

LAMONI COMMUNITY SCHOOL DISTRICT  
LAMONI, IOWA

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

JUNE 30, 2009

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LAMONI COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2008 Election)		
William Morain	President	2008
Michelle Dickey-Kotz	Vice President	2011
Mike Quick	Board Member	2009
Mike Ranney	Board Member (Resigned Oct. 8, 2007)	
Dale Killpack	Board Member (Appointed Oct. 8, 2007)	2008
Dennis McElroy	Board Member	2011

<u>Board of Education</u>		
(After September 2008 Election)		
Mike Quick	President	2009
Michelle Dickey-Kotz	Vice President	2011
Dale Killpack	Board Member	2009
Dennis McElroy	Board Member	2011
Larry Heltenberg	Board Member	2011

<u>School Officials</u>		
Diane Fine	Superintendent	2011
Ev Trowbridge	District Secretary/Treasurer	2009
Ahlers & Cooney, P.C.	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Lamoni Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lamoni Community School District, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of the District's officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lamoni Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 2009 on our consideration of Lamoni Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Information on pages 6 through 16 and 52 through 53 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lamoni Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four 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.

Oskaloosa, Iowa  
September 17, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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This section of the Lamoni Community School District's comprehensive annual financial report presents management's discussion and analysis of the District's financial performance for the year ending June 30, 2009. Please read it in conjunction with the district's financial statements.

### Financial Highlights

- District-wide revenues decreased from \$4,646,004 in fiscal 2008 to \$4,481,585 in fiscal 2009 (a 3.54% decrease). Revenues included \$1,487,490 in local tax, charges for services of \$354,816, operating grants, contributions and restricted interest of \$929,708, capital grants and contributions of \$89,435, unrestricted interest of \$20,650, and other general revenues of \$1,599,486.
- District-wide expenses decreased from \$4,295,646 in fiscal 2008 to \$4,166,993 in fiscal 2009 (a 2.99% decrease). Expenses included \$2,446,670 for instructional services, \$383,228 for administration services, and \$346,131 for operation and maintenance of plant services.
- The general fund balance at the beginning of the 2009 school year was \$654,857 as compared to a general fund balance at the end of the 2009 school year of \$721,969. This represents a net change of +\$67,112. This was good since we had a \$30,344 or 1.5% across-the-board budget cut this year.
- The total governmental fund balance at the beginning of the 2009 school year was \$1,474,146 as compared to \$1,605,316 at the end of the 2009 school year. This represents a net change of +\$131,170.
- The district's building project is near completion. The district was given the Hough property (west of the high school) to make as a parking lot. We did have some expenses from the construction project that were coded to this since we had planned more parking in the building project. We leveled the property and got it ready for the parking area. Not all of the sidewalks and landscaping are completed at this time.
- The district received \$194,592 from the School Infrastructure Local Option Sales Tax from Decatur and Ringgold counties compared to \$197,157 Statewide Sales and Service Tax compared to the previous year. This is a decrease of \$2,565.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

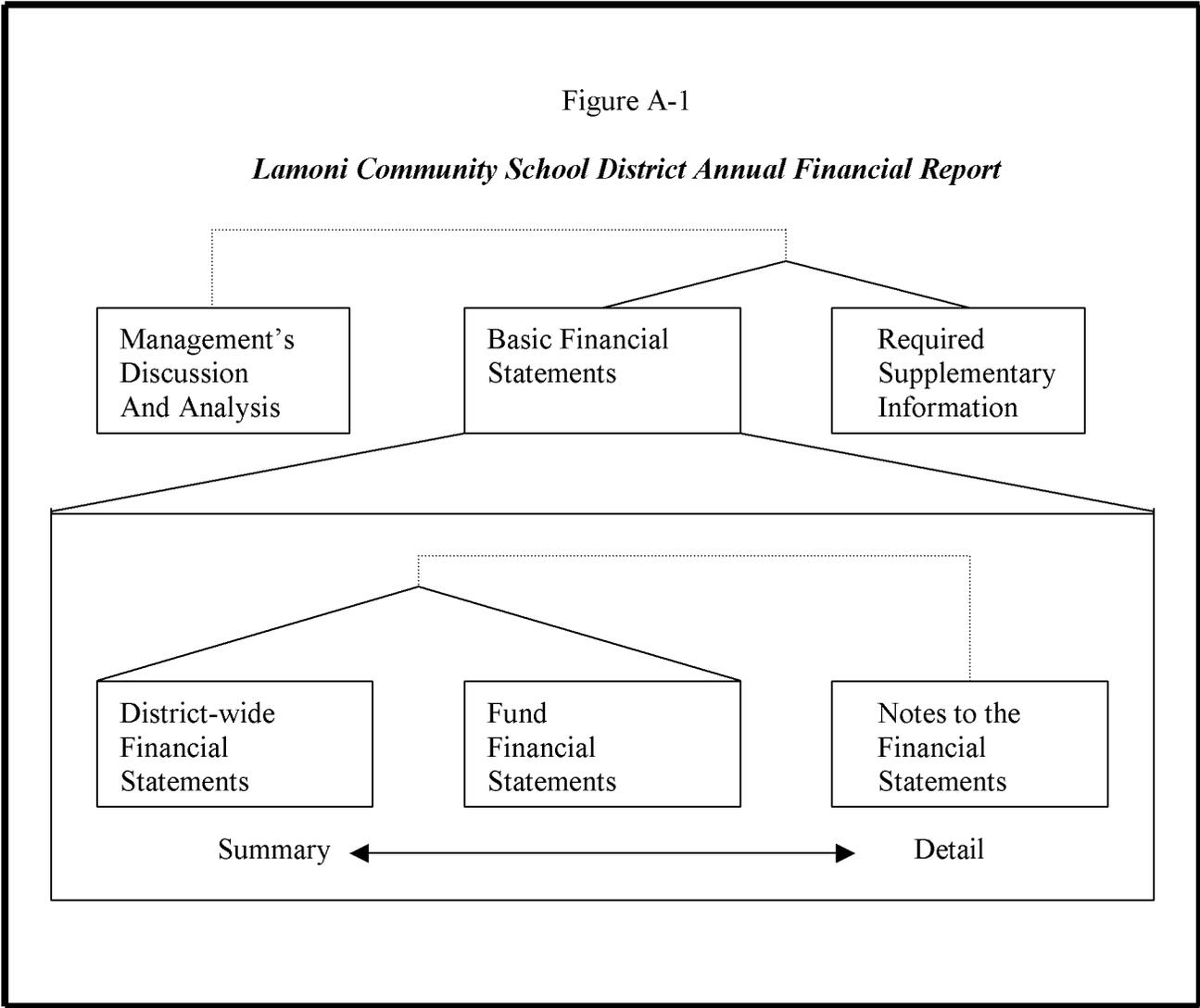


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents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

