:			
Debt Service	46,336		46,336
Management Levy	59,022		59,022
Other Special Revenue Purposes	51,951		51,951
Unrestricted	2,427,402	(27,349)	2,400,053
Total Net Assets	\$ 5,344,896	\$ 19,303	\$ 5,364,199

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>
		<u>Charges for Services</u>
Governmental Activities:		
Instruction:		
Regular	\$ 2,532,207	\$ 293,094
Special Programs	535,445	68,605
Vocational	147,722	
Co-curricular	362,296	250,131
Support Services:		
Student Support	153,381	38,274
Instructional Staff Support	165,425	
General Administration	329,418	
Building Administration	260,283	
Business Administration	125,148	
Operations and Maintenance	426,808	
Student Transportation	384,506	2,550
Facilities Acquisition:		
Building Improvement Services	7,514	
Construction Services	52,967	
Equipment	29,122	
Debt Service:		
Services	60	
Interest	162,767	
Intergovernmental:		
AEA Flowthrough	194,268	
Total governmental activities	<u>5,869,337</u>	<u>652,654</u>
Business Type Activity		
School Nutrition Fund	<u>264,634</u>	<u>142,516</u>
Total School District	<u><u>\$ 6,133,971</u></u>	<u><u>\$ 795,170</u></u>
General Revenues:		
Property taxes		
Other taxes		
Interest on Investments		
State aid not restricted to specific programs		
Gain on Sale of Equipment		
Miscellaneous		
Total general revenues		
Change in net assets		
Net assets - beginning		
Net assets - ending		

See Accompanying Notes to Financial Statements

Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
Operating Grants Contributions	Capital Grants Contributions	Governmental Activities	Business Type Activity	Total
\$ 336,866		\$ (1,902,247)		\$ (1,902,247)
33,874		(432,966)		(432,966)
4,767		(142,955)		(142,955)
		(112,165)		(112,165)
		(115,107)		(115,107)
		(165,425)		(165,425)
		(329,418)		(329,418)
		(260,283)		(260,283)
		(125,148)		(125,148)
		(426,808)		(426,808)
9,268		(372,688)		(372,688)
		(7,514)		(7,514)
	\$ 86,285	33,318		33,318
		(29,122)		(29,122)
		(60)		(60)
		(162,767)		(162,767)
194,268		-		-
<u>579,043</u>	<u>86,285</u>	<u>(4,551,355)</u>		<u>(4,551,355)</u>
93,708	-		\$ (28,410)	(28,410)
<u>\$ 672,751</u>	<u>\$ 86,285</u>	<u>(4,551,355)</u>	<u>(28,410)</u>	<u>(4,579,765)</u>
		1,989,583		1,989,583
		482,382		482,382
		173,897	1,086	174,983
		2,315,977		2,315,977
		1,576		1,576
		53,960	6,898	60,858
		<u>5,017,375</u>	<u>7,984</u>	<u>5,025,359</u>
		466,020	(20,426)	445,594
		4,880,476	39,729	4,920,205
		<u>\$ 5,346,496</u>	<u>\$ 19,303</u>	<u>\$ 5,365,799</u>

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
Governmental Funds
JUNE 30, 2007

		General
Assets		
Cash and Pooled Investments	\$	145,199
Receivables:		
Property Tax		14,208
Succeeding Year Property Tax		1,720,381
Due from Other Funds		62,988
Due from Other Governmental Agencies		121,841
Prepaid Expenses		35,405
Restricted ISCAP Assets:		
Investments		1,812,520
Accrued Interest Receivable		12,450
Total Assets		3,924,992
Liabilities and Equity		
Payables:		
Accounts Payable		127,239
Due to Other Funds		
Deferred Revenue:		
Succeeding Year Property Tax		1,720,381
Accrued Wages and Benefits		473,104
Accrued Early Retirement		
ISCAP Liabilities:		
ISCAP Warrants Payable		1,816,000
ISCAP Unamortized Premium		22,202
ISCAP Accrued Interest Payable		292
Total Liabilities		4,159,218
Fund Balances:		
Reserved for Debt Service		
Reserved for Prepaid Expenses		35,405
Unreserved for:		
Undesignated		
General Fund		(269,631)
Special Revenue		
Capital Projects		
Total Fund Balances		(234,226)
Total Liabilities and Equity	\$	3,924,992

