

LAKE MILLS COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

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Independent Auditor's Report

To the Board of Education of
Lake Mills Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lake Mills Community School District, Lake Mills, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lake Mills Community School District at June 30, 2009, 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 April 9, 2010, on our consideration of Lake Mills 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.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 12 and 39 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. 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 Lake Mills 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 five years ended June 30, 2008, (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

April 9, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lake Mills Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,083,835 in fiscal 2008 to \$6,343,289 in fiscal 2009, while General Fund expenditures increased from \$5,867,386 in fiscal 2008 to \$6,194,891 in fiscal 2009. The District's General Fund balance increased from \$351,057 in fiscal 2008 to \$499,455 in fiscal 2009.
- The increase in General Fund revenues was attributable to an increase in state revenue and property tax and continued significant open enrollment data from Minnesota.

USING THIS ANNUAL REPORT

The 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 Lake Mills 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 Lake Mills Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Lake Mills Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

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 non-major funds.

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

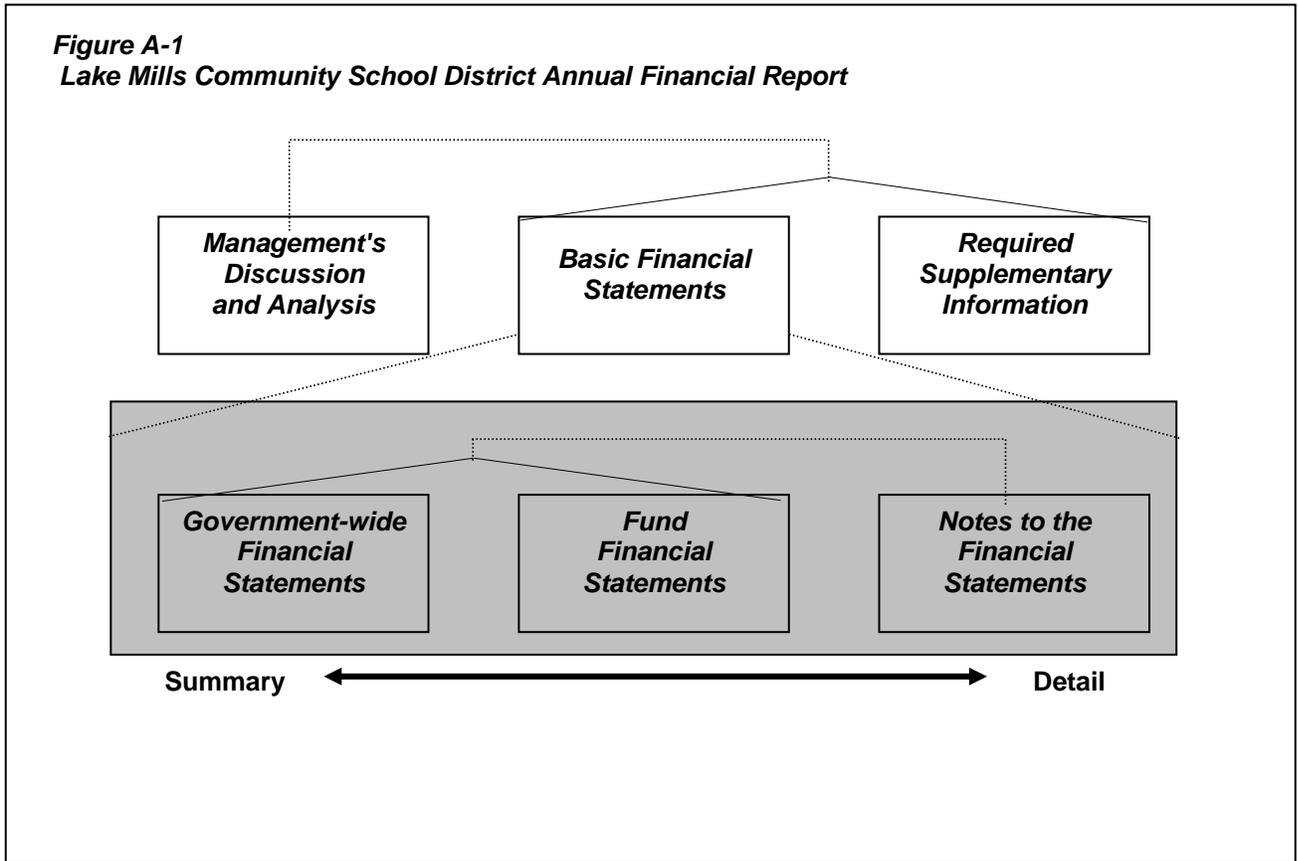


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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 financial position. Over time, increases or decreases in the District's net assets are an indicator of whether 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 tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District 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 fund 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 Projects Fund.

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

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

The required financial statements for proprietary funds include a statement of net assets, 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. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

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 these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include 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 at June 30, 2009 compared to June 30, 2008.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2007-2008
	Governmental Activities		Business-type Activities		Total School District		
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Current and other assets	7,938,324	6,898,790	92,244	64,943	8,030,568	6,963,733	15%
Capital assets	4,438,926	4,460,297	20,502	22,395	4,459,428	4,482,692	-1%
Total assets	12,377,250	11,359,087	112,746	87,338	12,489,996	11,446,425	9%
Long-term liabilities	3,658,496	3,910,868	-	-	3,658,496	3,910,868	-6%
Other liabilities	6,069,019	5,304,943	24,296	23,271	6,093,315	5,328,214	14%
Total liabilities	9,727,515	9,215,811	24,296	23,271	9,751,811	9,239,082	6%
Net Assets:							
Invested in capital assets, net of related debt	863,347	549,429	20,502	22,395	883,849	571,824	55%
Restricted	1,138,930	1,131,938	-	-	1,138,930	1,131,938	1%
Unrestricted	647,458	461,909	67,948	41,672	715,406	503,581	42%
TOTAL NET ASSETS	2,649,735	2,143,276	88,450	64,067	2,738,185	2,207,343	24%

The District's combined net assets increased 24%, or approximately \$530,842, over the prior year.