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

## District-wide Statements

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

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

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

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

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

## Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

**The School District as a Whole**

**Net assets.** A comparison of the District's combined net assets for 2008 and 2009 follows:

Figure A-3  
**Statement of Net Assets**

	Governmental Activities		Business-Type Activities		Total School District	
	2009	2008	2009	2008	2009	2008
<b>Assets:</b>						
Current and other Assets	\$3,491,598	\$2,894,214	\$109,308	\$71,549	\$3,600,906	\$2,965,763
Capital assets	<u>6,897,996</u>	<u>6,988,079</u>	<u>19,379</u>	<u>7,187</u>	<u>6,917,375</u>	<u>6,995,266</u>
Total assets	10,389,594	9,882,293	128,687	78,736	10,518,281	9,961,029
Long-term obligations	3,445,000	3,675,000	0	0	3,445,000	3,675,000
Other obligations	<u>1,814,378</u>	<u>1,342,117</u>	<u>6,442</u>	<u>6,043</u>	<u>1,820,820</u>	<u>1,348,160</u>
Total liabilities	5,259,378	5,017,117	6,442	6,043	5,265,820	5,023,160
<b>Net assets</b>						
Invested in capital assets net of related debt	3,452,996	3,793,433	19,379	7,187	3,472,375	3,800,620
Restricted	870,372	323,353			870,372	323,353
Unrestricted	<u>806,848</u>	<u>748,390</u>	<u>102,866</u>	<u>65,506</u>	<u>909,714</u>	<u>813,896</u>
Total net assets	<u>\$5,130,216</u>	<u>\$4,865,176</u>	<u>\$122,245</u>	<u>\$72,693</u>	<u>\$5,252,461</u>	<u>\$ 4,937,869</u>

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

Change in net assets – Figure A-4 shows a comparison of the changes in net assets for two years ending June 30, 2009.

**Figure A-4**

**Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total School District	
	2009	2008	2009	2008	2009	2008
<b>Revenues:</b>						
Program revenues:						
Charges for service & sales	\$ 246,532	\$ 341,738	\$ 108,284	\$ 71,012	\$ 354,816	\$ 412,750
Operating grants, contributions, and restricted interest	820,574	890,562	109,134	98,500	929,708	989,062
Capital grants, contributions and restricted interest	84,987	164,295	4,448	0	89,435	164,295
General revenues:						
Property tax	853,671	776,817	0	0	853,671	776,817
<b>Debt Service</b>	240,094	239,017	0	0	240,094	239,017
PPEL	88,381	86,351	0	0	88,381	86,351
Local Option/ State						
Sales tax	194,592	197,157	0	0	194,592	197,157
Income Surtax	110,752	106,870	0	0	110,752	106,870
Unrestricted state grants	1,565,100	1,573,596	0	0	1,565,100	1,573,596
Unrestricted interest earnings	19,566	73,492	1,084	1,312	20,650	74,804
Other	34,386	25,285	0	0	34,386	25,285
<b>Total revenues</b>	<b>\$4,258,635</b>	<b>\$ 4,475,180</b>	<b>\$ 222,950</b>	<b>\$170,824</b>	<b>\$4,481,585</b>	<b>\$4,646,004</b>
<b>Program expenses:</b>						
Governmental activities:						
Instruction	\$2,446,670	\$2,565,960	0	0	\$2,446,670	\$2,565,960
Support Services	1,028,674	1,040,615	0	0	1,028,674	1,040,615
Non-instructional programs	0	0	173,398	147,106	173,398	147,106
Other expenses	518,251	541,965	0	0	518,251	541,965
	<u>\$3,993,595</u>	<u>\$4,148,540</u>	<u>\$ 173,398</u>	<u>\$147,106</u>	<u>\$4,166,993</u>	<u>\$4,295,646</u>
<b>Change in net assets</b>	<b>\$ 265,040</b>	<b>\$ 326,640</b>	<b>\$ 49,552</b>	<b>\$ 23,718</b>	<b>\$ 314,592</b>	<b>\$ 350,358</b>

The major sources of 2009 revenues for the District were property tax and unrestricted state grants, accounting for 53.97% of the 2009 revenues. Other revenue sources were charges for sales and services, 7.92%; operating grants, contributions, and restricted interest 20.75%; capital grants and contributions, 2.00%; sales and services tax, income surtax, interest and other sources, 15.36%.

The District's expenses primarily relate to instruction and support services, which accounted for 83.4% of the total expenses this year. The increase in the business-type activities can partially be accounted for by a Dekko grant of \$25,000 that was given to start up Heartland Bakery and the revenue and expenses that occurred because of this business venture.

**Governmental Activities**

Governmental activities revenues for 2009 were \$4,258,635 and expenses were \$3,993,595, resulting in a net asset increase of \$265,040.

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

**Figure A-5**

Total and Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Instruction	\$2,446,670	\$2,565,960	\$1,543,775	\$1,525,424
Support Services	1,028,674	1,040,615	990,233	970,461
Non-instructional programs	0	0	0	0
Other expenses	<u>518,251</u>	<u>541,965</u>	<u>307,494</u>	<u>256,060</u>
Totals	\$3,993,595	\$4,148,540	\$2,841,502	\$2,751,945

The cost financed by users of the District’s programs was \$246,532 in 2009 compared to \$341,738 in 2008.

- Federal and state governments subsidized certain programs with operating grants and contributions totaling \$820,574 in 2009 compared to \$890,562 in 2008.
- The federal government and local contributors subsidized the building construction with \$84,987 in capital grants and contributions.
- The net cost of governmental activities was financed with \$1,182,146 in property tax, \$1,565,100 in unrestricted state funds, \$110,752 in income surtax, \$194,592 in statewide sales and services tax, \$19,566 interest income and \$34,386 in other general revenues.

