

LAMONI COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis (MD&A)		7-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses and Changes in Net Assets	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	27
Statement of Changes in Fiduciary Net Assets	K	28
Notes to Financial Statements		29-41
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		44
Notes to Required Supplementary Information - Budgetary Reporting		45
Schedule of Funding Progress for the Retiree Health Plan		46
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	49
Capital Project Accounts:		
Combining Balance Sheet	3	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	51
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	52
Combining Statement of Net Assets, Fiduciary Fund, Private Purpose Trust	6	53
Combining Statement of Changes in Fiduciary Net Assets Fiduciary Fund, Private Purpose Trust	7	54
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	8	55
Schedule of Expenditures of Federal Awards	9	56-57
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 <u>Government Auditing Standards</u>		58-59
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		60-61
Schedule of Findings and Questioned Costs		62-66

Lamoni Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Mike Quick	President	2013
Michelle Dickey-Kotz	Vice President	2011
Larry Heltenberg	Board Member	2011
Dennis McElroy	Board Member	2011
Chip Millslagle	Board Member	2013
School Officials		
Diane Fine	Superintendent	2011
Ev Trowbridge	District Secretary/ Treasurer	2011
Ahlers & Cooney, P.C.	Attorney	2011

LAMONI COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
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, Lamoni, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lamoni Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 9, 2012 on our consideration of Lamoni Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 7 through 16 and 44 through 46 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Lamoni Community School District's basic financial statements. Another auditor previously audited the financial statements for the seven years ended June 30, 2010, (none of which are presented herein) in accordance with the standards referred to in the second paragraph of this report and unqualified opinions were expressed on those financial statements. The supplemental information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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.



NOLTE, CORNMAN & JOHNSON, P.C.

March 9, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Lamoni Community School District provides the Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,650,398 in fiscal 2010 to \$3,969,178 in fiscal 2011, while General Fund expenditures increased from \$3,642,464 in fiscal 2010 to \$3,681,056 in fiscal 2011. The District's General Fund balance increased from \$729,903 in fiscal 2010 to a balance of \$1,018,025 in fiscal 2011, a 39.47% increase from the prior year. The District was able to use two long term substitute teachers to keep our expenses down after budget cuts.
- The increase in General Fund revenues was attributable to increases in state and local sources in fiscal 2011. The increase in expenditures was due primarily to increases in negotiated salaries and benefits for District employees.

USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Lamoni Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Lamoni Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

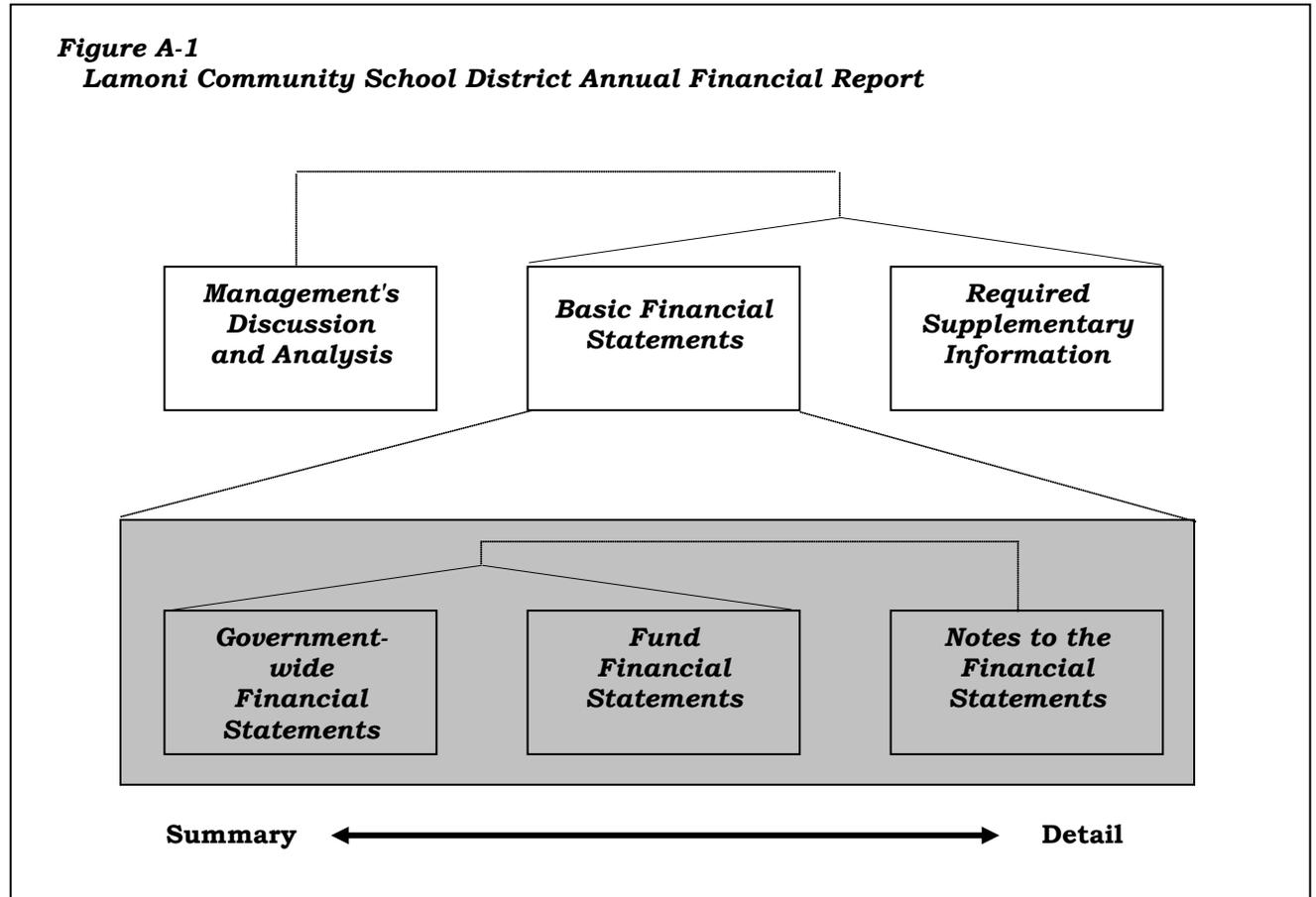


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

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

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

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private Purpose Trust and Agency funds.