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 decreased approximately \$6,922 or 1% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$211,825 or 42%.

Figure A-4 shows the change in net assets for the years ended June 30, 2009 and 2008.

Figure A-4

	Change in Net Assets						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	878,598	1,097,088	192,544	184,497	1,071,142	1,281,585	16%
Operating grants & contributions	1,093,629	706,624	123,856	108,751	1,217,485	815,375	49%
Capital grants & contributions and restricted interest	11,339	-	-	-	11,339	-	0%
General Revenues:							
Property taxes	2,553,671	2,558,715	-	-	2,553,671	2,558,715	-0%
Income Surtax	338,880	290,970	-	-	338,880	290,970	16%
Local option sales tax	369,780	364,431	-	-	369,780	364,431	1%
Unrestricted state grants	2,309,153	2,337,725	-	-	2,309,153	2,337,725	-1%
Unrestricted investment earnings	72,183	94,752	247	851	72,430	95,603	24%
Total Revenues	7,627,233	7,450,305	316,647	294,099	7,943,880	7,744,404	3%
Expenses:							
Instruction	3,932,217	3,949,151	-	-	3,932,217	3,949,151	-42%
Support services	2,454,146	2,086,145	-	-	2,454,146	2,086,145	18%
Non-instructional programs	-	-	292,264	275,900	292,264	275,900	6%
Other expenditures	734,411	736,812	-	-	734,411	736,812	-32%
Total expenses	7,120,774	6,772,108	292,264	275,900	7,413,038	7,048,008	5%
Change in net assets before Transfers	506,459	678,197	24,383	18,199	530,842	696,396	-24%
Transfers	-	-	-	-	-	-	0%
CHANGE IN NET ASSETS	506,459	678,197	24,383	18,199	530,842	696,396	-24%
Net assets beginning of year	2,143,276	1,465,079	64,067	45,868	2,207,343	1,510,947	46%
Net assets end of year	<u>2,649,735</u>	<u>2,143,276</u>	<u>88,450</u>	<u>64,067</u>	<u>2,738,185</u>	<u>2,207,343</u>	<u>24%</u>

In fiscal year 2009 property tax and unrestricted state grants account for 61% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 86% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$7,627,233 and expenses were \$7,120,774. The District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services 2009 \$	Total Cost Of Services 2008 \$	Net Cost of Services 2009 \$	Net Cost of Services 2008 \$
Instruction	3,932,217	3,949,151	2,211,245	2,370,363
Support Services	2,454,146	2,086,145	2,427,500	2,073,399
Non-instructional Programs	-	-	-	-
Other Expenses	734,411	736,812	498,463	524,634
TOTAL	7,120,774	6,772,108	5,137,208	4,968,396

- The cost financed by users of the District's programs was \$878,598. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,093,629.
- The net cost of governmental activities was financed with \$3,262,331 in property and other taxes and \$2,309,153 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$316,647 and expenses were \$292,264. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Lake Mills 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 \$1,611,449 well above last year's ending fund balances of \$1,365,568.

Governmental Fund Highlights

- The General Fund balance increased from \$351,057 to \$499,455.
- The District's General Fund financial position is the result of many factors. The increase is from the negotiated salary & benefits settlement and existing expenditures of the district. The District looks at all funding to work hard to remain solvent at year's end.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$64,067 at June 30, 2008 to \$88,450 at June 30, 2009. This fund stays consistently in good fiscal health.

BUDGETARY HIGHLIGHTS

Total District revenues were 103,780 more than budgeted revenues; a variance of 1%.

Total expenditures were less than budgeted. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. Our certified budget should always be higher in actual expenditures for the fiscal year.

In spite of the District's budgetary practice, the certified budget was exceeded, in the support services and other expenditures functions, due to the timing of expenditures at year-end without time to amend the budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$4.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$279,302.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2008-2009
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Land	41,715	6,000	-	-	41,715	6,000	595%
Construction in Progress	20,213	-	-	-	20,213	-	0%
Buildings	4,012,635	4,090,461	-	-	4,012,635	4,090,461	-2%
Improvements	204,344	179,815	-	-	204,344	179,815	14%
Equipment & Furniture	160,019	184,021	20,502	22,395	180,521	206,416	-13%
TOTAL	4,438,926	4,460,297	20,502	22,395	4,459,428	4,482,692	-1%

Long-Term Debt

At June 30, 2009, the District had \$3,658,496 in general obligation and other long-term debt outstanding. This represents an increase of approximately 6% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Outstanding Long-Term Obligations

	<u>Total School District</u>		<u>Percentage</u>
	<u>2009</u>	<u>2008</u>	<u>Change</u>
	\$	\$	2008-2009
General Obligation Bonds	2,630,000	2,825,000	-7%
Revenue Bonds	935,000	1,070,000	-13%
Special Assessment	10,579	15,868	-33%
Termination Benefits	82,917	-	0%
	<u>3,658,496</u>	<u>3,910,868</u>	<u>-6%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- We continue to receive more students from Minnesota through Open Enrollment. Currently we have 80 students enrolling from Minnesota. We expect that number to continue to increase.
- District continues to receive supplemental income on an annual basis from the Worth County Development Authority (WCDA). The money is to be used for specific purposes as outlined by WCDA which are profits from the casino.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Chris Mathahs, Business Manager, Lake Mills Community School, 102 South 4th Avenue East, Lake Mills, IA 50450. Phone Number: 641-592-0881 ext. 2031.