**Business-Type Activities**

Revenues of the District’s business-type activities were \$222,950 and expenses were \$173,398. The District’s business-type activities include the School Nutrition Fund and Heartland Bakery. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

**Financial Analysis of the District’s Funds**

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District ended 2009, its governmental funds reported combined fund balances of \$1,605,316 compared to \$1,474,146 for 2008. This is an increase of \$131,170.

### **Governmental Fund Highlights**

The District's General Fund balance increased by \$67,112 to \$721,969. The Debt Service Fund increased by \$870.00 to \$45,875. The Capital Projects Fund increased from \$480,354 to \$540,927, which was the result of spending down the bond proceeds received in the prior year.

### **Proprietary Fund Highlights**

The District did well in increasing the School Nutrition fund. The net assets increased \$49,552 for 2009, to \$122,245. This was due to an increase in meal prices and an increase in federal funding. Heartland Bakery was started up by a \$25,000 Dekko grant. This enterprise also made money.

### **Budgetary Highlights**

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

### **Legal Budgetary Highlights**

The District's total actual revenues were \$13,522 more than the total projected certified budget receipts, a variance of .3%. This increase was attributed to higher than anticipated revenues in local, intermediate, and federal funding sources.

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

## **Capital Asset and Debt Administration**

### **Capital Assets**

The year end balance of the District's capital assets was \$6,917,375, net of accumulated depreciation of \$1,739,513, in a broad range of governmental capital assets, including land, buildings and building improvements, ground improvements, vehicles, and furniture. Governmental funds account for \$6,897,996 with the remainder of \$19,379 in the business-type activities, which are the same as the Proprietary, School Nutrition Fund. More detailed information is available in note 5 to the financial statements.

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**Figure A-6**

	Capital Assets, net of Depreciation		
	Governmental Activities	Business-type Activities	Total School District
Land	\$ 44,500	\$ 0	\$ 44,500
Construction in progress	0	0	0
Buildings	6,781,431	0	6,781,431
Improvements, other than buildings	29,127	0	29,127
Furniture and equipment	<u>42,938</u>	<u>19,379</u>	<u>62,317</u>
Total	<u>\$6,897,996</u>	<u>\$19,379</u>	<u>\$6,917,375</u>

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### **Long-Term Liabilities**

At June 30, 2009, the District had long-term liabilities totaling \$3,445,000 of which \$2,815,000 is for general obligation bonds and \$405,000 for revenue bonds, and \$225,000 notes payable. More detailed information is available in Note 6 to the financial statements.

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

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

- The District did incur some added cost to our building project because of the delay of demolition of Herald Hall. The district is still working on preparing the booklet as part of our agreement to be able to tear down Herald Hall. Not all of the outside work has been completed in the area of sidewalks on the south side of the building.
- The District had a negative special education balance at the close of 2009. The District's negative balance is due to increased special education costs for out-of-district tuition, transportation, and an increased need for one-on-one teacher associates for high needs students. The District funds this negative balance with general fund sources. This again exerts pressure on funding available for future programs.

- The District needs to be proud of the fact that we had an increase of \$67,112 in the general fund balance. Our declining enrollment will bring many challenges to the district and it is imperative that the ending fund balance is watched closely. It is even more imperative that this fund balance is watched when we have budget cuts of 1.5% or \$30,344. We also received stimulus money during this fiscal year. We received \$28,421 in state aid, \$10,241 in Part B funds, and \$8,014 in Title I money. In May, after we settled salaries, the district was notified of the elimination of Phase I monies for 2009-10. This amounted to \$31,319, which will need to come out of our general fund balance or stimulus money. If it were not for the stimulus money there would have been more budget cuts for the fiscal year 2009.

### **Contacting the District's Financial Management**

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

## Basic Financial Statements

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
June 30, 2009

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,753,890	\$ 100,731	\$ 1,854,621
Receivables:			
Property tax:			
Current year	30,141	-	30,141
Succeeding year	1,230,070	-	1,230,070
Income surtax	101,855	-	101,855
Due from other governments	124,700	4,538	129,238
Inventories	-	4,039	4,039
Restricted ISCAP assets (note 4):			
Investments	250,911	-	250,911
Accrued interest receivable	31	-	31
Capital assets, net of accumulated depreciation (note 5)	6,897,996	19,379	6,917,375
<b>Total assets</b>	<b>10,389,594</b>	<b>128,687</b>	<b>10,518,281</b>
<b>Liabilities</b>			
Accounts payable	20,578	1	20,579
Salaries and benefits payable	273,290	4,436	277,726
Accrued interest payable	29,951	-	29,951
ISCAP warrants payable (note 4)	247,000	-	247,000
ISCAP accrued interest payable (note 4)	85	-	85
ISCAP unamortized premium (note 4)	4,781	-	4,781
Deferred revenue:			
Succeeding year property tax	1,230,070	-	1,230,070
Other	8,623	2,005	10,628
Long-term liabilities (note 6):			
Portion due within one year:			
Bonds payable	190,000	-	190,000
Notes payable	55,000	-	55,000
Portion due after one year:			
Bonds payable	3,030,000	-	3,030,000
Notes payable	170,000	-	170,000
<b>Total liabilities</b>	<b>5,259,378</b>	<b>6,442</b>	<b>5,265,820</b>

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
June 30, 2009

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 3,452,996	\$ 19,379	\$ 3,472,375
Restricted for:			
Management levy	23,332	-	23,332
Physical plant and equipment levy	236,591	-	236,591
Other special revenue purposes	53,598	-	53,598
Debt service	15,924	-	15,924
Capital projects	540,927	-	540,927
Unrestricted	<u>806,848</u>	<u>102,866</u>	<u>909,714</u>
Total net assets	<u>\$ 5,130,216</u>	<u>\$ 122,245</u>	<u>\$ 5,252,461</u>

