

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

JUNE 30, 2008

Contents

|   |                 | <u>Page</u> |
|---|-----------------|-------------|
| Officials   |                 | 1           |
| Independent Auditor's Report  |                 | 2-3         |
| Management's Discussion and Analysis (MD&A)   |                 | 4-13        |
| Basic Financial Statements:   | <u>Exhibit</u>  |             |
| Government-wide Financial Statements:   |                 |             |
| Statement of Net Assets   | A               | 14          |
| Statement of Activities   | B               | 15          |
| Governmental Fund Financial Statements:   |                 |             |
| Balance Sheet   | C               | 16          |
| Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets   | D               | 17          |
| Statement of Revenues, Expenditures and Changes in Fund Balances  | E               | 18          |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities  | F               | 19          |
| Proprietary Fund Financial Statements:  |                 |             |
| Statement of Net Assets   | G               | 20          |
| Statement of Revenues, Expenses and Changes in Net Assets   | H               | 21          |
| Statement of Cash Flows   | I               | 22          |
| Fiduciary Fund Financial Statements:  |                 |             |
| Statement of Fiduciary Net Assets   | J               | 23          |
| Statement of Changes in Fiduciary Net Assets  | K               | 24          |
| Notes to Financial Statements   |                 | 25-34       |
| Required Supplementary Information:   |                 |             |
| Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund   |                 | 35          |
| Notes to Required Supplementary Information - Budgetary Reporting   |                 | 36          |
| Other Supplementary Information:  | <u>Schedule</u> |             |
| Nonmajor Governmental Funds:  |                 |             |
| Combining Balance Sheet   | 1               | 37          |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances  | 2               | 38          |
| Schedule of Changes in Special Revenue Fund, Student Activity Accounts  | 3               | 39          |
| Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund   | 4               | 40          |
| Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types   | 5               | 41          |
| Schedule of Expenditures of Federal Awards  | 6               | 42          |
| 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> |                 | 43-44       |
| Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133   |                 | 45-46       |
| Schedule of Findings and Questioned Costs   |                 | 47-52       |

Lewis Central Community School District

Officials

| <u>Name</u>  | <u>Title</u>   | <u>Term Expires</u> |
|--|--|---------------------|
| <b>Board of Education<br/>(Before September 2007 Election)</b> |  |                     |
| Dorene Scheffel  | President  | 2009                |
| Daryl Weilage  | Vice President                                       | 2009                |
| Robert Hendrix   | Board Member   | 2007                |
| Bob Mundt  | Board Member   | 2007                |
| Daniel Feller  | Board Member   | 2008                |
| Amie Adkins-Studer   | Board Member   | 2008                |
| Scott Charleson  | Board Member   | 2009                |
| <b>Board of Education<br/>(After September 2007 Election)</b>  |  |                     |
| Dorene Scheffel  | President  | 2009                |
| Daryl Weilage  | Vice President                                       | 2009                |
| Daniel Feller  | Board Member   | 2008                |
| Amie Adkins-Studer   | Board Member   | 2008                |
| Scott Charleson  | Board Member   | 2009                |
| Robert Hendrix   | Board Member   | 2010                |
| Ron Stazzoni   | Board Member   | 2010                |
| <b>School Officials</b>  |  |                     |
| Mark Schweer   | Superintendent                                       | 2008                |
| Art Hill   | District Secretary/Treasurer<br>and Business Manager | 2008                |
| Brian Gruhn  | Attorney   | 2008                |

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Lewis Central 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 the Lewis Central Community School District, Council Bluffs, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 that our audit provides a reasonable basis for our opinions.

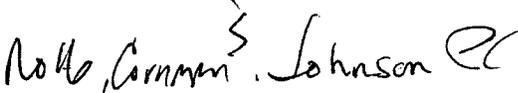
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lewis Central Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 20, 2009 on our consideration of the Lewis Central Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 35 through 36 are not required parts of the basic financial statements, but are supplementary

information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 Lewis Central Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for eight years ended June 30, 2007 (which none are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, 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.

February 20, 2009

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Lewis Central Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- The District's total net assets for governmental activities were \$16,047,722 at June 30, 2008 compared to \$14,169,492 at June 30, 2007, an increase of 13.26%.
- At the end of the current fiscal year, unreserved fund balance in the General Fund was \$2,425,302 or 10.47% of total General Fund revenues compared to prior years unreserved fund balance of \$2,352,520 or 10.15% of total General Fund revenues.
- General Fund revenues increased from \$22,057,470 in fiscal 2007 to \$23,168,191 in fiscal 2008, while General Fund expenditures and transfers out increased from \$22,201,317 in fiscal 2007 to \$23,003,834 in fiscal 2008. This resulted in an increase in the District's General Fund balance from \$2,507,871 in fiscal 2007 to a balance of \$2,672,228 in fiscal 2008, a 6.55% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local tax sources in fiscal 2008. The increase in expenditures was due primarily to an increase in the instruction functional area.
- October 2007 Certified Enrollment count resulted in an increase of 60.6 students, representing a 2.43% increase compared to the prior year.

### **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 Lewis Central 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 Lewis Central 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 Lewis Central Community School District acts solely as an agent or custodial for the benefit of those outside of the 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.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

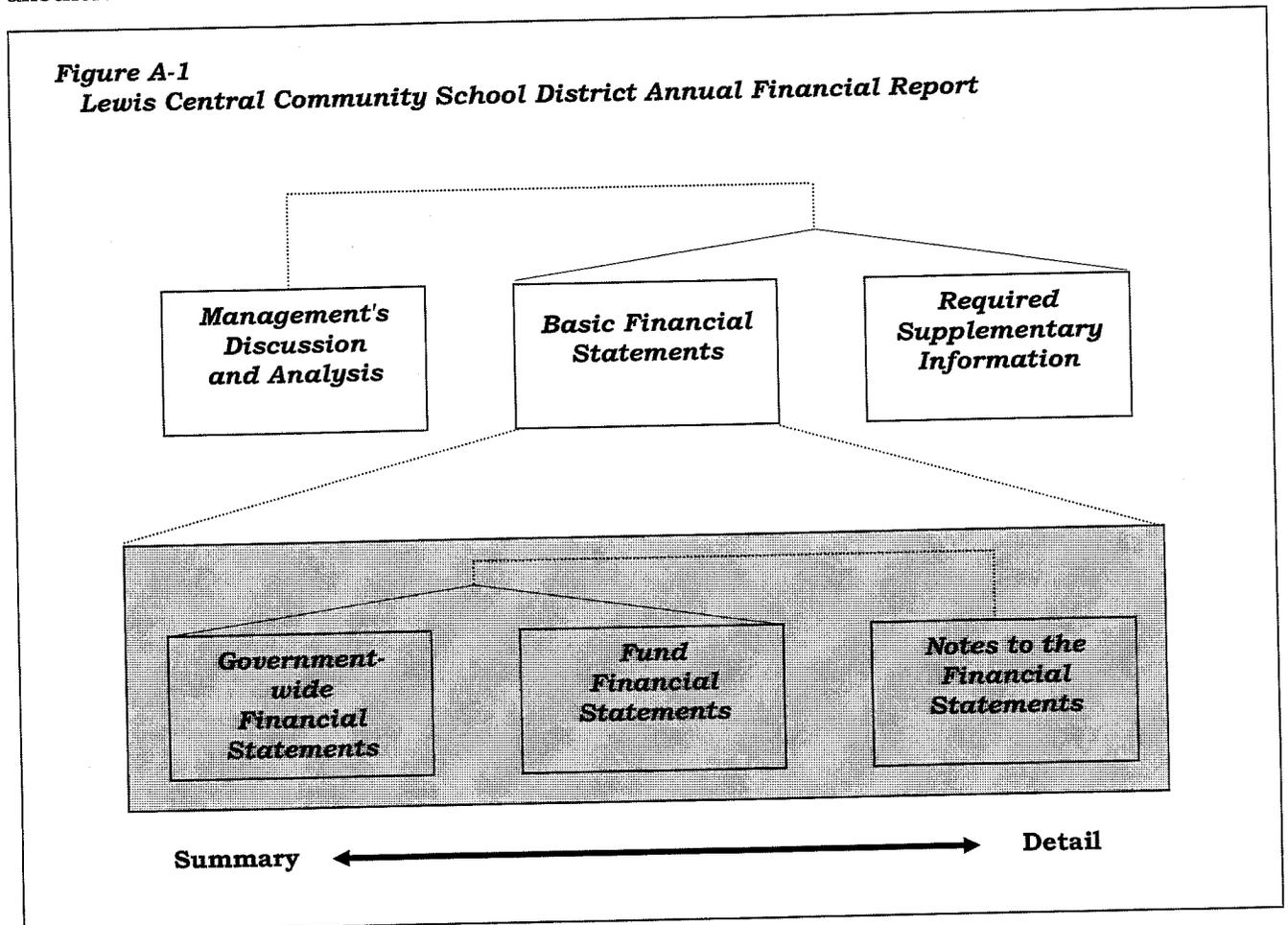


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-Wide and Fund Financial Statements**

|  | Government-wide Statements   | Fund Statements  |  |   |
|--|--|--|--|---|
|  |  | Governmental Funds   | Proprietary Funds  | Fiduciary Funds   |
| Scope                                  | Entire district (except fiduciary funds)   | The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance   | Activities the district operates similar to private businesses, 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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul> | <ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>   | <ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul> | <ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul> |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus  | Modified accrual accounting and current financial 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.

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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 three enterprise funds, the School Nutrition Fund, the Lucky Children Day Care Fund and the Swimming Pool Fund.