BASIC FINANCIAL STATEMENTS

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	2,433,872	-	2,433,872
Other	1,952,921	77,257	2,030,178
Cash with fiscal agent	277,999	-	277,999
Receivables:			
Property tax:			
Delinquent	41,125	-	41,125
Succeeding year	2,790,998	-	2,790,998
Accounts	13,511	79	13,590
Accrued interest:			
ISCAP	20,470	-	20,470
Due from other governments	407,428	-	407,428
Inventories	-	14,908	14,908
Capital assets, net of accumulated depreciation	4,438,926	20,502	4,459,428
	<u>12,377,250</u>	<u>112,746</u>	<u>12,489,996</u>
Total assets			
Liabilities			
Accounts payable	117,169	-	117,169
Salaries and benefits payable	602,041	19,311	621,352
Accrued interest payable	34,330	-	34,330
Deferred revenue:			
Succeeding year property tax	2,790,998	-	2,790,998
Other	73,715	4,985	78,700
ISCAP warrants payable	2,399,000	-	2,399,000
ISCAP accrued interest payable	14,053	-	14,053
ISCAP premium	37,713	-	37,713
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	205,000	-	205,000
Revenue bonds payable	140,000	-	140,000
Special assessment	5,289	-	5,289
Termination benefits	49,498	-	49,498
Portion due after one year:			
General obligation bonds payable	2,425,000	-	2,425,000
Revenue bonds payable	795,000	-	795,000
Special assessment	5,290	-	5,290
Termination benefits	33,419	-	33,419
	<u>9,727,515</u>	<u>24,296</u>	<u>9,751,811</u>
Total liabilities			

See notes to financial statements.

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	863,347	20,502	883,849
Restricted for:			
Categorical funding	10,242	-	10,242
Management levy	91,718	-	91,718
Physical plant and equipment levy	335,372	-	335,372
Other special revenue purposes	158,996	-	158,996
Sales tax capital projects	279,068	-	279,068
Debt service	263,534	-	263,534
Unrestricted	647,458	67,948	715,406
Total net assets	<u>2,649,735</u>	<u>88,450</u>	<u>2,738,185</u>

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,472,803	655,148	671,570	-
Special	715,387	21,989	110,599	-
Other	744,027	200,504	61,162	-
	<u>3,932,217</u>	<u>877,641</u>	<u>843,331</u>	<u>-</u>
Support services:				
Student	274,906	-	25,689	-
Instructional staff	554,960	-	-	-
Administration	750,791	-	-	-
Operation and maintenance of plant	582,888	957	-	-
Transportation	290,601	-	-	-
	<u>2,454,146</u>	<u>957</u>	<u>25,689</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	132,986	-	-	11,339
Long-term debt interest	154,099	-	53	-
AEA flowthrough	224,556	-	224,556	-
Depreciation (unallocated)*	222,770	-	-	-
	<u>734,411</u>	<u>-</u>	<u>224,609</u>	<u>11,339</u>
Total governmental activities	7,120,774	878,598	1,093,629	11,339
Business type activities:				
Non-instructional programs:				
Food service operations	292,264	192,544	123,856	-
Total	<u>7,413,038</u>	<u>1,071,142</u>	<u>1,217,485</u>	<u>11,339</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Total general revenues				

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(1,146,085)	-	(1,146,085)
(582,799)	-	(582,799)
(482,361)	-	(482,361)
<u>(2,211,245)</u>	<u>-</u>	<u>(2,211,245)</u>
(249,217)	-	(249,217)
(554,960)	-	(554,960)
(750,791)	-	(750,791)
(581,931)	-	(581,931)
(290,601)	-	(290,601)
<u>(2,427,500)</u>	<u>-</u>	<u>(2,427,500)</u>
(121,647)	-	(121,647)
(154,046)	-	(154,046)
-	-	-
(222,770)	-	(222,770)
<u>(498,463)</u>	<u>-</u>	<u>(498,463)</u>
(5,137,208)	-	(5,137,208)
<u>-</u>	<u>24,136</u>	<u>24,136</u>
<u>(5,137,208)</u>	<u>24,136</u>	<u>(5,113,072)</u>
2,263,389	-	2,263,389
214,343	-	214,343
75,939	-	75,939
338,880	-	338,880
369,780	-	369,780
2,309,153	-	2,309,153
72,183	247	72,430
<u>5,643,667</u>	<u>247</u>	<u>5,643,914</u>
506,459	24,383	530,842
2,143,276	64,067	2,207,343
<u>2,649,735</u>	<u>88,450</u>	<u>2,738,185</u>

