

Le Mars Community School  
District

INDEPENDENT  
AUDITOR'S  
REPORT

JUNE 30, 2007

**LE MARS COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2007**

**LE MARS COMMUNITY SCHOOL DISTRICT  
FOR THE YEAR ENDED JUNE 30, 2007  
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**LE MARS COMMUNITY SCHOOL DISTRICT**

**LIST OF OFFICIALS**

**June 30, 2007**

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

		Term Expires
Dr. Leon Scott	President	2006
Dr. Mark Stelzer	Vice President	2007
Cris Collins	Board Member	2007
Patrick Murphy	Board Member	2007
Daniel Smith	Board Member	2008
Dr. Chuck Holz	Board Member	2006
Marjorie Franke	Board Member	2008

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

Dr. Leon Scott	President	2009
Dr. Mark Stelzer	Vice President	2007
Cris Collins	Board Member	2007
Patrick Murphy	Board Member	2007
Daniel Smith	Board Member	2008
Brenda Phelan	Board Member	2009
Marjorie Franke	Board Member	2008

**School Officials**

Dr. Todd Wendt	Superintendent	2007
Lisa Holton	District Secretary	2007
Kim Clarey	District Treasurer	2007
Bauerly, Trotzig & Bauerly	Attorney	2007



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P.O. Box 1010  
Le Mars, IA 51031  
Phone (712) 546-7801  
Fax (712) 546-6543

## INDEPENDENT AUDITORS' REPORT

To the Board of Education of  
Le Mars Community School District  
Le Mars, 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 Le Mars 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 Le Mars 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 Le Mars Community School District as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2007 on our consideration of the Le Mars Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Le Mars Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget Circular A-133, 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 & Langman, P.C.*  
CERTIFIED PUBLIC ACCOUNTANTS

Le Mars, Iowa  
October 4, 2007

## **LE MARS COMMUNITY MANAGEMENT DISCUSSION AND ANALYSIS**

Le Mars 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.

### **FINANCIAL HIGHLIGHTS**

General fund revenues increased from \$15,148,747 in fiscal year 2006 to \$15,935,475 in fiscal year 2007, while General fund expenditures increased from \$15,662,337 in fiscal 2006 to \$16,416,375 in fiscal 2007. The District's General fund balance decreased from \$2,255,652 in fiscal 2006 to \$1,854,793 in fiscal 2007, a 17.77% decrease.

The increase in General fund revenues was attributable to an increase in state foundation aid in fiscal 2007. The increase in expenditures was due primarily to an increase in the negotiated salaries and benefits and other instructional costs.

### **USING THIS ANNUAL REPORT**

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

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

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

The Fund financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Le Mars Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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

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

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

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

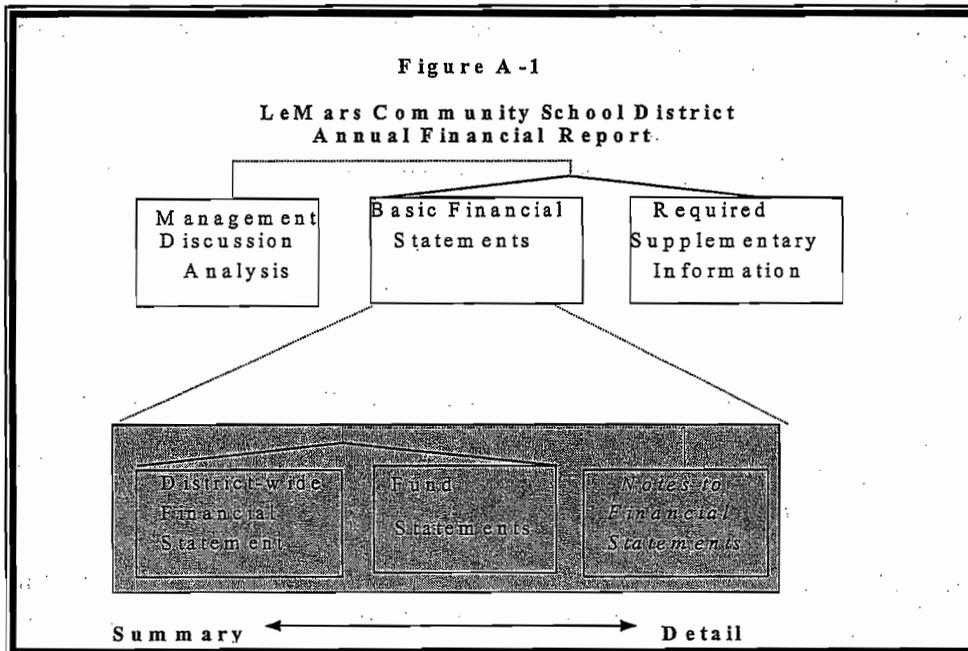


Figure A-2 below summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2: Major Features of the District Wide and Fund Financial Statements</b>				
	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	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
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

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The two government-wide financial statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to measure the District’s financial health or position. Over time, increases or decreases in the District’s net assets are an indicator of whether its financial position is improving or deteriorating. To assess the District’s overall health, additional non-financial factors such as changes in the District’s property tax base and the condition of school buildings and other facilities, need to be considered.

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

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property 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 nutrition program is included here.

## Fund Financial Statements

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

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

The District has three kinds of funds:

- 1.) *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 determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

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

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

The required financial statements for proprietary funds include a statement of net assets, statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3.) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. The District's only fiduciary fund is an agency fund for the District's flex cafeteria plan for employees. The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes this activity from the government-wide statements because it cannot use these assets to finance its operations.

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

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

## Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2007.

Figure A-3 Condensed Statement of Net Assets June 30, 2007							
	Governmental Activities		Business-type Activities		Total District		Total % Change
	2006	2007	2006	2007	2006	2007	
Current and other assets	\$11,453,156	\$12,139,294	\$34,010	\$27,724	\$11,487,166	\$12,167,018	5.92%
Capital Assets	7,803,215	8,216,736	11,026	14,933	7,814,241	8,231,669	5.34%
<b>Total assets</b>	<b>\$19,256,371</b>	<b>\$20,356,030</b>	<b>\$45,036</b>	<b>\$42,657</b>	<b>\$19,301,407</b>	<b>\$20,398,687</b>	<b>5.68%</b>
Long-term debt outstanding	290,000	--	--	--	290,000	--	(100%)
Other Liabilities	7,639,827	7,946,283	11,707	11,136	7,651,534	7,957,419	4.00%
<b>Total Liabilities</b>	<b>\$7,929,827</b>	<b>\$7,946,283</b>	<b>\$11,707</b>	<b>\$11,136</b>	<b>\$7,941,534</b>	<b>\$7,957,419</b>	<b>.20%</b>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	\$7,513,215	\$8,216,736	\$11,026	\$14,933	\$7,524,241	\$8,231,669	9.40%
Restricted	361,159	460,765	--	--	361,159	460,765	27.58%
Unrestricted	3,452,170	3,732,246	22,303	16,588	3,474,473	3,748,834	7.90%
<b>Total net assets</b>	<b>\$11,326,544</b>	<b>\$12,409,747</b>	<b>\$33,329</b>	<b>\$31,521</b>	<b>\$11,359,873</b>	<b>\$12,441,268</b>	<b>9.52%</b>

The District's combined net assets increased by 9.52% from \$11,359,873 to \$12,441,268. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$100,000 or 27.58 % from the prior year. The increase was primarily a result of increased revenues in the high school activity account.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased approximately \$275,000 or 7.90% from the prior year.

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2007.