The required financial statements for the proprietary funds include 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.
- Agency Fund – These are funds through which the District administers and accounts for certain revenue collected for District employee purchases pop and related expenditures.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Table 1  
Condensed Statement of Net Assets

|  | Governmental  |            | Business-type |         | Total      |            | Total    |
|--|---------------|------------|---------------|---------|------------|------------|----------|
|  | Activities    |            | Activities    |         | District   |            | Change   |
|  | June 30,      |            | June 30,      |         | June 30,   |            | June 30, |
|  | 2008          | 2007       | 2008          | 2007    | 2008       | 2007       | 2007-08  |
| Current and other assets                           | \$ 20,486,816 | 19,879,716 | 176,135       | 269,072 | 20,662,951 | 20,148,788 | 2.55%    |
| Capital assets                                     | 28,101,068    | 28,071,696 | 331,458       | 342,431 | 28,432,526 | 28,414,127 | 0.06%    |
| Total assets                                       | 48,587,884    | 47,951,412 | 507,593       | 611,503 | 49,095,477 | 48,562,915 | 1.10%    |
| Long-term obligations                              | 20,921,432    | 23,323,258 | 0             | 0       | 20,921,432 | 23,323,258 | -10.30%  |
| Other liabilities                                  | 11,618,730    | 10,458,662 | 28,822        | 44,126  | 11,647,552 | 10,502,788 | 10.90%   |
| Total liabilities                                  | 32,540,162    | 33,781,920 | 28,822        | 44,126  | 32,568,984 | 33,826,046 | -3.72%   |
| Net assets:  |               |            |               |         |            |            |          |
| Invested in capital assets,<br>net of related debt | 9,533,258     | 8,542,148  | 331,458       | 342,431 | 9,864,716  | 8,884,579  | 11.03%   |
| Restricted   | 3,769,011     | 2,967,899  | 0             | 0       | 3,769,011  | 2,967,899  | 26.99%   |
| Unrestricted                                       | 2,745,453     | 2,659,445  | 147,313       | 224,946 | 2,892,766  | 2,884,391  | 0.29%    |
| Total net assets                                   | \$ 16,047,722 | 14,169,492 | 478,771       | 567,377 | 16,526,493 | 14,736,869 | 12.14%   |

The District's combined net assets increased by 12.14%, or \$1,789,624, over the prior year. The largest portion of the District's net assets is the 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 represents 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 \$801,112, or 26.99% over the prior year. The increase was primarily a result of the District's increase in the reserved fund balances.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$8,375, or .29%. This increase in unrestricted net assets was primarily a result the District’s increase in the General fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to June 30, 2007.

Table 2  
Changes of Net Assets

|  | Governmental Activities |            | Business-type Activities |           | Total      |            | Total Change |
|--|-------------------------|------------|--------------------------|-----------|------------|------------|--------------|
|  | 2008                    | 2007       | 2008                     | 2007      | 2008       | 2007       | 2007-08      |
| Revenues:  |                         |            |                          |           |            |            |              |
| Program revenues:  |                         |            |                          |           |            |            |              |
| Charges for services                                       | \$ 3,086,661            | 2,829,806  | 1,026,082                | 995,755   | 4,112,743  | 3,825,561  | 7.51%        |
| Operating grants and contributions and restricted interest | 3,467,063               | 3,127,521  | 552,579                  | 515,262   | 4,019,642  | 3,642,783  | 10.35%       |
| General revenues:  |                         |            |                          |           |            |            |              |
| Property taxes   | 9,389,605               | 9,128,217  | 0                        | 0         | 9,389,605  | 9,128,217  | 2.86%        |
| Income surtax  | 686,015                 | 569,502    | 0                        | 0         | 686,015    | 569,502    | 20.46%       |
| Local option sales and services tax                        | 1,980,456               | 2,008,610  | 0                        | 0         | 1,980,456  | 2,008,610  | -1.40%       |
| Unrestricted state grants                                  | 9,130,911               | 9,267,375  | 0                        | 0         | 9,130,911  | 9,267,375  | -1.47%       |
| Other  | 611,362                 | 813,308    | 8,533                    | 21,118    | 619,895    | 834,426    | -25.71%      |
| Transfers  | (16,415)                | (1,686)    | 16,415                   | 0         | 0          | (1,686)    | 100.00%      |
| Total revenues   | 28,335,658              | 27,742,653 | 1,603,609                | 1,532,135 | 29,939,267 | 29,274,788 | 2.27%        |
| Program expenses:  |                         |            |                          |           |            |            |              |
| Governmental activities:                                   |                         |            |                          |           |            |            |              |
| Instructional  | 16,167,054              | 15,478,616 | 18,045                   | 20,479    | 16,185,099 | 15,499,095 | 4.43%        |
| Support services   | 7,690,842               | 6,993,579  | 1,427                    | 953       | 7,692,269  | 6,994,532  | 9.98%        |
| Non-instructional programs                                 | 0                       | 0          | 1,672,743                | 1,544,277 | 1,672,743  | 1,544,277  | 8.32%        |
| Other expenses   | 2,599,532               | 2,699,129  | 0                        | 0         | 2,599,532  | 2,699,129  | -3.69%       |
| Total expenses   | 26,457,428              | 25,171,324 | 1,692,215                | 1,565,709 | 28,149,643 | 26,737,033 | 5.28%        |
| Changes in net assets                                      | 1,878,230               | 2,571,329  | (88,606)                 | (33,574)  | 1,789,624  | 2,537,755  | -29.48%      |
| Beginning net assets                                       | 14,169,492              | 11,598,163 | 567,377                  | 600,951   | 14,736,869 | 12,199,114 | 20.80%       |
| Ending net assets  | \$ 16,047,722           | 14,169,492 | 478,771                  | 567,377   | 16,526,493 | 14,736,869 | 12.14%       |

In fiscal 2008, property tax, income surtax, local option sales and services tax and unrestricted state grants account for 74.77% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 98.44% of the revenue from business type activities.

The District’s total revenues were approximately \$30.0 million of which \$28.4 million was for governmental activities and less than \$1.6 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.27% increase in revenues and a 5.28% increase in expenses. The increase in expenses related to increase in the negotiated salary and benefits, as well as increases in utilities and transportation costs.

**Governmental Activities**

Revenues, less transfers, for governmental activities were \$28,335,658 and expenses and transfers were \$26,457,428.

The following table presents the total and net cost of the District’s major governmental activities: instruction, support services and other expenses.

Table 3  
Total and Net Cost of Governmental Activities

|                  | Total Cost of Services |            |                   | Net Cost of Services |            |                   |
|------------------|------------------------|------------|-------------------|----------------------|------------|-------------------|
|                  | 2008                   | 2007       | Change<br>2007-08 | 2008                 | 2007       | Change<br>2007-08 |
| Instruction      | \$ 16,167,054          | 15,478,616 | 4.45%             | 10,489,180           | 10,369,154 | 1.16%             |
| Support services | 7,690,842              | 6,993,579  | 9.97%             | 7,641,817            | 6,947,159  | 10.00%            |
| Other expenses   | 2,599,532              | 2,699,129  | -3.69%            | 1,772,707            | 1,897,684  | -6.59%            |
| Totals           | \$ 26,457,428          | 25,171,324 | 5.11%             | 19,903,704           | 19,213,997 | 3.59%             |

- The cost financed by users of the District’s programs was \$3,086,661.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$3,467,063.
- The net cost of governmental activities was financed with \$9,389,605 in property tax, \$686,015 in income surtax, \$1,980,456 in local option sales and services tax, \$9,130,911 in unrestricted state grants, \$419,832 in unrestricted investment earnings, \$191,980 in other general revenues.

**Business-Type Activities**

Revenues, plus transfers, of the District’s business-type activities were \$1,603,609 and expenses were \$1,692,215. The District’s business-type activities include the School Nutrition Fund, Lucky Children Day Care Fund and Swimming Pool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. During the year the District purchased equipment from the Physical Plant and Equipment Levy Fund. This is shown as a transfer/capital contribution.

**INDIVIDUAL FUND ANALYSIS**

As previously noted, the Lewis Central 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 balance of \$8,423,702, below last year’s ending fund balances of \$9,031,598. The primary reason for the decrease in combined fund balances in fiscal 2008 is due to the increase in capital outlay in the Capital Projects Fund.

**Governmental Fund Highlights**

- The District’s increase in the General Fund financial position is the result of many factors. Overall, District revenues for fiscal 2008 increased 4.79%, or \$1,110,721, as compared to one year ago to \$23,168,191. The expenses and transfers increased by 3.61%, or \$802,517, as compared to one year ago to \$23,003,834. The General Fund balance increased \$164,357.

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- The Physical Plant and Equipment Levy Fund balance increased from \$1,216,483 in fiscal 2007 to \$1,405,095 in fiscal 2008. The increase is due to additional property tax revenues compared to prior year.
  - The Capital Projects Fund balance decreased from \$3,804,421 in fiscal 2007 to \$2,691,829 in fiscal 2008. This is due to the increase in construction projects.
  - The Debt Service Fund balance increased from \$1,269,409 in fiscal 2007 to \$1,313,731 in fiscal 2008. The increase is due to normal debt transactions through the year.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets decreased from \$466,519 at June 30, 2007 to \$338,217 at June 30, 2008, representing a decrease of 27.50%. This was due to increased costs of providing lunches and revenues remaining comparable to last year. The Lucky Children Day Care Fund net assets increased from \$99,159 at June 30, 2007 to \$140,175 at June 30, 2008, representing an increase of 41.36%. The Swimming Pool Fund net assets decreased from \$1,699 at June 30, 2007 to \$379 at June 30, 2008, representing a decrease of 77.69%.

### **BUDGETARY HIGHLIGHTS**

The District's revenues were \$337,579 more than budgeted revenues, a variance of 1.14%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2008, the District had invested \$28,432,526, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$1,125,104.

The original cost of the District's capital assets was \$48.0 million. Governmental funds account for \$47.2 million with the remainder of \$0.8 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$943,540 at June 30, 2008, compared to \$4,275,013 reported at June 30, 2007. This decrease resulted from the construction projects that were completed during the year.