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2009

Assets	General Fund \$	Nonmajor Governmental Funds \$	Total \$
Cash and pooled investments:			
ISCAP	2,433,872	-	2,433,872
Other	1,167,813	785,108	1,952,921
Cash with fiscal agent	-	277,999	277,999
Receivables:			
Property tax:			
Delinquent	34,315	6,810	41,125
Succeeding year	2,327,624	463,374	2,790,998
Accounts	2,172	11,339	13,511
Accrued interest - ISCAP	20,470	-	20,470
Interfund receivable	-	2,861	2,861
Due from other governments	198,195	209,233	407,428
Total assets	6,184,461	1,756,724	7,941,185
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	69,754	47,415	117,169
Salaries and benefits payable	602,041	-	602,041
Interfund payable	2,861	-	2,861
ISCAP warrants payable	2,399,000	-	2,399,000
ISCAP accrued interest payable	14,053	-	14,053
ISCAP premium	37,713	-	37,713
Deferred revenue:			
Succeeding year property tax	2,327,624	463,374	2,790,998
Income surtax	133,941	133,941	267,882
Other	98,019	-	98,019
Total liabilities	5,685,006	644,730	6,329,736
Fund balances:			
Reserved for:			
Categorical funding	10,242	-	10,242
Debt service	-	297,864	297,864
Unreserved reported in:			
General fund	489,213	-	489,213
Special revenue funds	-	535,062	535,062
Capital projects funds	-	279,068	279,068
Total fund balances	499,455	1,111,994	1,611,449
Total liabilities and fund balances	6,184,461	1,756,724	7,941,185

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2009

	\$
Total fund balances of governmental funds (Exhibit C)	1,611,449
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,438,926
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	292,186
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(34,330)
Long-term liabilities, including bonds payable, special termination benefits, and special assessments, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(3,658,496)</u>
Net assets of governmental activities (Exhibit A)	<u><u>2,649,735</u></u>

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2009

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	2,269,502	966,829	3,236,331
Tuition	589,290	-	589,290
Other	296,788	290,984	587,772
State sources	2,961,396	261	2,961,657
Federal sources	226,313	-	226,313
Total revenues	<u>6,343,289</u>	<u>1,258,074</u>	<u>7,601,363</u>
Expenditures:			
Current:			
Instruction:			
Regular	2,389,886	-	2,389,886
Special	715,387	-	715,387
Other	567,338	175,093	742,431
	<u>3,672,611</u>	<u>175,093</u>	<u>3,847,704</u>
Support services:			
Student	239,130	35,776	274,906
Instructional staff	553,236	1,724	554,960
Administration	750,791	-	750,791
Operation and maintenance of plant	506,872	97,328	604,200
Transportation	247,695	-	247,695
	<u>2,297,724</u>	<u>134,828</u>	<u>2,432,552</u>
Other expenditures:			
Facilities acquisition	-	357,575	357,575
Long-term debt:			
Principal	-	335,289	335,289
Interest and fiscal charges	-	157,806	157,806
AEA flowthrough	224,556	-	224,556
	<u>224,556</u>	<u>850,670</u>	<u>1,075,226</u>
Total expenditures	<u>6,194,891</u>	<u>1,160,591</u>	<u>7,355,482</u>
Excess (deficiency) of revenues over (under) expenditures	<u>148,398</u>	<u>97,483</u>	<u>245,881</u>
Other financing sources (uses):			
Operating transfers in	-	279,883	279,883
Operating transfers out	-	(279,883)	(279,883)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	148,398	97,483	245,881
Fund balances beginning of year	<u>351,057</u>	<u>1,014,511</u>	<u>1,365,568</u>
Fund balances end of year	<u><u>499,455</u></u>	<u><u>1,111,994</u></u>	<u><u>1,611,449</u></u>

See notes to financial statements.

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Year ended June 30, 2009

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		245,881
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Expenditures for capital assets	253,304	
Depreciation expense	<u>(274,675)</u>	(21,371)
Income surtaxes and other receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		
		25,870
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
		335,289
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		
		3,707
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits		<u>(82,917)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>506,459</u></u>

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2009

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Cash and cash equivalents	77,257
Accounts receivable	79
Inventories	14,908
Capital assets, net of accumulated depreciation	<u>20,502</u>
Total assets	<u>112,746</u>
Liabilities	
Salaries and benefits payable	19,311
Deferred revenue	<u>4,985</u>
Total liabilities	<u>24,296</u>
Net assets	
Invested in capital assets	20,502
Unrestricted	<u>67,948</u>
Total net assets	<u><u>88,450</u></u>

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2009

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>192,544</u>
Operating expenses:	
Non-instructional programs:	
Salaries	114,473
Benefits	40,792
Purchased services	2,285
Supplies	129,903
Depreciation	4,627
Other	184
Total operating expenses	<u>292,264</u>
Operating gain (loss)	<u>(99,720)</u>
Non-operating revenues:	
State sources	3,885
Federal sources	119,971
Interest income	247
Total non-operating revenues	<u>124,103</u>
Net income	24,383
Net assets beginning of year	<u>64,067</u>
Net assets end of year	<u><u>88,450</u></u>

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2009

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	192,736
Cash payments to employees for services	(154,454)
Cash payments to suppliers for goods or services	(108,928)
Net cash used by operating activities	<u>(70,646)</u>
Cash flows from non-capital financing activities:	
State grants received	3,885
Federal grants received	91,074
Net cash provided by non-capital financing activities	<u>94,959</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(2,734)</u>
Cash flows from investing activities:	
Interest on investments	<u>247</u>
Net increase (decrease) in cash and cash equivalents	21,826
Cash and cash equivalents at beginning of year	<u>55,431</u>
Cash and cash equivalents at end of year	<u><u>77,257</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(99,720)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	29,027
Depreciation	4,627
Decrease (increase) in inventories	(5,583)
Decrease (increase) in accounts receivable	(22)
(Decrease) increase in salaries and benefits payable	811
(Decrease) increase in deferred revenue	214
Net cash used by operating activities	<u><u>(70,646)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$29,027 of federal commodities.