Figure A-4							
Changes in Net Assets from Operations							
	Governmental Activities		Business-type Activities		Total District		Total % Change
	2006	2007	2006	2007	2006	2007	
Revenue							
Program Revenues							
Charges for Services	\$1,190,108	\$1,180,778	\$309,458	\$336,729	\$1,499,566	\$1,517,507	1.15%
Operating Grants							
Contributions	1,528,901	2,169,192	281,930	280,937	1,810,831	2,450,129	35.30%
Capital Grants & Cont.	--	42,678	--	5,593	--	48,271	--
General Revenues							
Property Tax	6,604,139	6,879,850			6,604,139	6,879,850	4.17%
State Aid	8,484,101	8,476,040			8,484,101	8,476,040	(.10%)
Other	303,955	215,603	7,736	3,661	311,691	219,264	(29.04%)
Transfers	(81,051)	(57,638)	81,051	57,638	--	--	(100%)
<b>TOTAL REVENUES</b>	<b>\$18,030,153</b>	<b>\$18,906,503</b>	<b>\$680,175</b>	<b>\$684,558</b>	<b>\$18,710,328</b>	<b>\$19,591,061</b>	<b>4.71%</b>
Expenses							
Instruction	\$10,824,393	\$12,162,329	\$ --	\$ --	\$10,824,393	\$12,162,329	12.36%
Support Services	5,457,440	4,757,534	686,516	686,366	6,143,956	5,443,900	(11.39%)
Debt Services	123,156	153,703			123,156	153,703	24.80%
Intergovernmental	685,660	749,734			685,660	749,734	9.34%
Non-Instructional Program	143,645	--			143,645	--	(100%)
<b>TOTAL EXPENSES</b>	<b>\$17,234,294</b>	<b>\$17,823,300</b>	<b>\$686,516</b>	<b>\$686,366</b>	<b>\$17,920,810</b>	<b>\$18,509,666</b>	<b>3.29%</b>
<b>INCREASE(DECREASE)</b>	<b>\$795,859</b>	<b>\$1,083,203</b>	<b>(\$6,341)</b>	<b>(\$1,808)</b>	<b>\$789,518</b>	<b>\$1,081,395</b>	<b>36.97%</b>

Property tax, local option sales tax, and unrestricted state aid accounts for 80% of the total revenue. The District's expenses primarily relate to instruction and support services, which accounts for 95% of the total expenses.

Figure A-6

### Expenses for Fiscal Year 2007

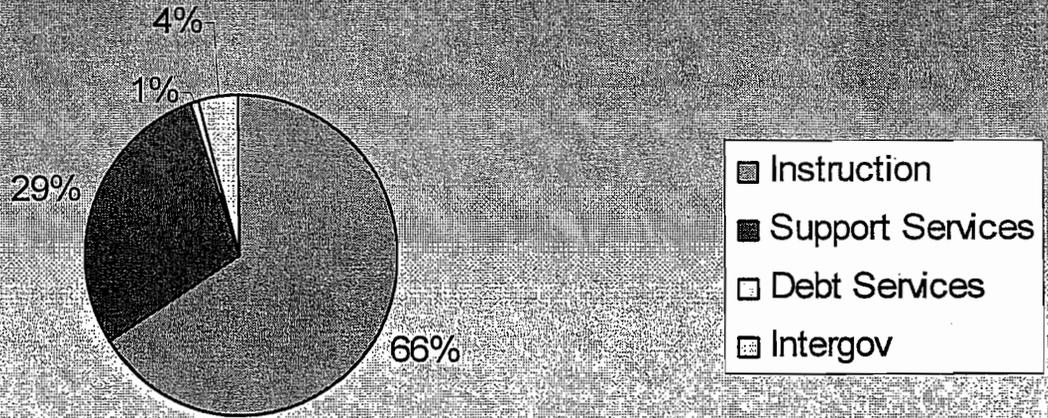
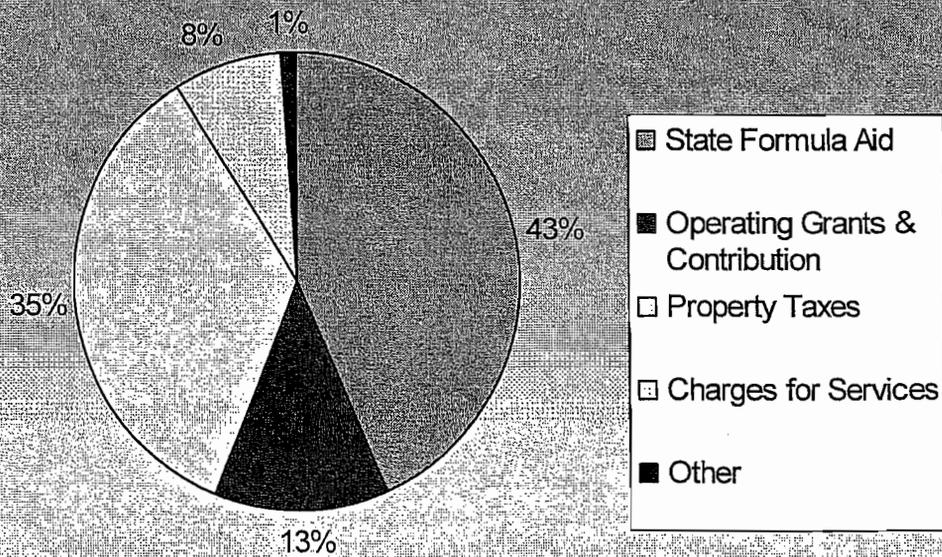


Figure A-5

### Sources of Revenues for Fiscal year 2007



## Governmental Activities

Figure A-7 presents the cost of four major district activities: instruction, support services, 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 impact placed on the taxpayers by each function.

Net Cost of Governmental Activities	Total Cost of Services		% Change	Net Cost of Services		% Change
	2006	2007		2006	2007	
Instruction	\$10,824,393	\$12,162,329	12.36%	\$9,673,844	\$9,846,270	1.78%
Support Services	5,457,440	4,757,534	(12.82%)	4,597,545	4,469,467	(2.79%)
Non-Instructional	143,645	--	(100%)	120,740	--	(100%)
Debt Service	29,253	12,362	(54.74%)	29,253	12,362	(57.74%)
Other Expend.	93,903	141,341	50.52%	93,903	102,553	9.21%
Intergovernmental	685,660	749,734	9.34%	--	--	--
<b>TOTAL</b>	<b>\$17,234,294</b>	<b>\$17,823,300</b>	<b>3.42%</b>	<b>\$14,515,285</b>	<b>\$14,430,652</b>	<b>(.58%)</b>

- The cost financed by users of the District's programs was \$1,180,778.
- Federal and state grants subsidized programs with grants totaling \$1,528,901 for 2006 compared to \$2,211,870 for 2007.
- The net cost of governmental activities was financed with \$6,879,850 in property and other taxes and \$8,476,040 in unrestricted state grants.

## Business-Type Activities

Revenues of the District's business-type activities (school food and nutrition services) totaled \$684,558 and expenses totaled \$686,366 (Refer to Figure A-4.) Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

## Individual Fund Analysis

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$4,243,646 compared to a fund balance of \$3,877,329 for fiscal 2006.

## **GOVERNMENTAL FUND HIGHLIGHTS**

The decrease in the District's General Fund financial position is the result of many factors. Growth during the year in state aid resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in the General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.

The Physical Plant and Equipment Levy (PEEL) Fund balance increased from \$38,800 in fiscal 2006 to \$54,073 in fiscal 2007. This increase is due to the increased revenues for fiscal 2007.

