

LE MARS COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2008

**LE MARS COMMUNITY SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2008
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LE MARS COMMUNITY SCHOOL DISTRICT

LIST OF OFFICIALS

June 30, 2008

Board of Education (Before September 2007 Election)

		Term Expires
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

Board of Education (After September 2007 Election)

Dr. Mark Stelzer	President	2010
Patrick Murphy	Vice President	2010
Cris Collins	Board Member	2010
Mark Hemmingson	Board Member	2011
Dr. Leon Scott	Board Member	2009
Brenda Phelan	Board Member	2009
Dan Smith	Board Member	2009

School Officials

Dr. Todd Wendt	Superintendent	2008
Lisa Boehm	District Secretary	2008
Kim Clarey	District Treasurer	2008
Bauerly, Trotzig & Bauerly	Attorney	2008



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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, 2008, 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, 2008 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 November 5, 2008 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 U.S. generally accepted accounting principles. 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, 2007 (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 & Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Le Mars, Iowa
November 5, 2008

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, 2008. 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 \$15,935,475 in fiscal year 2007 to \$16,642,734 in fiscal year 2008, while General fund expenditures increased from \$16,416,375 in fiscal 2007 to \$17,456,186 in fiscal 2008. The District's General fund balance decreased from \$1,854,793 in fiscal 2007 to \$1,123,037 in fiscal 2008, a 39.45% decrease.

The increase in general fund revenues was attributable to an increase in state foundation aid and an increase in the educator quality allocations paid to teachers by the state of Iowa. The increase in expenditures was due primarily to an increase in the negotiated salaries and benefits, the increase in educator quality payments to teachers, and an increase in 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.

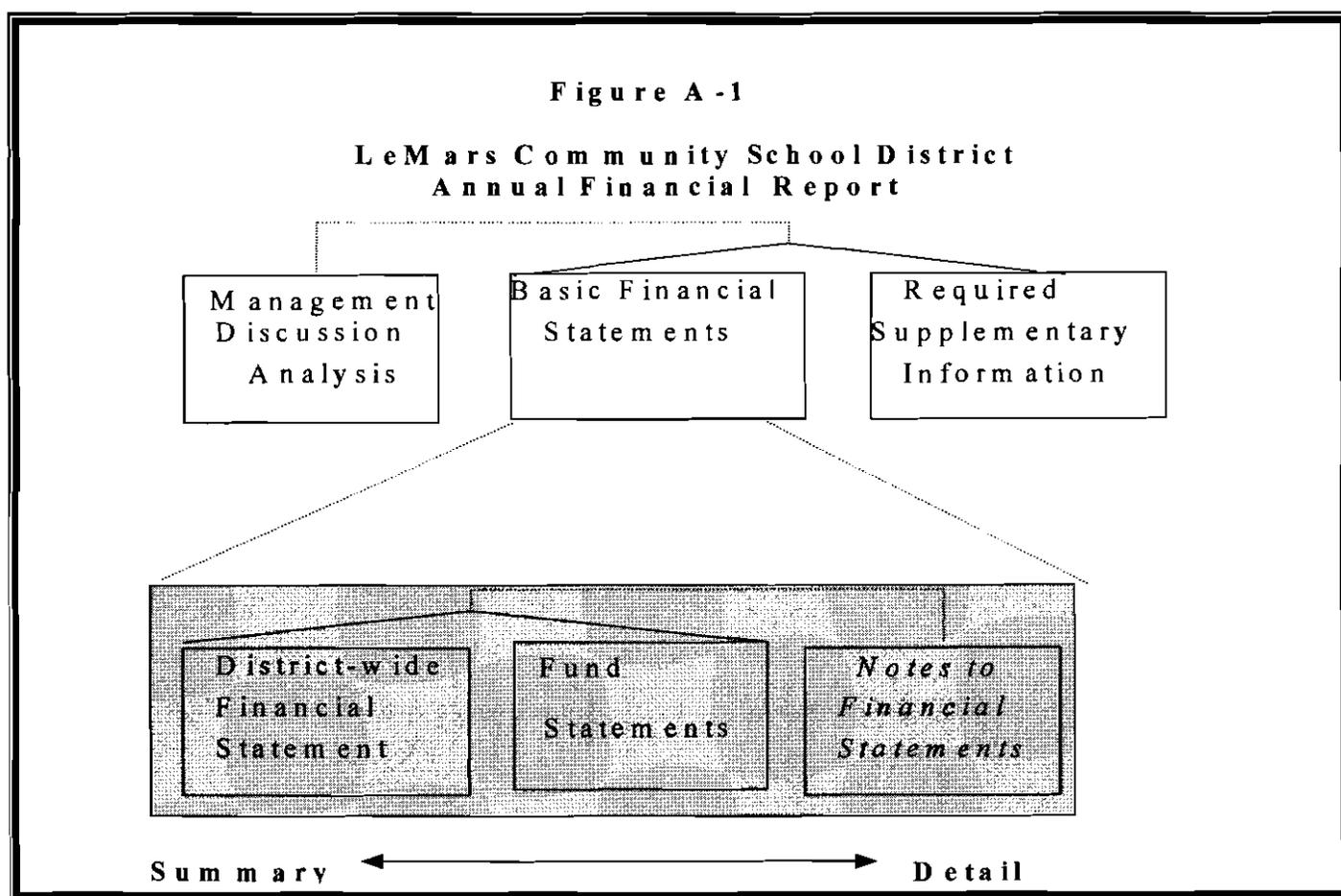


Figure A-2 below summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2: Major Features of the District Wide and Fund Financial Statements				
	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can

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 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, 2008.

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business-type Activities		Total District		Total % Change
	2007	2008	2007	2008	2007	2008	
Current and other assets	\$12,139,294	\$12,194,194	\$27,724	(\$16,909)	\$12,167,018	\$12,177,285	0.08%
Capital Assets	8,216,736	11,756,233	14,933	30,383	8,231,669	11,786,616	43.18%
Total assets	\$20,356,030	\$23,950,427	\$42,657	\$13,474	\$20,398,687	\$23,963,901	17.48%
Long-term debt outstanding	--	1,620,000	--	--	--	1,620,000	100%
Other Liabilities	7,946,283	8,457,665	11,136	11,284	7,957,419	8,968,949	12.56%
Total Liabilities	\$7,946,283	\$10,577,665	\$11,136	\$11,284	\$7,957,419	\$10,588,949	33.07%
Net Assets							
Invested in capital assets, net of related debt	\$8,216,736	\$9,646,233	\$14,933	\$30,383	\$8,231,669	\$9,676,616	17.55%
Restricted	460,765	981,319	--	--	460,765	981,319	112.98%
Unrestricted	3,732,246	2,745,210	16,588	(28,193)	3,748,834	2,717,017	(27.52%)
Total net assets	\$12,409,747	\$13,372,762	\$31,521	\$2,190	\$12,441,268	\$13,374,952	7.50%

The District's combined net assets increased by 7.50% from \$12,441,268 to \$13,374,952. 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 \$520,000 or 112.98 % from the prior year. The increase was primarily a result of the issuance of long-term debt in the Physical Plant and Equipment fund.