See Accompanying Notes to Financial Statements

Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 2,690,945	\$ 25,569	\$ 175,037	\$ 3,036,750
	4,023	1,130	19,361
	405,800	174,833	2,301,014
	16,744		79,732
70,234			192,075
		1,600	37,005
			1,812,520
			12,450
<u>2,761,179</u>	<u>452,136</u>	<u>352,600</u>	<u>7,490,907</u>
		6,465	133,704
2,090		39,249	41,339
	405,800	174,833	2,301,014
			473,104
		19,480	19,480
			1,816,000
			22,202
			292
<u>2,090</u>	<u>405,800</u>	<u>240,027</u>	<u>4,807,135</u>
	46,336		46,336
		1,600	37,005
			(269,631)
		110,973	110,973
2,759,089			2,759,089
<u>2,759,089</u>	<u>46,336</u>	<u>112,573</u>	<u>2,683,772</u>
<u>\$ 2,761,179</u>	<u>\$ 452,136</u>	<u>\$ 352,600</u>	

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

Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds	5,660,185
Accrued interest payable not reported on the modified accrual basis	(11,981)
Accrued retirement payable not reported on the modified accrual basis	(85,480)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(2,900,000)
Net Assets of Governmental Activities	<u>\$ 5,346,496</u>

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
Year Ended June 30, 2007

	General
Revenue:	
Local Sources	\$ 1,912,145
State Appropriations	2,796,166
Federal Appropriations	134,070
Total Revenue	4,842,381
Expenditures:	
Governmental Activities:	
Instruction:	
Regular	2,498,452
Special Programs	535,445
Vocational	144,199
Co-curricular	94,313
Support Services:	
Student Support	153,304
Instructional Staff Support	165,191
General Administration	135,332
Building Administration	260,283
Business Administration	125,148
Operations and Maintenance	398,419
Student Transportation	303,711
Facilities Acquisition:	
Building Improvement Services	
Construction Services	
Equipment	
Debt Service:	
Services	
Principal	
Interest	
Intergovernmental:	
AEA Flowthrough	194,268
Total Expenditures	5,008,065
Excess (Deficiency) of Revenues Over Expenditures	(165,684)
Other Financing Sources (Uses):	
Sale of Equipment & Material	1,576
Total Other Financing Sources (Uses)	1,576
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(164,108)
Fund Balances (Deficits)-Beginning of Year	(70,118)
Fund Balances (Deficits)-End of Year	\$ (234,226)

See Accompanying Notes to Financial Statements

Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 684,727	\$ 419,996	\$ 386,677	\$ 3,403,545
			2,796,166
			134,070
684,727	419,996	386,677	6,333,781
			2,498,452
			535,445
			144,199
		265,611	359,924
			153,304
			165,191
		50,761	186,093
			260,283
			125,148
293		28,303	427,015
		171,704	475,415
27,780			27,780
187,394		60,000	247,394
49,606		2,920	52,526
	60		60
	250,000		250,000
	163,800		163,800
			194,268
265,073	413,860	579,299	6,266,297
419,654	6,136	(192,622)	67,484
			1,576
			1,576
419,654	6,136	(192,622)	69,060
2,339,435	40,200	305,195	2,614,712
\$ 2,759,089	\$ 46,336	\$ 112,573	\$ 2,683,772

See Accompanying Notes to Financial Statements

**LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007**

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

Net change in fund balances - total governmental funds (page 23)	\$ 69,060
<p>Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:</p>	
Expenditures for capital assets	\$ 404,785
Depreciation expense	<u>(255,058)</u>
	149,727
Accrued Expenses not reported on modified accrual basis	(2,767)
<p>The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was:</p>	
	<u>250,000</u>
Change in net assets of governmental activities (page 19)	<u><u>\$ 466,020</u></u>

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Statement of Net Assets
Proprietary Fund
June 30, 2007

	School Nutrition Fund
Assets	
Cash and Pooled Investments	\$ 16,911
Inventories	10,140
Property and Equipment, Net of Accumulated Depreciation	46,652
Total Assets	73,703
Liabilities	
Accounts Payable	161
Due to Other Funds	38,393
Accrued Wages and Benefits	15,846
Total Liabilities	54,400
Net Assets	
Invested in Capital Assets	46,652
Unrestricted	(27,349)
Total Net Assets	\$ 19,303

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2007

	School Nutrition Fund
Operating Revenues:	
Sales of lunches and breakfasts:	
Students	\$ 132,964
Adults	9,525
A la carte	27
Miscellaneous	6,898
	149,414
Total Operating Revenue	
Operating Expenses:	
Food Service Operations:	
Salaries	103,797
Benefits	20,103
Supplies	129,259
Other	1,593
Depreciation	9,882
	264,634
Total Operating Expenses	
Operating Loss	(115,220)
Non-Operating Revenues :	
Interest Income	1,086
State Lunch and Breakfast Program Claims	3,442
National School Lunch Program	65,086
Federal Food Commodities Received	25,180
	94,794
Total Non-Operating Revenues	
Change in Net Assets	(20,426)
Net Assets-beginning	39,729
Net Assets-ending	\$ 19,303