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

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business-type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 3,909,448	3,527,707	172,852	135,191	4,082,300	3,662,898	11.45%
Capital assets	6,705,520	6,758,085	25,390	20,119	6,730,910	6,778,204	-0.70%
Total assets	10,614,968	10,285,792	198,242	155,310	10,813,210	10,441,102	3.56%
Long-term obligations	2,879,530	3,209,000	865	-	2,880,395	3,209,000	-10.24%
Other liabilities	1,814,404	1,777,085	6,777	6,075	1,821,181	1,783,160	2.13%
Total liabilities	4,693,934	4,986,085	7,642	6,075	4,701,576	4,992,160	-5.82%
Net assets:							
Invested in capital assets, net of related debt	3,840,520	3,558,085	25,390	20,119	3,865,910	3,578,204	8.04%
Restricted	1,057,191	974,660	-	-	1,057,191	974,660	8.47%
Unrestricted	1,023,323	766,962	165,210	129,116	1,188,533	896,078	32.64%
Total net assets	\$ 5,921,034	5,299,707	190,600	149,235	6,111,634	5,448,942	12.16%

The District's combined net assets increased by 12.16%, or \$662,692, over the prior year. The largest portion of the District's net assets is invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$82,531 or 8.47%, over the prior year. The increase is primarily due to the increase in the Special Revenue: Management Fund, and Capital Projects: Statewide Sales, Services, and Use Tax Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$292,455, or 32.64%. The increase was primarily due to the increase in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4
Changes of Net Assets

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Revenues:							
Program revenues:							
Charges for services	\$ 366,457	343,897	69,085	73,205	435,542	417,102	4.42%
Operating grants and contributions and restricted interest	543,316	910,470	147,784	127,835	691,100	1,038,305	-33.44%
Capital grants and contributions and restricted interest	53,350	-	8,072	-	61,422	-	100.00%
General revenues:							
Property tax	1,395,397	1,218,526	-	-	1,395,397	1,218,526	14.52%
Income surtax	118,303	123,007	-	-	118,303	123,007	-3.82%
Statewide sales, services and use tax	235,255	195,300	-	-	235,255	195,300	20.46%
Nonspecific program federal grants	80,364	-	-	-	80,364	-	100.00%
Unrestricted state grants	1,897,538	1,561,152	-	-	1,897,538	1,561,152	21.55%
Other	108,151	46,391	1,632	1,106	109,783	47,497	131.14%
Total revenues	4,798,131	4,398,743	226,573	202,146	5,024,704	4,600,889	9.21%
Program expenses:							
Governmental activities:							
Instruction	2,643,724	2,664,024	135	7,193	2,643,859	2,671,217	-1.02%
Support services	1,090,844	1,023,475	-	-	1,090,844	1,023,475	6.58%
Non-instructional programs	-	-	185,073	167,963	185,073	167,963	10.19%
Other expenses	442,236	541,753	-	-	442,236	541,753	-18.37%
Total expenses	4,176,804	4,229,252	185,208	175,156	4,362,012	4,404,408	-0.96%
Changes in net assets	621,327	169,491	41,365	26,990	662,692	196,481	237.28%
Beginning net assets, as restated	5,299,707	5,130,216	149,235	122,245	5,448,942	5,252,461	3.74%
Ending net assets	\$ 5,921,034	5,299,707	190,600	149,235	6,111,634	5,448,942	12.16%

In fiscal 2011, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 76.00% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 95.72% of the revenue from business type activities.

The District's total revenues were approximately \$5.03 million of which approximately \$4.80 million was for governmental activities and approximately \$0.23 million was for business type activities. As shown in Figure A-4, the District as a whole experienced a 9.21% increase in revenues and a 0.96% decrease in expenses. Property taxes increased \$176,871 and unrestricted state grants increased \$336,386 to fund expenditures.

Governmental Activities

Revenues for governmental activities were \$4,798,131 and expenses were \$4,176,804.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 2,643,724	2,664,024	-0.76%	1,868,027	1,694,585	10.24%
Support services	1,090,844	1,023,475	6.58%	1,049,419	882,513	18.91%
Other expenses	442,236	541,753	-18.37%	296,235	397,787	-25.53%
Totals	\$ 4,176,804	4,229,252	-1.24%	3,213,681	2,974,885	8.03%

- The cost financed by users of the District's programs was \$366,457.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$596,666.
- The net cost of governmental activities was financed with \$1,395,397 in property tax, \$118,303 in income surtax, \$235,255 in statewide sales, services and use tax, \$80,364 in nonspecific program federal grants, \$1,897,538 in unrestricted state grants, \$13,065 in interest income and \$95,086 in other general revenues.

Business Type Activities

Revenues of the District's business type activity were \$226,573 and expenses were \$185,208. The District's business type activity is the School Nutrition Fund and the Heartland Baking School Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,003,713, above last year's ending fund balances of \$1,667,316. The primary reason for the increase is associated with the increase in the General Fund fund balance.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. The fund balance increased from \$729,903 in fiscal 2010 to \$1,018,025 in fiscal 2011. The increase is primarily due to increases in local and state sources.
- The Capital Project Accounts balance increased from \$701,093 in fiscal 2010 to \$835,109 in fiscal 2011. The increase in fund balance is in part due to the reclassification of the Physical Plant and Equipment Levy Fund as a Capital Project due to GASB 54. The increase in revenues is due to the increase in sales tax, as well as the playground equipment grant.

-
- The Debt Service fund balance decreased from \$130,631 in fiscal 2010 to \$40,464 in fiscal 2011. Revenues decreased from \$479,456 in fiscal 2010 to \$383,012 in fiscal 2011. Expenses increased from \$394,700 in fiscal 2010 to \$473,179 in fiscal 2011. The decrease in fund balance was a result of the District paying an additional \$85,000 on their capital loan note.

Proprietary Fund Highlights

The School Nutrition Fund's balance increased from \$140,392 in fiscal 2010 to \$184,658 in fiscal 2011. This represents an increase of 31.53% from 2010 to 2011.

The Heartland Baking School Fund balance decreased from \$8,843 in 2010 to \$5,942 in 2011. This represents a 32.79% decrease from 2010 to 2011.

BUDGETARY HIGHLIGHTS

The District's revenues were \$262,592 more than budgeted revenues, a variance of 5.52%. The most significant variance resulted from the District receiving more in local and federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$6,730,910 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net decrease of 0.70% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$177,259.

The original cost of the District's capital assets was \$8,787,848. Governmental funds account for \$8,706,493 with the remainder of \$81,355 in the Proprietary, School Nutrition Fund and Heartland Baking School Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$27,594 at June 30, 2010 as compared to \$49,080 at June 30, 2011. The primary reason for the increase was due to site preparations for the new playground equipment the District purchased during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 73,183	44,500	-	-	73,183	44,500	64.46%
Buildings	6,462,588	6,622,009	-	-	6,462,588	6,622,009	-2.41%
Land improvements	49,080	27,594	-	-	49,080	27,594	77.86%
Machinery and equipment	120,669	63,982	25,390	20,119	146,059	84,101	73.67%
Total	\$ 6,705,520	6,758,085	25,390	20,119	6,730,910	6,778,204	-0.70%

Long-Term Debt

At June 30, 2011, the District had \$2,880,395 in general obligation bonds payable, revenue bonds payable, and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding general obligation bonds payable of \$2,580,000 at June 30, 2011.