The Management Fund balance increased from \$13,882 in fiscal 2006 to \$47,881 in fiscal 2007. This increase is due to the decreased spending in fiscal 2007.

The Debt Service Fund balance was relatively consistent with an increase from \$16,623 in fiscal 2006 to \$17,306 in fiscal 2007.

## **PROPRIETARY FUND HIGHLIGHTS**

The School Nutrition Fund net assets decreased from \$33,329 at June 30, 2006 to \$31,521 at June 30, 2007, representing a decrease of 5.4%. The decrease was largely due to the decrease in the food commodities revenue.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year utilizing statutorily prescribed procedures. The District's budget is prepared on the cash basis. During the year expenditures did not exceed the certified amounts.

There was some small variance in the District's budget in comparison to actual results. Total actual revenue was .2% greater than budgeted, while total actual expenditures were 2.1% less than budgeted. Detail can be found in the supplementary information section of this report as required.

## Capital Asset and Debt Administration

### Capital Assets

By the end of 2007, the District had invested \$16,892,973 in a broad range of assets, including school infrastructure and equipment. (See Figure A-8) **(More detailed information about capital assets can be found in Note 4 to the financial statements.)** Total depreciation expense for the year equaled \$505,684.

	Governmental Activities		Business-Type Activities		Total District	
	2006	2007	2006	2007	2006	2007
Land	\$ 393,275	\$ 393,275	\$ ---	\$ ---	\$ 393,275	\$ 393,275
Const. In Progress	290,985	159,149	---	---	290,985	159,149
Buildings	11,134,100	11,853,519	---	---	11,134,100	11,853,519
Equip/Fur./Vehicles	4,195,479	4,432,636	47,285	54,394	4,242,764	4,487,030
<b>Total</b>	<b>\$16,013,839</b>	<b>\$16,838,579</b>	<b>\$47,285</b>	<b>\$54,394</b>	<b>\$16,061,124</b>	<b>\$16,892,973</b>

### Long-Term Debt

At year-end, the District had no general obligation bonds outstanding. See Figure A-9 below.

Outstanding Long-Term Debt					
Bonds		Notes		Total District	
2006	2007	2006	2007	2006	2007
--	---	\$290,000	--	\$290,000	--

## **Factors Bearing on the District's Future**

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

- The recent increase in state revenues has not positively impacted the State of Iowa's budget to the point where adequate state funding has become a reality. In addition, recent natural disasters in the Gulf Coast region of the United States have most assuredly impacted the national economy, gasoline and diesel fuel prices, and the cost of utilities for district buildings. It remains to be seen the specific impact of these events on federal, state and local budgets.
- Under Iowa's school funding formula, the District is highly dependent on student enrollment. We have experienced decline in enrollment recently, the count completed in September 2006 showed an enrollment decrease of about 30 students.
- Other noteworthy factors-
  - The District's 1991 bond was paid off during FY 2005.
  - The District's Capital Loan Notes were paid off during FY 2007.
  - The District began receiving revenue from a one (1) cent local option sales tax during FY 2005. This tax was voted in for ten (10) years and will provide very significant revenue for capital repairs and improvement.
  - The District's total tax levy rate is comparatively quite low at \$11.86 per \$1,000 taxable valuation for FY 2007.

## **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 Gary Janssen, Assistant Superintendent, Le Mars Community School District, 921 3<sup>rd</sup> Ave. SW, Le Mars, IA 51031.

**LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2007**

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 4,451,278	\$ 14,660	\$ 4,465,938
Investments	1,173,691		1,173,691
Receivables:			
Property Tax	71,982		71,982
Succeeding Year Property Tax	6,002,962		6,002,962
Accrued Interest	17,773		17,773
Accounts	7,698	45	7,743
Due from Other Governments	413,910		413,910
Inventories		13,019	13,019
Land	393,275		393,275
Construction in Progress	159,149		159,149
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	7,664,312	14,933	7,679,245
<b>Total Assets</b>	<b>20,356,030</b>	<b>42,657</b>	<b>20,398,687</b>
<b>LIABILITIES</b>			
Accounts Payable	156,531		156,531
Salaries and Benefits Payable	1,721,092		1,721,092
Unearned Revenue	8,655	11,136	19,791
Deferred Revenue - Succeeding Year Property Tax	6,002,962		6,002,962
Noncurrent Liabilities: Due Within One Year: Compensated Absences	57,043		57,043
<b>Total Liabilities</b>	<b>7,946,283</b>	<b>11,136</b>	<b>7,957,419</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	8,216,736	14,933	8,231,669
Restricted for:			
Management Levy	47,881		47,881
Physical Plant and Equipment Levy	54,073		54,073
Debt Service	17,306		17,306
Other Special Revenue Purposes	210,902		210,902
Scholarships	130,603		130,603
Unrestricted	3,732,246	16,588	3,748,834
<b>Total Net Assets</b>	<b>\$ 12,409,747</b>	<b>\$ 31,521</b>	<b>\$ 12,441,268</b>

See Accompanying Notes to Financial Statements

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**LE MARS COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants Contributions	Capital Grants Contributions
<b>Primary Government:</b>				
Governmental Activities:				
Instruction:				
Regular Instruction	\$ 9,211,063	\$ 301,725	\$ 765,479	
Special Instruction	2,002,342	86,163	355,148	
Other Instruction	948,924	771,178	36,366	
Support Services:				
Student Services	590,864	1,256	66,374	
Instructional Staff Services	764,381		97,007	\$ 3,000
Administration Services	1,494,454			
Operation and Maintenance	1,162,760	15,208		2,898
Transportation Services	745,075	5,248	97,076	
Other Expenditures:				
Facilities Acquisition and Construction Services	141,341		2,008	36,780
Long-term Debt Interest	12,362			
AEA Flowthrough	749,734		749,734	
Total governmental activities	<u>17,823,300</u>	<u>1,180,778</u>	<u>2,169,192</u>	<u>42,678</u>
<b>Business Type Activities:</b>				
Non-instructional Programs:				
Food Service Operations	686,366	336,729	280,937	5,593
<b>Total</b>	<u>\$18,509,666</u>	<u>\$ 1,517,507</u>	<u>\$ 2,450,129</u>	<u>\$ 48,271</u>
General Revenues:				
Property Tax Levied For:				
General Purposes				
Capital Outlay				
Local Option Sales Tax				
Unrestricted State Grants				
Unrestricted Investment Earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

**Net (Expense) Revenue  
and Changes in Net Assets**

<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
\$ (8,143,859)		\$ (8,143,859)
(1,561,031)		(1,561,031)
(141,380)		(141,380)
(523,234)		(523,234)
(664,374)		(664,374)
(1,494,454)		(1,494,454)
(1,144,654)		(1,144,654)
(642,751)		(642,751)
(102,553)		(102,553)
(12,362)		(12,362)
-		-
<u>(14,430,652)</u>		<u>(14,430,652)</u>
	\$ (63,107)	(63,107)
<u>(14,430,652)</u>	<u>(63,107)</u>	<u>(14,493,759)</u>
5,109,934	-	5,109,934
484,783	-	484,783
1,285,133	-	1,285,133
8,476,040	-	8,476,040
198,375	287	198,662
17,228	3,374	20,602
(57,638)	57,638	-
<u>15,513,855</u>	<u>61,299</u>	<u>15,575,154</u>
1,083,203	(1,808)	1,081,395
<u>11,326,544</u>	<u>33,329</u>	<u>11,359,873</u>
<u>\$ 12,409,747</u>	<u>\$ 31,521</u>	<u>\$ 12,441,268</u>