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
Business Type Activity
For the Year Ended June 30, 2007

	School Nutrition Fund
Cash flows from operating activities:	
Cash received from customers	\$ 142,516
Cash received from miscellaneous operating activities	6,898
Cash payments to employees for services	(123,900)
Cash payments to suppliers for goods and services	(133,127)
Total cash used by operating activities	(107,613)
Cash flows from noncapital financing activities:	
State grants received	3,442
Federal grants received	90,266
Interfund amounts received	23,745
Net cash provided by noncapital financing activities	117,453
Cash flows from investing activities:	
Interest on investments	1,086
Net increase in cash and pooled investments	10,926
Cash and pooled investments - beginning of year	5,985
Cash and pooled investments - end of year	16,911
Reconciliation of operating loss to net cash (used) in operating activities:	
Operating Loss	(115,220)
Depreciation Expense	9,882
Adjustments to reconcile operating loss to net cash (used) by operating activities:	
Change in assets and liabilities:	
Decrease in inventory	(2,436)
Increase in accounts payable	161
Net cash used in operating activities	(107,613)
Supplemental schedule of noncash noncapital financing activities:	
Federal food commodities received	\$ 25,180

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
Fiduciary Funds
For the Year Ended June 30, 2007

	<u>Private Purpose Trust Scholarship</u>
ASSETS	
Cash and Temporary Cash Investments	<u>\$ 38,891</u>
LIABILITIES	
Other Payables	<u>\$ 38,891</u>

See Accompanying Notes to Financial Statements

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

Note 1 – Summary of Significant Accounting Policies

The Lawton-Bronson Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic areas served include the cities of Lawton and Bronson, Iowa, and the predominant agricultural territory in Woodbury County. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

A. Reporting Entity

For financial reporting purposes, Lawton-Bronson Community School District has included all funds, organizations, 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 (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Lawton-Bronson Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

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

B. Basis of Presentation

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

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

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

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

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

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Physical Plant and Equipment Levy – Accounts for a voted property tax levy of twenty-six cents per thousand dollars of assessed valuation in the district, plus a three percent surtax. The levy is to be used in the purchasing of equipment and repairing and improving schoolhouse buildings and grounds.

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

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

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

The following is the District's proprietary fund:

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

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

Note 1 – Summary of Significant Accounting Policies (Continued)

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 funds are used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Basis of Accounting/Measurement Focus

The government-wide, proprietary and fiduciary funds financial statements are reported using the economic resource 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.

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

Proprietary funds distinguish operating revenues and expenses from 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 proprietary fund are charges to customers for sales and services. Operating expenses for proprietary 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.

D. Assets, Liabilities, and Fund Equity

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

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

Note 1 – Summary of Significant Accounting Policies (Continued)

Cash and Temporary Cash Investments – The cash balances of most District funds are pooled and invested. For purposes of the statement of cash flows, the proprietary fund type considers all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2007 included certificates of deposits of \$827,723 with original maturity dates longer than three months.

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

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

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

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

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

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

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

The Proprietary Fund uses a \$500 capitalization policy. Accumulated depreciation is reported on the Proprietary Fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives for machinery and equipment are 15 years.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosure are reported as Required Supplementary Information. During the year ended June 30, 2007 expenditures in the support services and other expenditures functions exceeded the amounts budgeted.

Note 2 – Deposits and Investments

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

At June 30, 2007, the District had deposits with financial institutions with a carrying amount of \$3,046,115 and a bank balance of \$3,197,637. At June 30, 2007, its investment balances were as follows:

Investment Type	Fair Value	Maturity	Rating
Iowa School Joint Investment Trust	\$ 7,546	None	Aaa

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

Note 3 – Area Education Agency

The District is required by the Code of Iowa to budget for its share of the media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$194,268 for the year ended June 30, 2007, and is recorded in the General Fund.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