Table 4  
Capital Assets, Net of Depreciation

|                            | Governmental Activities |            | Business-type Activities |         | Total District |            | Total Change |
|----------------------------|-------------------------|------------|--------------------------|---------|----------------|------------|--------------|
|                            | June 30,                |            | June 30,                 |         | June 30,       |            | June 30,     |
|                            | 2008                    | 2007       | 2008                     | 2007    | 2008           | 2007       | 2007-08      |
| Land                       | \$ 500,000              | 500,000    | 0                        | 0       | 500,000        | 500,000    | 0.00%        |
| Construction in progress   | 943,540                 | 4,275,013  | 0                        | 0       | 943,540        | 4,275,013  | -77.93%      |
| Buildings and improvements | 26,098,164              | 22,699,987 | 0                        | 0       | 26,098,164     | 22,699,987 | 14.97%       |
| Machinery and equipment    | 559,364                 | 596,696    | 331,458                  | 342,431 | 890,822        | 939,127    | -5.14%       |
| Total                      | \$ 28,101,068           | 28,071,696 | 331,458                  | 342,431 | 28,432,526     | 28,414,127 | 0.06%        |

### Long-Term Debt

At June 30, 2008, the District had \$20,921,432 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of 10.30% from last year. (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 bonded indebtedness of \$13,590,000 at June 30, 2008.

The District had total outstanding revenue bonded indebtedness of \$6,937,025 at June 30, 2008.

The District had total outstanding compensated absences payable from the General Fund of \$124,233 at June 30, 2008.

The District had total outstanding early retirement payable from the Special Revenue, Management Levy Fund of \$8,926 at June 30, 2008.

Table 5  
Outstanding Long-Term Obligations

|                          | Total School District |            | Total Change |
|--------------------------|-----------------------|------------|--------------|
|                          | 2008                  | 2007       |              |
| General obligation bonds | \$ 13,590,000         | 14,350,000 | -5.30%       |
| Revenue bonds            | 6,937,025             | 8,451,123  | -17.92%      |
| School bus lease         | 261,248               | 381,772    | -31.57%      |
| Compensated absences     | 124,233               | 114,980    | 8.05%        |
| Early retirement         | 8,926                 | 25,383     | -64.83%      |
| Totals                   | \$ 20,921,432         | 23,323,258 | -10.30%      |

### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District expects a steady student enrollment over the next several years. This is crucial due to the Iowa school funding formula based in part upon student enrollment.
- A projected 4% increase in allowable growth will allow the District additional state funding in fiscal year 2008.

- 
- The upcoming Iowa legislative session could again prove to be most challenging in respect to the state budget. The impact of state reductions to education is an unknown that we must be ready to address and compensate.

### **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 Dale Kreher, Board Secretary/Business Manager, Lewis Central Community School District, 1600 East South Omaha Bridge Road, Council Bluffs, Iowa, 51503.

BASIC FINANCIAL STATEMENTS

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

|   | Governmental<br>Activities | Business-type<br>Activities | Total             |
|---|----------------------------|-----------------------------|-------------------|
| <b>ASSETS</b>   |                            |                             |                   |
| Cash and pooled investments                             | \$ 7,780,197               | 140,974                     | 7,921,171         |
| Receivables:  |                            |                             |                   |
| Property tax:   |                            |                             |                   |
| Delinquent  | 80,154                     | 0                           | 80,154            |
| Succeeding year   | 10,783,625                 | 0                           | 10,783,625        |
| Income surtax   | 558,031                    | 0                           | 558,031           |
| Due from other governments                              | 1,254,476                  | 96                          | 1,254,572         |
| Inventories   | 0                          | 35,065                      | 35,065            |
| Prepaid items   | 30,333                     | 0                           | 30,333            |
| Capital assets, net of accumulated depreciation(Note 4) | 28,101,068                 | 331,458                     | 28,432,526        |
| <b>TOTAL ASSETS</b>                                     | <b>48,587,884</b>          | <b>507,593</b>              | <b>49,095,477</b> |
| <b>LIABILITIES</b>                                      |                            |                             |                   |
| Accounts payable  | 650,995                    | 1,205                       | 652,200           |
| Salaries and benefits payable                           | 70,463                     | 13,538                      | 84,001            |
| Interest payable  | 113,647                    | 0                           | 113,647           |
| Deferred revenue:                                       |                            |                             |                   |
| Succeeding year property tax                            | 10,783,625                 | 0                           | 10,783,625        |
| Unearned revenue  | 0                          | 14,079                      | 14,079            |
| Long-term liabilities(Note 5):                          |                            |                             |                   |
| Portion due within one year:                            |                            |                             |                   |
| G.O. bonds payable                                      | 835,000                    | 0                           | 835,000           |
| Revenue bonds payable                                   | 1,583,573                  | 0                           | 1,583,573         |
| School bus lease payable                                | 126,056                    | 0                           | 126,056           |
| Compensated absences payable                            | 124,233                    | 0                           | 124,233           |
| Early retirement payable                                | 8,926                      | 0                           | 8,926             |
| Portion due after one year:                             |                            |                             |                   |
| G.O. bonds payable                                      | 12,755,000                 | 0                           | 12,755,000        |
| Revenue bonds payable                                   | 5,353,452                  | 0                           | 5,353,452         |
| School bus lease payable                                | 135,192                    | 0                           | 135,192           |
| <b>TOTAL LIABILITIES</b>                                | <b>32,540,162</b>          | <b>28,822</b>               | <b>32,568,984</b> |
| <b>NET ASSETS</b>                                       |                            |                             |                   |
| Invested in capital assets, net of related debt         | 9,533,258                  | 331,458                     | 9,864,716         |
| Restricted for:   |                            |                             |                   |
| Debt service  | 1,313,731                  | 0                           | 1,313,731         |
| Talented and gifted                                     | 40,456                     | 0                           | 40,456            |
| Beginning teacher mentoring                             | 1,548                      | 0                           | 1,548             |
| Salary improvement program                              | 6,763                      | 0                           | 6,763             |
| Additional teacher contract day                         | 23,608                     | 0                           | 23,608            |
| Market factor   | 17,294                     | 0                           | 17,294            |
| Beginning administrator mentoring                       | 2,250                      | 0                           | 2,250             |
| Phase II  | 3,077                      | 0                           | 3,077             |
| Early intervention                                      | 110,368                    | 0                           | 110,368           |
| Statewide voluntary preschool                           | 23,422                     | 0                           | 23,422            |
| Professional development                                | 796                        | 0                           | 796               |
| Market factor incentives                                | 17,344                     | 0                           | 17,344            |
| Capital projects  | 471,366                    | 0                           | 471,366           |
| Management levy   | 322,841                    | 0                           | 322,841           |
| Physical plant and equipment levy                       | 1,405,095                  | 0                           | 1,405,095         |
| Other special revenue purposes                          | 9,052                      | 0                           | 9,052             |
| Unrestricted  | 2,745,453                  | 147,313                     | 2,892,766         |
| <b>TOTAL NET ASSETS</b>                                 | <b>\$ 16,047,722</b>       | <b>478,771</b>              | <b>16,526,493</b> |

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

|   | Program Revenues  |                      |   | Net (Expense) Revenue and Changes in Net Assets |                          | Total               |
|---|-------------------|----------------------|---|---|--------------------------|---------------------|
|   | Expenses          | Charges for Services | Operating Grants, Contributions and Restricted Interest | Governmental Activities                         | Business-Type Activities |                     |
| <b>Functions/Programs:</b>                  |                   |                      |   |   |                          |                     |
| <b>Governmental activities:</b>             |                   |                      |   |   |                          |                     |
| Instruction:                                |                   |                      |   |   |                          |                     |
| Regular instruction                         | \$ 10,925,518     | 2,239,501            | 2,401,895   | (6,284,122)                                     | 0                        | (6,284,122)         |
| Special instruction                         | 2,596,845         | 430,409              | 143,788   | (2,022,648)                                     | 0                        | (2,022,648)         |
| Other instruction                           | 2,644,691         | 416,751              | 45,530  | (2,182,410)                                     | 0                        | (2,182,410)         |
|   | <u>16,167,054</u> | <u>3,086,661</u>     | <u>2,591,213</u>  | <u>(10,489,180)</u>                             | <u>0</u>                 | <u>(10,489,180)</u> |
| Support services:                           |                   |                      |   |   |                          |                     |
| Student services                            | 435,588           | 0                    | 0   | (435,588)                                       | 0                        | (435,588)           |
| Instructional staff services                | 985,754           | 0                    | 0   | (985,754)                                       | 0                        | (985,754)           |
| Administration services                     | 1,952,396         | 0                    | 0   | (1,952,396)                                     | 0                        | (1,952,396)         |
| Operation and maintenance of plant services | 3,275,175         | 0                    | 0   | (3,275,175)                                     | 0                        | (3,275,175)         |
| Transportation services                     | 1,041,929         | 0                    | 49,025  | (992,904)                                       | 0                        | (992,904)           |
|   | <u>7,690,842</u>  | <u>0</u>             | <u>49,025</u>   | <u>(7,641,817)</u>                              | <u>0</u>                 | <u>(7,641,817)</u>  |
| Other expenses:                             |                   |                      |   |   |                          |                     |
| Long-term debt interest                     | 930,254           | 0                    | 0   | (930,254)                                       | 0                        | (930,254)           |
| AEA flowthrough                             | 826,825           | 0                    | 826,825   | 0   | 0                        | 0                   |
| Depreciation(unallocated)*                  | 842,453           | 0                    | 0   | (842,453)                                       | 0                        | (842,453)           |
|   | <u>2,599,532</u>  | <u>0</u>             | <u>826,825</u>  | <u>(1,772,707)</u>                              | <u>0</u>                 | <u>(1,772,707)</u>  |
| Total governmental activities               | 26,457,428        | 3,086,661            | 3,467,063   | (19,903,704)                                    | 0                        | (19,903,704)        |
| <b>Business-type activities:</b>            |                   |                      |   |   |                          |                     |
| Instruction:                                |                   |                      |   |   |                          |                     |
| Other instruction:                          |                   |                      |   |   |                          |                     |
| Swimming pool services                      | 18,045            | 16,725               | 0   | 0   | (1,320)                  | (1,320)             |
| Support services:                           |                   |                      |   |   |                          |                     |
| Transportation services:                    |                   |                      |   |   |                          |                     |
| Day care services                           | 1,427             | 0                    | 0   | 0   | (1,427)                  | (1,427)             |
| Non-instructional programs:                 |                   |                      |   |   |                          |                     |
| Nutrition services                          | 1,502,373         | 797,995              | 552,579   | 0   | (151,799)                | (151,799)           |
| Day care services                           | 170,370           | 211,362              | 0   | 0   | 40,992                   | 40,992              |
|   | <u>1,692,215</u>  | <u>1,026,082</u>     | <u>552,579</u>  | <u>0</u>  | <u>(113,554)</u>         | <u>(113,554)</u>    |
| Total                                       | \$ 28,149,643     | 4,112,743            | 4,019,642   | (19,903,704)                                    | (113,554)                | (20,017,258)        |
| <b>General Revenues and Transfers:</b>      |                   |                      |   |   |                          |                     |
| <b>General Revenues:</b>                    |                   |                      |   |   |                          |                     |
| Property tax levied for:                    |                   |                      |   |   |                          |                     |
| General purposes                            |                   |                      |   | \$ 7,474,925                                    | 0                        | 7,474,925           |
| Debt service                                |                   |                      |   | 1,346,719                                       | 0                        | 1,346,719           |
| Capital outlay                              |                   |                      |   | 567,961   | 0                        | 567,961             |
| Income surtax                               |                   |                      |   | 686,015   | 0                        | 686,015             |
| Local option sales and services tax         |                   |                      |   | 1,980,456                                       | 0                        | 1,980,456           |
| Unrestricted state grants                   |                   |                      |   | 9,130,911                                       | 0                        | 9,130,911           |
| Unrestricted investment earnings            |                   |                      |   | 419,382   | 8,533                    | 427,915             |
| Other general revenues                      |                   |                      |   | 191,980   | 0                        | 191,980             |
| Transfers                                   |                   |                      |   | (16,415)  | 16,415                   | 0                   |
| Total general revenues and transfers        |                   |                      |   | <u>21,781,934</u>                               | <u>24,948</u>            | <u>21,806,882</u>   |
| Changes in net assets                       |                   |                      |   | 1,878,230                                       | (88,606)                 | 1,789,624           |
| Net assets beginning of year                |                   |                      |   | 14,169,492                                      | 567,377                  | 14,736,869          |
| Net assets end of year                      |                   |                      |   | <u>\$ 16,047,722</u>                            | <u>478,771</u>           | <u>16,526,493</u>   |