The District had total outstanding revenue bonds payable of \$255,000 at June 30, 2011.

As of June 30, 2011, the District had a capital loan note payable of \$30,000.

The District had a net OPEB payable of \$15,395 payable from the Special Revenue, Management Fund at June 30, 2011. Governmental activities account for \$14,530 and business type activities account for \$865.

Figure A-7
Outstanding Long-Term Obligations

	Governmental		Business-type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
General obligation bonds	\$ 2,580,000	2,700,000	-	-	2,580,000	2,700,000	-4.44%
Revenue bonds	255,000	330,000	-	-	255,000	330,000	-22.73%
Capital loan note	30,000	170,000	-	-	30,000	170,000	-82.35%
Other post employment benefits	14,530	9,000	865	-	15,395	9,000	71.06%
Total	\$ 2,879,530	3,209,000	865	-	2,880,395	3,209,000	-10.24%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The state's economy is showing limited signs of economic recovery. A weaker economy adversely impacts the amount of new general fund money available to the District. Also continued budget concerns at state level will affect future projections. The District will continue to be forced to shift funding to property taxes and income surtaxes.
- The District is experiencing declining enrollment and open enrollment changes.

-
- On-going district levies to maintain funding.

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 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, 2011

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 2,114,587	164,078	2,278,665
Receivables:			
Property tax:			
Delinquent	20,160	-	20,160
Succeeding year	1,461,288	-	1,461,288
Income surtax	114,388	-	114,388
Due from other governments	199,025	4,821	203,846
Inventories	-	3,953	3,953
Capital assets, net of accumulated depreciation	6,705,520	25,390	6,730,910
TOTAL ASSETS	10,614,968	198,242	10,813,210
LIABILITIES			
Accounts payable	626	500	1,126
Salaries and benefits payable	293,474	4,510	297,984
Accrued interest payable	23,057	-	23,057
Deferred revenue:			
Succeeding year property tax	1,461,288	-	1,461,288
Other	35,959	-	35,959
Unearned revenue	-	1,767	1,767
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	125,000	-	125,000
Revenue bonds payable	80,000	-	80,000
Portion due after one year:			
General obligation bonds payable	2,455,000	-	2,455,000
Revenue bonds payable	175,000	-	175,000
Capital loan note	30,000	-	30,000
Net OPEB liability	14,530	865	15,395
TOTAL LIABILITIES	4,693,934	7,642	4,701,576
NET ASSETS			
Invested in capital assets, net of related debt	3,840,520	25,390	3,865,910
Restricted for:			
Categorical funding	69,940	-	69,940
Debt service	40,464	-	40,464
School infrastructure	670,835	-	670,835
Physical plant and equipment levy	164,274	-	164,274
Management levy purposes	86,046	-	86,046
Student activities	25,632	-	25,632
Unrestricted	1,023,323	165,210	1,188,533
TOTAL NET ASSETS	\$ 5,921,034	190,600	6,111,634

SEE NOTES TO FINANCIAL STATEMENTS.

LAMONI COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating Grants, Capital Grants, Charges Contributions Contributions for and Restricted and Restricted			Govern- mental Activities	Business- Type Activities	Total
		Services	Interest	Interest			
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 1,408,197	156,818	194,536	-	(1,056,843)	-	(1,056,843)
Special	569,923	75,683	60,656	-	(433,584)	-	(433,584)
Other	665,604	97,002	137,652	53,350	(377,600)	-	(377,600)
	<u>2,643,724</u>	<u>329,503</u>	<u>392,844</u>	<u>53,350</u>	<u>(1,868,027)</u>	<u>-</u>	<u>(1,868,027)</u>
Support services:							
Student	58,294	-	4,471	-	(53,823)	-	(53,823)
Instructional staff	72,417	-	-	-	(72,417)	-	(72,417)
Administration	384,166	-	-	-	(384,166)	-	(384,166)
Operation and maintenance of plant	375,003	-	-	-	(375,003)	-	(375,003)
Transportation	200,964	36,954	-	-	(164,010)	-	(164,010)
	<u>1,090,844</u>	<u>36,954</u>	<u>4,471</u>	<u>-</u>	<u>(1,049,419)</u>	<u>-</u>	<u>(1,049,419)</u>
Other expenses:							
Long-term debt interest	134,069	-	-	-	(134,069)	-	(134,069)
AEA flowthrough	146,001	-	146,001	-	-	-	-
Depreciation (unallocated)*	162,166	-	-	-	(162,166)	-	(162,166)
	<u>442,236</u>	<u>-</u>	<u>146,001</u>	<u>-</u>	<u>(296,235)</u>	<u>-</u>	<u>(296,235)</u>
Total governmental activities	4,176,804	366,457	543,316	53,350	(3,213,681)	-	(3,213,681)
Business type activities:							
Instruction:							
Regular	135	-	-	-	-	(135)	(135)
Non-instructional programs:							
Nutrition services	182,307	69,085	147,784	8,072	-	42,634	42,634
Heartland Baking School	2,766	-	-	-	-	(2,766)	(2,766)
Total business type activities	<u>185,208</u>	<u>69,085</u>	<u>147,784</u>	<u>8,072</u>	<u>-</u>	<u>39,733</u>	<u>39,733</u>
Total	\$ <u>4,362,012</u>	<u>435,542</u>	<u>691,100</u>	<u>61,422</u>	<u>(3,213,681)</u>	<u>39,733</u>	<u>(3,173,948)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 1,054,261	-	1,054,261
Debt service					233,899	-	233,899
Capital outlay					107,237	-	107,237
Income surtax					118,303	-	118,303
Statewide sales, services and use tax					235,255	-	235,255
Nonspecific program federal grants					80,364	-	80,364
Unrestricted state grants					1,897,538	-	1,897,538
Unrestricted investment earnings					13,065	1,632	14,697
Other					95,086	-	95,086
Total general revenues					<u>3,835,008</u>	<u>1,632</u>	<u>3,836,640</u>
Changes in net assets					621,327	41,365	662,692
Net assets beginning of year					<u>5,299,707</u>	<u>149,235</u>	<u>5,448,942</u>
Net assets end of year					\$ <u>5,921,034</u>	<u>190,600</u>	<u>6,111,634</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LAMONI COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
ASSETS					
Cash and pooled investments	\$ 1,240,402	728,042	37,099	109,044	2,114,587
Receivables:					
Property tax					
Delinquent	14,196	1,528	3,365	1,071	20,160
Succeeding year	1,037,531	111,670	237,087	75,000	1,461,288
Income surtax	95,323	19,065	-	-	114,388
Due from other governments	93,486	105,539	-	-	199,025
TOTAL ASSETS	\$ 2,480,938	965,844	277,551	185,115	3,909,448
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 626	-	-	-	626
Salaries and benefits payable	293,474	-	-	-	293,474
Deferred revenue:					
Succeeding year property tax	1,037,531	111,670	237,087	75,000	1,461,288
Income surtax	95,323	19,065	-	-	114,388
Other	35,959	-	-	-	35,959
Total liabilities	1,462,913	130,735	237,087	75,000	1,905,735
Fund balances:					
Restricted for:					
Categorical funding	69,940	-	-	-	69,940
Debt service	-	-	40,464	-	40,464
School infrastructure	-	670,835	-	-	670,835
Physical plant and equipment levy	-	164,274	-	-	164,274
Management levy purposes	-	-	-	86,046	86,046
Student activities	-	-	-	25,632	25,632
Unassigned:					
General	948,085	-	-	-	948,085
Student activities	-	-	-	(1,563)	(1,563)
Total fund balances	1,018,025	835,109	40,464	110,115	2,003,713
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,480,938	965,844	277,551	185,115	3,909,448