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007**

	General	Management Levy
<b>Assets</b>		
Cash and Cash Equivalents	\$ 2,392,257	\$ 44,421
Investment	1,000,000	
Receivables:		
Property Tax	62,428	4,048
Succeeding Year Property Tax	4,890,672	320,000
Accrued Interest	16,063	
Accounts	1,644	
Due from Other Governments	194,684	
<b>Total Assets</b>	<b>8,557,748</b>	<b>368,469</b>
<b>Liabilities and Equity</b>		
Liabilities:		
Accounts Payable	77,162	236
Salaries and Benefits Payable	1,721,092	
Deferred Revenue:		
Succeeding Year Property Tax	4,890,672	320,000
Other	14,029	352
<b>Total Liabilities</b>	<b>6,702,955</b>	<b>320,588</b>
Fund Balances:		
Reserved for Scholarships		
Reserved for Debt Service		
Unreserved for:		
General Fund	1,854,793	
Special Revenue Fund		47,881
Capital Project Fund		
<b>Total Fund Balances</b>	<b>1,854,793</b>	<b>47,881</b>
<b>Total Liabilities and Equity</b>	<b>\$ 8,557,748</b>	<b>\$ 368,469</b>

See Accompanying Notes to Financial Statements

PPEL Fund	Capital Project LOST	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 41,622	\$ 1,789,568	\$ 17,306	\$ 166,104	\$ 4,451,278
			173,691	1,173,691
5,506				71,982
792,290				6,002,962
			1,710	17,773
6,054				7,698
2,008	217,218			413,910
847,480	2,006,786	17,306	341,505	12,139,294
435	78,698			156,531
				1,721,092
792,290				6,002,962
682				15,063
793,407	78,698	-	-	7,895,648
			130,603	130,603
		17,306		17,306
				1,854,793
54,073			210,902	312,856
	1,928,088			1,928,088
54,073	1,928,088	17,306	341,505	4,243,646
\$ 847,480	\$ 2,006,786	\$ 17,306	\$ 341,505	

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

8,216,736

Deferred revenues from the balance sheet that provide current financial resources for governmental activities

6,408

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds

(57,043)

Net Assets of Governmental Activities

\$ 12,409,747

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007**

	General	Management Fund
<b>Revenue:</b>		
Local Sources:		
Local Tax	\$ 4,798,755	\$ 310,896
Tuition	348,482	
Other	195,814	15,066
State Sources	10,148,303	
Federal Sources	444,121	
Total Revenue	<u>15,935,475</u>	<u>325,962</u>
<b>Expenditures:</b>		
Governmental Activities:		
Instruction:		
Regular Instruction	8,750,937	213,306
Special Instruction	2,030,077	
Other Instruction	361,637	
Support Services:		
Student Services	556,363	
Instructional Staff Services	773,251	
Administration Services	1,494,981	
Operation and Maintenance	1,078,810	58,422
Transportation Services	620,585	20,235
Other Expenditures:		
Facilities Acquisition and Construction		
Long-term Debt:		
Principal		
Interest and Fiscal Charges		
AEA Flowthrough	749,734	
Total Expenditures	<u>16,416,375</u>	<u>291,963</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(480,900)</u>	<u>33,999</u>
<b>Other Financing Sources (Uses):</b>		
Transfers In	80,041	
Transfers Out		
Total Other Financing Sources (Uses)	<u>80,041</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(400,859)	33,999
Fund Balances - Beginning of Year	2,255,652	13,882
Fund Balances - End of Year	<u>\$ 1,854,793</u>	<u>\$ 47,881</u>

See Accompanying Notes to Financial Statements

PPEL Fund	Capital Project LOST	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 484,783	\$ 1,285,133			\$ 6,879,567
				348,482
7,817	65,348	683	813,971	1,098,699
2,008				10,150,311
	36,780			480,901
494,608	1,387,261	683	813,971	18,957,960
				8,964,243
				2,030,077
			587,287	948,924
				590,864
				773,251
			34,501	1,499,834
			4,853	1,137,232
				640,820
175,849	719,691			895,540
		290,000		290,000
		13,486		13,486
				749,734
175,849	719,691	303,486	626,641	18,534,005
318,759	667,570	(302,803)	187,330	423,955
		303,486		383,527
(303,486)			(137,679)	(441,165)
(303,486)	-	303,486	(137,679)	(57,638)
15,273	667,570	683	49,651	366,317
38,800	1,260,518	16,623	291,854	3,877,329
\$ 54,073	\$ 1,928,088	\$ 17,306	\$ 341,505	\$ 4,243,646

See Accompanying Notes to Financial Statements

**LE MARS 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 21) \$ 366,317

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:

Expenditures for capital assets	\$ 919,557	
Depreciation expense	<u>(503,998)</u>	415,559

Governmental funds report only the proceeds from the sale of capital assets as revenue whereas the statement of activities reports the gain or loss on the sale or disposal of fixed assets. This is the effect on the change in net assets on the statement of activities. (2,038)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues. 283

Accrued compensated absences not reported on the modified accrual basis. 11,958

Accrued interest expense not reported on the modified accrual basis. 1,124

The repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. The principal paid on long-term debt during the current year was as follows: 290,000

Change in net assets of governmental activities (page 17) \$ 1,083,203

LE MARS COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 JUNE 30, 2007

	School Nutrition Fund
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and Pooled Investments	\$ 14,660
Accounts Receivable	45
Inventories	13,019
Total Current Assets	27,724
<b>Noncurrent Assets:</b>	
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	14,933
Total Noncurrent Assets	14,933
Total Assets	42,657
 <b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Unearned Revenue	11,136
Total Current Liabilities	11,136
Total Liabilities	11,136
 <b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	14,933
Unrestricted	16,588
Total Net Assets	\$ 31,521

**LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2007**

	<b>School Nutrition Fund</b>
Operating Revenues:	
Charges for services	\$ 336,729
Miscellaneous	3,374
	<hr/>
Total Operating Revenue	340,103
Operating Expenditures:	
Food Service Operations:	
Salaries	230,232
Benefits	61,294
Purchased Services	16,679
Supplies	376,475
Depreciation	1,686
	<hr/>
Total Operating Expenses	686,366
Operating Loss	<hr/> (346,263)
Non-Operating Revenues :	
Interest Income	287
State Lunch Reimbursements	10,240
National School Lunch Program	228,030
Federal Food Commodities Received	42,667
	<hr/>
Total Non-Operating Revenues	281,224
Loss Before Contributions and Transfers	(65,039)
Other Financing Sources:	
Transfers from other Funds	57,638
Capital Contributions	5,593
	<hr/>
Total Other Financing Sources	63,231
Change in net assets	(1,808)
Net Assets-beginning	<hr/> 33,329
Net Assets-ending	<hr/> <u>\$ 31,521</u>

See Accompanying Notes to Financial Statements

LE MARS COMMUNITY SCHOOL DISTRICT  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<b>School Nutrition Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from sale of lunches and breakfasts	\$ 336,675
Cash received from miscellaneous operating activities	3,374
Cash payments for salaries and benefits	(291,526)
Cash payments for goods and services	(351,238)
<b>Total cash (used) by operating activities</b>	<b>(302,715)</b>
<b>Cash flows from noncapital financing activities:</b>	
Due to other Funds	1,063
Federal and state appropriations received	238,270
Transfers from other funds	57,638
<b>Total cash provided by noncapital financing activities</b>	<b>296,971</b>
<b>Cash flows from investing activities:</b>	
Interest on investments	287
<b>Net (decrease) in cash and cash equivalents</b>	<b>(5,457)</b>
Cash and cash equivalents - beginning of year	20,117
Cash and cash equivalents - end of year	<b>\$ 14,660</b>
<b>Reconciliation of operating (loss) to net cash used in operating activities:</b>	
Operating (loss)	(346,263)
Adjustments to reconcile net operating loss to net cash provided by operating activities:	
Depreciation Expense	1,686
Commodities Used	42,667
(Increase) decrease in assets and increase (decrease) in liabilities:	
Accounts Receivable	(45)
Inventory	(189)
Accounts Payable	(139)
Salaries and Benefits Payable	(373)
Accrued Vacation	(50)
Unearned Revenue	(9)
<b>Net cash (used) in operating activities</b>	<b>\$ (302,715)</b>
<b>Supplemental schedule of noncash noncapital financing activities:</b>	
Federal food commodities received	\$ 42,667
Capital Contributions	<b>\$ 5,593</b>