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 – decreased approximately \$1,000,000 or (27.52%) from the prior year.

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2008.

Figure A-4
Changes in Net Assets from Operations

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2007	2008	2007	2008	2007	2008	
Revenue							
Program Revenues							
Charges for Services	\$1,180,778	\$1,100,012	\$336,729	\$342,079	\$1,517,507	\$1,442,091	(4.97%)
Operating Grants							
Contributions	2,169,192	2,526,891	280,937	275,692	2,450,129	2,802,583	14.30%
Capital Grants & Cont.	42,678	11,319	5,593	17,728	48,271	29,047	(39.83%)
General Revenues							
Property Tax	6,879,850	7,320,099			6,879,850	7,320,099	6.45%
State Aid	8,476,040	8,810,344			8,476,040	8,810,344	3.94%
Other	215,603	211,279	3,661	829	219,264	212,108	(3.26%)
Transfers	(57,638)	(66,191)	57,638	66,191	--	--	--
TOTAL REVENUES	\$18,906,503	\$19,913,753	\$684,558	\$702,519	\$19,591,061	\$20,616,272	5.23%
Expenses							
Instruction	\$12,162,329	\$12,931,949	\$ --	\$ --	\$12,162,329	\$12,931,949	6.33%
Support Services	4,757,534	5,041,605	686,366	731,850	5,443,900	5,773,455	6.05%
Debt Services	12,362	60,722			12,362	60,722	391.19%
Facilities Acquisition	141,341	130,724			141,341	130,724	(7.51%)
Intergovernmental	749,734	785,738			749,734	785,738	4.80%
TOTAL EXPENSES	\$17,823,300	\$18,950,738	\$686,366	\$731,850	\$18,509,666	\$19,682,588	6.34%
INCREASE(DECREASE)	\$1,083,203	\$963,015	(\$1,808)	(\$29,331)	\$1,081,395	\$933,684	(13.66%)

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-5
Sources of Revenue for Fiscal year 2008

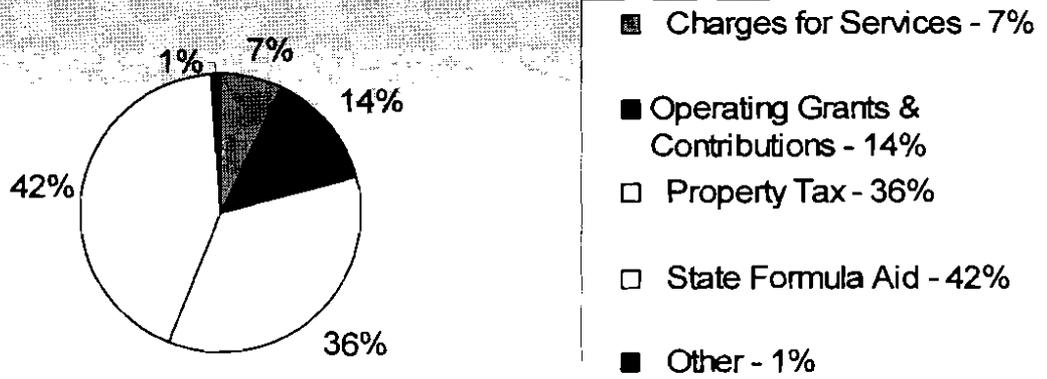
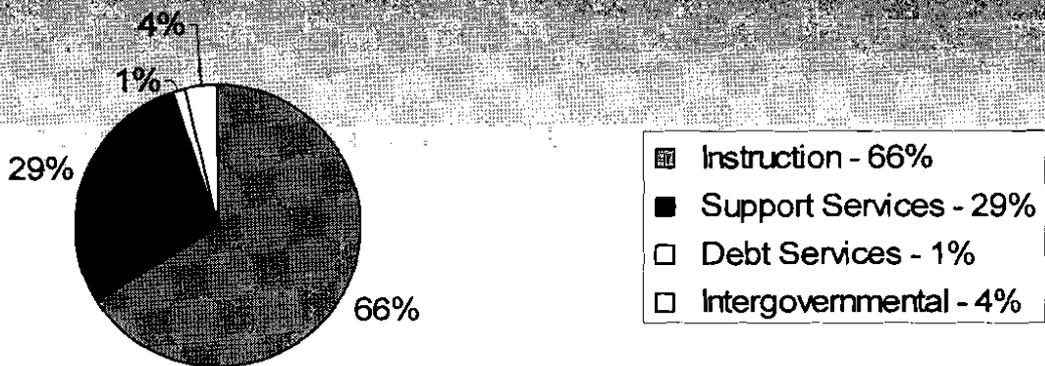


Figure A-6
Expenses for Fiscal Year 2008



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
	2007	2008		2007	2008	
	Instruction	\$12,162,329		\$12,931,949	6.33%	
Support Services	4,757,534	5,041,605	5.97%	4,469,467	4,718,223	5.57%
Debt Service	12,362	60,722	391.19%	12,362	60,722	391.19%
Facilities Aquisition	141,341	130,724	(7.51%)	102,553	130,724	27.47%
Intergovernmental	749,734	785,738	4.80%	--	--	--
TOTAL	\$17,823,300	\$18,950,738	6.33%	\$14,430,652	\$15,312,516	6.11%

- The cost financed by users of the District's programs was \$1,100,012.
- Federal and state grants subsidized programs with grants totaling \$2,211,870 for 2007 compared to \$2,538,210 for 2008.
- The net cost of governmental activities was financed with \$7,320,099 in property and other taxes and \$8,810,344 in unrestricted state grants.

Business-Type Activities

Revenues of the District's business-type activities (school food and nutrition services) totaled \$702,519 and expenses totaled \$731,850 (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 \$3,787,670 compared to a fund balance of \$4,243,646 for fiscal 2007.