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

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

|  | General              | Physical<br>Plant and<br>Equipment<br>Levy | Capital<br>Projects | Debt<br>Service  | Other<br>Nonmajor<br>Governmental<br>Funds | Total             |
|--|----------------------|--|---------------------|------------------|--|-------------------|
| <b>ASSETS</b>                              |                      |  |                     |                  |  |                   |
| Cash and pooled investments                | \$ 1,853,853         | 1,401,911                                  | 2,913,431           | 1,302,367        | 308,635                                    | 7,780,197         |
| Receivables:                               |                      |  |                     |                  |  |                   |
| Property tax:                              |                      |  |                     |                  |  |                   |
| Delinquent                                 | 60,176               | 4,800                                      | 0                   | 11,364           | 3,814                                      | 80,154            |
| Succeeding year                            | 8,311,817            | 659,012                                    | 0                   | 1,364,578        | 448,218                                    | 10,783,625        |
| Income surtax                              | 558,031              | 0  | 0                   | 0                | 0  | 558,031           |
| Due from other governments                 | 1,069,140            | 0  | 185,336             | 0                | 0  | 1,254,476         |
| Prepaid items                              | 0                    | 0  | 0                   | 0                | 30,333                                     | 30,333            |
| <b>TOTAL ASSETS</b>                        | <b>\$ 11,853,017</b> | <b>2,065,723</b>                           | <b>3,098,767</b>    | <b>2,678,309</b> | <b>791,000</b>                             | <b>20,486,816</b> |
| <b>LIABILITIES AND FUND BALANCES</b>       |                      |  |                     |                  |  |                   |
| Liabilities:                               |                      |  |                     |                  |  |                   |
| Accounts payable                           | \$ 240,478           | 1,616                                      | 406,938             | 0                | 1,963                                      | 650,995           |
| Salaries and benefits payable              | 70,463               | 0  | 0                   | 0                | 0  | 70,463            |
| Deferred revenue:                          |                      |  |                     |                  |  |                   |
| Succeeding year property tax               | 8,311,817            | 659,012                                    | 0                   | 1,364,578        | 448,218                                    | 10,783,625        |
| Income surtax                              | 558,031              | 0  | 0                   | 0                | 0  | 558,031           |
| <b>Total liabilities</b>                   | <b>9,180,789</b>     | <b>660,628</b>                             | <b>406,938</b>      | <b>1,364,578</b> | <b>450,181</b>                             | <b>12,063,114</b> |
| Fund balances:                             |                      |  |                     |                  |  |                   |
| Reserved for:                              |                      |  |                     |                  |  |                   |
| Debt service                               | 0                    | 0  | 0                   | 1,313,731        | 0  | 1,313,731         |
| Capital facility construction              | 0                    | 0  | 2,220,463           | 0                | 0  | 2,220,463         |
| Talented and gifted                        | 40,456               | 0  | 0                   | 0                | 0  | 40,456            |
| Beginning teacher mentoring                | 1,548                | 0  | 0                   | 0                | 0  | 1,548             |
| Salary improvement program                 | 6,763                | 0  | 0                   | 0                | 0  | 6,763             |
| Additional teacher contract day            | 23,608               | 0  | 0                   | 0                | 0  | 23,608            |
| Market factor                              | 17,294               | 0  | 0                   | 0                | 0  | 17,294            |
| Beginning administrator mentoring          | 2,250                | 0  | 0                   | 0                | 0  | 2,250             |
| Phase II                                   | 3,077                | 0  | 0                   | 0                | 0  | 3,077             |
| Early intervention                         | 110,368              | 0  | 0                   | 0                | 0  | 110,368           |
| Statewide voluntary preschool              | 23,422               | 0  | 0                   | 0                | 0  | 23,422            |
| Professional development                   | 796                  | 0  | 0                   | 0                | 0  | 796               |
| Market factor incentives                   | 17,344               | 0  | 0                   | 0                | 0  | 17,344            |
| Prepaid items                              | 0                    | 0  | 0                   | 0                | 30,333                                     | 30,333            |
| Unreserved fund balances                   | 2,425,302            | 1,405,095                                  | 471,366             | 0                | 310,486                                    | 4,612,249         |
| <b>Total fund balances</b>                 | <b>2,672,228</b>     | <b>1,405,095</b>                           | <b>2,691,829</b>    | <b>1,313,731</b> | <b>340,819</b>                             | <b>8,423,702</b>  |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 11,853,017</b> | <b>2,065,723</b>                           | <b>3,098,767</b>    | <b>2,678,309</b> | <b>791,000</b>                             | <b>20,486,816</b> |

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2008

|   |           |                          |
|---|-----------|--------------------------|
| <b>Total fund balances of governmental funds(page 16)</b>   | \$        | 8,423,702                |
| <br><i>Amounts reported for governmental activities in the statement of net assets are different because:</i>   |           |                          |
| Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.   |           | 28,101,068               |
| 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.  |           | (113,647)                |
| Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.  |           | 558,031                  |
| Long-term liabilities, including bonds payable, school bus lease payable, early retirement payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. |           | <u>(20,921,432)</u>      |
| <b>Net assets of governmental activites(page 14)</b>  | <b>\$</b> | <b><u>16,047,722</u></b> |

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

|  | General      | Physical<br>Plant and<br>Equipment<br>Levy | Capital<br>Projects | Debt<br>Service | Other<br>Nonmajor<br>Governmental<br>Funds | Total       |
|--|--------------|--|---------------------|-----------------|--|-------------|
| <b>REVENUES:</b>   |              |  |                     |                 |  |             |
| Local sources:   |              |  |                     |                 |  |             |
| Local tax  | \$ 7,671,319 | 567,961                                    | 1,980,456           | 1,346,719       | 446,279                                    | 12,012,734  |
| Tuition  | 2,567,375    | 0  | 0                   | 0               | 0  | 2,567,375   |
| Other  | 414,929      | 0  | 201,924             | 45,426          | 530,397                                    | 1,192,676   |
| Intermediate sources                                       | 155,608      | 0  | 0                   | 0               | 0  | 155,608     |
| State sources  | 11,693,283   | 5,009                                      | 0                   | 11,859          | 3,980                                      | 11,714,131  |
| Federal sources  | 664,848      | 0  | 0                   | 0               | 0  | 664,848     |
| Total revenues   | 23,167,362   | 572,970                                    | 2,182,380           | 1,404,004       | 980,656                                    | 28,307,372  |
| <b>EXPENDITURES:</b>                                       |              |  |                     |                 |  |             |
| Current:   |              |  |                     |                 |  |             |
| Instruction:   |              |  |                     |                 |  |             |
| Regular instruction  | 10,851,031   | 0  | 0                   | 0               | 88,754                                     | 10,939,785  |
| Special instruction  | 2,596,845    | 0  | 0                   | 0               | 0  | 2,596,845   |
| Other instruction  | 2,117,098    | 0  | 0                   | 0               | 544,529                                    | 2,661,627   |
|  | 15,564,974   | 0  | 0                   | 0               | 633,283                                    | 16,198,257  |
| Support services:  |              |  |                     |                 |  |             |
| Student services   | 435,588      | 0  | 0                   | 0               | 0  | 435,588     |
| Instructional staff services                               | 974,157      | 0  | 0                   | 0               | 0  | 974,157     |
| Administration services                                    | 1,898,091    | 0  | 0                   | 23,679          | 5,984                                      | 1,927,754   |
| Operation and maintenance of plant services                | 2,477,089    | 0  | 0                   | 0               | 189,264                                    | 2,666,353   |
| Transportation services                                    | 814,695      | 137,069                                    | 0                   | 0               | 44,720                                     | 996,484     |
|  | 6,599,620    | 137,069                                    | 0                   | 23,679          | 239,968                                    | 7,000,336   |
| Other expenditures:  |              |  |                     |                 |  |             |
| Facilities acquisitions                                    | 0            | 121,863                                    | 1,432,884           | 0               | 0  | 1,554,747   |
| Long-term debt:  |              |  |                     |                 |  |             |
| Principal  | 0            | 0  | 0                   | 2,419,622       | 0  | 2,419,622   |
| Interest and fiscal charges                                | 0            | 0  | 0                   | 941,840         | 0  | 941,840     |
| AEA flowthrough  | 826,825      | 0  | 0                   | 0               | 0  | 826,825     |
|  | 826,825      | 121,863                                    | 1,432,884           | 3,361,462       | 0  | 5,743,034   |
| Total expenditures   | 22,991,419   | 258,932                                    | 1,432,884           | 3,385,141       | 873,251                                    | 28,941,627  |
| Excess(deficiency) of revenues<br>over(under) expenditures | 175,943      | 314,038                                    | 749,496             | (1,981,137)     | 107,405                                    | (634,255)   |
| Other financing sources(uses):                             |              |  |                     |                 |  |             |
| Proceeds from the disposal of property                     | 829          | 530  | 0                   | 0               | 0  | 1,359       |
| Refunding debt issued                                      | 0            | 0  | 0                   | 8,380,000       | 0  | 8,380,000   |
| Payment to refunding escrow agent                          | 0            | 0  | 0                   | (8,355,000)     | 0  | (8,355,000) |
| Transfers in   | 0            | 0  | 0                   | 2,000,459       | 0  | 2,000,459   |
| Transfers out  | (12,415)     | (125,956)                                  | (1,862,088)         | 0               | 0  | (2,000,459) |
| Total other financing sources(uses)                        | (11,586)     | (125,426)                                  | (1,862,088)         | 2,025,459       | 0  | 26,359      |
| Net change in fund balances                                | 164,357      | 188,612                                    | (1,112,592)         | 44,322          | 107,405                                    | (607,896)   |
| Fund balances beginning of year                            | 2,507,871    | 1,216,483                                  | 3,804,421           | 1,269,409       | 233,414                                    | 9,031,598   |
| Fund balances end of year                                  | \$ 2,672,228 | 1,405,095                                  | 2,691,829           | 1,313,731       | 340,819                                    | 8,423,702   |