SEE NOTES TO FINANCIAL STATEMENTS.

LAMONI COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

Total fund balances of governmental funds(page 20)	\$ 2,003,713
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 in the governmental funds.	6,705,520
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	114,388
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.	(23,057)
Long-term liabilities, including general obligation bonds payable, revenue bonds payable, other post employment benefits payable and capital loan notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,879,530)</u>
Net assets of governmental activities(page 18)	<u><u>\$ 5,921,034</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, 2011

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,075,447	361,557	233,899	74,137	1,745,040
Tuition	223,976	-	-	-	223,976
Other	150,186	2,434	533	98,924	252,077
State sources	2,172,919	52	115	37	2,173,123
Federal sources	346,650	53,350	-	-	400,000
Total revenues	<u>3,969,178</u>	<u>417,393</u>	<u>234,547</u>	<u>173,098</u>	<u>4,794,216</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	1,405,744	-	-	-	1,405,744
Special	568,957	-	-	-	568,957
Other	601,197	-	-	126,180	727,377
	<u>2,575,898</u>	<u>-</u>	<u>-</u>	<u>126,180</u>	<u>2,702,078</u>
Support services:					
Student	58,115	-	-	-	58,115
Instructional staff	11,837	-	-	-	11,837
Administration	376,378	-	-	6,999	383,377
Operation and maintenance of plant	317,652	-	-	35,493	353,145
Transportation	195,175	-	-	-	195,175
	<u>959,157</u>	<u>-</u>	<u>-</u>	<u>42,492</u>	<u>1,001,649</u>
Other expenditures:					
Facilities acquisitions	-	134,912	-	-	134,912
Long-term debt:					
Principal	-	-	335,000	-	335,000
Interest and fiscal charges	-	-	138,179	-	138,179
AEA flowthrough	146,001	-	-	-	146,001
	<u>146,001</u>	<u>134,912</u>	<u>473,179</u>	<u>-</u>	<u>754,092</u>
TOTAL EXPENDITURES	<u>3,681,056</u>	<u>134,912</u>	<u>473,179</u>	<u>168,672</u>	<u>4,457,819</u>
Excess(Deficiency) of revenues over(under) expenditures	288,122	282,481	(238,632)	4,426	336,397
Other financing sources(uses):					
Transfer in	-	-	148,465	-	148,465
Transfer out	-	(148,465)	-	-	(148,465)
Total other financing sources(uses)	<u>-</u>	<u>(148,465)</u>	<u>148,465</u>	<u>-</u>	<u>-</u>
Net change in fund balances	288,122	134,016	(90,167)	4,426	336,397
Fund balance beginning of year, as restated	729,903	701,093	130,631	105,689	1,667,316
Fund balance end of year	<u>\$ 1,018,025</u>	<u>835,109</u>	<u>40,464</u>	<u>110,115</u>	<u>2,003,713</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, 2011

Net change in fund balances - total governmental funds(page 22) \$ 336,397

**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 reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and capital outlay expenditures in the current year, are as follows:

Expenditures for capital assets	\$ 119,099	
Depreciation expense	<u>(171,664)</u>	(52,565)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows: 335,000

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, interest expense is recognized as the interest accrues, regardless of when it is due. 4,110

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 3,915

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.
 Other postemployment benefits (5,530)

Changes in net assets of governmental activities(page 19) \$ 621,327

LAMONI COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	School Nutrition	Heartland Baking School	Total
Assets			
Current assets:			
Cash and pooled investments	\$ 163,670	408	164,078
Due from other governments	4,821	-	4,821
Inventories	3,953	-	3,953
Capital assets, net of accumulated depreciation	19,856	5,534	25,390
Total assets	192,300	5,942	198,242
Liabilities			
Accounts payable	500	-	500
Salaries and benefits payable	4,510	-	4,510
Unearned revenue	1,767	-	1,767
Net OPEB liability	865	-	865
Total liabilities	7,642	-	7,642
Net assets			
Invested in capital assets	19,856	5,534	25,390
Unrestricted	164,802	408	165,210
Total net assets	\$ 184,658	5,942	190,600

SEE NOTES TO FINANCIAL STATEMENTS.

LAMONI COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	School Nutrition	Heartland Baking School	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 69,085	-	69,085
OPERATING EXPENSES:			
Current:			
Instruction:			
Regular instruction	-	135	135
Non-instructional programs:			
Food service operations:			
Salaries	58,428	-	58,428
Benefits	28,095	-	28,095
Services	4,680	-	4,680
Supplies	88,222	-	88,222
Depreciation	2,829	-	2,829
Other	53	-	53
	182,307	-	182,307
Other enterprise operations:			
Depreciation	-	2,766	2,766
TOTAL OPERATING EXPENSES	182,307	2,901	185,208
OPERATING LOSS	(113,222)	(2,901)	(116,123)
NON-OPERATING REVENUES:			
State sources	1,904	-	1,904
Federal sources	153,952	-	153,952
Interest income	1,632	-	1,632
TOTAL NON-OPERATING REVENUES	157,488	-	157,488
Changes in net assets	44,266	(2,901)	41,365
Net assets beginning of year	140,392	8,843	149,235
Net assets end of year	\$ 184,658	5,942	190,600

SEE NOTES TO FINANCIAL STATEMENTS.