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 (PPEL) Fund balance increased from \$54,073 in fiscal 2007 to \$469,651 in fiscal 2008. This increase is due to the issuance of long-term debt.

The Local Option Sales Tax Fund balance decreased from \$1,928,088 in fiscal 2007 to \$1,682,795 in fiscal 2008. This decrease is due to the capital project costs related to the high school and middle school expansion projects.

The Management Fund balance increased from \$47,881 in fiscal 2007 to \$103,845 in fiscal 2008. This increase is due to the increased revenue in fiscal 2008.

The Debt Service Fund balance decreased from \$17,306 in fiscal 2007 to \$519 in fiscal 2008. This decrease is due to final payment for the 2002 note obligation.

PROPRIETARY FUND HIGHLIGHTS

The School Nutrition Fund net assets decreased from \$31,521 at June 30, 2007 to \$2,190 at June 30, 2008, representing a decrease of 93.05%. The decrease was largely due to the increased cost of food and supplies.

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 .7% greater than budgeted, while total actual expenditures were 3.1% 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 2008, the District had invested \$20,829,181 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 5 to the financial statements.)** Total depreciation expense for the year equaled \$545,611.

Figure A-8 – Capital Assets						
	Governmental Activities		Business-Type Activities		Total District	
	2007	2008	2007	2008	2007	2008
Land	\$393,275	\$393,275	\$ ---	\$ ---	\$393,275	\$393,275
Const. In Progress	159,149	3,067,928	---	---	159,149	3,067,928
Buildings	11,853,519	12,686,183	---	---	11,853,519	12,686,183
Equip/Fur./Vehicles	4,432,636	4,615,837	54,394	65,958	4,487,030	4,681,795
Total	\$16,838,579	\$20,763,223	\$54,394	\$65,958	\$16,892,973	\$20,829,181

Long-Term Debt

At year-end, the District had general obligation bonds totaling \$2,110,000. See Figure A-9 below.

Figure A-9					
Outstanding Long-Term Debt					
Bonds		Notes		Total District	
2007	2008	2007	2008	2007	2008
--	---	--	\$2,110,000	--	\$2,110,000

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:

- A major factor impacting the finances of the school district is the significant loss in enrollment experienced by the district in October of 2007. The loss of some 80 students on the certified count in October, 2007 means the school district has lost 110 students during the past two years impacting heavily the funding available for the 2008-2009 budget.
- While state revenues in Iowa were increasing, state funding to schools for the cost of instruction was not adequate. Now that the state revenues have slowed as a result of the national economic picture, state funding for schools is uncertain at best.
- An attempt to stabilize the district's negative trending related to the general fund was not successful when district voters defeated an instructional support levy on March 18, 2008. If future budgets are to be balanced, expenditure reductions will have to occur.
- The construction of Phase I of the school district's construction plan in the amount of approximately 2.8 million dollars has had an impact on both the overall expenditures of the school district and the debt incurred by the school district. The capital loan note for construction will be retired in 2012.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional financial information, contact Dr. Todd Wendt, Superintendent, Le Mars Community School District, 940 Lincoln St. SW, Le Mars, IA 51031.

**LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008**

	Governmental Activities	Business Type Activity	Total
ASSETS			
Cash and Cash Equivalents	\$ 3,733,345		\$ 3,733,345
Investments	1,723,970		1,723,970
Receivables:			
Property Tax	67,330		67,330
Succeeding Year Property Tax	6,147,250		6,147,250
Accrued Interest	10,124		10,124
Accounts	299	226	525
Interfund Activity	28,658	(28,658)	-
Due from Other Governments	450,725		450,725
Inventories	32,493	11,523	44,016
Land	393,275		393,275
Construction in Progress	3,067,928		3,067,928
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	8,295,030	30,383	8,325,413
Total Assets	23,950,427	13,474	23,963,901
LIABILITIES			
Accounts Payable	455,008	37	455,045
Salaries and Benefits Payable	1,797,454		1,797,454
Accrued Interest Payable	6,858		6,858
Unearned Revenue		11,247	11,247
Deferred Revenue -			
Succeeding Year Property Tax	6,147,250		6,147,250
Noncurrent Liabilities:			
Due Within One Year:			
Bonds Payable	490,000		490,000
Compensated Absences	61,095		61,095
Due in More Than One Year:			
Bonds Payable	1,620,000		1,620,000
Total Liabilities	10,577,665	11,284	10,588,949
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	9,646,233	30,383	9,676,616
Restricted for:			
Management Levy	103,845		103,845
Physical Plant and Equipment Levy	469,651		469,651
Other Special Revenue Purposes	261,313		261,313
Scholarships	146,510		146,510
Unrestricted	2,745,210	(28,193)	2,717,017
Total Net Assets	\$ 13,372,762	\$ 2,190	\$ 13,374,952

See Accompanying Notes to Financial Statements

LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants Contributions</u>	<u>Capital Grants Contributions</u>
Primary Government:				
Governmental Activities:				
Instruction:				
Regular Instruction	\$ 9,915,220	\$ 281,207	\$ 919,286	
Special Instruction	2,121,360	58,236	508,210	
Other Instruction	895,369	731,022	31,141	
Support Services:				
Student Services	608,896	4,733	87,511	
Instructional Staff Services	825,949		86,188	\$ 11,319
Administration Services	1,563,972			
Operation and Maintenance	1,236,443	18,516		
Transportation Services	806,345	6,298	108,817	
Other Expenditures:				
Facilities Acquisition and Construction Services	130,724			
Long-term Debt Interest	60,722			
AEA Flowthrough	785,738		785,738	
Total governmental activities	<u>18,950,738</u>	<u>1,100,012</u>	<u>2,526,891</u>	<u>11,319</u>
Business Type Activity:				
Non-instructional Programs:				
Food Service Operations	731,850	342,079	275,692	17,728
Total	<u>\$ 19,682,588</u>	<u>\$ 1,442,091</u>	<u>\$ 2,802,583</u>	<u>\$ 29,047</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				