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 1,625,206	\$ 88,599	\$ 380,464	\$ -
Special instruction	469,174	27,940	312,316	-
Other instruction	352,290	91,552	2,024	-
	<u>2,446,670</u>	<u>208,091</u>	<u>694,804</u>	<u>-</u>
Support services:				
Student services	111,482	24,587	-	-
Instructional staff services	12,619	-	-	-
Administration services	383,228	-	-	-
Operation and maintenance of plant services	346,131	-	-	-
Transportation services	175,214	13,854	-	-
	<u>1,028,674</u>	<u>38,441</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	71,977	-	-	84,987
Long-term debt interest and fiscal charges	157,408	-	-	-
AEA flowthrough	125,770	-	125,770	-
Depreciation (unallocated) *	163,096	-	-	-
	<u>518,251</u>	<u>-</u>	<u>125,770</u>	<u>84,987</u>
Total governmental activities	<u>3,993,595</u>	<u>246,532</u>	<u>820,574</u>	<u>84,987</u>
Business-Type Activities:				
Non-instructional programs:				
Food service operations	155,889	77,189	109,134	4,448
Other enterprise operations	17,509	31,095	-	-
	<u>173,398</u>	<u>108,284</u>	<u>109,134</u>	<u>4,448</u>
Total	<u>\$ 4,166,993</u>	<u>\$ 354,816</u>	<u>\$ 929,708</u>	<u>\$ 89,435</u>

Net (Expense) Revenue  
and Changes in Net Assets

---

Governmental Activities	Business-Type Activities	Total
\$ (1,156,143)	\$ -	\$ (1,156,143)
(128,918)	-	(128,918)
(258,714)	-	(258,714)
(1,543,775)	-	(1,543,775)
(86,895)	-	(86,895)
(12,619)	-	(12,619)
(383,228)	-	(383,228)
(346,131)	-	(346,131)
(161,360)	-	(161,360)
(990,233)	-	(990,233)
13,010	-	13,010
(157,408)	-	(157,408)
-	-	0
(163,096)	-	(163,096)
(307,494)	-	(307,494)
(2,841,502)	-	(2,841,502)
-	34,882	34,882
-	13,586	13,586
-	48,468	48,468
(2,841,502)	48,468	(2,793,034)

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2009

Functions/Programs

---

General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Income surtax

Statewide sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

---

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$	853,671	\$ -	\$ 853,671
	240,094	-	240,094
	88,381	-	88,381
	110,752	-	110,752
	194,592	-	194,592
	1,565,100	-	1,565,100
	19,566	1,084	20,650
	34,386	-	34,386
	<hr/> 3,106,542	1,084	<hr/> 3,107,626
	265,040	49,552	314,592
	<hr/> 4,865,176	72,693	<hr/> 4,937,869
\$	<u><u>5,130,216</u></u>	<u><u>\$ 122,245</u></u>	<u><u>\$ 5,252,461</u></u>

LAMONI COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and pooled investments	\$ 951,456	\$ 39,799	\$ 468,860	\$ 293,775	\$ 1,753,890
Receivables:					
Property tax:					
Current year	21,295	6,076	-	2,770	30,141
Succeeding year	832,674	238,928	-	158,468	1,230,070
Income surtax	84,879	-	-	16,976	101,855
Due from other governments	52,633	-	72,067	-	124,700
Restricted ISCAP assets (note 4):					
Investments	250,911	-	-	-	250,911
Accrued interest receivable	31	-	-	-	31
 Total assets	 <u>\$ 2,193,879</u>	 <u>\$ 284,803</u>	 <u>\$ 540,927</u>	 <u>\$ 471,989</u>	 <u>\$ 3,491,598</u>

LAMONI COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 20,578	\$ -	\$ -	\$ -	\$ 20,578
Salaries and benefits payable	273,290	-	-	-	273,290
ISCAP warrants payable (note 4)	247,000	-	-	-	247,000
ISCAP accrued interest payable (note 4)	85	-	-	-	85
ISCAP unamortized premium (note 4)	4,781	-	-	-	4,781
<b>Deferred revenue:</b>					
Succeeding year property tax	832,674	238,928	-	158,468	1,230,070
Other	93,502	-	-	16,976	110,478
Total liabilities	<u>1,471,910</u>	<u>238,928</u>	<u>-</u>	<u>175,444</u>	<u>1,886,282</u>
<b>Fund balance:</b>					
<b>Reserved for:</b>					
Debt service	-	45,875	-	-	45,875
<b>Unreserved, reported in:</b>					
General fund	721,969	-	-	-	721,969
Special revenue funds	-	-	-	296,545	296,545
Capital projects fund	-	-	540,927	-	540,927
Total fund balances	<u>721,969</u>	<u>45,875</u>	<u>540,927</u>	<u>296,545</u>	<u>1,605,316</u>
Total liabilities and fund balances	<u>\$ 2,193,879</u>	<u>\$ 284,803</u>	<u>\$ 540,927</u>	<u>\$ 471,989</u>	<u>\$ 3,491,598</u>

See notes to financial statements.

## LAMONI 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	\$ 1,605,316
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,897,996
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	101,855
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.	(29,951)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,445,000)</u>
Net assets of governmental activities	<u><u>\$ 5,130,216</u></u>

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2009

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 925,075	\$ 239,958	\$ 194,592	\$ 127,228	\$ 1,486,853
Tuition	109,062	-	-	-	109,062
Other	69,633	1,407	55,705	102,146	228,891
State sources	2,110,227	-	-	24	2,110,251
Federal sources	297,232	-	-	-	297,232
Total revenues	<u>3,511,229</u>	<u>241,365</u>	<u>250,297</u>	<u>229,398</u>	<u>4,232,289</u>
<b>Expenditures:</b>					
Current:					
Instruction	2,348,726	-	-	83,450	2,432,176
Support services:					
Student services	111,482	-	-	-	111,482
Instructional staff services	12,619	-	-	-	12,619
Administration services	373,944	-	-	9,284	383,228
Operation and maintenance of plant services	297,425	-	-	48,706	346,131
Transportation services	174,151	-	-	-	174,151
	<u>969,621</u>	<u>-</u>	<u>-</u>	<u>57,990</u>	<u>1,027,611</u>
Other expenditures:					
Facilities acquisition	-	-	100,184	25,363	125,547
Long term debt:					
Principal	-	230,000	-	-	230,000
Interest and fiscal charges	-	160,015	-	-	160,015
AEA flowthrough	125,770	-	-	-	125,770
	<u>125,770</u>	<u>390,015</u>	<u>100,184</u>	<u>25,363</u>	<u>641,332</u>
Total expenditures	<u>3,444,117</u>	<u>390,015</u>	<u>100,184</u>	<u>166,803</u>	<u>4,101,119</u>
Excess (deficiency) of revenues over (under) expenditures	<u>67,112</u>	<u>(148,650)</u>	<u>150,113</u>	<u>62,595</u>	<u>131,170</u>