LAMONI COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	School Nutrition	Heartland Baking School	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 69,189	-	69,189
Cash payments to employees for services	(85,560)	-	(85,560)
Cash payments to suppliers for goods or services	(79,848)	(135)	(79,983)
Net cash used in operating activities	(96,219)	(135)	(96,354)
Cash flows from non-capital financing activities:			
State grants received	1,904	-	1,904
Federal grants received	141,426	-	141,426
Net cash provided by non-capital financing activities	143,330	-	143,330
Cash flows from capital and related financing activities:			
Purchase of capital assets	(10,866)	-	(10,866)
Cash flows from investing activities:			
Interest on investments	1,632	-	1,632
Net increase(decrease) in cash and cash equivalents	37,877	(135)	37,742
Cash and cash equivalents at beginning of year	125,793	543	126,336
Cash and cash equivalents at end of year	\$ 163,670	408	164,078
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (113,222)	(2,901)	(116,123)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	10,515	-	10,515
Depreciation	2,829	2,766	5,595
Decrease in inventories	2,092	-	2,092
Increase in accounts payable	500	-	500
Increase in net other postemployment benefits	865	-	865
Increase in salary and benefits payable	98	-	98
Increase in unearned revenue	104	-	104
Net cash used in operating activities	\$ (96,219)	(135)	(96,354)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$10,515.

SEE NOTES TO FINANCIAL STATEMENTS.

LAMONI COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2011

	Private Purpose Trust
	Scholarship
ASSETS	
Cash and pooled investments	\$ 10,317
LIABILITIES	-
NET ASSETS	
Reserved for scholarships	\$ 10,317

SEE NOTES TO FINANCIAL STATEMENTS.

LAMONI COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2011

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest	\$ 13
Deductions:	
Instruction:	
Other:	
Scholarships awarded	200
Change in net assets	(187)
Net assets beginning of year	10,504
Net assets end of year	\$ 10,317

SEE NOTES TO FINANCIAL STATEMENTS.

LAMONI COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(1) **Summary of Significant Accounting Policies**

The Lamoni Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. 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 primarily includes the City of Lamoni, Iowa, and the agricultural territory in Decatur and Ringgold Counties. The District is governed by a Board of Education whose members are elected at large, 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. The 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 do 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 Assessors' Conference Board.

B. Basis of Presentation

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

The Statement of Net Assets presents the District's non-fiduciary 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 that are attributed to the acquisition, construction, or improvement of those assets.

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

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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 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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

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 receipts that are 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 expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for property tax and other revenues to be used 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 and other capital assets.

The District also reports the following nonmajor proprietary funds which include the following:

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

The District's Enterprise, Heartland Baking School is used to account for the food classes and entrepreneurship classes which provide a baking and catering service for the community.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and 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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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, they have a maturity date no longer than three months.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the

District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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

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

Capital Assets - Capital assets, which include property, machinery and equipment, and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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
Land improvements	5,000
Intangible assets	30,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July, have been accrued as liabilities when applicable.

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

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

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

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

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2011 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$541 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.

(3) Interfund Transfers

The detail of transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
	Capital Projects:	
	Statewide Sales,	
Debt Service	Services and Use Tax	\$ 88,124
	Capital Projects:	
	Physical Plant and	
Debt Service	Equipment Levy	60,341
Total		<u>\$ 148,465</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was needed for the principal and interest payment for the District's revenue bond indebtedness.

The transfer from the Capital Projects: Physical Plant and Equipment Levy Fund to the Debt Service Fund was needed for the principal and interest payment for the District's capital loan note indebtedness.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Machinery and equipment	\$ 70,489	10,866	-	81,355
Less accumulated depreciation	50,370	5,595	-	55,965
Business type activities capital assets, net	<u>\$ 20,119</u>	<u>5,271</u>	-	<u>25,390</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 44,500	28,683	-	73,183
Total capital assets not being depreciated	44,500	28,683	-	73,183
Capital assets being depreciated:				
Buildings	7,974,462	-	-	7,974,462
Land improvements	181,658	24,231	-	205,889
Machinery and equipment	386,774	66,185	-	452,959
Total capital assets being depreciated	8,542,894	90,416	-	8,633,310
Less accumulated depreciation for:				
Buildings	1,352,453	159,421	-	1,511,874
Land improvements	154,064	2,745	-	156,809
Machinery and equipment	322,792	9,498	-	332,290
Total accumulated depreciation	1,829,309	171,664	-	2,000,973
Total capital assets being depreciated, net	6,713,585	(81,248)	-	6,632,337
Governmental activities capital assets, net	\$ 6,758,085	(52,565)	-	6,705,520

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Other		\$ 4,004
Support services:		
Transportation		5,494
		9,498
Unallocated depreciation		162,166
Total governmental activities depreciation expense		\$ 171,664
Business type activities:		
Food services		\$ 2,829
Heartland Baking School		2,766
		\$ 5,595

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,700,000	-	120,000	2,580,000	125,000
Revenue bonds	330,000	-	75,000	255,000	80,000
Capital loan note	170,000	-	140,000	30,000	-
Net OPEB liability	9,000	5,530	-	14,530	-
Total	\$ 3,209,000	5,530	335,000	2,879,530	205,000
Business type activities:					
Net OPEB liability	\$ -	865	-	865	-

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of January 1, 2006			Bond Issue of May 1, 2006			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2012	4.55 %	\$ 90,000	70,115	5.50 %	\$ 35,000	40,972	\$ 125,000	111,087	236,087
2013	4.55	95,000	66,020	5.25	35,000	39,048	130,000	105,068	235,068
2014	4.50	100,000	61,698	5.25	40,000	37,210	140,000	98,908	238,908
2015	4.50	105,000	57,197	5.00	40,000	35,110	145,000	92,307	237,307
2016	3.85	110,000	52,473	4.20	40,000	33,110	150,000	85,583	235,583
2017-2021	3.88-4.00	605,000	195,618	4.25-4.45	245,000	137,146	850,000	332,764	1,182,764
2022-2026	4.05-4.20	590,000	62,695	4.50-4.65	450,000	78,542	1,040,000	141,237	1,181,237
Total		\$ 1,695,000	565,816		\$ 885,000	401,138	\$ 2,580,000	966,954	3,546,954

Revenue Bonds Payable

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 16, 2007			
	Interest Rates	Principal	Interest	Total
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
Total		\$ 255,000	22,621	277,621

The District has pledged future statewide sales, service and use tax revenues to repay the \$475,000 bond issued July 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 statewide sales, services and use tax 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 limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 39 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$277,621. For the current year, principal of \$75,000 and interest of \$14,355 was paid on the bonds and total statewide sales, services and use tax revenues were \$235,255.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) The bonds will only be redeemed from the future earnings of the statewide sales, services and use 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.

Capital Loan Note Payable

The District was scheduled to have a principal payment of \$55,000 and interest payment of \$6,212 due in fiscal 2012 and a principal payment of \$60,000 and an interest payment of \$2,280 due in fiscal 2013. During the year ended June 30, 2011, the District made an additional \$85,000 payment towards its capital loan indebtedness. After the additional payment, the District has a \$30,000 principal payment and a \$1,140 interest payment remaining on the capital loan indebtedness due in fiscal year 2013. The interest rate on the Capital Loan Note is 3.80% for 2013. The District intends on repayment of the remaining amount during fiscal 2012.