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL 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, 2008

**Net change in fund balances - total governmental funds(page 18)** \$ (607,896)

*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. The amounts of capital outlays and depreciation expense in the year are as follows:

|                      |                    |        |
|----------------------|--------------------|--------|
| Capital outlays      | \$ 1,101,309       |        |
| Depreciation expense | <u>(1,071,937)</u> | 29,372 |

Repayment of issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

|        |                   |           |
|--------|-------------------|-----------|
| Issued | \$ (8,380,000)    |           |
| Repaid | <u>10,774,622</u> | 2,394,622 |

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.

11,586

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

43,342

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.

|                      |                |       |
|----------------------|----------------|-------|
| Early retirement     | \$ 16,457      |       |
| Compensated absences | <u>(9,253)</u> | 7,204 |

\$ 1,878,230

**Changes in net assets of governmental activities(page 15)**

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2008

|   | School<br>Nutrition | Lucky<br>Children<br>Day Care | Swimming<br>Pool | Total          |
|---|---------------------|-------------------------------|------------------|----------------|
| <u>ASSETS</u>   |                     |                               |                  |                |
| Current assets:   |                     |                               |                  |                |
| Cash and pooled investments   | \$ (10,966)         | 148,587                       | 3,353            | 140,974        |
| Due from other governments  | 96                  | 0                             | 0                | 96             |
| Inventories   | 35,065              | 0                             | 0                | 35,065         |
| Total current assets  | <u>24,195</u>       | <u>148,587</u>                | <u>3,353</u>     | <u>176,135</u> |
| Non-current assets:   |                     |                               |                  |                |
| Capital assets:   |                     |                               |                  |                |
| Machinery and equipment, net of<br>accumulated depreciation(Note 4) | 331,458             | 0                             | 0                | 331,458        |
| Total non-current assets  | <u>331,458</u>      | <u>0</u>                      | <u>0</u>         | <u>331,458</u> |
| <b>TOTAL ASSETS</b>   | <u>355,653</u>      | <u>148,587</u>                | <u>3,353</u>     | <u>507,593</u> |
| <u>LIABILITIES</u>  |                     |                               |                  |                |
| Current liabilities:  |                     |                               |                  |                |
| Accounts payable  | 0                   | 1,205                         | 0                | 1,205          |
| Salaries and benefits payable                                       | 3,357               | 7,207                         | 2,974            | 13,538         |
| Unearned revenue  | 14,079              | 0                             | 0                | 14,079         |
| Total current liabilities   | <u>17,436</u>       | <u>8,412</u>                  | <u>2,974</u>     | <u>28,822</u>  |
| <b>TOTAL LIABILITIES</b>  | <u>17,436</u>       | <u>8,412</u>                  | <u>2,974</u>     | <u>28,822</u>  |
| <u>NET ASSETS</u>   |                     |                               |                  |                |
| Invested in capital assets  | 331,458             | 0                             | 0                | 331,458        |
| Unrestricted  | 6,759               | 140,175                       | 379              | 147,313        |
| Total net assets  | <u>\$ 338,217</u>   | <u>140,175</u>                | <u>379</u>       | <u>478,771</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2008

|   | School<br>Nutrition | Lucky<br>Children<br>Day Care | Swimming<br>Pool | Total            |
|---|---------------------|-------------------------------|------------------|------------------|
| <b>OPERATING REVENUE:</b>                     |                     |                               |                  |                  |
| Local sources:                                |                     |                               |                  |                  |
| Charges for service                           | \$ 797,995          | 211,362                       | 16,725           | 1,026,082        |
| <b>OPERATING EXPENSES:</b>                    |                     |                               |                  |                  |
| Instruction:                                  |                     |                               |                  |                  |
| Other instruction:                            |                     |                               |                  |                  |
| Salaries                                      | 0                   | 0                             | 14,359           | 14,359           |
| Benefits                                      | 0                   | 0                             | 1,401            | 1,401            |
| Supplies                                      | 0                   | 0                             | 2,285            | 2,285            |
| Support services:                             |                     |                               |                  |                  |
| Transportation                                |                     |                               |                  |                  |
| Salaries                                      | 0                   | 1,254                         | 0                | 1,254            |
| Benefits                                      | 0                   | 173                           | 0                | 173              |
| Non-instructional programs:                   |                     |                               |                  |                  |
| Salaries                                      | 531,074             | 118,883                       | 0                | 649,957          |
| Benefits                                      | 159,196             | 21,814                        | 0                | 181,010          |
| Services                                      | 19,253              | 7,096                         | 0                | 26,349           |
| Supplies                                      | 739,658             | 22,577                        | 0                | 762,235          |
| Depreciation                                  | 53,167              | 0                             | 0                | 53,167           |
| Other   | 25                  | 0                             | 0                | 25               |
| <b>TOTAL OPERATING EXPENSES</b>               | <b>1,502,373</b>    | <b>171,797</b>                | <b>18,045</b>    | <b>1,692,215</b> |
| <b>OPERATING INCOME(LOSS)</b>                 | <b>(704,378)</b>    | <b>39,565</b>                 | <b>(1,320)</b>   | <b>(666,133)</b> |
| <b>NON-OPERATING REVENUES</b>                 |                     |                               |                  |                  |
| State sources                                 | 12,865              | 0                             | 0                | 12,865           |
| Federal sources                               | 539,714             | 0                             | 0                | 539,714          |
| Interest on investments                       | 7,082               | 1,451                         | 0                | 8,533            |
| <b>TOTAL NON-OPERATING REVENUES</b>           | <b>559,661</b>      | <b>1,451</b>                  | <b>0</b>         | <b>561,112</b>   |
| Net income(loss) before capital contributions | (144,717)           | 41,016                        | (1,320)          | (105,021)        |
| Capital contributions                         | 16,415              | 0                             | 0                | 16,415           |
| Changes in net assets                         | (128,302)           | 41,016                        | (1,320)          | (88,606)         |
| Net assets beginning of year                  | 466,519             | 99,159                        | 1,699            | 567,377          |
| <b>Net assets end of year</b>                 | <b>\$ 338,217</b>   | <b>140,175</b>                | <b>379</b>       | <b>478,771</b>   |

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
YEAR ENDED JUNE 30, 2008

|  | School<br>Nutrition | Lucky<br>Children<br>Day Care | Swimming<br>Pool | Total     |
|--|---------------------|-------------------------------|------------------|-----------|
| Cash flows from operating activities:  |                     |                               |                  |           |
| Cash received from sale of lunches and breakfasts  | \$ 779,544          | 0                             | 0                | 779,544   |
| Cash received from miscellaneous sources   | 19,478              | 213,710                       | 16,725           | 249,913   |
| Cash payments to employees for services  | (690,262)           | (154,935)                     | (18,812)         | (864,009) |
| Cash payments to suppliers for goods or services   | (730,952)           | (29,707)                      | (2,285)          | (762,944) |
| Net cash provided by(used in) operating activities   | (622,192)           | 29,068                        | (4,372)          | (597,496) |
| Cash flows from non-capital financing activities:  |                     |                               |                  |           |
| State grants received  | 12,865              | 0                             | 0                | 12,865    |
| Federal grants received  | 502,244             | 0                             | 0                | 502,244   |
| Net cash provided by non-capital financing activities  | 515,109             | 0                             | 0                | 515,109   |
| Cash flows from capital and related financing activities:  |                     |                               |                  |           |
| Acquisition of capital assets  | (25,779)            | 0                             | 0                | (25,779)  |
| Net cash used in capital and related financing activities  | (25,779)            | 0                             | 0                | (25,779)  |
| Cash flows from investing activities:  |                     |                               |                  |           |
| Interest on investments  | 7,082               | 1,451                         | 0                | 8,533     |
| Net cash provided by investing activities  | 7,082               | 1,451                         | 0                | 8,533     |
| Net increase(decrease) in cash and cash equivalents  | (125,780)           | 30,519                        | (4,372)          | (99,633)  |
| Cash and cash equivalents at beginning of year   | 114,814             | 118,068                       | 7,725            | 240,607   |
| Cash and cash equivalents at end of year   | \$ (10,966)         | 148,587                       | 3,353            | 140,974   |
| Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:  |                     |                               |                  |           |
| Operating income(loss)   | \$ (704,378)        | 39,565                        | (1,320)          | (666,133) |
| Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:   |                     |                               |                  |           |
| Commodities used   | 37,374              | 0                             | 0                | 37,374    |
| Depreciation   | 53,167              | 0                             | 0                | 53,167    |
| Increase in inventories  | (8,948)             | 0                             | 0                | (8,948)   |
| Decrease in accounts receivable  | 0                   | 2,348                         | 0                | 2,348     |
| Decrease in accounts payable   | (442)               | 1,171                         | 0                | 729       |
| Increase(Decrease) in salaries and benefits payable  | 8                   | (14,016)                      | (3,052)          | (17,060)  |
| Increase in unearned revenue   | 1,027               | 0                             | 0                | 1,027     |
| Net cash provided by(used in) operating activities   | \$ (622,192)        | 29,068                        | (4,372)          | (597,496) |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS<br>AT YEAR END TO SPECIFIC ASSETS INCLUDED ON<br>COMBINED BALANCE SHEET:                                 |                     |                               |                  |           |
| Current assets:  |                     |                               |                  |           |
| Cash and investments   | \$ (10,966)         | 148,587                       | 3,353            | 140,974   |
| NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:  |                     |                               |                  |           |
| During the year ended June 30, 2008, the District received Federal commodities valued at \$37,374.   |                     |                               |                  |           |
| During the year ended June 30, 2008, the District received capital contributions valued at \$16,415 from the Physical Plant and Equipment Levy Fund. |                     |                               |                  |           |