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2009

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Other financing sources (uses):					
Interfund transfers in	\$ -	\$ 149,520	\$ -	\$ -	\$ 149,520
Interfund transfers out	-	-	(89,540)	(59,980)	(149,520)
Total other financing sources (uses)	-	149,520	(89,540)	(59,980)	-
Net change in fund balances	67,112	870	60,573	2,615	131,170
Fund balances beginning of year	654,857	45,005	480,354	293,930	1,474,146
Fund balances end of year	<u>\$ 721,969</u>	<u>\$ 45,875</u>	<u>\$ 540,927</u>	<u>\$ 296,545</u>	<u>\$ 1,605,316</u>

See notes to financial statements.

## LAMONI COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2009

Net change in fund balances - total governmental funds \$ 131,170

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

Capital outlays to purchase or build capital assets are reported in  
governmental funds as expenditures. However, those costs are not reported  
in the Statement of Net Assets and are allocated over their estimated useful  
lives as depreciation expense in the Statement of Activities. The amounts  
of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 53,570	
Depreciation expense	(178,653)	
Capital contributions	<u>35,000</u>	(90,083)

Federal grant revenue not expended until several months after the District's  
fiscal year end is not considered available revenue in the governmental  
funds and is deferred. It is, however, recorded as revenue in the  
Statement of Activities. (8,654)

Proceeds from issuing long-term liabilities provide current financial resources  
to governmental funds but issuing debt increases long-term liabilities in the  
Statement of Net Assets and does not affect the Statement of Activities.

Repayment of long-term liabilities is an expenditure in the governmental  
funds, but it reduces long-term liabilities in the Statement of Net Assets. 230,000

Interest on long-term debt in the Statement of Activities differs from the  
amount reported in the governmental funds because interest is recorded as  
an expenditure in the funds when due. In the Statement of Activities,  
however, interest expense is recognized as the interest accrues, regardless  
of when it is due. 2,607

Change in net assets of governmental activities \$ 265,040

See notes to financial statements.

## LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2009

	<u>School Nutrition</u>	<u>Nonmajor - Enterprise</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 98,212	\$ 2,519	\$ 100,731
Due from other governments	4,538	-	4,538
Inventories	4,039	-	4,039
Capital assets, net of accumulated depreciation	8,312	11,067	19,379
Total assets	<u>115,101</u>	<u>13,586</u>	<u>128,687</u>
Liabilities			
Accounts payable	1	-	1
Salaries and benefits payable	4,436	-	4,436
Deferred revenue	2,005	-	2,005
Total liabilities	<u>6,442</u>	<u>-</u>	<u>6,442</u>
Net Assets			
Invested in capital assets	8,312	11,067	19,379
Unrestricted	<u>100,347</u>	<u>2,519</u>	<u>102,866</u>
Total net assets	<u>\$ 108,659</u>	<u>\$ 13,586</u>	<u>\$ 122,245</u>

See notes to financial statements.

## LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2009

	<u>School Nutrition</u>	<u>Nonmajor - Enterprise</u>	<u>Total</u>
Operating revenues:			
Local sources:			
Charges for services	\$ 77,189	\$ 31,095	\$ 108,284
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	52,259	-	52,259
Benefits	23,834	-	23,834
Purchased services	3,237	-	3,237
Supplies	73,243	14,742	87,985
Depreciation	2,372	2,767	5,139
Other	944	-	944
	<u>155,889</u>	<u>17,509</u>	<u>173,398</u>
Operating income (loss)	<u>(78,700)</u>	<u>13,586</u>	<u>(65,114)</u>
Non-operating revenues:			
Interest on investments	1,084	-	1,084
Capital and other contributions	4,448	-	4,448
State sources	2,131	-	2,131
Federal sources	107,003	-	107,003
Total non-operating revenues	<u>114,666</u>	<u>-</u>	<u>114,666</u>
Change in net assets	35,966	13,586	49,552
Net assets beginning of year	<u>72,693</u>	<u>-</u>	<u>72,693</u>
Net assets end of year	<u>\$ 108,659</u>	<u>\$ 13,586</u>	<u>\$ 122,245</u>

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2009

	School Nutrition	Nonmajor - Enterprise	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 77,467	\$ -	\$ 77,467
Cash received from miscellaneous operating activities	174	31,095	31,269
Cash payments to employees for services	(75,776)	-	(75,776)
Cash payments to suppliers for goods or services	(68,061)	(14,742)	(82,803)
Net cash provided by (used by) operating activities	<u>(66,196)</u>	<u>16,353</u>	<u>(49,843)</u>
Cash flows from non-capital financing activities:			
State grants received	2,131	-	2,131
Federal grants received	95,093	-	95,093
Contributions from other funds	1,873	-	1,873
Net cash provided by non-capital financing activities	<u>99,097</u>	<u>-</u>	<u>99,097</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(922)	(13,834)	(14,756)
Cash flows from investing activities:			
Interest on investments	<u>1,084</u>	<u>-</u>	<u>1,084</u>
Net increase in cash and cash equivalents	33,063	2,519	35,582
Cash and cash equivalents beginning of year	<u>65,149</u>	<u>-</u>	<u>65,149</u>
Cash and cash equivalents end of year	<u>\$ 98,212</u>	<u>\$ 2,519</u>	<u>\$ 100,731</u>

LAMONI COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2009

	<u>School Nutrition</u>	<u>Nonmajor - Enterprise</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:			
Operating income (loss)	\$ (78,700)	\$ 13,586	\$ (65,114)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:			
Depreciation	2,372	2,767	5,139
Commodities used	10,056	-	10,056
(Increase) in inventories	(323)	-	(323)
(Decrease) in accounts payable	(370)	-	(370)
Increase in salaries and benefits payable	317	-	317
Increase in deferred revenue	452	-	452
Net cash provided by (used by) operating activities	<u>\$ (66,196)</u>	<u>\$ 16,353</u>	<u>\$ (49,843)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$10,056 of federal commodities. The District also received \$2,575 of equipment purchased by other funds and donated to the Enterprise Fund, School Nutrition.