(6) 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 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$155,244, \$146,613, and \$134,199 respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 54 active and retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with ISEBA. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 47,000
Interest on net OPEB obligation	405
Adjustment to annual required contribution	(1,010)
Annual OPEB cost	<u>46,395</u>
Contributions made	<u>(40,000)</u>
Increase in net OPEB obligation	6,395
Net OPEB obligation beginning of year	<u>9,000</u>
 Net OPEB obligation end of year	 <u><u>\$ 15,395</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, plan members eligible for benefits contributed \$55,170 of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 47,000	80.9%	\$ 9,000
2011	46,395	86.2%	15,395

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$303,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$303,000. The covered payroll (annual payroll of active employees covered by

the plan) was approximately \$1,874,269, and the ratio of the UAAL to covered payroll was 16.2%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the Alternative Measurement method was used. The actuarial assumptions includes a 4.50% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities in Table 1 of GASB 45, paragraph 35(b).

Projected claim costs of the medical plan are \$995 per month. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, and prescription drugs. District contributions to ISEBA for the year ended June 30, 2011 were \$369,950.

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of

coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) 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 \$146,001 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Categorical Funding

The District's ending restricted balances for categorical funding as of June 30, 2011 is comprised of the following projects:

Project	Amount
Four-year-old preschool	\$ 17,747
Teacher salary supplement	26,246
Professional development for model core curriculum	14,416
State decategorization	11,530
Professional development	1
Total categorical funding	<u>\$ 69,940</u>

(11) Deficit Unassigned Balances

At June 30, 2011, there were negative unassigned balances in the Activity fund of \$1,563.

(12) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Statewide Sales, Services and Use Tax	Capital Projects	Total Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 472,704	66,200	538,904	162,189
Change in fund type classification per implementation of GASB Statement No. 54	-	-	162,189	(162,189)
Balances July 1, 2010, as restated			<u>\$ 701,093</u>	-

LAMONI COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

LAMONI COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 2,221,093	70,717	2,291,810	2,177,841	2,177,841	113,969
State sources	2,173,123	1,904	2,175,027	2,191,356	2,191,356	(16,329)
Federal sources	400,000	153,952	553,952	389,000	389,000	164,952
Total revenues	<u>4,794,216</u>	<u>226,573</u>	<u>5,020,789</u>	<u>4,758,197</u>	<u>4,758,197</u>	<u>262,592</u>
Expenditures/Expenses:						
Instruction	2,702,078	135	2,702,213	3,000,000	3,000,000	297,787
Support services	1,001,649	-	1,001,649	2,045,000	2,045,000	1,043,351
Non-instructional programs	-	185,073	185,073	361,727	361,727	176,654
Other expenditures	754,092	-	754,092	1,408,424	1,408,424	654,332
Total expenditures/expenses	<u>4,457,819</u>	<u>185,208</u>	<u>4,643,027</u>	<u>6,815,151</u>	<u>6,815,151</u>	<u>2,172,124</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	336,397	41,365	377,762	(2,056,954)	(2,056,954)	2,434,716
Balance beginning of year	<u>1,667,316</u>	<u>149,235</u>	<u>1,816,551</u>	<u>1,741,020</u>	<u>1,741,020</u>	<u>(75,531)</u>
Balance end of year	<u>\$ 2,003,713</u>	<u>190,600</u>	<u>2,194,313</u>	<u>(315,934)</u>	<u>(315,934)</u>	<u>2,359,185</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAMONI COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except 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 GAAP basis.

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

SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 303,000	303,000	0.00%	\$ 1,687,382	18.0%
2011	July 1, 2009	-	303,000	303,000	0.00%	1,874,269	16.2%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

LAMONI COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 84,975	24,069	109,044
Receivables:			
Property tax:			
Delinquent	1,071	-	1,071
Succeeding year	75,000	-	75,000
TOTAL ASSETS	\$ 161,046	24,069	185,115
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 75,000	-	75,000
Total liabilities	75,000	-	75,000
Fund balances:			
Restricted for:			
Management levy purposes	86,046	-	86,046
Student activities	-	25,632	25,632
Unassigned:			
Student activities	-	(1,563)	(1,563)
Total fund balances	86,046	24,069	110,115
TOTAL LIABILITIES AND FUND BALANCES	\$ 161,046	24,069	185,115

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, 2011

	Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 74,137	-	74,137
Other	5,077	93,847	98,924
State sources	37	-	37
TOTAL REVENUES	79,251	93,847	173,098
EXPENDITURES:			
Current:			
Instruction:			
Other	-	126,180	126,180
Support services:			
Administration	6,999	-	6,999
Operation and maintenance of plant	35,493	-	35,493
TOTAL EXPENDITURES	42,492	126,180	168,672
Net change in fund balances	36,759	(32,333)	4,426
Fund balances beginning of year, as restated	49,287	56,402	105,689
Fund balances end of year	\$ 86,046	24,069	110,115

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAMONI COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2011

	Capital Projects			
	Statewide Sales, Services and Use Tax	Capital Projects	Physical Plant and Equipment Levy	Total
ASSETS				
Cash and pooled investments	\$ 503,277	62,019	162,746	728,042
Receivables:				
Property tax:				
Delinquent	-	-	1,528	1,528
Succeeding year	-	-	111,670	111,670
Income surtax	-	-	19,065	19,065
Due from other governments	105,539	-	-	105,539
TOTAL ASSETS	\$ 608,816	62,019	295,009	965,844
LIABILITIES AND FUND BALANCES				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ -	-	111,670	111,670
Income surtax	-	-	19,065	19,065
Total liabilities	-	-	130,735	130,735
Fund balances:				
Restricted for:				
School infrastructure	608,816	62,019	-	670,835
Physical plant and equipment levy	-	-	164,274	164,274
Total fund balances	608,816	62,019	164,274	835,109
TOTAL LIABILITIES AND FUND BALANCES	\$ 608,816	62,019	295,009	965,844

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAMONI COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects			
	Statewide Sales, Services and Use Tax	Capital Projects	Physical Plant and Equipment Levy	Total
REVENUES:				
Local sources:				
Local tax	\$ 235,255	-	126,302	361,557
Other	1,704	90	640	2,434
State sources	-	-	52	52
Federal sources	53,350	-	-	53,350
TOTAL REVENUES	290,309	90	126,994	417,393
EXPENDITURES:				
Current:				
Support services:				
Other expenditures:				
Facilities acquisition	66,073	4,271	64,568	134,912
TOTAL EXPENDITURES	66,073	4,271	64,568	134,912
Excess(Deficiency) of revenues over(under) expenditures	224,236	(4,181)	62,426	282,481
Other financing uses:				
Transfer out	(88,124)	-	(60,341)	(148,465)
Net change in fund balances	136,112	(4,181)	2,085	134,016
Fund balance beginning of year, as restated	472,704	66,200	162,189	701,093
Fund balance end of year	\$ 608,816	62,019	164,274	835,109