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
AGENCY FUND  
JUNE 30, 2007**

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	<u>2007</u>
Cash and Cash Equivalents	\$ 4,901
Total Net Assets	<u>4,901</u>
Liabilities:	
Other Payables	<u>4,901</u>
Unrestricted Net Assets	<u>-</u>
Net Assets	<u>\$ -</u>

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Le Mars Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Le Mars, Merrill and Brunsville and a large part of the agricultural community in Plymouth County and is financially dependent on property taxes of the area and state aid payments for over 80% of its receipts. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

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

**A. Reporting Entity**

For financial reporting purposes, Le Mars Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District.

In January 1992 the District established the Le Mars Community School District Foundation by appointing a board of trustees to incorporate a foundation under the Iowa Non-Profit Corporation Act, Iowa Code Chapter 504A. The focus of the Foundation is exclusively for charitable, scientific, and educational purposes of the District. The financial activity of the Foundation is included in the financial statements of the Le Mars Community School District as a component unit for the year ended June 30, 2007. The Foundation has elected a December 31 fiscal year end and, therefore, the activity of the Foundation included in these financial statements is for the fiscal year ended December 31, 2006.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Plymouth 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 improvement of those assets.

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*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.

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

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

The District reports the following major governmental funds:

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

The Management Fund is used to account for a property tax levy per thousand dollars of assessed valuation in the District for insurance premiums and unemployment compensation insurance claims.

The Physical Plant and Equipment Levy Fund is used to account for a regular property tax levy and a special voted property tax levy per thousand dollars of assessed valuation in the District for use in the purchase of equipment and repairing and improving schoolhouse buildings and grounds.

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

The Capital Projects LOST Fund is used to account for the collection of a 1% school local sales and services tax to be expended for school infrastructure purposes.

The District reports the following major proprietary fund:

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

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund is as follows:

The Agency Fund is used to account for assets held by the District as an agent for individuals. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basis of Accounting/Measurement Focus**

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

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

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

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

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

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

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

**D. Assets, Liabilities, and Fund Equity**

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

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)**

**Cash, Pooled Investments and Cash Equivalents** – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2007 included certificates of deposit of \$1,136,075 with original maturity dates longer than three months.

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

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

Property tax revenue recognized in these funds 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.

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

**Capital Assets** – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$1,000 for governmental capital assets and \$500 for school nutrition capital assets.

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

Asset Class	Estimated Useful Lives (In Years)
Buildings and Structures	20 – 50
Vehicles, Furniture, and Equipment	5 - 20

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Deferred Revenue** – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements 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 as well as property tax receivable and other receivables not collected within sixty days after year end, excluding grant receivables.

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

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

**Compensated Absences** – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the instruction functional area exceeded the amount budgeted.

**NOTE 2 – CASH AND POOLED INVESTMENTS**

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

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

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**NOTE 2 – CASH AND POOLED INVESTMENTS – (CONTINUED)**

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts; and warrants or improvement certificates of a drainage district. There were no differences in investments held during the year from those at June 30, 2007.

At June 30, 2007 the District had the following investments:

	<b>Credit Risk</b>	<b>Fair Value</b>
Mutual Fund – Rydex Investments	Not Rated	\$ 31,449
	<b>Credit Risk</b>	<b>Policy Cash Value</b>
New York Life Insurance Policy	Not Rated	\$ 6,167

**NOTE 3 – AREA EDUCATION AGENCY**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$749,734 for the year ended June 30, 2007, and is recorded in the General Fund.

**NOTE 4 – INTERFUND TRANSFERS**

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Debt Service	PPEL	\$ 303,486
School Nutrition Fund	Student Activity	57,638
General	Student Activity	80,041
Total		\$ 441,165

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

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

**NOTE 5 – CAPITAL ASSETS**

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

	Balance July 1, 2006	Additions	Deletions	Reclassifications	Balance June 30, 2007
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 393,275				\$ 393,275
Construction in Progress	290,985	\$ 276,786	\$ 408,622		159,149
Total capital assets not being depreciated	684,260	276,786	408,622		552,424
Capital assets being depreciated:					
Buildings	11,134,100	719,419			11,853,519
Vehicles	1,409,678	95,674	57,805	\$ (4,895)	1,442,652
Furniture and equipment	2,785,801	236,300	37,012	4,895	2,989,984
Total capital assets being depreciated	15,329,579	1,051,393	94,817	-	16,286,155
Less: Accumulated Depreciation for:					
Buildings	5,012,994	254,219		18,937	5,286,150
Vehicles	1,043,513	104,029	57,805		1,089,737
Furniture and equipment	2,154,117	145,750	34,974	(18,937)	2,245,956
Total Accumulated Depreciation	8,210,624	503,998	92,779	-	8,621,843
Total capital assets being depreciated, net	7,118,955	547,395	2,038		7,664,312
Governmental activities capital assets, net	\$ 7,803,215	\$ 824,181	\$ 410,660	\$ -	\$ 8,216,736

Construction in progress at June 30, 2007, for the governmental activities consisted of costs associated with the engineering for the high school and middle school expansion projects, restroom remodeling, and the multi-purpose room floor project.

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<b>Business-type Activities</b>				
Furniture and Equipment	\$ 48,801	\$ 5,593	-	\$ 54,394
Less: Accumulated Depreciation	37,775	1,686	-	39,461
Business-type activities capital assets, net	\$ 11,026	\$ 3,907	-	\$ 14,933

Depreciation Expense was charged to governmental activities as follows:

<b>Governmental Activities</b>	
Regular Instruction	\$ 359,056
Instructional Staff Services	8,581
Operation and Maintenance	32,332
Transportation Services	104,029
Total depreciation expense – governmental activities	<u>\$ 503,998</u>
<b>Business-type activities:</b>	
Food Service Operations	<u>\$ 1,686</u>

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

**NOTE 5 – CAPITAL ASSETS – (Continued)**

Reconciliation of Invested in Capital Assets:	Governmental Activities	Business-type Activities	
Land	\$ 393,275	\$ -	
Construction in Progress	159,149	-	
Capital Assets (net of accumulated depreciation)	7,664,312	14,933	
Invested in Capital Assets, Net of Related Debt	\$ 8,216,736	\$ 14,933	

**NOTE 6 – 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 which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual 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 \$648,847, \$614,074 and \$580,464 respectively, equal to the required contributions for each year.

**NOTE 7 – OTHER POST EMPLOYMENT BENEFITS**

Certified employees retiring with at least 10 years of service and age 55 are provided single coverage health insurance until they reach the age of 65. The benefits are funded on a pay as you go basis. The district paid \$98,062 in benefits during the year ended June 30, 2007. There are currently 23 participants receiving benefits.