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2009

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	240,083
Accrued interest receivable	<u>132</u>
Total assets	240,215
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>240,215</u></u>

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2009

	Private Purpose Trust Scholarship <u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	2,000
Investment revenue	<u>8,766</u>
Total additions	10,766
Deductions:	
Support services:	
Scholarships awarded	<u>14,609</u>
Change in net assets	(3,843)
Net assets beginning of year	<u>244,058</u>
Net assets end of year	<u><u>240,215</u></u>

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

1. Summary of Significant Accounting Policies

Lake Mills Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Lake Mills, Iowa and the predominately agricultural territory in a portion of Winnebago and Worth Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Lake Mills 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. The Lake Mills Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

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 fund:

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

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

C. Measurement Focus and Basis of Accounting

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 judgements, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under 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.

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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 became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008, through June 30, 2009, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

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

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 the following thresholds and estimated useful lives in excess of two years.

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-25 years
Furniture and equipment	3-15 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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 represent 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.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or 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 are imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures in the support services and other expenditures functional areas exceeded the amounts budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2009, the District had the following investments:

	<u>Fair Value</u>
	\$
Goldman Sachs Financial Square Treasury Obligations Fund	277,999

Credit risk: The investment in the Goldman Sachs Financial Square Treasury Obligations Fund was rated Aaa by Moody's Investors Service.

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2009 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
Nonmajor Capital Projects Fund	General Fund	2,861

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Governmental: Debt Service	Nonmajor Governmental: Capital Projects	273,362
Debt Service	Physical Plant and Equipment Levy	6,521

These transfers moved revenues from the funds statutorily required to collect the resources to the fund statutorily required to expend the resources.

5. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2009, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2008-09A	6/26/08	6/25/09	-	10,621	-	-
2008-09B	1/21/09	1/21/10	1,046,243	9,677	1,033,000	13,585
2009-10-A	6/25/09	6/23/10	1,387,629	172	1,366,000	468
Total			2,433,872	20,470	2,399,000	14,053

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	-	-	-

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2008-09A	3.500	3.469
2008-09B	3.000	2.110
2009-10-A	2.500	0.902

6. Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	-	20,213	-	20,213
Land	6,000	35,715	-	41,715
Total capital assets not being depr.	6,000	55,928	-	61,928
Capital assets being depreciated:				
Buildings	6,944,775	124,558	-	7,069,333
Improvements other than buildings	338,082	44,915	-	382,997
Furniture and equipment	1,199,772	27,903	-	1,227,675
Total capital assets being deprec.	8,482,629	197,376	-	8,680,005
Less accumulated depreciation for:				
Buildings	2,854,314	202,384	-	3,056,698
Improvements other than buildings	158,267	20,386	-	178,653
Furniture and equipment	1,015,751	51,905	-	1,067,656
Total accumulated depreciation	4,028,332	274,675	-	4,303,007
Total capital assets being depreciated, net	4,454,297	(77,299)	-	4,376,998
Governmental activities capital assets, net	4,460,297	(21,371)	-	4,438,926

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	160,244	2,734	-	162,978
Less accumulated depreciation	137,849	4,627	-	142,476
Business type activities capital assets, net	22,395	(1,893)	-	20,502

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Other instruction	1,596
Support services:	
Operation and maintenance	7,403
Transportation	42,906
Unallocated depreciation	222,770
Total depreciation expense – governmental activities	274,675
Business type activities:	
Food services	4,627

7. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	2,825,000	-	195,000	2,630,000	205,000
Revenue Bonds	1,070,000	-	135,000	935,000	140,000
Special assessment	15,868	-	5,289	10,579	5,289
Termination benefits	-	82,917	-	82,917	49,498
Total	3,910,868	82,917	335,289	3,658,496	399,787

Termination Benefits

The District offered a voluntary early retirement plan for employees in fiscal year 2009. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits are equal to \$1,500 plus 100% of the difference between the salary schedule base and the teacher's position on the current salary schedule.

At June 30, 2009, the District has obligations to four participants with a total liability of \$82,917. There were no early retirement expenditures for the year ended June 30, 2009.

General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Bond Issue of December, 1998</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2010	4.30	185,000	29,975	214,975
2011	4.35	195,000	22,020	217,020
2012	4.35	205,000	13,538	218,538
2013	4.40	105,000	4,620	109,620
		<u>690,000</u>	<u>70,153</u>	<u>760,153</u>

<u>Year Ending June 30,</u>	<u>Bond Issue of March 2006</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2010	4.20	20,000	78,896	98,896
2011	4.10	20,000	78,056	98,056
2012	4.05	20,000	77,236	97,236
2013	4.20	130,000	76,426	206,426
2014	4.20	240,000	70,966	310,966
2015-2019	4.00-4.00	1,050,000	220,030	1,270,030
2020-2021	4.05-4.15	460,000	28,730	488,730
		<u>1,940,000</u>	<u>630,340</u>	<u>2,570,340</u>

Revenue Bonds Payable

Details of the District's June 30, 2009 statewide sales and services tax revenue bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Bond Issue of March 2006</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2010	3.85	140,000	33,303	173,303
2011	3.85	145,000	27,817	172,817
2012	3.85	150,000	22,138	172,138
2013	3.85	160,000	16,170	176,170
2014	3.85	165,000	9,914	174,914
2015	3.85	175,000	3,369	178,369
		<u>935,000</u>	<u>112,711</u>	<u>1,047,711</u>

The District has pledged future statewide sales and services tax revenues to repay the \$1,200,000 bonds issued in March 2006. The bonds were issued for the purpose of financing a portion of the costs of a school addition and school renovations. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2015. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 50 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$1,047,711. For the current year, \$135,000

of principal and \$38,597 of interest were paid on the bonds and total statewide sales and services tax revenues were \$369,780.