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAMONI COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Drama	\$ 171	100	292	47	26
Playground	24,009	21,127	42,636	-	2,500
Interest Fund	5,771	23	-	(5,352)	442
Academic Team	382	-	140	-	242
Yearbook	(3,592)	4,853	2,445	-	(1,184)
Music Booster Uniforms	792	-	-	-	792
Future Farmers of America	2,032	12,311	13,461	-	882
National Honor Society	(300)	-	79	-	(379)
Spanish Club	137	-	-	-	137
Band	638	936	1,115	-	459
Orchestra	2,433	1,666	877	-	3,222
Seniors	812	8,738	9,450	997	1,097
Juniors	98	4,240	3,341	(997)	-
Sophomore	-	-	-	468	468
Freshman	-	855	387	(468)	-
Middle School	2,040	1,896	1,714	-	2,222
Student Council	2,153	1,949	1,925	-	2,177
Vocal	2,693	39	374	-	2,358
Music Festival	114	-	-	-	114
Milk Machine	3,337	622	447	-	3,512
Unreserved	8	-	-	-	8
Co-Ed Athletics	11,035	394	1,823	(9,606)	-
Gatorade	772	887	397	-	1,262
Activity Ticket	154	5,410	-	(5,564)	-
Bowling	-	496	1,765	1,269	-
Track	-	1,501	5,841	4,340	-
Golf	(941)	2,568	1,770	143	-
Drill Team	155	-	50	-	105
Cheerleading	333	804	940	-	197
Boys Basketball	-	4,885	4,922	37	-
Football	-	5,906	9,751	7,232	3,387
Wrestling	1,166	-	1,397	231	-
Girls Basketball	-	6,310	6,287	-	23
Volleyball	-	2,018	7,781	5,763	-
Baseball	-	1,915	2,668	753	-
Softball	-	1,398	2,105	707	-
Total	\$ 56,402	93,847	126,180	-	24,069

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAMONI COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2011

	Private Purpose Trust - Scholarship			
	Land Agri	Myers Scholarship	Scholarship	Total
ASSETS				
Cash and pooled investments	\$ 8,342	1,787	188	10,317
LIABILITIES	-	-	-	-
NET ASSETS				
Reserved for scholarships	\$ 8,342	1,787	188	10,317

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAMONI COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF
 CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2011

	Private Purpose Trust - Scholarship			
	Land	Myers	Scholarship	Total
	Agri	Scholarship		
Additions:				
Local sources:				
Interest income	10	2	1	13
Deductions:				
Instruction:				
Other:				
Scholarships awarded	-	200	-	200
Changes in net assets	10	(198)	1	(187)
Net assets beginning of year	8,332	1,985	187	10,504
Net assets end of year	\$ 8,342	1,787	188	10,317

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAMONI COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST EIGHT YEARS

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 1,745,040	1,527,516	1,486,853	1,400,831	1,343,711	1,094,509	1,216,070	1,067,949
Tuition	223,976	165,977	109,062	182,636	166,688	163,176	196,308	249,622
Other	252,077	222,197	228,891	405,402	814,671	341,020	178,995	150,433
Intermediate sources	-	-	-	-	81,143	35,072	44,442	30,029
State sources	2,173,123	1,959,470	2,110,251	2,187,738	1,936,737	1,801,625	1,767,497	1,627,839
Federal sources	400,000	514,965	297,232	293,236	691,708	189,640	383,859	343,952
Total	\$ 4,794,216	4,390,125	4,232,289	4,469,843	5,034,658	3,625,042	3,787,171	3,469,824
Expenditures:								
Instruction	\$ 2,702,078	2,648,832	2,432,176	2,553,230	2,322,347	2,158,080	2,089,909	2,030,075
Support services:								
Student	58,115	66,997	111,482	111,751	91,795	198,909	161,457	147,948
Instructional staff	11,837	19,962	12,619	6,986	113,810	36,026	57,960	70,901
Administration	383,377	403,122	383,228	407,009	367,800	376,468	366,236	356,251
Operation and maintenance of plant	353,145	359,797	346,131	337,996	304,003	322,263	364,932	380,067
Transportation	195,175	198,654	174,151	184,310	191,282	165,740	166,140	155,489
Non-instructional programs	-	-	-	-	-	5,517	4,233	5,584
Other expenditures:								
Facilities acquisitions	134,912	92,095	125,547	1,892,192	3,166,820	331,254	117,116	660,454
Long-term debt:								
Principal	335,000	245,000	230,000	155,000	120,000	50,000	150,000	130,000
Interest and fiscal charges	138,179	149,700	160,015	155,703	180,601	13,680	20,373	23,335
AEA flow-through	146,001	143,966	125,770	121,610	114,388	105,631	104,363	103,478
Total	\$ 4,457,819	4,328,125	4,101,119	5,925,787	6,972,846	3,763,568	3,602,719	4,063,582

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LAMONI COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
U.S. DEPARTMENT OF EDUCATION:			
RURAL EDUCATION (REAP)	84.358	FY11	\$ <u>21,928</u>
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 11	32,822
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 11	103,698 *
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559	FY 11	<u>8,860</u>
			<u>145,380</u>
TEAM NUTRITION GRANTS	10.574	FY 11	<u>500</u>
CHILD NUTRITION DISCRETIONARY GRANTS LIMITED AVAILABILITY	10.579	FY 11	<u>8,072</u>
COMMUNITY FACILITIES LOANS AND GRANTS	10.766	FY 11	<u>53,350</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 11	<u>68,246</u>
EDUCATIONAL TECHNOLOGY STATE GRANTS	84.318	FY 11	<u>1,077</u>
READING FIRST STATE GRANTS	84.357	FY 11	<u>19,042</u>
MATHEMATICS AND SCIENCE PARTNERSHIPS (TITLE IIB)	84.366	FY 11	<u>2,700</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 11	<u>22,234</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VIA)	84.369	FY 11	<u>2,132</u>
STATE FISCAL STABILIZATION CLUSTER:			
STATE FISCAL STABILIZATION FUND (SFSF) - EDUCATION STATE			
GRANTS, RECOVERY ACT	84.394	FY 11	18,795
STATE FISCAL STABILIZATION FUND (SFSF) - GOVERNMENT SERVICES, RECOVERY ACT	84.397	FY 11	<u>16,764</u>
			<u>35,559</u>
EDUCATION JOB FUNDS	84.410	FY 11	<u>44,805</u>
BEDFORD COMMUNITY SCHOOL DISTRICT:			
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 11	<u>5,676</u>