See Accompanying Notes to Financial Statements

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

<u>Governmental Activities</u>	<u>Business Type Activity</u>	<u>Total</u>
\$ (8,714,727)		\$ (8,714,727)
(1,554,914)		(1,554,914)
(133,206)		(133,206)
(516,652)		(516,652)
(728,442)		(728,442)
(1,563,972)		(1,563,972)
(1,217,927)		(1,217,927)
(691,230)		(691,230)
(130,724)		(130,724)
(60,722)		(60,722)
-		-
<u>(15,312,516)</u>		<u>(15,312,516)</u>
	\$ (96,351)	(96,351)
<u>(15,312,516)</u>	<u>(96,351)</u>	<u>(15,408,867)</u>
5,246,660	-	5,246,660
793,742	-	793,742
1,279,697	-	1,279,697
8,810,344	-	8,810,344
205,849	716	206,565
5,430	113	5,543
(66,191)	66,191	-
<u>16,275,531</u>	<u>67,020</u>	<u>16,342,551</u>
963,015	(29,331)	933,684
<u>12,409,747</u>	<u>31,521</u>	<u>12,441,268</u>
<u>\$ 13,372,762</u>	<u>\$ 2,190</u>	<u>\$ 13,374,952</u>

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	General	Management Levy
Assets		
Cash and Cash Equivalents	\$ 1,190,490	\$ 100,422
Investment	1,500,000	
Receivables:		
Property Tax	56,467	3,684
Succeeding Year Property Tax	5,185,520	329,813
Accrued Interest	9,206	
Accounts	185	114
Due from Other Funds	28,658	
Due from Other Governments	227,546	
Inventory	32,493	
Total Assets	<u>8,230,565</u>	<u>434,033</u>
Liabilities and Equity		
Liabilities:		
Accounts Payable	118,653	
Salaries and Benefits Payable	1,797,454	
Deferred Revenue:		
Succeeding Year Property Tax	5,185,520	329,813
Other	5,901	375
Total Liabilities	<u>7,107,528</u>	<u>330,188</u>
Fund Balances:		
Reserved for Scholarships		
Reserved for Debt Service		
Reserved for Inventory	32,493	
Unreserved for:		
General Fund	1,090,544	
Special Revenue Fund		103,845
Capital Project Fund		
Total Fund Balances	<u>1,123,037</u>	<u>103,845</u>
Total Liabilities and Equity	<u>\$ 8,230,565</u>	<u>\$ 434,033</u>

See Accompanying Notes to Financial Statements

PPEL Fund	Capital Project LOST	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 766,319	\$ 1,492,660	\$ 519	\$ 182,935	\$ 3,733,345
			223,970	1,723,970
7,179				67,330
631,917				6,147,250
			918	10,124
				299
				28,658
	223,179			450,725
				32,493
<u>1,405,415</u>	<u>1,715,839</u>	<u>519</u>	<u>407,823</u>	<u>12,194,194</u>

303,311	33,044			455,008
				1,797,454
631,917				6,147,250
536				6,812
<u>935,764</u>	<u>33,044</u>	<u>-</u>	<u>-</u>	<u>8,406,524</u>

			146,510	146,510
		519		519
				32,493
				1,090,544
469,651			261,313	834,809
	1,682,795			1,682,795
<u>469,651</u>	<u>1,682,795</u>	<u>519</u>	<u>407,823</u>	<u>3,787,670</u>
<u>\$ 1,405,415</u>	<u>\$ 1,715,839</u>	<u>\$ 519</u>	<u>\$ 407,823</u>	

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

Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds.

11,756,233

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

6,812

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

General Obligation Bonds

(2,110,000)

Compensated Absences

(61,095)

Interest Payable from the balance sheet that require current financial resources for governmental activities.

(6,858)

Net Assets of Governmental Activities

\$ 13,372,762

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, 2008**

	General	Management Fund
Revenue:		
Local Sources:		
Local Tax	\$ 4,924,071	\$ 322,185
Tuition	291,281	
Other	146,189	34,936
State Sources	10,778,651	
Federal Sources	502,542	
Total Revenue	<u>16,642,734</u>	<u>357,121</u>
Expenditures:		
Governmental Activities:		
Instruction:		
Regular Instruction	9,384,595	227,577
Special Instruction	2,139,082	
Other Instruction	362,645	
Support Services:		
Student Services	571,246	
Instructional Staff Services	831,430	
Administration Services	1,559,361	
Operation and Maintenance	1,139,258	59,796
Transportation Services	682,831	13,784
Other Expenditures:		
Facilities Acquisition and Construction		
Long-term Debt:		
Principal		
Interest and Fiscal Charges		
AEA Flowthrough	785,738	
Total Expenditures	<u>17,456,186</u>	<u>301,157</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(813,452)</u>	<u>55,964</u>
Other Financing Sources (Uses):		
Transfers In	81,696	
Transfers Out		
Issuance of Long-Term Debt		
Total Other Financing Sources (Uses)	<u>81,696</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(731,756)</u>	<u>55,964</u>
Fund Balances - Beginning of Year	1,854,793	47,881
Fund Balances - End of Year	<u>\$ 1,123,037</u>	<u>\$ 103,845</u>

See Accompanying Notes to Financial Statements

PPEL Fund	Capital Project LOST	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 793,742	\$ 1,279,697			\$ 7,319,695
45,509	60,479	519	788,420	291,281
				1,076,052
				10,778,651
				502,542
839,251	1,340,176	519	788,420	19,968,221
				9,612,172
				2,139,082
			532,724	895,369
			37,650	608,896
			3,841	831,430
				1,563,202
				1,199,054
				696,615
2,497,115	1,585,469			4,082,584
		90,000		90,000
		53,864		53,864
				785,738
2,497,115	1,585,469	143,864	574,215	22,558,006
(1,657,864)	(245,293)	(143,345)	214,205	(2,589,785)
		126,558		208,254
(126,558)			(147,887)	(274,445)
2,200,000				2,200,000
2,073,442	-	126,558	(147,887)	2,133,809
415,578	(245,293)	(16,787)	66,318	(455,976)
54,073	1,928,088	17,306	341,505	4,243,646
\$ 469,651	\$ 1,682,795	\$ 519	\$ 407,823	\$ 3,787,670

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, 2008**

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

Net change in fund balances - total governmental funds (page 21) \$ (455,976)

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	\$	4,085,784	
Depreciation expense		<u>(542,653)</u>	3,543,131

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. (3,634)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues. 404

Accrued compensated absences not reported on the modified accrual basis. (4,052)

Accrued interest expense not reported on the modified accrual basis. (6,858)

Proceeds from the issuance of long-term liabilities provide current financial resources to governmental funds, but the issuance of debt increases long-term liabilities in the Statement of Net Assets. 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. Current year issues exceeded repayments, as follows:

Long-term debt issued		(2,200,000)	
Principal paid		<u>90,000</u>	<u>(2,110,000)</u>