**Note 8 – LONG-TERM LIABILITIES**

Changes in long-term liabilities for the year ended June 30, 2007 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 290,000	\$ -	\$ 290,000	\$ -	\$ -
Compensated Absences	69,001	57,043	69,001	57,043	57,043
Total	\$ 359,001	\$ 57,043	\$ 359,001	\$ 57,043	\$ 57,043

**NOTE 9 – RISK MANAGEMENT**

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

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2007**

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**NOTE 10 – CONSTRUCTION COMMITMENTS**

The District has entered into various contracts totaling \$478,015 for restroom renovations, HVAC replacement, roof repairs, carpeting, and a bleacher project. As of June 30, 2007, costs of \$45,469 had been incurred against the contracts. The balance of \$432,546 will be paid as work on the projects progress.

**NOTE 11 – SUBSEQUENT EVENTS**

Subsequent to year end the District has entered into contracts totaling approximately \$2,900,000 for Middle School renovations including a new gymnasium and additional classrooms. The project will be financed using \$700,000 of existing capital project reserves and issuance of \$2,200,000 of general obligation capital loan notes to be paid for over 5 years using revenues from the \$1.00 voter approved Physical Plant & Equipment Levy.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**LE MARS COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND**

**REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Governmental	Proprietary	Total	Final to
	Original	Final	Funds	Fund		
			Actual	Actual	Actual	Variance
<b>REVENUE:</b>						
Local Sources:						
Local Tax	\$ 5,576,862	\$ 5,576,862	\$ 6,879,567	\$ -	\$ 6,879,567	\$ 1,302,705
Tuition	374,000	374,000	348,482	-	348,482	(25,518)
Other	2,834,500	2,834,500	1,098,699	340,390	1,439,089	(1,395,411)
Intermediate Sources	-	-	-	-	-	-
State Sources	10,108,412	10,108,412	10,150,311	10,240	10,160,551	52,139
Federal Sources	646,500	646,500	480,901	270,697	751,598	105,098
<b>Total Revenue</b>	<b>19,540,274</b>	<b>19,540,274</b>	<b>18,957,960</b>	<b>621,327</b>	<b>19,579,287</b>	<b>39,013</b>
<b>EXPENDITURES:</b>						
Current:						
Instruction	11,655,921	11,655,921	11,943,244	-	11,943,244	(287,323)
Support Services	4,873,759	4,873,759	4,642,001	-	4,642,001	231,758
Non-instructional Programs	785,770	785,770	-	686,366	686,366	99,404
Other Expenditures	2,325,658	2,325,658	1,948,760	-	1,948,760	376,898
<b>Total Expenditures</b>	<b>19,641,108</b>	<b>19,641,108</b>	<b>18,534,005</b>	<b>686,366</b>	<b>19,220,371</b>	<b>420,737</b>
Excess (Deficiency) of Revenues Over Expenditures	(100,834)	(100,834)	423,955	(65,039)	358,916	459,750
Other Financing Sources (Uses):						
Transfers In	303,485	303,485	383,527	57,638	441,165	137,680
Transfers Out	(303,485)	(303,485)	(441,165)	-	(441,165)	(137,680)
Capital Contributions	-	-	-	5,593	5,593	5,593
<b>Total Other Financing   Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(57,638)</b>	<b>63,231</b>	<b>5,593</b>	<b>5,593</b>
<b>Net Change in Fund Balances</b>	<b>(100,834)</b>	<b>(100,834)</b>	<b>366,317</b>	<b>(1,808)</b>	<b>364,509</b>	<b>465,343</b>
Fund Balances - Beginning of Year	3,910,658	3,910,658	3,877,329	33,329	3,910,658	-
<b>Fund Balances - End of Year</b>	<b>\$ 3,809,824</b>	<b>\$ 3,809,824</b>	<b>\$ 4,243,646</b>	<b>\$ 31,521</b>	<b>\$ 4,275,167</b>	<b>\$ 465,343</b>

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**For the Year Ended June 30, 2007**

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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 the agency fund. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional area level, not by fund. This level of control is at a level higher 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 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. During the year ended June 30, 2007, the District had no budget amendments.

During the year ended June 30, 2007, expenditures in the instruction functional area exceeded the amount budgeted.

**SUPPLEMENTARY INFORMATION**

**LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2007**

Schedule 1

Revenues:

Local Sources:

Local Tax:

Property Tax	\$ 4,785,232
Mobile Home Tax	13,523
	4,798,755

Other Local Sources:

Interest on Investments	119,580
Tuition from Other Districts	294,498
Tuition from Individuals	53,984
Transportation Fees	5,248
Rent	15,208
Miscellaneous	55,778
	544,296
	5,343,051

State Sources:

State Foundation Aid	8,459,798
Foster Care State Aid	16,242
Beginning Teacher Mentoring Program	6,500
Educational Excellence Program:	
Phase I	23,054
Phase II	184,970
Non-Public Transportation Aid	97,076
Non-Public Textbook and Technology Aid	7,382
Teacher Compensation	428,576
Vocational Education Aid	28,984
Iowa Early Intervention Block Grant	127,724
School Based Supervision	18,263
AEA Flow-Through	749,734
	10,148,303

Federal Sources:

Title I Grants to Local Educational Agencies	164,621
Improving Teacher Quality State Grants	65,870
Safe and Drug-Free Schools and Communities-States Grants	7,311
State Grants for Innovative Programs	3,131
Vocational Education - Basic Grants to States	20,136
Special Education - Grants to States	130,173
Title VI Grants for Assessments and Related Activities	15,792
Medicaid	37,087
	444,121
Total Revenue	\$ 15,935,475

Continued

**LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2007**

Schedule 1 (Continued)

Expenditures:

**Instruction:**

Regular Instruction:

Salaries	\$	6,113,107
Benefits		2,005,735
Services		369,313
Supplies		247,885
Property		14,897
		8,750,937

Special Education Instruction:

Salaries		1,403,606
Benefits		418,200
Services		168,083
Supplies		19,662
Property		20,526
		2,030,077

Vocational Instruction:

Supplies		20,163
Property		1,561
		21,724

Co-curricular Instruction:

Salaries		280,628
Benefits		45,376
Services		1,886
Supplies		50
		327,940

Nonpublic Instruction:

Supplies		7,382
		7,382

Adult Continuing Education

Salaries		2,102
Benefits		618
Supplies		1,871
		4,591

**Total Instruction**

11,142,651

**Support Services:**

**Student Services:**

Guidance Services:

Salaries		340,370
Benefits		106,800
Services		7,623
Supplies		15,961
		470,754

\$

Continued

LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2007

Schedule 1 (Continued)

**Support Services (Continued):**

**Student Services (Continued):**

Health Services:

Salaries	\$	52,802
Benefits		24,968
Services		3,308
Supplies		4,531
		85,609

<b>Total Student Services</b>		556,363
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**Support Services:**

**Instructional Staff Services:**

Improvement of Instruction Services:

Salaries		269,874
Benefits		43,285
Services		12,822
Supplies		20,205
		346,186

Educational Media Services:

Salaries		172,379
Benefits		42,783
Supplies		28,947
Property		315
		244,424

Other Instructional Staff Support Services:

Salaries		103,954
Benefits		31,836
Services		10,510
Supplies		33,034
Property		3,307
		182,641

<b>Total Instructional Staff Services</b>		773,251
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**Support Services:**

**Administration Services:**

Executive Administration:

Salaries		294,154
Benefits		98,519
Services		38,115
Supplies		8,354
Property		349
		439,491
	\$	439,491

Continued

LE MARS COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
 GENERAL FUND - CONTINUED  
 FOR THE YEAR ENDED JUNE 30, 2007

Schedule 1 (Continued)