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
U.S. DEPARTMENT OF EDUCATION:			
GREEN HILLS AREA EDUCATION AGENCY:			
SPECIAL EDUCATION CLUSTER PROGRAMS:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 11	18,812
SPECIAL EDUCATION - GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 10	10,563
			<u>29,375</u>
U.S. DEPARTMENT OF HUMAN SERVICES:			
DECATUR COUNTY DEPARTMENT OF HUMAN SERVICES:			
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	93.558	FY 11	20,494
HEAD START	93.600	FY 11	20,493
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:			
IOWA DEPARTMENT OF EDUCATION:			
LEARN AND SERVE AMERICA - SCHOOL AND COMMUNITY BASED PROGRAMS	94.004	FY 10	12,655
LEARN AND SERVE AMERICA - SCHOOL AND COMMUNITY BASED PROGRAMS	94.004	FY 11	4,482
			<u>17,137</u>
TOTAL			<u>\$ 518,200</u>

* -Includes \$10,515 in non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

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 the
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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 9, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 our 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-11 to be significant deficiency.

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, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 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.



NOLTE, CORNMAN & JOHNSON, P.C.

March 9, 2012

NOLTE, CORNMAN & JOHNSON P.C.

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Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133

To the Board of Education of
Lamoni Community School District

Compliance

We have audited Lamoni Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Lamoni Community School District's major federal programs for the year ended June 30, 2011. Lamoni Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Lamoni Community School District's management. Our responsibility is to express an opinion on Lamoni Community School District's compliance based on our audit.

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

In our opinion, Lamoni Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Lamoni Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered Lamoni Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lamoni Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11 to be a material weakness.

Lamoni Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit 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 Sample Community School District and other parties to whom Lamoni Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



NOLTE, CORNMAN & JOHNSON, P.C.

March 9, 2012

LAMONI COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness and significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 - Summer Food Service Program For Children
 - Clustered:
 - CFDA Number 84.394 - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
 - CFDA Number 84.397 - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act
 - Individual:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - Individual
 - CFDA Number 84.410 - Education Job Funds
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Lamoni Community School District did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the posting of the cash receipts to the cash receipts journal and bank reconciliations 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.

Response - Incoming payments are logged by Pat. Stacy receipts payment and keeps a copy. Ev enters into system and gives Stacy a printout of receipts and matches them to her copy. She then verifies the bank balance on the system matches the bank balance from the bank. The District will continue to evaluate our system.

Conclusion - Response accepted.

II-B-11 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for non-certified coaches.

Recommendation - In an effort to comply with the Department of Labor requirements on wage per hour contracts, the District should keep track of the hours worked for non-certified staff coaches. The District should also review its payroll procedures to ensure that supporting documentation is kept for all employees who received checks.

Response - For 2011-2012, the District handed out time sheets to all coaches.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program and
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.559: Summer Food Service Program For Children
Federal Award Year: 2011
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.394: State Fiscal Stabilization Fund (SFSF) - Education State Grants,
Recovery Act
CFDA Number 84.397: State Fiscal Stabilization Fund (SFSF) - Government Services,
Recovery Act
Federal Award Year: 2011
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies
Federal Award Year: 2011
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.410 - Education Job Funds
Federal Award Year: 2011
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the posting of the cash receipts to the cash receipts journal and bank reconciliations 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.

Response - Incoming payments are logged by Pat. Stacy receipts payment and keeps a copy. Ev enters into system and gives Stacy a printout of receipts and matches them to her copy. She then verifies the bank balance on the system matches the bank balance from the bank. The District will continue to evaluate our system.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget - District disbursements for the year ended June 30, 2011, did not exceed the amount budgeted.

IV-B-11 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-11 Business Transactions - No business transactions between the District and District officials or employees were noted.

IV-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-11 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-11 Supplementary Weighting - We noted no variances in the supplementary weighting data certified to the Department of Education.

IV-I-11 Deposits and Investments - We noted 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.

IV-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use 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, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	472,704
Revenues:			
Sales tax revenues	\$	235,255	
Other local revenues		1,704	
Federal revenues		53,350	290,309
Total Revenues			<u>763,013</u>
Expenditures/transfers out:			
Other	\$	66,073	
Transfers to other funds:			
Debt Service Fund		88,124	154,197
Ending balance		\$	<u><u>608,816</u></u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-M-11 Financial Condition - During our audit we noted that the District had two negative accounts Student Activity Fund totaling \$1,563.

Recommendation - The District should investigate alternatives to eliminate the deficits in these two accounts.

Response - We will consider raising the cost of yearbooks and will monitor the National Honor Society account to ensure coverage in these accounts.

Conclusion - Response accepted.

IV-N-11 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

Recommendation - Per Chapter 556.1(10) and 556.11 of the Code of Iowa, the District is required to report unclaimed property to the State Treasurer annually before November 1st. The District should research the outstanding checks to determine if they should be reissued, voided or submitted to the Treasurer of Iowa as unclaimed property.

Response - Will attempt to resolve.

Conclusion - Response accepted.

IV-O-11 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students.

Questionable Accounts: There is a Gatorade account, Milk account, Middle School Fund balance account and a Playground account which do not appear to be student run organizations or cocurricular in nature. The Gatorade and Milk accounts appear to be intended as fundraisers for other organizations in the student activity fund. The Middle School Fund balance account appears to be a faculty pop account that is used to purchase food for parent teacher conferences. The Playground account appears to have donations intended for the purchase of new playground equipment for the District.

Recommendation - The District should review the accounts mentioned above and reclassify/transfer to the appropriate fund in accordance with the guidelines mentioned in 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1). It would appear that the remaining money in the Gatorade and Milk accounts should be reclassified to the individual activity fund accounts that the fundraiser was intended. The Middle School Fund balance account appears to be more appropriately handled in the General Fund. The playground equipment account in the Activity Fund would appear to be more appropriately handled in the Capital Projects Accounts or in the General Fund.

Response - The Gatorade Fund has been set up as a fund raiser for bowling. The Milk Fund is a service-learning project fundraiser. The Middle School Fund balance has been moved to the General Fund. The Board has approved the remaining Playground funds to be used to cover other activity funds.

Conclusion - Response accepted.

IV-P-11 District and Regional Rents - We noted during our audit that the district receives money for the use of facilities when hosting district and regional events. The District currently receipts this into the Student Activity Fund.

Recommendation - Chapter 297.9 of the Code of Iowa requires rent to be receipted into the General Fund. The District should receipt rent collected for facility usage into the General Fund.

Response - For 2011-2012 the District is receipting some District event monies into the General Fund.

Conclusion - Response accepted.