Note 4 – Capital Assets

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

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 283,677			\$ 283,677
Construction in Progress	129,391	\$ 73,358	\$ 202,749	-
Total capital assets not being depreciated	<u>413,068</u>	<u>73,358</u>	<u>202,749</u>	<u>283,677</u>
Capital assets being depreciated:				
Buildings	6,486,434	202,749		6,689,183
Furniture and Equipment	1,708,520	331,427	75,468	1,964,479
Total capital assets being depreciated	<u>8,194,954</u>	<u>534,176</u>	<u>75,468</u>	<u>8,653,662</u>
Less accumulated depreciation for:				
Buildings	1,650,441	139,525		1,789,966
Furniture and Equipment	1,447,123	115,533	75,468	1,487,188
Total accumulated depreciation	<u>3,097,564</u>	<u>255,058</u>	<u>75,468</u>	<u>3,277,154</u>
Total capital assets being depreciated, net	5,097,390	279,118	-	5,376,508
Governmental activities capital assets, net	<u>\$ 5,510,458</u>	<u>\$ 352,476</u>	<u>\$ 202,749</u>	<u>\$ 5,660,185</u>
	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Business-Type Activity:				
Furniture and Equipment	\$ 231,215			\$ 231,215
Less accumulated depreciation	174,681	\$ 9,882		184,563
Business-type activities capital assets, net	<u>\$ 56,534</u>	<u>\$ (9,882)</u>	<u>\$ -</u>	<u>\$ 46,652</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Regular Instruction	\$ 33,755
Vocational Instruction	3,523
Co-Curricular Instruction	2,372
Student Support	77
Instructional Staff Support	234
General Administration/Multi-Functional	139,525
Operations and Maintenance	6,350
Transportation	<u>69,222</u>
Total depreciation expense – governmental activities	<u>\$ 255,058</u>
Business-Type Activities:	
Food Service Operations	<u>\$ 9,882</u>

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

Note 5 – Retirement System

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

Plan members are required to contribute 3.70% of their annual 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 contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$165,968, \$148,325, and \$143,059 respectively, equal to the required contributions for each year.

Note 6 – Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nutrition Fund	\$ 38,393
	Physical Plant and Equipment Levy	12,737
	Management Levy	9,741
	Student Activity	27
	Capital Projects	2,090
Debt Service	Physical Plant and Equipment Levy	<u>16,744</u>
		<u>\$ 79,732</u>

The Physical Plant and Equipment Levy Fund is repaying the Debt Service Fund for equipment expenses accidentally paid from the Debt Service Fund. The Student Activity Fund is repaying the General Fund for general fees deposited in the Student Activity Fund. The Management Levy and the Physical Plant and Equipment Levy Funds are repaying the General Fund for property taxes inappropriately allocated to the Management Levy and the Physical Plant and Equipment Levy Funds. The Nutrition Fund is repaying the General Fund for prior years' nutrition wages paid by the General Fund. The Capital Projects Fund is repaying the General Fund for construction costs paid by the General Fund. All balances will be repaid by June 30, 2008.

Note 7 – Deficit Fund Balances

As of June 30, 2007, the following funds had deficit fund balances in the amount shown:

General	\$ <u>234,226</u>
PPEL	\$ <u>23,501</u>

The general fund deficit will be funded through future property tax and state aid receipts. The PPEL fund deficit will be funded through future property tax receipts.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

Note 8 – Long-Term Debt

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

	General Obligation Bonds	Early Retirement	Total
Balance beginning of year	\$ 3,150,000	\$ 103,280	\$ 3,253,280
Additions	-	22,560	22,560
Deletions	(250,000)	(20,880)	(270,880)
Balance end of year	<u>\$ 2,900,000</u>	<u>\$ 104,960</u>	<u>\$ 3,004,960</u>
Due Within One Year	<u>\$ 260,000</u>	<u>\$ 19,480</u>	<u>\$ 279,480</u>

Early Retirement

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

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

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

Early retirement benefits (including payroll taxes) paid during the year ended June 30, 2007 totaled \$20,880. The cost of early retirement payments expected to be liquidated currently are recorded as a liability of the Special Revenue, Management Levy Fund. A liability has been recorded representing the District's commitment to fund non-current early retirement.

Details of the District's June 30, 2007 early retirement obligation are as follows:

<u>Ending June 30</u>	<u>Total</u>
2008	\$ 19,480
2009	16,800
2010	16,080
2011	13,920
2012	12,520
2013 and after	<u>26,160</u>
Totals	<u>\$ 104,960</u>

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

Note 8 – Long-Term Debt (Continued)

Bonded Debt

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

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

<u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 260,000	\$ 150,800	\$ 410,800
2009	275,000	137,280	412,280
2010	290,000	122,980	412,980
2011	305,000	107,900	412,900
2012	320,000	92,040	412,040
2013-2016	1,450,000	193,180	1,643,180
Totals	<u>\$ 2,900,000</u>	<u>\$ 804,180</u>	<u>\$ 3,704,180</u>