**Support Services (Continued):**

**Administration Services (Continued):**

School Administration:

Salaries	\$	665,344
Benefits		253,347
Services		7,995
Supplies		1,083
Property		2,698
		930,467

Business Administration:

Salaries		27,092
Benefits		12,504
Supplies		27,867
Property		162
		67,625

Board of Education:

Services		47,575
Supplies		9,823
		57,398

**Total Administration Services:** 1,494,981

**Support Services:**

**Plant Operation and Maintenance:**

Salaries		511,513
Benefits		174,880
Services		43,659
Supplies		347,187
Property		1,571
		1,078,810

**Support Services:**

**Student Transportation:**

Salaries		389,607
Benefits		76,988
Services		21,005
Supplies		132,985
		620,585

**Total Support Services** \$ 4,523,990

Continued

LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2007

Schedule 1 (Continued)

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<b>Other Expenditures:</b>	
AEA Flow-Through	\$ 749,734
Total Expenditures	<u>16,416,375</u>
(Deficiency) of Revenues Over Expenditures	<u>(480,900)</u>
Other Financing Uses:	
Transfers From Other Funds	<u>80,041</u>
(Deficiency) of Revenues Over Expenditures and Other Financing Uses	(400,859)
Fund Balance - Beginning of Year	<u>2,255,652</u>
Fund Balance - End of Year	<u>\$ 1,854,793</u>

**LEMARS COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 GOVERNMENTAL NONMAJOR FUNDS  
 JUNE 30, 2007**

Schedule 2

	Special Revenue		
	Activity Fund	LCSD Foundation	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 155,902	\$ 10,202	\$ 166,104
Investments	55,000	118,691	173,691
Receivables:			
Accrued Interest	-	1,710	1,710
	210,902	130,603	341,505
<b>Total Assets</b>			
<b>Liabilities and Equity</b>			
<b>Fund Balances:</b>			
Reserved for Scholarships	-	130,603	130,603
Unreserved for:			
Special Revenue Fund	210,902	-	210,902
<b>Total Fund Balances</b>	210,902	130,603	341,505
<b>Total Liabilities and Equity</b>	\$ 210,902	\$ 130,603	\$ 341,505

**LEMARS 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

	<u>Special Revenue</u>		
	Activity Fund	LCSD Foundation	Total
Revenue:			
Local Sources:			
Other	\$ 771,178	\$ 42,793	\$ 813,971
Total Revenue	<u>771,178</u>	<u>42,793</u>	<u>813,971</u>
Expenditures:			
Instruction:			
Other Instruction	587,287	-	587,287
Support Services:			
Student Services	-	34,501	34,501
Administration Services	-	4,853	4,853
Total Expenditures	<u>587,287</u>	<u>39,354</u>	<u>626,641</u>
Excess of Revenues over Expenditures	<u>183,891</u>	<u>3,439</u>	<u>187,330</u>
Other Financing Sources (Uses):			
Transfers Out	(137,679)	-	(137,679)
Total Other Financing Sources (Uses)	<u>(137,679)</u>	<u>-</u>	<u>(137,679)</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	46,212	3,439	49,651
Fund Balances - Beginning of Year	<u>164,690</u>	<u>127,164</u>	<u>291,854</u>
Fund Balances - End of Year	<u>\$ 210,902</u>	<u>\$ 130,603</u>	<u>\$ 341,505</u>

**LE MARS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2007**

	Balance June 30, 2006	Revenues	Expenditures	Transfers	Schedule 4 Balance June 30, 2007
<b>Senior High</b>					
Bark	\$ 12,073	\$ 16,460	\$ 13,213		\$ 15,320
F.F.A.	3,606	17,859	20,702		763
Miscellaneous Music	5,167	11,596	15,433		1,330
F.C.A.	(2)	1,943	1,450		491
Debate	-	-	-		-
Library	2,449	1,065	2,228		1,286
Vocal Music	4,482	16,970	13,230		8,222
Instrumental Music	3,329	73,042	77,088		(717)
Music Orchestra	466	11,986	12,126		326
National Honor Society	-	114	114		-
Dance Team	7,592	5,011	5,233		7,370
Student Council	11,857	67,583	67,388		12,052
Thespians	78	598	419		257
German Club	2,316	-	2,316		-
Spanish Club	4,897	4,237	4,765		4,369
Drama	2,733	2,004	1,205		3,532
Trades and Industries	9,291	8,103	8,289		9,105
Miscellaneous Athletics	(992)	161,862	138,050		22,820
Clearing	1,806	83,357	55,529	\$ (26,382)	3,252
Cheerleaders	941	17,410	15,308		3,043
Senior Class	1,619	5,759	4,912		2,466
Junior Class	-	7,262	7,262		-
Sophomore Class	-	39	39		-
Freshman Class	-	32	32		-
Miscellaneous	10,654	20,828	3,609		27,873
Technology Club	223	865	1,010		78
Home Economics Club	752	-	-		752
Math Club	1,012	315	305		1,022
Science Club	50	3,702	3,752		-
Basketball Scoreboard Club	-	12,271	-		12,271
Adaptive PE	-	454	347		107
Make-A-Wish Club	4,233	739	3,250		1,722
	<u>\$ 90,632</u>	<u>\$ 553,466</u>	<u>\$ 478,604</u>	<u>\$ (26,382)</u>	<u>\$ 139,112</u>

(Continued)

**LE MARS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2007**

Schedule 4 (Continued)

	Balance June 30, 2006	Revenues	Expenditures	Transfers	Balance June 30, 2007
<b>Middle School</b>					
Book Rent	\$ 21	\$ 15,587	\$ -	\$ (15,608)	\$ -
Miscellaneous	17,505	9,752	14,778	-	12,479
Student Council	15,699	7,134	8,547	-	14,286
Insurance	-	22	22	-	-
Library	1,621	4,805	5,309	-	1,117
Clearing	1,083	3,220	2,264	-	2,039
High School Principal	-	7,250	6,679	-	571
Music	1,941	8,048	8,543	-	1,446
Industrial Arts	-	3,454	-	(3,454)	-
Instrument Rental	1,981	938	350	-	2,569
Challenge	372	-	265	-	107
Family & Consumer Science	415	6,780	6,930	-	265
Other	(1,531)	2,892	1,284	-	77
Bus	-	2,032	-	(2,032)	-
Art	3,844	1,024	1,003	-	3,865
	<u>42,951</u>	<u>72,938</u>	<u>55,974</u>	<u>(21,094)</u>	<u>38,821</u>
<b>Merrill Elementary School</b>	<u>388</u>	<u>28,757</u>	<u>-</u>	<u>(28,782)</u>	<u>363</u>
<b>Central Elementary School</b>	<u>30,719</u>	<u>116,017</u>	<u>52,709</u>	<u>(61,421)</u>	<u>32,606</u>
<b>Total for Activity Funds</b>	<u>\$ 164,690</u>	<u>\$ 771,178</u>	<u>\$ 587,287</u>	<u>\$ (137,679)</u>	<u>\$ 210,902</u>

LEMARS COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN NET ASSETS AND LIABILITIES -  
 AGENCY FUND  
 FOR THE YEAR ENDED JUNE 30, 2007

Schedule 5

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<b><u>FLEX</u></b>				
<u>Assets</u>				
Cash and Pooled Investments	\$ 5,831	\$ 118,334	\$ 119,264	\$ 4,901
Total Assets	5,831	118,334	119,264	4,901
<u>Liabilities</u>				
Other Payables	5,831	118,334	119,264	4,901
Total Liabilities	\$ 5,831	\$ 118,334	\$ 119,264	\$ 4,901