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 JUNE 30, 2008

|                             | Private Purpose<br>Trust<br>Scholarship<br>Fund | Agency<br>Fund |
|-----------------------------|---|----------------|
| <b>ASSETS</b>               |   |                |
| Cash and pooled investments | \$ 1,337  | 4,708          |
| Total assets                | <u>1,337</u>                                    | <u>4,708</u>   |
| <b>LIABILITIES</b>          |   |                |
| Due to other groups         | 0   | 4,708          |
| Total liabilities           | <u>0</u>  | <u>4,708</u>   |
| <b>NET ASSETS</b>           |   |                |
| Reserved for scholarships   | <u>\$ 1,337</u>                                 | <u>0</u>       |

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
YEAR ENDED JUNE 30, 2008

|                              | <u>Private Purpose<br/>Trust<br/>Scholarship<br/>Fund</u> |
|------------------------------|---|
| Additions:                   |   |
| Local sources:               |   |
| Gifts and contributions      | \$ 3,251  |
| Total additions              | <u>3,251</u>  |
| Deductions:                  |   |
| Regular instruction:         |   |
| Scholarships awarded         | <u>3,300</u>  |
| Total deductions             | <u>3,300</u>  |
| Change in net assets         | (49)  |
| Net assets beginning of year | <u>1,386</u>  |
| Net assets end of year       | <u><u>\$ 1,337</u></u>                                    |

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

**Note 1. Summary of Significant Accounting Policies**

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

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

A. Reporting Entity

For financial reporting purposes, Lewis Central 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 Lewis Central 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 Pottawattamie and Mills Counties 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 support.

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

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation plus unspent bond proceeds and reduced by outstanding principal 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.

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 Physical Plant and Equipment Levy Fund is utilized to account for building improvements and equipment purchases.

The Capital Projects Fund is utilized to account for local option sales and services tax and capital improvements.

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

The District also reports the following major and nonmajor proprietary funds:

The District's proprietary funds are the School Nutrition Fund, Lucky Children Day Care and Swimming Pool Funds. The School Nutrition Fund is a major fund used to account for the food service operations of the District. The Lucky Children Day Care Fund is a nonmajor fund used to account for the day care services of the District. The Swimming Pool Fund is a nonmajor fund used to account for the swimming pool services of the District.

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

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

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

### 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.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before October 12, 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 Funds 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. Cash, Pooled Investments and Cash Equivalents

The cash balance 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 purpose 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.

#### E. Property Taxes

Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax revenue receivable is recognized in these funds on the levy date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recorded as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

F. 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.

G. Inventories

The Enterprise Fund inventories are accounted for using the consumption method by which inventory acquisitions are recorded in inventory accounts when purchased or received by other means and are charged to operations when consumed or sold. The enterprise fund inventory consists primarily of food, with purchased food recorded at the lower cost (first-in, first-out method) or market and food commodities which were received from the federal government recorded at the contributed value as of the date received.

H. Prepaid Items

The District prepaid insurance expense for July 2008 from the Special Revenue, Management Levy.

I. Capital Assets

Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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                            | \$ 2,500 |
| Buildings and improvements      | 2,500    |
| Machinery and equipment:        |          |
| School Nutrition Fund equipment | 500      |
| Other machinery and equipment   | 2,500    |

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

| Asset Class                | Estimated<br>Useful Lives<br>(In Years) |
|----------------------------|---|
| Buildings and improvements | 20-50 years                             |
| Machinery and equipment    | 5-12 years                              |

J. Salaries and Benefits Payable

Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, but which have balances payable in July and August 2008, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2008.

K. Deferred Revenue

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

L. Unearned Revenues

Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

M. Compensated Absences

District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. The cost of vacation payments expected to be liquidated currently is recorded as a liability in the government-wide statement of net assets. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008.

N. 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.

O. Fund Balances

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

P. 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.

Q. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the other expenditures functional area exceeded the amount budgeted.

**Note 2. Deposits and Pooled Investments**

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

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

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

|                       | <u>Amortized<br/>Cost</u> |
|-----------------------|---------------------------|
| Diversified Portfolio | <u>\$ 3,502,736</u>       |

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. There is no material difference from fair value.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

**Note 3. Transfers**

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

| <u>Transfer to</u> | <u>Transfer from</u>                                     | <u>Amount</u>       |
|--------------------|--|---------------------|
| Debt Service       | General  | \$ 12,415           |
| Debt Service       | Special Revenue:<br>Physical Plant and<br>Equipment Levy | 125,956             |
| Debt Service       | Capital Projects   | <u>1,862,088</u>    |
| Total              |  | <u>\$ 2,000,459</u> |

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

**Note 4. Capital Assets**

A summary of changes in property and equipment comprising capital assets is as follows:

|  | Balance<br>Beginning<br>of Year | Increases | Decreases | Balance<br>End<br>of Year |
|--|---------------------------------|-----------|-----------|---------------------------|
| Governmental activities:                     |                                 |           |           |                           |
| Capital assets not being depreciated:        |                                 |           |           |                           |
| Land   | \$ 500,000                      | 0         | 0         | 500,000                   |
| Construction in progress                     | 4,275,013                       | 909,157   | 4,240,630 | 943,540                   |
| Total capital assets not being depreciated   | 4,775,013                       | 909,157   | 4,240,630 | 1,443,540                 |
| Capital assets being depreciated:            |                                 |           |           |                           |
| Buildings and improvements                   | 38,282,000                      | 4,240,630 | 0         | 42,522,630                |
| Machinery and equipment                      | 3,174,897                       | 192,152   | 84,767    | 3,282,282                 |
| Total capital assets being depreciated       | 41,456,897                      | 4,432,782 | 84,767    | 45,804,912                |
| Less accumulated depreciation for:           |                                 |           |           |                           |
| Buildings and improvements                   | 15,582,013                      | 842,453   | 0         | 16,424,466                |
| Machinery and equipment                      | 2,578,201                       | 229,484   | 84,767    | 2,722,918                 |
| Total accumulated depreciation               | 18,160,214                      | 1,071,937 | 84,767    | 19,147,384                |
| Total capital assets being depreciated, net  | 23,296,683                      | 3,360,845 | 0         | 26,657,528                |
| Governmental activities capital assets, net  | \$ 28,071,696                   | 4,270,002 | 4,240,630 | 28,101,068                |
| Business-type activities:                    |                                 |           |           |                           |
| Machinery and equipment                      | \$ 772,537                      | 42,194    | 0         | 814,731                   |
| Less accumulated depreciation                | 430,106                         | 53,167    | 0         | 483,273                   |
| Business-type activities capital assets, net | \$ 342,431                      | (10,973)  | 0         | 331,458                   |

Depreciation expense was charged by the District as follows:

|  |  |                     |
|--|--|---------------------|
| Governmental activities:                           |  |                     |
| Instruction:                                       |  |                     |
| Regular  |  | \$ 2,190            |
| Other  |  | 8,878               |
| Support services:                                  |  |                     |
| Instructional staff                                |  | 1,676               |
| Administration                                     |  | 20,422              |
| Operation and maintenance of plant                 |  | 10,343              |
| Transportation                                     |  | 185,975             |
|  |  | <u>229,484</u>      |
| Unallocated depreciation                           |  | 842,453             |
| Total governmental activities depreciation expense |  | \$ <u>1,071,937</u> |
| Business-type activities:                          |  |                     |
| Food services                                      |  | \$ <u>53,167</u>    |

#### **Note 5. Long-Term Debt**

All Long-Term Debt listed is related to governmental activities. A summary of changes in long-term debt for the year ended June 30, 2008 is as follows:

|                          | Balance<br>Beginning<br>of Year | Additions           | Deletions            | Balance<br>End of<br>Year | Due<br>Within<br>One Year |
|--------------------------|---------------------------------|---------------------|----------------------|---------------------------|---------------------------|
| General Obligation Bonds | \$ 14,350,000                   | \$ 8,380,000        | \$ 9,140,000         | \$ 13,590,000             | \$ 835,000                |
| Revenue Bonds            | 8,451,123                       | 0                   | 1,514,098            | 6,937,025                 | 1,583,573                 |
| School Bus Lease         | 381,772                         | 0                   | 120,524              | 261,248                   | 126,056                   |
| Compensated Absences     | 114,980                         | 124,233             | 114,980              | 124,233                   | 124,233                   |
| Early Retirement         | 25,383                          | 0                   | 16,457               | 8,926                     | 8,926                     |
| Total                    | <u>\$ 23,323,258</u>            | <u>\$ 8,504,233</u> | <u>\$ 10,906,059</u> | <u>\$ 20,921,432</u>      | <u>\$ 2,677,788</u>       |