Note 9 – Operating Leases

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

<u>Ending June 30</u>	<u>Total</u>
2008	\$ 22,994
2009	11,459
2010	10,337
2011	<u>2,747</u>
Totals	<u>\$ 47,537</u>

Rent expenditures were \$25,301 for the year ended June 30, 2007.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2007

Note 10 – Iowa Schools Cash Anticipation Program (ISCAP)

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

A summary of the District's participation in ISCAP as of June 30, 2007 is as follows:

Series	Warrant Date	Date Warrant Reinvested	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2006-2007B	1/26/07	1/23/08	\$ 628,394	\$ 12,096	\$ 630,000	
2007-2008A	6/28/07	6/25/08	1,184,126	354	1,186,000	\$ 292
Totals			<u>\$ 1,812,520</u>	<u>\$ 12,450</u>	<u>\$ 1,816,000</u>	<u>\$ 292</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There were ISCAP advances in August 2006 for \$464,354, in January 2007 for \$160,000, and in February 2007 for \$235,000. They were repaid in October 2006, February 2007, and April 2007, respectively. The total interest cost of ISCAP borrowings in 2006-2007 was \$27,043.

The 2006-2007B Series warrants have an interest rate of 4.250%, and available proceeds of the warrants are invested at a rate of 5.315%. The 2007-2008A Series warrants have an interest rate of 4.500%, and available proceeds of the warrants are invested at a rate of 5.455%.

Note 11 – Risk Financing

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the year ended June 30, 2007 the District has elected to purchase commercial insurance to cover against the risk of loss. There were no settlements that exceeded insurance coverage during the past three years or any significant reductions in coverage.

Note 12 – Subsequent Event

On November 13, 2007, District residents voted on and approved a new \$7.28 million bond issue that will fund the construction of a new elementary building in Bronson. The new bond issue will commence in April 2008, will require a 20-year payment schedule, and will carry an annual interest rate expected to be between 4.10% and 4.15%. As of the date of this report, no construction contracts have been awarded for the building project. In conjunction with this new bond issue, the District board passed a resolution on December 17, 2007 to use debt service levy monies and local option sales tax monies to pay off the District's previous general obligation bond issue on February 1, 2008. At that date, the District will pay the outstanding principal balance of \$2.9 million, plus accrued interest of approximately \$25,000.

REQUIRED SUPPLEMENTAL INFORMATION

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances-
Budget and Actual (GAAP Basis)-
Governmental Funds and Proprietary Fund
Year Ended June 30, 2007

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Original and Final Budget	Variance with Budget Favorable (Unfavorable)
Receipts:					
Local Sources	\$ 3,403,545	\$ 150,500	\$ 3,554,045	\$ 3,386,038	\$ 168,007
State Sources	2,796,166	3,442	2,799,608	2,750,064	49,544
Federal Sources	134,070	90,266	224,336	234,800	(10,464)
Total Revenues	<u>6,333,781</u>	<u>244,208</u>	<u>6,577,989</u>	<u>6,370,902</u>	<u>207,087</u>
Expenditures:					
Instruction	3,538,020	-	3,538,020	3,638,931	100,911
Support Services	1,792,449	-	1,792,449	1,601,892	(190,557)
Non-Instructional Programs	-	264,634	264,634	336,434	71,800
Other Expenditures	935,828	-	935,828	818,040	(117,788)
Total Expenditures	<u>6,266,297</u>	<u>264,634</u>	<u>6,530,931</u>	<u>6,395,297</u>	<u>(135,634)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>67,484</u>	<u>(20,426)</u>	<u>47,058</u>	<u>(24,395)</u>	<u>71,453</u>
Other Financing Sources					
Sale of Equipment & Material	<u>1,576</u>	<u>-</u>	<u>1,576</u>	<u>200</u>	<u>(1,376)</u>
Total Other Financing Sources	<u>1,576</u>	<u>-</u>	<u>1,576</u>	<u>200</u>	<u>(1,376)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	69,060	(20,426)	48,634	(24,195)	
Fund Balance/Retained Earnings					
Beginning of Year	<u>2,614,712</u>	<u>39,729</u>	<u>2,654,441</u>	<u>2,900,344</u>	
Fund Balance/Retained Earnings End of Year	<u>\$ 2,683,772</u>	<u>\$ 19,303</u>	<u>\$ 2,703,075</u>	<u>\$ 2,876,149</u>	

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Notes to Required Supplemental 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 Private Purpose Trust Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP 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 functional level, not by fund. This level of control is at a higher level than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental funds with expenses of proprietary funds on a functional area basis and to compare such functional area totals to functional area budgeted totals in order to demonstrate legal compliance with the budget. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula. The District did not adopt a budget amendment during the current year. During the current year, the District's expenditures in the support services and other expenditure functions exceeded the certified budget amounts.