Change in net assets of governmental activities (page 17) \$ 963,015

**LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008**

	School Nutrition Fund
ASSETS	
Current Assets:	
Accounts Receivable	\$ 226
Inventories	11,523
Total Current Assets	11,749
Noncurrent Assets:	
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	30,383
Total Noncurrent Assets	30,383
Total Assets	42,132
 LIABILITIES	
Current Liabilities:	
Accounts Payable	37
Due to Other Funds	28,658
Unearned Revenue	11,247
Total Current Liabilities	39,942
Total Liabilities	39,942
 NET ASSETS	
Invested in Capital Assets, Net of Related Debt	30,383
Unrestricted	(28,193)
Total Net Assets	\$ 2,190

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	School Nutrition Fund
Operating Revenues:	
Charges for services	\$ 342,079
Miscellaneous	113
	342,192
Total Operating Revenue	342,192
Operating Expenditures:	
Food Service Operations:	
Salaries	237,292
Benefits	65,494
Purchased Services	14,406
Supplies	411,038
Depreciation	2,958
	731,188
Total Operating Expenditures	731,188
Operating Loss	(388,996)
Non-Operating Revenues (Expenditures):	
Interest Income	716
State Lunch Reimbursements	10,137
National School Lunch Program	225,316
Federal Food Commodities Received	40,239
Loss on sale of asset	(662)
	275,746
Total Non-Operating Revenues	275,746
Loss Before Contributions and Transfers	(113,250)
Other Financing Sources:	
Transfers from other Funds	66,191
Capital Contributions	17,728
	83,919
Total Other Financing Sources	83,919
Change in net assets	(29,331)
Net Assets-beginning	31,521
Net Assets-ending	\$ 2,190

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	School Nutrition Fund
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 342,009
Cash received from miscellaneous operating activities	113
Cash payments for salaries and benefits	(302,786)
Cash payments for goods and services	(383,672)
Total cash (used) by operating activities	<u>(344,336)</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(1,342)
Total cash (used) by capital and related financing activities:	<u>(1,342)</u>
Cash flows from noncapital financing activities:	
Due to other Funds	28,658
Federal and state appropriations received	235,453
Transfers from other funds	66,191
Total cash provided by noncapital financing activities	<u>330,302</u>
Cash flows from investing activities:	
Interest on investments	716
Net (decrease) in cash and cash equivalents	(14,660)
Cash and cash equivalents - beginning of year	14,660
Cash and cash equivalents - end of year	<u>\$ -</u>
Reconciliation of operating (loss) to net cash used in operating activities:	
Operating (loss)	(388,996)
Adjustments to reconcile net operating loss to net cash provided by operating activities:	
Depreciation Expense	2,958
Commodities Used	40,239
(Increase) decrease in assets and increase (decrease) in liabilities:	
Accounts Receivable	(182)
Inventory	1,496
Accounts Payable	37
Unearned Revenue	112
Net cash (used) in operating activities	<u>\$ (344,336)</u>
Supplemental schedule of noncash noncapital financing activities:	
Federal food commodities received	\$ 40,239
Capital Contributions	<u>\$ 17,728</u>

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AGENCY FUND
JUNE 30, 2008**

	<u>2008</u>
Cash and Cash Equivalents	\$ 9,826
Total Net Assets	<u>9,826</u>
Liabilities:	
Other Payables	<u>9,826</u>
Net Assets	<u>\$ -</u>

See Accompanying Notes to Financial Statements

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

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, 2008. 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, 2007.

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, 2008

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, 2008

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, 2008

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, 2008 included certificates of deposit of \$1,684,125 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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

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. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Reported inventories in the fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

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.

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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, 2008. 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, 2008, expenditures did not exceed the budget.

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

NOTE 2 – CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; 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, 2008.

At June 30, 2008 the District had the following investments:

	Credit Risk	Fair Value
Mutual Fund – Rydex Investments	Not Rated	\$ 33,401
	Credit Risk	Policy Cash Value
New York Life Insurance Policy	Not Rated	\$ 6,444

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 \$785,738 for the year ended June 30, 2008, and is recorded in the General Fund.

NOTE 4 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Debt Service	PPEL	\$ 126,558
School Nutrition Fund	Student Activity	66,191
General	Student Activity	81,696
Total		\$ 274,445

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, 2008

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 393,275			\$ 393,275
Construction in Progress	159,149	\$ 3,203,797	\$ 295,018	3,067,928
Total capital assets not being depreciated	552,424	3,203,797	295,018	3,461,203
Capital assets being depreciated:				
Buildings	11,853,519	832,664		12,686,183
Vehicles	1,442,652	151,040	78,331	1,515,361
Furniture and equipment	2,989,984	193,301	82,809	3,100,476
Total capital assets being depreciated	16,286,155	1,177,005	161,140	17,302,020
Less: Accumulated Depreciation for:				
Buildings	5,286,150	274,268		5,560,418
Vehicles	1,089,737	109,496	78,331	1,120,902
Furniture and equipment	2,245,956	158,889	79,175	2,325,670
Total Accumulated Depreciation	8,621,843	542,653	157,506	9,006,990
Total capital assets being depreciated, net	7,664,312	634,352	3,634	8,295,030
Governmental activities capital assets, net	\$ 8,216,736	\$ 3,838,149	\$ 298,652	\$ 11,756,233

Construction in progress at June 30, 2008, for the governmental activities consisted of costs associated with the high school and middle school expansion projects, restroom remodeling projects, the administrative building, and high school roof.

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Business-type Activities				
Furniture and Equipment	\$ 54,394	\$ 19,070	\$ 7,506	\$ 65,958
Less: Accumulated Depreciation	39,461	2,958	6,844	35,575
Business-type activities capital assets, net	\$ 14,933	\$ 16,112	\$ 662	\$ 30,383

Depreciation Expense was charged to governmental activities as follows:

Governmental Activities	
Regular Instruction	\$ 388,226
Instructional Staff Services	10,590
Operation and Maintenance	34,341
Transportation Services	109,496
Total depreciation expense – governmental activities	\$ 542,653
Business-type activities:	
Food Service Operations	\$ 2,958

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

NOTE 5 – CAPITAL ASSETS – (Continued)

Reconciliation of Invested in Capital Assets:	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Land	\$ 393,275	\$ -	
Construction in Progress	3,067,928	-	
Capital Assets (net of accumulated depreciation)	8,295,030	30,383	
Less: Bonds Payable	(2,110,000)	-	
Invested in Capital Assets, Net of Related Debt	<u>\$ 9,646,233</u>	<u>\$ 30,383</u>	

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 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Plan members were required to contribute 3.70% of their annual salary and the District was required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007 and 2006. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$721,680, \$648,847, and \$614,074 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 \$104,564 in benefits during the year ended June 30, 2008. There are currently 16 participants receiving benefits.