The resolution providing for the issuance of the local option sales and services revenue bonds include the following provisions:

- \$120,000 of the proceeds from the bond issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the Capital Projects Fund.
- Proceeds from the statewide sales and services tax shall be placed in a revenue account. The District will make monthly transfers from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund at the end of a quarter may be used for any lawful purpose for which the statewide sales tax may be used or may be used to redeem the bonds in accordance with their terms. The sinking fund is part of the Capital Projects Fund.

Special Assessment Payable

Details of the District’s June 30, 2009 special assessment liability for a year 2000 street improvement is as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	%	\$	\$	\$
2010	7.5	5,289	821	6,110
2011	7.5	<u>5,290</u>	<u>410</u>	<u>5,700</u>
		<u>10,579</u>	<u>1,231</u>	<u>11,810</u>

8. Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$188,590, \$212,076 and \$198,608 respectively, equal to the required contributions for each year.

9. Risk Management

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

10. 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 \$224,556 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Lease Commitment

The District entered into a five year contract to lease copiers in fiscal year 2007. The payments the District will make over the next three years are as follows:

<u>Year Ended June 30</u>	<u>Lease Payment</u>
2010	\$ 24,060
2011	24,060
2012	22,055

REQUIRED SUPPLEMENTARY INFORMATION

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
				\$	\$	
Revenues						
Local sources	4,413,393	192,791	4,606,184	4,623,543	4,623,543	(17,359)
State sources	2,961,657	3,885	2,965,542	2,952,687	2,952,687	12,855
Federal sources	226,313	119,971	346,284	238,000	238,000	108,284
Total revenues	<u>7,601,363</u>	<u>316,647</u>	<u>7,918,010</u>	<u>7,814,230</u>	<u>7,814,230</u>	<u>103,780</u>
Expenditures/Expenses:						
Instruction	3,847,704	-	3,847,704	4,010,000	4,010,000	162,296
Support services	2,432,552	-	2,432,552	2,387,908	2,387,908	(44,644)
Non-instructional programs	-	292,264	292,264	346,658	346,658	54,394
Other expenditures	1,075,226	-	1,075,226	1,021,217	1,021,217	(54,009)
Total expenditures/expenses	<u>7,355,482</u>	<u>292,264</u>	<u>7,647,746</u>	<u>7,765,783</u>	<u>7,765,783</u>	<u>118,037</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	245,881	24,383	270,264	48,447	48,447	221,817
Balance beginning of year	<u>1,365,568</u>	<u>64,067</u>	<u>1,429,635</u>	<u>1,801,541</u>	<u>1,801,541</u>	<u>(371,906)</u>
Balance end of year	<u><u>1,611,449</u></u>	<u><u>88,450</u></u>	<u><u>1,699,899</u></u>	<u><u>1,849,988</u></u>	<u><u>1,849,988</u></u>	<u><u>(150,089)</u></u>

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not amend the budget.

During the year ended June 30, 2009, expenditures in the support services and other expenditures functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2009

Assets	Special Revenue Funds				Capital Projects Fund	Debt Service	Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	District Support Trust Funds	Sales Tax		
	\$	\$	\$	\$	\$	\$	\$
Cash and pooled investments	172,193	120,324	230,329	44,707	200,915	16,640	785,108
Cash with fiscal agent	-	-	-	-	277,999	-	277,999
Receivables:							
Property tax:							
Delinquent	2,442	-	1,143	-	-	3,225	6,810
Succeeding year	150,000	-	98,979	-	-	214,395	463,374
Accounts	-	-	11,339	-	-	-	11,339
Interfund receivable	-	-	-	-	2,861	-	2,861
Due from other governments	-	-	133,941	-	75,292	-	209,233
Total assets	324,635	120,324	475,731	44,707	557,067	234,260	1,756,724
Liabilities & Fund Balances							
Liabilities:							
Accounts payable	-	3,458	41,380	2,577	-	-	47,415
Interfund payables	-	-	-	-	-	-	-
Deferred revenue:							
Succeeding year property tax	150,000	-	98,979	-	-	214,395	463,374
Income surtax	-	-	133,941	-	-	-	133,941
Total liabilities	<u>150,000</u>	<u>3,458</u>	<u>274,300</u>	<u>2,577</u>	<u>-</u>	<u>214,395</u>	<u>644,730</u>
Fund balances:							
Reserved for debt service	-	-	-	-	277,999	19,865	297,864
Unreserved reported in:							
Special revenue funds	174,635	116,866	201,431	42,130	-	-	535,062
Capital projects funds	-	-	-	-	279,068	-	279,068
Total fund balances	<u>174,635</u>	<u>116,866</u>	<u>201,431</u>	<u>42,130</u>	<u>557,067</u>	<u>19,865</u>	<u>1,111,994</u>
Total liabilities and fund balances	324,635	120,324	475,731	44,707	557,067	234,260	1,756,724

See accompanying independent auditor's report.