### Bonded Debt

On April 1, 2008, the District issued general obligation bonds of \$8,380,000 to advance refund the October 21, 1998 issue, which were issued for capital facility construction. On October 1, 2005, the District issued general obligation bonds of \$5,820,000 to advance refund the May 1, 1999 and May 1, 2001 which were issued for capital facility construction. Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

| Year<br>Ending<br>June 30, | Bond Issue of April 1, 2008 |                     |                  | Bond Issue of October 1, 2005 |                     |                  | Total                |                  |
|----------------------------|-----------------------------|---------------------|------------------|-------------------------------|---------------------|------------------|----------------------|------------------|
|                            | Interest<br>Rate            | Principal           | Interest         | Interest<br>Rate              | Principal           | Interest         | Principal            | Interest         |
| 2009                       | 3.57                        | % \$ 675,000        | 324,097          | 3.50                          | % \$ 160,000        | 196,732          | \$ 835,000           | 520,829          |
| 2010                       | 3.57                        | 710,000             | 275,068          | 3.50                          | 145,000             | 191,132          | 855,000              | 466,200          |
| 2011                       | 3.57                        | 730,000             | 250,722          | 3.50                          | 150,000             | 186,058          | 880,000              | 436,780          |
| 2012                       | 3.57                        | 770,000             | 223,660          | 3.50                          | 145,000             | 180,807          | 915,000              | 404,467          |
| 2013                       | 3.57                        | 805,000             | 196,171          | 3.50                          | 145,000             | 175,733          | 950,000              | 371,904          |
| 2014-2018                  | 3.57                        | 4,690,000           | 519,436          | 3.50-3.80                     | 700,000             | 799,700          | 5,390,000            | 1,319,136        |
| 2019-2021                  | 3.57                        | -                   | -                | 3.80-3.85                     | 3,765,000           | 292,765          | 3,765,000            | 292,765          |
| Total                      |                             | <u>\$ 8,380,000</u> | <u>1,789,154</u> |                               | <u>\$ 5,210,000</u> | <u>2,022,927</u> | <u>\$ 13,590,000</u> | <u>3,812,081</u> |

On May 3, 2006, the District issued local option sales and service tax revenue bonds of \$10,000,000 for school infrastructure and repayment of a local line of credit which was used for construction. Details of the District's June 30, 2008 local option sales and service tax revenue bonded indebtedness are as follows:

| Year<br>Ending<br>June 30, | Bond Issue of May 3, 2006 |                     |                |
|----------------------------|---------------------------|---------------------|----------------|
|                            | Interest<br>Rate          | Principal           | Interest       |
| 2009                       | 4.48                      | % \$ 1,583,573      | 278,515        |
| 2010                       | 4.48                      | 1,655,992           | 206,096        |
| 2011                       | 4.48                      | 1,731,723           | 130,365        |
| 2012                       | 4.48                      | 1,811,140           | 50,948         |
| 2013                       | 4.48                      | 154,597             | 577            |
| Total                      |                           | <u>\$ 6,937,025</u> | <u>666,501</u> |

The District has pledged future local option sales and services tax revenues to repay the \$10,000,000 bonds issued May 3, 2006. The bonds were issued for the purpose of financing a portion of the costs of capital facility construction. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2013. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$7,603,526. For the current year, principal and interest was paid on the bonds of \$1,514,098 and \$347,990 and total local option sales and services tax revenues were \$1,980,456.

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

- a) The bonds will only be redeemed from the future earnings of the local option sales and services tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- b) Principal and interest payments are required each month from the Local Option Sales and Service Tax revenues.
- c) A separate bond reserve fund will be maintained in the amount of \$1,000,000 to be used solely for the purpose of paying principal and interest in the event the revenue fund does not have sufficient funds for that purpose. This fund is called the Local Option Sales and Services Tax Reserve Fund.

#### School Bus Lease

During the year ended June 30, 2004 and June 30, 2006, the District entered in to lease agreements with Blue Bird Body Company. The Special Revenue, Physical Plant and Equipment Levy Fund will be used to liquidate the 2004 bus lease liability. The General and Special Revenue, Physical Plant and Equipment Levy Fund will be used to liquidate the 2008 bus lease liability. The details of the repayment of these leases are as follows:

| Year<br>Ending<br>June 30, | June 30, 2004    |                  |              | June 30, 2006    |                   |               | Total             |               |
|----------------------------|------------------|------------------|--------------|------------------|-------------------|---------------|-------------------|---------------|
|                            | Interest<br>Rate | Principal        | Interest     | Interest<br>Rate | Principal         | Interest      | Principal         | Interest      |
| 2009                       | 4.35 %           | \$ 63,095        | 2,744        | 4.83 %           | \$ 62,961         | 9,571         | \$ 126,056        | 12,315        |
| 2010                       | 4.35             | -                | -            | 4.83             | 66,002            | 6,530         | 66,002            | 6,530         |
| 2011                       | 4.35             | -                | -            | 4.83             | 69,190            | 3,342         | 69,190            | 3,342         |
|                            |                  | <u>\$ 63,095</u> | <u>2,744</u> |                  | <u>\$ 198,153</u> | <u>19,443</u> | <u>\$ 261,248</u> | <u>22,187</u> |

#### Early Retirement

The District offers a voluntary early retirement plan to its certified employees at various times. Eligible employees must be at least age fifty-three and employees must have completed twenty-five years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. Early retirement benefits paid during the year ended June 30, 2008 totaled \$16,457. The cost of early retirement payments expected to be liquidated currently are recorded as a liability of the government-wide financial statements representing the District's commitment to fund early retirement. All early retirement benefits are paid out of the Special Revenue, Management Fund.

#### **Note 6. Refunded General Obligation Bonds**

On April 1, 2008, the District issued \$8,380,000 in general obligation bonds with an average interest rate of 3.57% to advance refund \$8,355,000 of outstanding 1998 Series bonds with an average interest rate of 4.15%. This advance refunding was undertaken to reduce total debt service payments over the next ten years by \$291,137 and resulted in an economic gain of \$223,825.

#### **Note 7. Bond Defeasement**

On October 1, 2005, the District issued \$5,820,000 in general obligation bonds to advance refund \$2,620,000 and \$3,020,000 of outstanding general obligation bonds dated May 1, 1999 and May 1, 2001, respectively. The proceeds of the refunding issues have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which have been certified sufficient to pay all principal and interest on the refunded bonds. The bonds were called May 1, 2008. At June 30, 2008, \$0 of such bonds is outstanding. Defeasement of principal and interest for the year was \$2,970,000 and \$144,066.

#### **Note 8. Pension and Retirement Benefits**

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

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$885,019, \$776,193, and \$710,612 respectively, equal to the required contributions for each year.

#### **Note 9. Risk Management**

Lewis Central Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

#### **Note 10. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$826,825 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### **Note 11. Construction Commitments**

The District entered into various contracts totaling \$3,762,600 for renovations at Kreft Elementary School. At June 30, 2008, \$943,540 of the contracts was completed. The remaining amounts of the contracts will be paid as work on the project progresses.

#### **Note 12. Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2008, expenditures in the non-instructional programs function exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2008

|  | Governmental<br>Fund Types -<br>Actual | Proprietary<br>Fund Types -<br>Actual | Total<br>Actual | Budgeted Amounts |               | Final to<br>Actual<br>Variance -<br>Positive<br>(Negative) |
|--|--|---------------------------------------|-----------------|------------------|---------------|--|
|  |  |                                       |                 | Original         | Final         |  |
| Revenues:  |  |                                       |                 |                  |               |  |
| Local sources  | \$ 15,772,785                          | \$ 1,034,615                          | \$ 16,807,400   | \$ 16,524,458    | \$ 16,524,458 | \$ 282,942   |
| Intermediate sources   | 155,608                                | 0                                     | 155,608         | 225,000          | 225,000       | (69,392)   |
| State appropriations   | 11,714,131                             | 12,865                                | 11,726,996      | 11,717,529       | 11,717,529    | 9,467  |
| Federal appropriations   | 664,848                                | 539,714                               | 1,204,562       | 1,090,000        | 1,090,000     | 114,562  |
| Total revenues   | 28,307,372                             | 1,587,194                             | 29,894,566      | 29,556,987       | 29,556,987    | 337,579  |
| Expenditures:  |  |                                       |                 |                  |               |  |
| Instruction  | 16,198,257                             | 18,045                                | 16,216,302      | 18,846,207       | 18,846,207    | 2,629,905  |
| Support services   | 7,000,336                              | 1,427                                 | 7,001,763       | 7,638,000        | 7,638,000     | 636,237  |
| Non-instructional programs   | 0                                      | 1,672,743                             | 1,672,743       | 1,452,500        | 1,452,500     | (220,243)  |
| Other expenditures   | 5,743,034                              | 0                                     | 5,743,034       | 7,075,306        | 7,075,306     | 1,332,272  |
| Total expenditures   | 28,941,627                             | 1,692,215                             | 30,633,842      | 35,012,013       | 35,012,013    | 4,378,171  |
| Deficiency of revenues under<br>expenditures                             | (634,255)                              | (105,021)                             | (739,276)       | (5,455,026)      | (5,455,026)   | 4,715,750  |
| Other financing sources, net   | 26,359                                 | 16,415                                | 42,774          | 0                | 0             | 42,774   |
| Deficiency of revenues and other<br>financing sources under expenditures | (607,896)                              | (88,606)                              | (696,502)       | (5,455,026)      | (5,455,026)   | 4,758,524  |
| Balance beginning of year  | 9,031,598                              | 567,377                               | 9,598,975       | 9,395,247        | 9,395,247     | 203,728  |
| Balance end of year  | \$ 8,423,702                           | \$ 478,771                            | \$ 8,902,473    | \$ 3,940,221     | \$ 3,940,221  | \$ 4,962,252   |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2008

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except 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 function, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated 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.