SUPPLEMENTAL INFORMATION

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund
Year Ended June 30, 2007

Schedule 1

Revenues:

Local Sources:

Local Tax:

Property Tax \$ 1,460,003

Other Local Sources:

Interest on Investments 44,634

Tuition from Other Districts 280,918

Miscellaneous 126,590

452,142

1,912,145

State Sources:

Foundation Aid-District's Share 2,296,145

Experienced Teacher Compensation 122,709

Educational Excellence Program:

Phase I 30,604

Phase II 49,721

Non-Public Transportation Aid 9,268

Vocational Education Aid 4,767

Iowa Early Intervention Block Grant 28,714

Gas Tax Refund 1,864

Medicaid Reimbursement 38,274

AEA Flow-Through 194,268

Other 19,832

2,796,166

Federal Sources:

Title I Grants to Local Educational Agencies 32,724

Safe and Drug Free Schools and Communities 3,484

Innovative Education Program Strategies (Title VI Program) 721

Rural Education Achievement Program 15,676

Transition Alliance Program 34,333

Federal Teacher Quality Program 13,258

Other 33,874

134,070

Total Revenue 4,842,381

Expenditures:

Instruction:

Regular Program Instruction:

Salaries 1,640,528

Employee Benefits 454,889

Contractual Services 287,350

General Supplies 99,342

Equipment 3,329

Other 13,014

\$ 2,498,452

Continued

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
Year Ended June 30, 2007

Schedule 1 (Continued)

Expenditures (continued):

Instruction (continued):

Special Program Instruction:

Salaries	\$ 272,589
Employee Benefits	63,477
Contractual Services	179,908
General Supplies	10,007
Equipment	5,218
Other	4,246
	535,445

Vocational Program Instruction:

Salaries	103,228
Employee Benefits	33,987
Contractual Services	961
General Supplies	5,242
Other	781
	144,199

Co-Curricular Program Instruction and Sports:

Salaries	83,196
Employee Benefits	9,756
Other	1,361
	94,313
Total Instruction	3,272,409

Support Services:

Student Support Services:

Salaries	83,484
Employee Benefits	24,632
Contractual Services	39,129
General Supplies	2,173
Other	3,886
	153,304

Instructional Staff Support Services:

Salaries	99,270
Employee Benefits	25,231
General Supplies	9,365
Equipment	29,585
Other	1,740
	165,191

General Administration:

Salaries	97,576
Employee Benefits	27,640
Contractual Services	7,427
General Supplies	954
Other	1,735
	135,332
	\$ 135,332

Continued

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
Year Ended June 30, 2007

Schedule 1 (Continued)

Expenditures (continued):	
Support Services (continued):	
Building Administration:	
Salaries	\$ 172,569
Employee Benefits	63,463
Contractual Services	13,101
General Supplies	4,199
Equipment	4,376
Other	2,575
	260,283
Business Administration:	
Salaries	33,680
Employee Benefits	10,944
Contractual Services	16,961
General Supplies	3,853
Other	59,710
	125,148
Operation and Maintenance Services:	
Salaries	132,938
Employee Benefits	51,647
Contractual Services	33,098
General Supplies	170,410
Equipment	9,539
Other	787
	398,419
Student Transportation:	
Salaries	144,535
Employee Benefits	25,622
Contractual Services	36,837
General Supplies	92,545
Other	4,172
	303,711
Total Support Services	1,541,388
Other Expenditures:	
AEA Flow-Through	194,268
Total Expenditures	5,008,065
(Deficiency) of Revenues Over Expenditures	(165,684)
Other Financing Sources:	
Sale of Equipment & Material	1,576
(Deficiency) of Revenues and other Sources Over Expenditures	(164,108)
(Deficit) Beginning of Year	(70,118)
(Deficit) End of Year	\$ (234,226)