NOTE 8 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2008 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Capital Loan Notes	\$ -	\$ 2,200,000	\$ 90,000	\$ 2,110,000	\$ 490,000
Compensated Absences	57,043	61,095	57,043	61,095	61,095
Total	<u>\$ 57,043</u>	<u>\$ 2,261,095</u>	<u>\$ 147,043</u>	<u>\$ 2,171,095</u>	<u>\$ 551,095</u>

General Obligation Bonds

The District issued general obligation capital loan notes to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for governmental activities. These bonds are direct obligations and pledge the full faith and credit of the District.

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2008

NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)

General obligation bonds as of June 30, 2008 are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amounts</u>
Governmental Activities – 2007 Capital Loan Notes	3.90%	\$ 2,200,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year</u>	<u>Governmental Activities</u>	
<u>Ending</u>	<u>Principal</u>	<u>Interest</u>
<u>June 30,</u>		
2009	\$ 490,000	\$ 82,290
2010	515,000	63,180
2011	530,000	43,095
2012	575,000	22,425
Total	<u>\$ 2,110,000</u>	<u>\$ 210,990</u>

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.

NOTE 10 – CONSTRUCTION COMMITMENTS

The District has entered into various contracts totaling \$3,234,525 for restroom renovations, a new roof, and additional classrooms. As of June 30, 2008, costs of \$2,611,364 had been incurred against the contracts. The balance of \$623,161 will be paid as work on the projects progress.

**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, 2008

	Budgeted Amounts		Governmental	Proprietary	Total	Final to
	Original	Final	Funds	Fund		
			Actual	Actual	Actual	Variance
REVENUE:						
Local Sources:						
Local Tax	\$ 6,002,962	\$ 6,002,962	\$ 7,319,695	\$ -	\$ 7,319,695	\$ 1,316,733
Tuition	412,000	412,000	291,281	-	291,281	(120,719)
Other	2,829,000	2,829,000	1,076,052	342,246	1,418,298	(1,410,702)
Intermediate Sources	4,900	4,900	-	-	-	(4,900)
State Sources	10,579,124	10,579,124	10,778,651	10,137	10,788,788	209,664
Federal Sources	599,000	599,000	502,542	265,555	768,097	169,097
Total Revenue	20,426,986	20,426,986	19,968,221	617,938	20,586,159	159,173
EXPENDITURES:						
Current:						
Instruction	12,252,228	12,681,459	12,646,623	-	12,646,623	34,836
Support Services	5,107,654	5,107,654	4,899,197	-	4,899,197	208,457
Non-instructional Programs	1,201,000	1,201,000	-	731,188	731,188	469,812
Other Expenditures	3,610,307	5,046,085	5,012,186	-	5,012,186	33,899
Total Expenditures	22,171,189	24,036,198	22,558,006	731,188	23,289,194	747,004
Excess (Deficiency) of Revenues Over Expenditures	(1,744,203)	(3,609,212)	(2,589,785)	(113,250)	(2,703,035)	906,177
Other Financing Sources (Uses):						
Transfers In	-	-	208,254	66,191	274,445	274,445
Transfers Out	-	-	(274,445)	-	(274,445)	(274,445)
Issuance of Long-Term Debt	-	-	2,200,000	-	2,200,000	2,200,000
Capital Contributions	-	-	-	17,728	17,728	17,728
Total Other Financing Sources (Uses)	-	-	2,133,809	83,919	2,217,728	2,217,728
Net Change in Fund Balances	(1,744,203)	(3,609,212)	(455,976)	(29,331)	(485,307)	3,123,905
Fund Balances - Beginning of Year	3,809,824	3,809,824	4,243,646	31,521	4,275,167	465,343
Fund Balances - End of Year	\$ 2,065,621	\$ 200,612	\$ 3,787,670	\$ 2,190	\$ 3,789,860	\$ 3,589,248

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2008

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, 2008, the District had one budget amendment increasing budgeted disbursements by \$1,865,009.

During the year ended June 30, 2008, expenditures did not exceed the budget.

**LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008**

Schedule 1

Revenues:	
Local Sources:	
Local Tax:	
Property Tax	\$ 4,910,627
Mobile Home Tax	13,444
	4,924,071
Other Local Sources:	
Interest on Investments	95,021
Tuition from Other Districts	238,998
Tuition from Individuals	52,283
Transportation Fees	6,298
Rent	18,516
Miscellaneous	26,354
	437,470
	5,361,541
State Sources:	
State Foundation Aid	8,776,336
Foster Care State Aid	16,772
Beginning Teacher Mentoring Program	3,900
Special Ed Deficit State Aid	17,236
Educational Excellence Program:	
Phase I	23,054
Phase II	182,837
Non-Public Transportation Aid	108,817
Non-Public Textbook and Technology Aid	7,842
Teacher Compensation	691,992
Vocational Education Aid	23,299
Iowa Early Intervention Block Grant	116,712
School Based Supervision	24,116
AEA Flow-Through	785,738
	10,778,651
Federal Sources:	
Title I Grants to Local Educational Agencies	218,075
Improving Teacher Quality State Grants	66,154
Safe and Drug-Free Schools and Communities-States Grants	7,352
State Grants for Innovative Programs	3,194
Vocational Education - Basic Grants to States	19,034
Special Education - Grants to States	139,297
Improvement of Education Grants	4,487
Title VI Grants for Assessments and Related Activities	15,547
Medicaid	29,402
	502,542
Total Revenue	\$ 16,642,734

Continued

**LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2008**

Schedule 1 (Continued)

Expenditures:	
Instruction:	
Regular Instruction:	
Salaries	\$ 6,614,092
Benefits	2,182,604
Services	368,063
Supplies	200,233
Property	19,603
	9,384,595
Special Education Instruction:	
Salaries	1,450,572
Benefits	441,073
Services	213,781
Supplies	12,804
Property	20,852
	2,139,082
Vocational Instruction:	
Supplies	17,046
Property	1,678
	18,724
Co-curricular Instruction:	
Salaries	280,576
Benefits	53,922
Services	811
Supplies	426
	335,735
Nonpublic Instruction:	
Supplies	4,433
	4,433
Adult Continuing Education	
Salaries	2,160
Benefits	657
Supplies	936
	3,753
	11,886,322
 Total Instruction	
 Support Services:	
Student Services:	
Guidance Services:	
Salaries	354,529
Benefits	113,710
Services	8,711
Supplies	6,779
	\$ 483,729