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 June 30, 2009

	Private Purpose Trust
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>10,890</u>
Liabilities:	
None	<u>-</u>
Net assets:	
Reserved for scholarships	\$ <u><u>10,890</u></u>

See notes to financial statements.

LAMONI COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year Ended June 30, 2009

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 50	
Interest	<u>92</u>	
Total additions		<u>142</u>
Deductions:		
Support services:		
Scholarships awarded		<u>858</u>
Change in net assets		(716)
Net assets beginning of year		<u>11,606</u>
Net assets end of year	\$	<u><u>10,890</u></u>
See notes to financial statements.		

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

The Enterprise, School Nutrition 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 with restrictions of income earned to be used to benefit individuals through scholarship awards.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

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

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

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

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

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

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

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse employees for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability for June 30, 2009.

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

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

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Net assets restricted through enabling legislation as of June 30, 2009 consists of \$870,372.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted in any functional area.

Note 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.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 2. Cash and Pooled Investments (continued)

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>469,882</u>

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

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

Note 3. Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 89,540
	Special Revenue:	
	Physical Plant and Equipment Levy	<u>59,980</u>
Total		<u>\$ 149,520</u>

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

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 4. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a 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. These accounts are reflected as restricted assets on the balance sheet. 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:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>	<u>Unamortized Premium</u>
2009-10A	6/25/2009	6/23/2010	\$ <u>250,911</u>	\$ <u>31</u>	\$ <u>247,000</u>	\$ <u>85</u>	\$ <u>4,781</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The District had no ISCAP advance activity in the General Fund for the year ended June 30, 2009.

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

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2009-10A	2.50%	0.902%

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 5. Capital Assets

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,000	\$ 39,500	\$ -	\$ 44,500
Capital assets being depreciated:				
Buildings	7,974,462	-	-	7,974,462
Improvements other than buildings	150,998	30,660	-	181,658
Furniture and equipment	388,479	18,410	15,275	391,614
Total capital assets being depreciated	<u>8,513,939</u>	<u>49,070</u>	<u>15,275</u>	<u>8,547,734</u>
Less accumulated depreciation for:				
Buildings	1,033,609	159,422	-	1,193,031
Improvements other than buildings	144,248	8,283	-	152,531
Furniture and equipment	353,003	10,948	15,275	348,676
Total accumulated depreciation	<u>1,530,860</u>	<u>178,653</u>	<u>15,275</u>	<u>1,694,238</u>
Total capital assets being depreciated, net	<u>6,983,079</u>	<u>(129,583)</u>	<u>-</u>	<u>6,853,496</u>
Governmental activities capital assets, net	<u>\$ 6,988,079</u>	<u>\$ (90,083)</u>	<u>\$ -</u>	<u>\$ 6,897,996</u>

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 5. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 47,323	\$ 17,331	\$ -	\$ 64,654
Less accumulated depreciation	<u>40,136</u>	<u>5,139</u>	<u>-</u>	<u>45,275</u>
Business-type activities capital assets, net	<u>\$ 7,187</u>	<u>\$ 12,192</u>	<u>\$ -</u>	<u>\$ 19,379</u>

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

Governmental activities:	
Instruction	\$ 14,494
Support services:	
Transportation	<u>1,063</u>
	15,557
Unallocated depreciation	<u>163,096</u>
Total governmental activities depreciation expense	<u>\$ 178,653</u>
Business-type activities:	
Enterprise operations	<u>\$ 5,139</u>

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,925,000	\$ -	\$ 110,000	\$ 2,815,000	\$ 115,000
Revenue bonds	475,000	-	70,000	405,000	75,000
Notes payable	275,000	-	50,000	225,000	55,000
Total	<u>\$ 3,675,000</u>	<u>\$ -</u>	<u>\$ 230,000</u>	<u>\$ 3,445,000</u>	<u>\$ 245,000</u>

Bonds Payable

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

Year Ending June 30,	Bond Issue dated January 1, 2006			Bond Issue dated May 1, 2006			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2010	5.000 %	\$ 80,000	\$ 78,210	5.70 %	\$ 35,000	\$ 44,618	\$ 115,000	\$ 122,828
2011	4.550	90,000	74,210	5.50	30,000	42,622	120,000	116,832
2012	4.550	90,000	70,115	5.50	35,000	40,972	125,000	111,087
2013	4.550	95,000	66,020	5.25	35,000	39,048	130,000	105,068
2014	4.500	100,000	61,698	5.25	40,000	37,210	140,000	98,908
2015	4.500	105,000	57,197	5.00	40,000	35,110	145,000	92,307
2016	3.850	110,000	52,473	4.20	40,000	33,110	150,000	85,583
2017	3.875	110,000	48,238	4.25	45,000	31,430	155,000	79,668
2018	3.900	120,000	43,975	4.30	45,000	29,518	165,000	73,493
2019	3.950	120,000	39,295	4.35	50,000	27,582	170,000	66,877
2020	4.000	125,000	34,555	4.40	50,000	25,408	175,000	59,963
2021	4.000	130,000	29,555	4.45	55,000	23,208	185,000	52,763
2022	4.050	135,000	24,355	4.50	55,000	20,760	190,000	45,115
2023	4.100	145,000	18,887	4.55	55,000	18,286	200,000	37,173
2024	4.150	155,000	12,943	4.60	55,000	15,782	210,000	28,725
2025	4.200	155,000	6,510	4.65	60,000	13,252	215,000	19,762
2026		-	-	4.65	225,000	10,462	225,000	10,462
		<u>\$ 1,865,000</u>	<u>\$ 718,236</u>		<u>\$ 950,000</u>	<u>\$ 488,378</u>	<u>\$ 2,815,000</u>	<u>\$ 1,206,614</u>

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 6. Long-Term Liabilities (continued)

School Infrastructure Local Option Sales and Services Tax Revenue Bonds

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2010	4.35 %	\$ 75,000	\$ 17,616	\$ 92,616
2011	4.35	75,000	14,355	89,355
2012	4.35	80,000	11,093	91,093
2013	4.35	85,000	7,613	92,613
2014	4.35	90,000	3,915	93,915
		<u>\$ 405,000</u>	<u>\$ 54,592</u>	<u>\$ 459,592</u>

The resolutions providing for the issuance of the local option sales and services tax revenue bonds included the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the local option sales and services tax revenues received by the District, and the bond holders hold a lien on the future revenues received.
- (b) Sufficient monthly deposits shall be made to the debt service sinking account for the purpose of making the bond principal and interest payments when due.