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2009

	Special Revenue Funds				Capital Projects Fund	Debt Service	Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	District Support Trust Funds	Sales Tax		
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Local tax	150,327	-	232,379	-	369,780	214,343	966,829
Other	177	192,379	12,065	78,758	7,552	53	290,984
State sources	93	-	44	-	-	124	261
Total revenues	<u>150,597</u>	<u>192,379</u>	<u>244,488</u>	<u>78,758</u>	<u>377,332</u>	<u>214,520</u>	<u>1,258,074</u>
Expenditures:							
Current:							
Instruction:							
Other	-	175,093	-	-	-	-	175,093
Support services:							
Student	-	-	-	35,776	-	-	35,776
Instructional staff	-	-	-	-	1,724	-	1,724
Operation and maintenance of plant	97,328	-	-	-	-	-	97,328
Other expenditures:							
Facilities acquisition	-	-	291,271	-	66,304	-	357,575
Long-term debt:							
Principal	-	-	-	-	-	335,289	335,289
Interest and fiscal charges	-	-	-	-	-	157,806	157,806
Total expenditures	<u>97,328</u>	<u>175,093</u>	<u>291,271</u>	<u>35,776</u>	<u>68,028</u>	<u>493,095</u>	<u>1,160,591</u>
Excess (deficiency) of revenues over (under) expenditures	<u>53,269</u>	<u>17,286</u>	<u>(46,783)</u>	<u>42,982</u>	<u>309,304</u>	<u>(278,575)</u>	<u>97,483</u>
Other financing sources (uses):							
Operating transfers in	-	-	-	-	-	279,883	279,883
Operating transfers out	-	-	(6,521)	-	(273,362)	-	(279,883)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(6,521)</u>	<u>-</u>	<u>(273,362)</u>	<u>279,883</u>	<u>-</u>
Net changes in fund balances	53,269	17,286	(53,304)	42,982	35,942	1,308	97,483
Fund balances beginning of year	<u>121,366</u>	<u>99,580</u>	<u>254,735</u>	<u>(852)</u>	<u>521,125</u>	<u>18,557</u>	<u>1,014,511</u>
Fund balances end of year	<u>174,635</u>	<u>116,866</u>	<u>201,431</u>	<u>42,130</u>	<u>557,067</u>	<u>19,865</u>	<u>1,111,994</u>

See accompanying independent auditor's report.

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Boys basketball	(3,400)	459	2,880	-	(5,821)
Football	(6,422)	-	9,031	-	(15,453)
Wrestling	(7,719)	2,279	4,636	-	(10,076)
Baseball	(6,323)	-	2,983	-	(9,306)
Boys golf	(321)	-	310	-	(631)
Boys track	(5,466)	2,160	2,044	-	(5,350)
Girls basketball	(2,572)	-	3,486	-	(6,058)
Girls golf	(354)	-	305	-	(659)
Girls track	(3,194)	1,930	2,081	-	(3,345)
Volleyball	(3,196)	240	3,874	-	(6,830)
Softball	(8,145)	124	4,077	-	(12,098)
Athletics	43,477	86,343	50,139	-	79,681
Cross country	(1,504)	-	521	-	(2,025)
Bulldog store	4,658	2,091	1,819	-	4,930
Varsity cheerleaders	-	1,185	1,655	-	(470)
FFA	3,518	30,261	32,931	269	1,117
FCCLA	317	3,125	3,435	(552)	(545)
Speech club	2,471	3,014	4,337	-	1,148
Science club	346	740	607	-	479
Student council	341	2,409	2,105	-	645
Flag & rifle team	1,162	517	485	-	1,194
Concessions	-	16,575	9,854	(6,721)	-
MS student council	671	680	250	-	1,101
MS speech	71	630	-	-	701
Grade 7 quest	7,231	13,371	10,563	-	10,039
Grade 8-1 quest	-	207	-	-	207
Class of 2009	3,765	1,467	1,653	(3,579)	-
Class of 2010	-	1,244	2,731	6,514	5,027
Band fundraising	18,738	6,229	3,965	-	21,002
Band	15,982	1,396	84	-	17,294
Pops concert fund	7,745	3,473	2,450	-	8,768
Musical/school play	4,625	-	31	-	4,594
Jazz band	1,202	174	29	-	1,347
High school annual	11,438	7,533	10,417	-	8,554
Activity fund projects	22,215	2,063	1,140	4,069	27,207
Interest	3,496	460	-	-	3,956
Beginning accruals	(5,273)	-	(5,273)	-	-
Ending accruals	-	-	3,458	-	(3,458)
Total	99,580	192,379	175,093	-	116,866

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	3,236,331	3,192,046	3,086,085	2,830,933	2,747,426	2,625,919
Tuition	589,290	563,534	525,921	480,957	455,967	392,806
Other	587,772	628,369	479,492	543,506	380,958	296,232
Intermediate sources	-	-	-	-	-	5,799
State sources	2,961,657	2,922,728	2,884,346	2,712,489	2,646,415	2,672,575
Federal sources	226,313	97,124	114,999	127,528	120,929	113,951
Total revenues	<u>7,601,363</u>	<u>7,403,801</u>	<u>7,090,843</u>	<u>6,695,413</u>	<u>6,351,695</u>	<u>6,107,282</u>
Expenditures:						
Instruction:						
Regular	2,389,886	2,447,555	2,385,709	2,374,277	2,276,667	2,158,582
Special	715,387	751,780	689,303	720,367	830,145	826,940
Other	742,431	768,307	667,442	604,643	653,122	620,634
Support services:						
Student	274,906	151,390	135,592	226,607	166,909	266,257
Instructional staff	554,960	420,060	402,589	464,825	267,626	283,036
Administration	750,791	641,917	666,152	567,807	588,278	624,184
Operation and maintenance	604,200	640,498	579,160	526,950	386,148	480,169
Transportation	247,695	258,566	245,947	274,901	240,431	282,799
Central support	-	-	-	-	-	1,786
Non-instructional programs	-	-	-	32,369	-	3,391
Other expenditures:						
Facilities acquisition	357,575	504,967	3,248,819	451,646	224,361	129,564
Long-term debt:						
Principal	335,289	325,289	170,289	155,000	150,289	140,000
Interest and other charges	157,806	171,868	188,038	57,880	66,720	69,365
AEA flowthrough	224,556	212,115	209,111	201,214	199,545	204,823
Total expenditures	<u>7,355,482</u>	<u>7,294,312</u>	<u>9,588,151</u>	<u>6,658,486</u>	<u>6,050,241</u>	<u>6,091,530</u>