Continued

**LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2008**

Schedule 1 (Continued)

Support Services (Continued):

Student Services (Continued):

Health Services:

Salaries	\$	53,484
Benefits		26,542
Services		3,269
Supplies		3,927
Property		295
		87,517

Total Student Services

571,246

Support Services:

Instructional Staff Services:

Improvement of Instruction Services:

Salaries		277,804
Benefits		47,106
Services		6,240
Supplies		15,657
		346,807

Educational Media Services:

Salaries		180,672
Benefits		44,652
Services		2,182
Supplies		27,058
Property		489
		255,053

Other Instructional Staff Support Services:

Salaries		106,500
Benefits		33,851
Services		6,785
Supplies		80,638
Property		1,796
		229,570

Total Instructional Staff Services

831,430

Support Services:

Administration Services:

Executive Administration:

Salaries		299,966
Benefits		114,974
Services		50,569
Supplies		5,979
Property		1,106
		472,594

Continued

**LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2008**

Schedule 1 (Continued)

Support Services (Continued):

Administration Services (Continued):

School Administration:

Salaries	\$	685,846
Benefits		278,427
Services		6,297
Supplies		1,133
Property		736
		972,439

Business Administration:

Salaries		29,963
Benefits		14,064
Supplies		23,630
Property		142
		67,799

Board of Education:

Services		34,523
Supplies		12,006
		46,529

Total Administration Services: 1,559,361

Support Services:

Plant Operation and Maintenance:

Salaries		531,525
Benefits		184,504
Services		40,964
Supplies		382,265
		1,139,258

Support Services:

Student Transportation:

Salaries		403,936
Benefits		80,739
Services		40,042
Supplies		157,751
Property		363
		682,831

Total Support Services \$ 4,784,126

Continued

**LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2008**

Schedule 1 (Continued)

Other Expenditures:	
AEA Flow-Through	\$ 785,738
Total Expenditures	17,456,186
(Deficiency) of Revenues Over Expenditures	(813,452)
Other Financing Uses:	
Transfers From Other Funds	81,696
(Deficiency) of Revenues Over Expenditures and Other Financing Uses	(731,756)
Fund Balance - Beginning of Year	1,854,793
Fund Balance - End of Year	\$ 1,123,037

**LEMARS COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
GOVERNMENTAL NONMAJOR FUNDS
JUNE 30, 2008**

Schedule 2

	Special Revenue		
	Activity Fund	LCSD Foundation	Total
Assets			
Cash and Cash Equivalents	\$ 162,123	\$ 20,812	\$ 182,935
Investments	99,190	124,780	223,970
Receivables:			
Accrued Interest	-	918	918
	261,313	146,510	407,823
Total Assets			
Liabilities and Equity			
Fund Balances:			
Reserved for Scholarships	-	146,510	146,510
Unreserved for:			
Special Revenue Fund	261,313	-	261,313
Total Fund Balances	261,313	146,510	407,823
Total Liabilities and Equity	\$ 261,313	\$ 146,510	\$ 407,823

**LEMARS COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 GOVERNMENTAL NONMAJOR FUNDS
 FOR THE YEAR ENDED JUNE 30, 2008**

Schedule 3

	<u>Special Revenue</u>		
	Activity Fund	LCSD Foundation	Total
Revenue:			
Local Sources:			
Other	\$ 731,022	\$ 57,398	\$ 788,420
Total Revenue	<u>731,022</u>	<u>57,398</u>	<u>788,420</u>
Expenditures:			
Instruction:			
Other Instruction	532,724	-	532,724
Support Services:			
Student Services	-	37,650	37,650
Administration Services	-	3,841	3,841
Total Expenditures	<u>532,724</u>	<u>41,491</u>	<u>574,215</u>
Excess of Revenues over Expenditures	<u>198,298</u>	<u>15,907</u>	<u>214,205</u>
Other Financing Sources (Uses):			
Transfers Out	(147,887)	-	(147,887)
Total Other Financing Sources (Uses)	<u>(147,887)</u>	<u>-</u>	<u>(147,887)</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	50,411	15,907	66,318
Fund Balances - Beginning of Year	<u>210,902</u>	<u>130,603</u>	<u>341,505</u>
Fund Balances - End of Year	<u>\$ 261,313</u>	<u>\$ 146,510</u>	<u>\$ 407,823</u>

**LE MARS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008**

				Schedule 4	
	Balance June 30, 2007	Revenues	Expenditures	Transfers	Balance June 30, 2008
Senior High					
Bark	\$ 15,320	\$ 14,990	\$ 16,094		\$ 14,216
F.F.A.	763	27,168	22,827		5,104
Miscellaneous Music	1,330	14,411	14,172		1,569
F.C.A.	491	890	950		431
Library	1,286	1,095	29		2,352
Vocal Music	8,222	4,419	5,475		7,166
Instrumental Music	(717)	10,239	9,233		289
Music Orchestra	326	13,178	10,830		2,674
National Honor Society	-	250	250		-
Dance Team	7,370	3,011	4,002		6,379
Student Council	12,052	59,013	65,591		5,474
Thespians	257	556	670		143
Spanish Club	4,369	4,280	4,226		4,423
Drama	3,532	4,633	2,215		5,950
Trades and Industries	9,105	10,384	9,888		9,601
Miscellaneous Athletics	22,820	141,718	151,992		12,546
Clearing	3,252	35,444	11,259	\$ (24,997)	2,440
Cheerleaders	3,043	11,006	12,682		1,367
Senior Class	2,466	4,505	5,674		1,297
Junior Class	-	2,583	2,467		116
Miscellaneous	27,873	26,940	2,541		52,272
Technology Club	78	810	790		98
Home Economics Club	752	-	-		752
Math Club	1,022	254	593		683
Science Club	-	3,429	3,421		8
Basketball Scoreboard Club	12,271	82,596	50,034		44,833
Adaptive PE	107	-	55		52
Make-A-Wish Club	1,722	859	750		1,831
Madrigal Club	-	8,280	8,237		43
	\$ 139,112	\$ 486,941	\$ 416,947	\$ (24,997)	\$ 184,109

(Continued)