**LE MARS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE YEARS ENDED JUNE 30, 2007, 2006, 2005, 2004**

Schedule 6

	Modified Accrual Basis of Accounting			
	2007	2006	2005	2004
<b>Revenues:</b>				
Local Sources:				
Local Tax	\$ 6,879,567	\$ 6,604,110	\$ 6,628,157	\$ 5,878,035
Tuition	348,482	370,821	329,692	303,384
Other	1,098,699	1,048,247	914,625	867,964
Intermediate Sources	-	34,263	9,705	-
State Sources	10,150,311	9,570,986	9,156,434	8,531,215
Federal Sources	480,901	485,875	447,639	405,558
<b>Total</b>	<b>18,957,960</b>	<b>18,114,302</b>	<b>17,486,252</b>	<b>15,986,156</b>
<b>Expenditures:</b>				
Instruction:				
Regular	8,964,243	8,321,990	7,930,904	7,941,756
Special	2,030,077	1,806,407	1,677,212	1,695,325
Other	948,924	360,416	362,484	476,896
Support Services:				
Student	590,864	1,186,511	1,124,852	1,031,719
Instructional Staff	773,251	843,276	537,380	480,195
Administration	1,499,834	1,505,878	1,467,137	1,365,529
Operation and maintenance of plant	1,137,232	1,142,788	1,076,236	1,093,933
Transportation	640,820	651,374	588,434	557,706
Non-instructional programs	-	143,645	74,133	123,537
Other Expenditures:				
Facilities Acquisition	895,540	972,783	434,504	-
Long-term debt:				
Principal	290,000	400,000	785,000	755,000
Interest and other charges	13,486	30,686	64,700	95,958
AEA Flowthrough	749,734	685,660	662,771	657,856
<b>Total</b>	<b>\$ 18,534,005</b>	<b>\$ 18,051,414</b>	<b>\$ 16,785,747</b>	<b>\$ 16,275,410</b>

**LE MARS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2007**

			Schedule 7	
Grantor/Program	CFDA Number	Grant Number	Expenditures	
Indirect:				
U.S. Department of Agriculture:				
Iowa Department of Education:				
Food Donation (non-cash)	10.550	FY07	\$	42,667
School Nutrition Cluster Programs:				
School Breakfast Program	10.553	FY07		34,844
National School Lunch Program	10.555	FY07		193,187
				<u>228,031</u> *
U.S. Department of Education:				
Iowa Department of Education:				
Title I Grants to Local Educational Agencies	84.010	FY07		164,621 *
Vocational Education - Basic Grants to States	84.048	FY07		20,136
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY07		7,311
Fund for the Improvement of Education	84.215	FY07		36,780
State Grants for Innovative Programs	84.298	FY07		3,131
Improving Teacher Quality State Grants	84.367	FY07		67,217
Grants for State Assessments & Related Activities	84.369	FY07		15,792
Western Hills Area Education Agency Special Education - Grants to States	84.027	FY07		<u>130,173</u>
Total			\$	<u><u>715,859</u></u>

\* Total expenditures from these programs exceed 50% of the total Federal Awards and are considered major programs

**BASIS OF PRESENTATION**

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

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2007**

**Schedule 8**

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements, which was considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding, which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
  - Clustered Programs:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Le Mars Community School District did not qualify as a low-risk auditee.

**LE MARS COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2007**

**Schedule 8 (Continued)**

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**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

**No matters were reported.**

**There were no prior year audit findings.**

**SIGNIFICANT DEFICIENCIES:**

**II-A-07 Financial Accounting – Segregation of Duties**

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

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

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

Conclusion – Response accepted.

**II-B-07 Financial Reporting**

Observation – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation –The District should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion – Response accepted.

LE MARS COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2007

Schedule 8 (Continued)

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**Part III: Findings and Questioned Costs For Federal Awards:**

INSTANCES OF NON-COMPLIANCE:

**No matters were reported.**

SIGNIFICANT DEFICIENCY:

**III-A-07      Financial Accounting – Segregation of Duties**

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

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

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

Conclusion – Response accepted.

**LE MARS COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2007**

Schedule 8 (Continued)

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**Part IV: Other Findings Related to Statutory Reporting:**

- IV-A-07      Certified Budget – Expenditures for the year ended June 30, 2007 exceeded the amount budgeted in the instruction functional area.  
Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.  
Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.  
Conclusion – Response accepted.
- IV-B-07      Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-07      Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-07      Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-07      Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-07      Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-07      Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-07      Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-I-07      Certified Annual Report – The Certified Annual Report was certified timely to the Department of Education.
- IV-J-07      Deficit Balances – One student activity account had deficit balance at June 30, 2007.  
Recommendation – The District should continue to investigate alternatives to eliminate this deficit in order to return this account to a sound financial condition.  
Response - The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.  
Conclusion – Response accepted.

**LE MARS COMMUNITY SCHOOL DISTRICT  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2007**

Schedule 8 (Continued)

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**Part V: Findings – Year Ended June 30, 2006**

III-A-06: Financial Accounting – Segregation of Duties

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

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

*Current Status:* This finding still exists at June 30, 2007 (See Comment II-A-07 and III-A-07).



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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  
Le Mars 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 LE MARS COMMUNITY SCHOOL DISTRICT as of and for the year ended June 30, 2007, which collectively comprise the Le Mars Community School District's basic financial statements, and have issued our report thereon dated October 4, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance:

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

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. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered the LeMars Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the LeMars Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the LeMars 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 the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the LeMars Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the LeMars Community School District's financial statements that is more than inconsequential will not be prevented or detected by the LeMars Community School District's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings and Questioned Costs as items II-A-07 and II-B-07 to be significant deficiencies in internal control over financial reporting.

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

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

The LeMars 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 LeMars Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of Le Mars Community School District and other parties to whom the Le Mars 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 Le Mars 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

Le Mars, Iowa  
October 4, 2007



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

To the Board of Education of the  
Le Mars Community School District:

Compliance:

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

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

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

Internal Control Over Compliance:

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

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

a certain deficiency in internal control over compliance that we consider to be a significant deficiency and a material weakness.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item III-A-07 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider item III-A-07 to be a material weakness.

LeMars Community School District's response to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit LeMars Community School District's response and, accordingly, we express no opinion on it.

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 Le Mars Community School District and other parties to whom Le Mars Community School District may report, including federal awarding agencies and pass-through entities. This report is intended to be and should not be used by anyone other than these specified parties.

*Williams & Legans, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
October 4, 2007

**Schedule of Findings and Questioned Costs  
Corrective Action Plan  
June 30, 2007**

**Department of Education:**

Le Mars Community School District, respectfully submits the following corrective action plan for the year ended June 30, 2007.

The audit was performed by Williams & Company, P.C., P.O. Box 1010, Le Mars, Iowa, for the fiscal year ended June 30, 2007.

The finding from the June 30, 2007 Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistently with the number assigned in the schedule. Part I of the schedule, Summary of the Independent Auditor's Results, does include a finding and is not addressed.

The audit disclosed a reportable condition as identified in Part III of the accompanying Schedule of Findings and Questioned Costs.

**REPORTABLE CONDITIONS:**

III-A-07 – Financial Accounting – Segregation of Duties – National School Lunch Program CFDA #10.553 and 10.555 – Title 1 Grants to Local Educational Agencies CFDA #84.010

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

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

Conclusion – Response accepted.

If the Department of Education has questions regarding this plan, please call Todd Wendt at 712-546-4155.

Sincerely yours,

LE MARS COMMUNITY SCHOOL DISTRICT



Dr. Todd Wendt, Superintendent