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
June 30, 2007

Schedule 2

	Special Revenue Funds			Total
	Management Fund	Activity Fund	Physical Plant and Equipment Fund	
Assets				
Cash and Pooled Investments	\$ 87,553	\$ 81,944	\$ 5,540	\$ 175,037
Receivables:				
Property Tax	690		440	1,130
Succeeding Year Property Tax	130,000		44,833	174,833
Prepaid Expenses	1,600			1,600
Total Assets	219,843	81,944	50,813	352,600
Liabilities				
Accounts Payable		6,465		6,465
Due to Other Funds	9,741	27	29,481	39,249
Deferred Revenue:				
Succeeding Year Property Tax	130,000		44,833	174,833
Accrued Early Retirement	19,480			19,480
Total Liabilities	159,221	6,492	74,314	240,027
Fund Balances				
Reserved for Prepaid Expenses	1,600			1,600
Unreserved for Special Revenue Fund	59,022	75,452	(23,501)	110,973
Total Fund Balances	60,622	75,452	(23,501)	112,573
Total Liabilities and Equity	\$ 219,843	\$ 81,944	\$ 50,813	\$ 352,600

**LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 Governmental Nonmajor Funds
 For the Year Ended June 30, 2007**

Schedule 3

	Special Revenue Funds			Total
	Management Fund	Activity Fund	Physical Plant and Equipment Fund	
Revenue:				
Local Sources:				
Property Taxes	\$ 70,942		\$ 45,259	\$ 116,201
Other Local Sources:				
Interest on Investments	2,993	\$ 5,305	4,395	12,693
Student Activities		250,131		250,131
Miscellaneous	7,474	178		7,652
Total Revenue	<u>81,409</u>	<u>255,614</u>	<u>49,654</u>	<u>386,677</u>
Expenditures:				
Instruction:				
Co-curricular		265,611		265,611
Support Services:				
General Administration	50,761			50,761
Operations and Maintenance	28,303			28,303
Student Transportation	9,901		161,803	171,704
Facilities Acquisition:				
Construction Services			60,000	60,000
Equipment			2,920	2,920
Total Expenditures	<u>88,965</u>	<u>265,611</u>	<u>224,723</u>	<u>579,299</u>
Excess (Deficiency) of Revenues of Expenditures	<u>(7,556)</u>	<u>(9,997)</u>	<u>(175,069)</u>	<u>(192,622)</u>
Fund Balances - Beginning of Year	<u>68,178</u>	<u>85,449</u>	<u>151,568</u>	<u>305,195</u>
Fund Balances (Deficits) - End of Year	<u>\$ 60,622</u>	<u>\$ 75,452</u>	<u>\$ (23,501)</u>	<u>\$ 112,573</u>

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Schedule of Individual Student Activity Account Activity
For the Year Ended June 30, 2007

	Schedule 4			
	Balance			Balance
	June 30,	Revenues	Expenditures	June 30,
	2006			2007
			Operating	
			Transfers	
Senior High				
Classes Graduated	\$ 1,595	\$ -	\$ -	\$ 1,595
Senior Class	-	69	2,005	1,936
Junior Class	1,936	1,948	2,555	97
Sophomore Class	2,034	5,140	2,802	(1,366)
Freshman Class	668	1,375	350	(668)
Concessions	200	-	-	-
Baseball Concessions	4,250	3,922	5,825	-
Softball Concessions	4,429	4,376	6,389	-
Drill Team	559	28,552	29,610	-
Cheerleaders	4,423	7,935	7,965	201
Junior High Activity	9,822	17,979	23,773	-
General Athletics	16,833	84,500	88,746	4,246
Activity Tickets	-	6,088	100	(5,888)
Library	2,042	1,952	1,683	-
Industrial Arts	1,826	2,590	3,261	-
Vocal Music	4,721	29,014	34,222	587
Instrumental Music	2,023	3,910	4,068	703
Elementary Music	477	445	658	-
Drama and Speech	(347)	-	134	749
National Honor Society	359	678	832	-
Destination Imagination	-	-	-	-
History Trip	18	-	-	-
Student Council	593	5,385	4,677	-
School Yearbook	2,146	12,197	11,818	-
Elementary Yearbook	4,773	1,555	2,008	-
Contingency Fund	9,316	5,504	5,192	(701)
Unreserved Fund	-	618	617	-
JEL	-	229	105	-
Dollars for Scholars	3,808	4,450	4,810	-
Miscellaneous	(104)	178	178	104
Soup and Pie Supper	388	371	551	-
Bronson Teachers	6,661	24,654	20,677	-
	<u>\$ 85,449</u>	<u>\$ 255,614</u>	<u>\$ 265,611</u>	<u>\$ -</u>
				<u>\$ 75,452</u>

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Schedule of Revenues and Expenditures by Function
For the Years Ended June 30, 2007, 2006, 2005, 2004