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Lake Mills Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lake Mills Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 9, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lake Mills 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 our opinion on the effectiveness of Lake Mills Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lake Mills 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 other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Lake Mills 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 Lake Mills Community School District's financial statements that is more than inconsequential will not be prevented or detected by Lake Mills Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses 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 Lake Mills Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 09-I-A, 09-I-B, 09-I-C, 09-I-D and 09-I-E are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lake Mills Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters 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 II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 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.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Lake Mills Community School District and other parties to whom Lake Mills 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 Lake Mills Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

April 9, 2010

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

09-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks, and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

09-I-B Financial Reporting: During the audit, we identified material amounts of federal revenues that were misclassified as state revenues. Also, reimbursement of income surtax revenues from the General Fund to the PPEL Fund was posted as a General Fund expense, when it should have reduced the General Fund income account that was overstated. Adjustments were subsequently made by the District to correct these amounts in the financial statements.

Recommendation: The District should review the chart of accounts required by the Iowa Department of Revenue to ensure that the correct account numbers are being used for all revenues. Also, the reimbursement of the PPEL Fund's share of income surtax money should not be recorded as an expense in the General Fund.

District Response: We will review the required chart of accounts for the correct revenue account numbers and we will stop posting the income surtax reimbursement to the PPEL Fund as an expense in the General Fund.

Conclusion: Response accepted.

09-I-C Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The stamp is under the care, custody, and control of the Administrative office. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The Board may designate a person other than the Board President to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

District Response: We will discuss methods to limit access to the signature stamp.

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements (continued):

Conclusion: Response accepted.

09-I-D Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

09-I-E School Expenditure Supporting Documentation and Board Approval: During our testing of General Fund expenditures we noted three credit card payments totaling \$4,528 and a \$2,653 employee travel reimbursement that did not have supporting documentation.

Recommendation: All District payments should be supported by detailed invoices, receipts, contracts or other documents prepared by or signed by entities outside of the District. These documents should specify exactly what the District is paying for and the amount to be paid.

District Response: We will obtain supporting documentation for all District expenditures.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

09-II-A Certified Budget: Expenditures for the year ended June 30, 2009, exceeded the amounts budgeted in the support services and other expenditures functional areas.

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

District Response: We will amend our budget before expenditures exceed the budget in the future.

Conclusion: Response accepted.

09-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

09-II-C Travel Expenses: 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.

09-II-D Business Transactions: We noted no transactions between the District and District officials or employees.

09-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.

09-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted. We did note that the school board held one closed meeting during the year, but the specific exemption under Chapter 21.5 of the Code of Iowa was not included in the minutes. We also noted that the names of the board president and secretary were typed at the end of the minutes.

Recommendation: The Code of Iowa requires, that before entering into a closed session, that the specific code section that allows the closed session be cited at the meeting and be noted in the minutes.

To verify the authenticity of the minutes the board president and board secretary should sign the board approved minutes.

District Response: We will change our procedures regarding these two items.

Conclusion: Response accepted.

09-II-G Certified Enrollment: The calculations for supplemental weighting on line 12 of the 2008 certified enrollment form included open enrollment in students. Only resident students may be counted for supplemental weighting.

Recommendation: The District should review its procedures for compiling the lists of students that are used to calculate supplemental weighting.

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part II: Other Findings Related to Required Statutory Reporting (continued):

District Response: We will review our procedures.

Conclusion: Response accepted.

09-II-H Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

09-II-I Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.

09-II-J Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

According to proposed administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting." We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, then were reclassified as categorical spending at the end of the year.

Recommendation: All categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

Response: We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure .

09-II-K Statewide Sales and Services Tax: No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$	\$	-
Statewide sales and services tax revenue			369,780
Expenditures/transfers out:			
School infrastructure:			
Buildings and building improvements	66,304		
Equipment	1,724		
Debt service for school infrastructure:			
General obligation debt	99,765		
Revenue debt	173,597		
		<u>341,390</u>	
Ending balance			<u>28,390</u>

LAKE MILLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part II: Other Findings Related to Required Statutory Reporting (continued):

09-II-L Financial Condition: The Student Activity Fund has a few accounts with deficit balances at June 30, 2009.

Recommendation: The District should continue to monitor these accounts and investigate alternatives to eliminate these deficits.

District Response: We are working on ways to eliminate these deficits.

Conclusion: Response accepted.

09-II-M Interest Rate on Certificates of Deposit: We noted one private purpose trust fund certificate of deposit that had an interest rate below the minimum rate set by the State of Iowa.

Recommendation: The District should contact the bank to get the rate adjusted.

District Response: We have already done this.

Conclusion: Response accepted.

09-II-N Interfund loans: On June 16, 2008 the Iowa Department of Education issued a Declaratory Order covering interfund loans. The Order states that all loans between funds must be approved by the board of directors, interest must be paid on the interfund loan and the loan must be repaid before the October 1, after each year-end.

We noted that the General Fund owes the Capital Projects Fund \$2,861. This interfund loan has been in place for several years.

Recommendation: The District should have the General Fund repay the loan immediately.

District Response: We will make the repayment.

Conclusion: Response accepted.