The District pledged future local option sales and services tax revenues to repay the \$475,000 of bonds issued in 2007. The bonds were issued for the purpose of financing a portion of the costs of a new school and gym. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2014. 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 approximately 50 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$459,592. For the current year, principal and interest paid on the bonds was \$90,663 and total local option sales and services tax revenues were \$194,592.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 6. Long-Term Liabilities (continued)

Capital Loan Notes Payable

Details of the District's June 30, 2009 capital loan note indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2010	3.35 %	\$ 55,000	\$ 8,054	\$ 63,054
2011	3.50	55,000	6,212	61,212
2012	3.65	55,000	4,288	59,288
2013	3.80	60,000	2,280	62,280
		<u>\$ 225,000</u>	<u>\$ 20,834</u>	<u>\$ 245,834</u>

Note 7. Operating Lease

The District has an operating lease for two 53 passenger buses and one 71 passenger bus. The lease was renewed and extended in May 2008 until July 31, 2009. The extended lease also allowed the District and the Lessor to extend the contract for two additional one-year periods. In June, 2009 the District extended the contract for one of these additional one-year periods.

During the year ended June 30, 2009, the District made nine monthly payments averaging \$6,784 for a total of \$61,056.

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

Year Ending June 30,	Minimum Lease Payments
2010	<u>\$ 63,171</u>

Note 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 payroll for the year ended June 30, 2009. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$134,199, \$132,192, and \$115,437, respectively, equal to the required contributions for each year.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 9. Risk Management

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

Note 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 \$125,770 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.

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Required Supplementary Information

LAMONI 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 Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
<b>REVENUES:</b>					
Local sources	\$ 1,824,806	\$ 113,816	\$ 1,938,622	\$ 1,754,158	\$ 184,464
Intermediate sources	-	-	-	480,000	(480,000)
State sources	2,110,251	2,131	2,112,382	1,824,559	287,823
Federal sources	297,232	107,003	404,235	383,000	21,235
<b>Total revenues</b>	<b>4,232,289</b>	<b>222,950</b>	<b>4,455,239</b>	<b>4,441,717</b>	<b>13,522</b>
<b>EXPENDITURES/EXPENSES:</b>					
Instruction	2,432,176	-	2,432,176	3,131,124	698,948
Support services	1,027,611	-	1,027,611	1,782,369	754,758
Non-instructional programs	-	173,398	173,398	282,925	109,527
Other expenditures	641,332	-	641,332	1,118,357	477,025
<b>Total expenditures/expenses</b>	<b>4,101,119</b>	<b>173,398</b>	<b>4,274,517</b>	<b>6,314,775</b>	<b>2,040,258</b>
Excess (deficiency) of revenues over (under) expenditures/ expenses	131,170	49,552	180,722	(1,873,058)	2,053,780
Balance beginning of year	1,474,146	72,693	1,546,839	1,330,734	216,105
Balance end of year	\$ <u>1,605,316</u>	\$ <u>122,245</u>	\$ <u>1,727,561</u>	\$ <u>(542,324)</u>	\$ <u>2,269,885</u>

See accompanying independent auditor's report.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
June 30, 2009

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

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

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

During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted.

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Other Supplementary Information

## LAMONI COMMUNITY SCHOOL DISTRICT

 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2009

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Assets				
Cash and pooled investments	\$ 22,820	\$ 53,598	\$ 217,357	\$ 293,775
Receivables:				
Property tax:				
Current year	512	-	2,258	2,770
Succeeding year	65,000	-	93,468	158,468
Income surtax	-	-	16,976	16,976
Total assets	\$ 88,332	\$ 53,598	\$ 330,059	\$ 471,989
Liabilities and Fund Balances				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ 65,000	\$ -	\$ 93,468	\$ 158,468
Other	-	-	16,976	16,976
Total liabilities	65,000	-	110,444	175,444
Fund balances:				
Unreserved:				
Undesignated	23,332	53,598	219,615	296,545
Total liabilities and fund balances	\$ 88,332	\$ 53,598	\$ 330,059	\$ 471,989

See accompanying independent auditor's report.

## LAMONI COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2009

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 20,032	\$ -	\$ 107,196	\$ 127,228
Other	7,328	92,915	1,903	102,146
State sources	11	-	13	24
Total revenues	27,371	92,915	109,112	229,398
Expenditures:				
Current:				
Instruction	-	83,450	-	83,450
Support services:				
Administration services	9,284	-	-	9,284
Operation and maintenance of plant services	48,706	-	-	48,706
Other expenditures:				
Facilities acquisition	-	-	25,363	25,363
Total expenditures	57,990	83,450	25,363	166,803
Excess (deficiency) of revenues over (under) expenditures	(30,619)	9,465	83,749	62,595
Other financing uses:				
Interfund transfers out	-	-	(59,980)	(59,980)
Net change in fund balances	(30,619)	9,465	23,769	2,615
Fund balances beginning of year	53,951	44,133	195,846	293,930
Fund balances end of year	\$ 23,332	\$ 53,598	\$ 219,615	\$ 296,545

See accompanying independent auditor's report.