Schedule 5

	Modified Accrual Basis of Accounting			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local Tax	\$ 2,471,965	\$ 2,223,894	\$ 2,179,574	\$ 2,143,277
Tuition	280,918	225,742	274,359	276,825
Other	650,662	529,519	308,038	277,340
State Sources	2,796,166	2,607,387	2,354,530	2,381,638
Federal Sources	134,070	163,665	129,821	131,724
Total	\$ 6,333,781	\$ 5,750,207	\$ 5,246,322	\$ 5,210,804
Expenditures:				
Instruction:				
Regular	\$ 2,498,452	\$ 2,212,621	\$ 2,183,741	\$ 2,073,902
Special	535,445	452,323	397,406	392,970
Other	504,123	449,844	452,576	442,842
Support Services:				
Student	153,304	173,868	153,510	117,959
Instructional Staff	165,191	184,969	61,286	49,191
Administration	571,524	570,536	470,249	512,755
Operation and Maintenance of Plant	427,015	353,394	403,515	332,058
Transportation	475,415	325,478	250,777	184,413
Other Expenditures:				
Facilities Acquisition	327,700	190,632	133,838	137,778
Long-term Debt:				
Principal	250,000	235,000	225,000	215,000
Interest and Other Charges	163,860	176,080	187,820	198,779
AEA Flowthrough	194,268	175,489	169,052	167,090
Total	\$ 6,266,297	\$ 5,500,234	\$ 5,088,770	\$ 4,824,737



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

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

We have audited the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT as of and for the year ended June 30, 2007, and have issued our report thereon dated January 3, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Lawton-Bronson Community School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*.

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

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered Lawton-Bronson Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lawton-Bronson Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lawton-Bronson 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 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 material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Lawton-Bronson Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Lawton-Bronson Community School District's financial

statements that is more than inconsequential will not be prevented or detected by of Lawton-Bronson Community School District's internal control. We consider the deficiencies described in the accompanying schedule of findings 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 that a material misstatement of the financial statements will not be prevented or detected by Lawton-Bronson 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 disclose 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, we believe II-A-07 and II-B-07 are material weaknesses.

The Lawton-Bronson 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 the 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 board of education, management, employees and citizens of Lawton-Bronson Community School District and other parties to whom the Lawton-Bronson Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Williams & Company, P.C.
Certified Public Accountants

Sioux City, Iowa
January 3, 2008

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance, which is material to the financial statements.
- (d) See below for the status of prior audit findings.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

None.

STATUS OF PRIOR AUDIT FINDINGS:

II-A-06 Financial Accounting – Segregation of Duties

Condition – This finding was a material weakness stating that the District does not have an adequate segregation of duties in its accounting functions.

Recommendation – The auditor recommended that, in lieu of hiring additional staff, management should address this weakness by continually monitoring the fiscal officer's duties.

Current Status – The District did not correct this weakness, and it is renumbered below as II-A-07.

II-B-06 Financial Accounting – District Fundraising

Condition – This finding was a material weakness stating that proceeds from District fundraising activities were not remitted to the school immediately upon completion of the fundraising activities. Instead, the proceeds were remitted months later, or were spent on behalf of the District for new equipment that the District owns.

Recommendation – The auditor recommended that all future fundraising done on behalf of the District be coordinated with the District's business staff. All proceeds must be remitted to the school on a timely basis without exception.

Current Status – The District corrected this weakness.

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

SIGNIFICANT DEFICIENCIES:

II-A-07 Financial Accounting – Segregation of Duties

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

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

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

Conclusion – Response accepted.

II-B-07 Financial Accounting – Recording Errors

Observation – Errors were noted on Lawton-Bronson Community School District's annual financial report. Our audit of Lawton-Bronson Community School District's annual financial report disclosed numerous material reporting errors for the year ended June 30, 2007. These reporting errors result in a diminished reliability of accounting data being supplied to the users of the unaudited financial statements. We identified the material reporting errors discussed above and therefore, these matters do not affect our independent auditor's report on the financial statements contained in this audit report.

Recommendation – We recommend future financial reports are prepared completely and accurately in accordance with U.S. generally accepted accounting principles.

Response – The District will monitor its financial reporting process more closely in the future in order to make its annual financial report as accurate as possible.

Conclusion – Response accepted.

Part III: Other Findings Related to Statutory Reporting:

III-A-07 Certified Budget – Disbursements for the year ended June 30, 2007 exceeded the certified budget amounts for the support services and other expenditures functions.

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

LAWTON-BRONSON COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

- III-B-07 Questionable Disbursements – No disbursements were noted that they may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-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.
- III-D-07 Business Transactions – There were no business transactions between the District and District officials or employees during the year ended June 30, 2007.
- III-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.
- III-F-07 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- III-G-07 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- III-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.
- III-I-07 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.