**LE MARS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2008**

Schedule 4 (Continued)

	Balance June 30, 2007	Revenues	Expenditures	Transfers	Balance June 30, 2008
Middle School					
Book Rent	\$ -	\$ 14,491		\$ (14,491)	\$ -
Miscellaneous	12,479	5,887	9,443		8,923
Student Council	14,286	8,885	6,029		17,142
Library	1,117	6,148	6,539		726
Clearing	2,039	120	2,159		-
High School Principal	571	7,000	7,571		-
Music	1,446	5,341	6,023		764
Musical	-	5,215	2,980		2,235
Industrial Arts	-	3,445		(3,445)	-
Instrument Rental	2,569	710	250		3,029
Challenge	107	-	-		107
Family & Consumer Science	265	6,389	6,376		278
Other	77	8,289	7,558		808
Bus	-	2,607		(2,607)	-
Art	3,865	(2,034)	209		1,622
	<u>38,821</u>	<u>72,493</u>	<u>55,137</u>	<u>(20,543)</u>	<u>35,634</u>
Merrill Elementary School	<u>363</u>	<u>27,125</u>		<u>(27,183)</u>	<u>305</u>
Central Elementary School	<u>32,606</u>	<u>144,463</u>	<u>60,640</u>	<u>(75,164)</u>	<u>41,265</u>
Total for Activity Funds	<u>\$ 210,902</u>	<u>\$ 731,022</u>	<u>\$ 532,724</u>	<u>\$ (147,887)</u>	<u>\$ 261,313</u>

**LEMARS COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN NET ASSETS AND LIABILITIES -
 AGENCY FUND
 FOR THE YEAR ENDED JUNE 30, 2008**

				Schedule 5
	Balance			Balance
	July 1, 2007	Additions	Deductions	June 30, 2008
<u>FLEX</u>				
<u>Assets</u>				
Cash and Pooled Investments	\$ 4,901	\$ 122,947	\$ 118,022	\$ 9,826
Total Assets	<u>4,901</u>	<u>122,947</u>	<u>118,022</u>	<u>9,826</u>
<u>Liabilities</u>				
Other Payables	4,901	122,947	118,022	9,826
Total Liabilities	<u>\$ 4,901</u>	<u>\$ 122,947</u>	<u>\$ 118,022</u>	<u>\$ 9,826</u>

**LE MARS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE YEARS ENDED JUNE 30, 2008, 2007, 2006, 2005**

Schedule 6

	Modified Accrual Basis of Accounting			
	2008	2007	2006	2005
Revenues:				
Local Sources:				
Local Tax	\$ 7,319,695	\$ 6,879,567	\$ 6,604,110	\$ 6,628,157
Tuition	291,281	348,482	370,821	329,692
Other	1,076,052	1,098,699	1,048,247	914,625
Intermediate Sources	-	-	34,263	9,705
State Sources	10,778,651	10,150,311	9,570,986	9,156,434
Federal Sources	502,542	480,901	485,875	447,639
Total	19,968,221	18,957,960	18,114,302	17,486,252
Expenditures:				
Instruction:				
Regular	9,612,172	8,964,243	8,321,990	7,930,904
Special	2,139,082	2,030,077	1,806,407	1,677,212
Other	895,369	948,924	360,416	362,484
Support Services:				
Student	608,896	590,864	1,186,511	1,124,852
Instructional Staff	831,430	773,251	843,276	537,380
Administration	1,563,202	1,499,834	1,505,878	1,467,137
Operation and maintenance of plant	1,199,054	1,137,232	1,142,788	1,076,236
Transportation	696,615	640,820	651,374	588,434
Non-instructional programs	-	-	143,645	74,133
Other Expenditures:				
Facilities Acquisition	4,082,584	895,540	972,783	434,504
Long-term debt:				
Principal	90,000	290,000	400,000	785,000
Interest and other charges	53,864	13,486	30,686	64,700
AEA Flowthrough	785,738	749,734	685,660	662,771
Total	\$ 22,558,006	\$ 18,534,005	\$ 18,051,414	\$ 16,785,747

**LE MARS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

			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	FY08	\$ 40,239
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY08	36,283
National School Lunch Program	10.555	FY08	189,033
			<u>225,316 *</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY08	218,075 *
Special Education - Grants to States	84.027	FY08	4,125
Vocational Education - Basic Grants to States	84.048	FY08	19,034
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY08	7,352
Fund for the Improvement of Education	84.215	FY08	
State Grants for Innovative Programs	84.298	FY08	3,194
Improving Teacher Quality State Grants	84.367	FY08	66,154
Grants for State Assessments & Related Activities	84.369	FY08	15,547
Western Hills Area Education Agency			
Special Education - Grants to States	84.027	FY08	135,172
English Language Acquisition	84.365	FY08	<u>4,469</u>
Total			<u><u>\$ 738,677</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, 2008

Schedule 8

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, 2008**

Schedule 8 (Continued)

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-08 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-08 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, 2008**

Schedule 8 (Continued)

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCY:

III-A-08 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, 2008**

Schedule 8 (Continued)

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-08 Certified Budget – Expenditures for the year ended June 30, 2008 did not exceed the amounts budgeted.

- IV-B-08 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-08 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-08 Business Transactions – No business transactions between the District and District officials or employees were noted.

- IV-E-08 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-08 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

- IV-G-08 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

- IV-H-08 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-08 Certified Annual Report – The Certified Annual Report was certified timely to the Department of Education.

- IV-J-08 Deficit Balances – No student activity accounts had a deficit balance at June 30, 2008.

**LE MARS COMMUNITY SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2008**

Schedule 8 (Continued)

Part V: Findings – Year Ended June 30, 2007

III-A-07: 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, 2008 (See Comment II-A-08 and III-A-08).



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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, 2008, which collectively comprise the Le Mars Community School District's basic financial statements, and have issued our report thereon dated TBD. 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of 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, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered 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-08 and II-B-08 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.

William & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
November 5, 2008



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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, 2008. 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, 2008.

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-08 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-08 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 & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
November 5, 2008

**Schedule of Findings and Questioned Costs
Corrective Action Plan
June 30, 2008**

Department of Education:

Le Mars Community School District, respectfully submits the following corrective action plan for the year ended June 30, 2008.

The audit was performed by Williams & Company, P.C., P.O. Box 1010, Le Mars, Iowa, for the fiscal year ended June 30, 2008.

The finding from the June 30, 2008 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.

SIGNIFICANT DEFICIENCY:

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