## LAMONI COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama	\$ 83	\$ 276	\$ 293	\$ 66
Elementary Computer Club	65	-	-	65
Playground	256	-	-	256
Interest Fund	5,167	533	-	5,700
Academic Team	445	150	464	131
Yearbook	249	4,001	6,125	(1,875)
Elementary Yearbook	850	-	-	850
Music Booster Uniforms	792	-	-	792
Future Farmers of America	3,207	11,078	12,031	2,254
National Honor Society	-	-	194	(194)
Spanish Club	137	-	-	137
Band	837	433	79	1,191
Orchestra	1,155	721	25	1,851
Demon Success	691	-	-	691
Seniors	693	11,243	12,138	(202)
Juniors	340	5,974	6,014	300
Sophomores	-	300	300	-
Middle School	1,436	2,574	2,381	1,629
Helping Hands	169	-	-	169
Student Council	976	2,406	1,781	1,601
Vocal	105	7,275	4,694	2,686
Athletics	26,006	41,758	34,926	32,838
Music Festival	114	-	-	114
Milk Machine	352	5,328	3,140	2,540
Unreserved Fund Balance	8	-	-	8
Intrafund Transfers	-	(1,135)	(1,135)	-
<b>Total</b>	<b>\$ 44,133</b>	<b>\$ 92,915</b>	<b>\$ 83,450</b>	<b>\$ 53,598</b>

See accompanying independent auditor's report.

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LAMONI COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST SIX YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2009	2008	2007	2006
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 1,486,853	\$ 1,400,831	\$ 1,343,711	\$ 1,094,509
Tuition	109,062	182,636	166,688	163,176
Other	228,891	405,402	814,671	341,020
Intermediate sources	-	-	81,143	35,072
State sources	2,110,251	2,187,738	1,936,737	1,801,625
Federal sources	297,232	293,236	691,708	189,640
<b>Total revenues</b>	<b>\$ 4,232,289</b>	<b>\$ 4,469,843</b>	<b>\$ 5,034,658</b>	<b>\$ 3,625,042</b>
<b>Expenditures:</b>				
Instruction	\$ 2,432,176	\$ 2,553,230	\$ 2,322,347	\$ 2,158,080
Support services:				
Student services	111,482	111,751	91,795	198,909
Instructional staff services	12,619	6,986	113,810	36,026
Administration services	383,228	407,009	367,800	376,468
Operation and maintenance of plant services	346,131	337,996	304,003	322,263
Transportation services	174,151	184,310	191,282	165,740
Non-instructional programs	-	-	-	5,517
Other expenditures:				
Facilities acquisition	125,547	1,892,192	3,166,820	331,254
Long-term debt:				
Principal	230,000	155,000	120,000	50,000
Interest and fiscal charges	160,015	155,703	180,601	13,680
AEA flowthrough	125,770	121,610	114,388	105,631
<b>Total expenditures</b>	<b>\$ 4,101,119</b>	<b>\$ 5,925,787</b>	<b>\$ 6,972,846</b>	<b>\$ 3,763,568</b>

See accompanying independent auditor's report.

	<u>2005</u>		<u>2004</u>
\$	1,216,070	\$	1,067,949
	196,308		249,622
	178,995		150,433
	44,442		30,029
	1,767,497		1,627,839
	383,859		343,952
	<u>3,787,171</u>		<u>3,469,824</u>
\$	2,089,909	\$	2,030,075
	161,457		147,948
	57,960		70,901
	366,236		356,251
	364,932		380,067
	166,140		155,489
	4,233		5,584
	117,116		660,454
	150,000		130,000
	20,373		23,335
	104,363		103,478
	<u>3,602,719</u>		<u>4,063,582</u>

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

To the Board of Education of  
Lamoni Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lamoni Community School District 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 September 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about Lamoni Community School 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.

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

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

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

Oskaloosa, Iowa  
September 17, 2009

LAMONI COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2009

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

I-A-09 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The bank reconciliation, the posting of the cash receipts journal and making journal entry adjustments to the general ledger were all done by the same person.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances. One step would be having a different individual either prepare the bank reconciliation or review the reconciliation.

Response – We have increased involvement of other individuals in the accounting functions in the past year, including the bank deposits, initial listing of incoming receipts, disbursement data entry, and mailing of checks. We will investigate other areas where it may be possible to strengthen internal control.

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

I-B-09 Financial Reporting – During the audit, we identified material amounts of Iowa Schools Cash Anticipation Program (ISCAP) adjustments and capital asset additions and deletions not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

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

Response – We will double check these in the future to avoid missing any necessary ISCAP adjustments or capital asset transactions.

Conclusion – Response accepted.

LAMONI COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2009

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

Significant Deficiencies (continued):

I-C-09 Fundraiser Activity – We noted in our testing of fundraisers recorded in the Special Revenue, Activity Fund, that one fundraiser sponsor did not complete a fundraiser reconciliation. In our testing of related receipts and disbursements, we noted that of \$1,375 total collections, only \$1,200 was turned in to the District for deposit. The club sponsor kept the remaining \$175 and paid for club supplies directly instead of recording the payment through District records.

Recommendation – The District should require all sponsors to complete a fundraiser reconciliation of receipts to deposits, expenses paid, and net profit margin. The sponsor abused the position by not recording all receipts and expenses through District records and the District budget was bypassed in the process.

Response – We will look into the matter further. We will require all sponsors to complete fundraiser reconciliations in the future.

Conclusion – Response accepted. The District should consider banning future fundraisers for clubs that do not complete a fundraiser reconciliation.

LAMONI COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting:

- II-A-09 Certified Budget – Expenditures for the year ended June 30, 2009, did not exceed the amounts budgeted.
- II-B-09 Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-09 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-09 Business Transactions – No business transactions between the District and District officials or employees were noted.
- II-E-09 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-09 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-09 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-09 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-I-09 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-J-09 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-K-09 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		194,592
Expenditures/transfers out:		
None		<u>-</u>
Ending balance	\$	<u><u>194,592</u></u>

LAMONI COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2009

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

II-L-09 Deficit Balances – Several student activity accounts within the Special Revenue, Student Activity Fund had deficit balances at June 30, 2009.

Recommendation – The District should continue to investigate alternatives to eliminate the deficits in the Activity Fund.

Response – The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion – Response accepted.

II-M-09 Sale of Capital Assets – We noted in our testing of capital asset activity recorded by the District that proceeds of \$2,000 from the sale of wrestling mats was deposited as revenue in the Special Revenue, Student Activity Fund. This is in violation of section 297.22 of the Code of Iowa which requires all proceeds from the sale of equipment be recorded in the General Fund.

Recommendation – The district should transfer the \$2,000 proceeds from the Special Revenue, Student Activity Fund to the General Fund to comply with the Code of Iowa.

Response – We will consider this.

Conclusion – Response accepted.