During the year ended June 30, 2008, expenditures in the non-instructional programs functional area exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2008

|  | Nonmajor Special Revenue Funds |                     |                |
|--|--------------------------------|---------------------|----------------|
|  | Manage-<br>ment<br>Levy        | Student<br>Activity | Total          |
| <b>ASSETS</b>                                  |                                |                     |                |
| Cash and pooled investments                    | \$ 297,620                     | 11,015              | 308,635        |
| Receivables:                                   |                                |                     |                |
| Property tax:                                  |                                |                     |                |
| Current year delinquent                        | 3,814                          | 0                   | 3,814          |
| Succeeding year                                | 448,218                        | 0                   | 448,218        |
| Prepaid items                                  | 30,333                         | 0                   | 30,333         |
| <b>TOTAL ASSETS</b>                            | <b>\$ 779,985</b>              | <b>11,015</b>       | <b>791,000</b> |
| <b>LIABILITIES AND FUND BALANCES</b>           |                                |                     |                |
| Liabilities:                                   |                                |                     |                |
| Accounts payable                               | \$ 0                           | 1,963               | 1,963          |
| Deferred revenue:                              |                                |                     |                |
| Succeeding year property tax                   | 448,218                        | 0                   | 448,218        |
| Total liabilities                              | 448,218                        | 1,963               | 450,181        |
| Fund balances:                                 |                                |                     |                |
| Reserved for prepaid items                     | 30,333                         | 0                   | 30,333         |
| Unreserved fund balances                       | 301,434                        | 9,052               | 310,486        |
| Total fund balances                            | 331,767                        | 9,052               | 340,819        |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b> | <b>\$ 779,985</b>              | <b>11,015</b>       | <b>791,000</b> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2008

|  | <u>Nonmajor Special Revenue Funds</u> |                             |                |
|--|---------------------------------------|-----------------------------|----------------|
|  | <u>Manage-<br/>ment<br/>Levy</u>      | <u>Student<br/>Activity</u> | <u>Total</u>   |
| REVENUES:  |                                       |                             |                |
| Local sources:   |                                       |                             |                |
| Local tax  | \$ 446,279                            | 0                           | 446,279        |
| Other  | 816                                   | 529,581                     | 530,397        |
| State sources  | 3,980                                 | 0                           | 3,980          |
| Total revenues   | <u>451,075</u>                        | <u>529,581</u>              | <u>980,656</u> |
| EXPENDITURES:  |                                       |                             |                |
| Current:   |                                       |                             |                |
| Instruction:   |                                       |                             |                |
| Regular instruction  | 88,754                                | 0                           | 88,754         |
| Other instruction  | 0                                     | 544,529                     | 544,529        |
| Support services:  |                                       |                             |                |
| Administration services                                    | 5,984                                 | 0                           | 5,984          |
| Operation and maintenance of<br>plant services             | 188,497                               | 767                         | 189,264        |
| Student transportation                                     | 44,720                                | 0                           | 44,720         |
| Total expenditures   | <u>327,955</u>                        | <u>545,296</u>              | <u>873,251</u> |
| Excess(deficiency) of revenues<br>over(under) expenditures | 123,120                               | (15,715)                    | 107,405        |
| Fund balances beginning of year                            | <u>208,647</u>                        | <u>24,767</u>               | <u>233,414</u> |
| Fund balances end of year                                  | <u>\$ 331,767</u>                     | <u>9,052</u>                | <u>340,819</u> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2008

| Account                    | Balance<br>Beginning<br>of Year | Revenues | Expendi-<br>tures | Balance<br>End<br>of Year |
|----------------------------|---------------------------------|----------|-------------------|---------------------------|
| GENERAL ACTIVITIES         | \$ 221                          | 73,105   | 60,285            | 13,041                    |
| INTEREST                   | 0                               | 5,086    | 0                 | 5,086                     |
| DRAMA                      | 0                               | 10,010   | 11,368            | (1,358)                   |
| SPEECH                     | 0                               | 2,788    | 3,926             | (1,138)                   |
| VOCAL MUSIC                | 6,174                           | 42,755   | 45,868            | 3,061                     |
| BAND                       | 1,834                           | 40,256   | 39,739            | 2,351                     |
| BOYS/GIRLS CROSS COUNTY    | 0                               | 2,677    | 3,588             | (911)                     |
| BOYS BASKETBALL            | (1,052)                         | 18,631   | 16,783            | 796                       |
| FOOTBALL                   | 0                               | 33,464   | 30,565            | 2,899                     |
| BOYS SOCCER                | 0                               | 6,687    | 9,574             | (2,887)                   |
| BASEBALL                   | (6,389)                         | 7,998    | 17,186            | (15,577)                  |
| BOYS TRACK                 | 0                               | 2,753    | 6,008             | (3,255)                   |
| BOYS TENNIS                | 0                               | 231      | 297               | (66)                      |
| BOYS GOLF                  | 0                               | 1,678    | 4,200             | (2,522)                   |
| BOYS SWIM                  | 0                               | 3,989    | 4,123             | (134)                     |
| WRESTLING                  | 0                               | 19,483   | 28,880            | (9,397)                   |
| GIRLS BASKETBALL           | 0                               | 15,175   | 15,531            | (356)                     |
| VOLLEYBALL                 | 0                               | 13,097   | 16,483            | (3,386)                   |
| GIRLS SOCCER               | 0                               | 3,242    | 4,237             | (995)                     |
| SOFTBALL                   | (1,390)                         | 3,708    | 9,939             | (7,621)                   |
| GIRLS TRACK                | (896)                           | 7,046    | 7,283             | (1,133)                   |
| GIRLS TENNIS               | 0                               | 971      | 1,455             | (484)                     |
| GIRLS GOLF                 | 0                               | 900      | 1,155             | (255)                     |
| GIRLS SWIM                 | 0                               | 4,080    | 4,136             | (56)                      |
| FUTURE BUSINESS LEADERS    | 843                             | 18,506   | 18,500            | 849                       |
| ART CLUB                   | 0                               | 1,117    | 25                | 1,092                     |
| DRAMA CLUB                 | 1,765                           | 264      | 352               | 1,677                     |
| SKILLS USA                 | 337                             | 2,164    | 1,763             | 738                       |
| POWERLIFT CLUB             | 0                               | 505      | 709               | (204)                     |
| SPECIAL OLYMPICS           | 52                              | 1,050    | 1,100             | 2                         |
| CLASS OF 2007              | 263                             | 0        | 665               | (402)                     |
| CLASS OF 2008              | 370                             | 945      | 1,361             | (46)                      |
| CLASS OF 2009              | 45                              | 5,680    | 6,249             | (524)                     |
| CLASS OF 2010              | 0                               | 45       | 0                 | 45                        |
| CLASS OF 2011              | 0                               | 45       | 0                 | 45                        |
| STUDENT COUNCIL            | 1,714                           | 6,754    | 6,674             | 1,794                     |
| NATIONAL HONOR SOCIETY     | 186                             | 932      | 788               | 330                       |
| CHEERLEADERS               | 326                             | 5,911    | 6,564             | (327)                     |
| DANCE TEAM                 | (12,625)                        | 36,670   | 31,886            | (7,841)                   |
| YEARBOOK                   | 8,180                           | 30,936   | 36,033            | 3,083                     |
| KREFT PRIMARY              | 373                             | 14,571   | 13,841            | 1,103                     |
| TITAN HILL INTERMEDIATE    | 1,223                           | 17,494   | 18,337            | 380                       |
| TITAN HILL STUDENT COUNCIL | 1,020                           | 2,698    | 3,985             | (267)                     |
| HIGH SCHOOL STUDENTS       | 4,340                           | 15,633   | 11,320            | 8,653                     |
| MS VOCAL                   | 2,090                           | 6,539    | 6,442             | 2,187                     |
| MS BAND                    | 3,564                           | 19,086   | 15,883            | 6,767                     |
| MS STUDENT COUNCIL         | 1,728                           | 999      | 472               | 2,255                     |
| MS LEADERSHIP              | 415                             | 9,138    | 6,634             | 2,919                     |
| MS YEARBOOK                | 3,656                           | 874      | 2,906             | 1,624                     |
| MS STUDENTS                | 1,579                           | 6,407    | 5,187             | 2,799                     |
| MS SCHOLASTICS             | 4,821                           | 4,808    | 5,011             | 4,618                     |
| TOTAL                      | \$ 24,767                       | 529,581  | 545,296           | 9,052                     |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
AGENCY FUND  
YEAR ENDED JUNE 30, 2008

|  | Balance<br>Beginning<br>of Year | Additions | Deletions | Balance<br>End<br>of Year |
|--|---------------------------------|-----------|-----------|---------------------------|
| <b><u>KREFT POP TEACHERS' LOUNGE</u></b> |                                 |           |           |                           |
| <b>ASSETS</b>                            |                                 |           |           |                           |
| Cash and pooled investments              | \$ 467                          | 1,045     | 1,393     | 119                       |
| <b>LIABILITIES</b>                       |                                 |           |           |                           |
| Due to other groups                      | \$ 467                          | 1,045     | 1,393     | 119                       |
| <b><u>TITAN HILL TEACHERS</u></b>        |                                 |           |           |                           |
| <b>ASSETS</b>                            |                                 |           |           |                           |
| Cash and pooled investments              | \$ 2,028                        | 2,044     | 851       | 3,221                     |
| <b>LIABILITIES</b>                       |                                 |           |           |                           |
| Due to other groups                      | \$ 2,028                        | 2,044     | 851       | 3,221                     |
| <b><u>ADMINISTRATION POP</u></b>         |                                 |           |           |                           |
| <b>ASSETS</b>                            |                                 |           |           |                           |
| Cash and pooled investments              | \$ 254                          | 734       | 457       | 531                       |
| <b>LIABILITIES</b>                       |                                 |           |           |                           |
| Due to other groups                      | \$ 254                          | 734       | 457       | 531                       |
| <b><u>MS POP - TEACHERS' LOUNGE</u></b>  |                                 |           |           |                           |
| <b>ASSETS</b>                            |                                 |           |           |                           |
| Cash and pooled investments              | \$ 1,284                        | 1,192     | 2,066     | 410                       |
| <b>LIABILITIES</b>                       |                                 |           |           |                           |
| Due to other groups                      | \$ 1,284                        | 1,192     | 2,066     | 410                       |
| <b><u>HS POP TEACHERS' LOUNGE</u></b>    |                                 |           |           |                           |
| <b>ASSETS</b>                            |                                 |           |           |                           |
| Cash and pooled investments              | \$ 710                          | 1,122     | 1,405     | 427                       |
| <b>LIABILITIES</b>                       |                                 |           |           |                           |
| Due to other groups                      | \$ 710                          | 1,122     | 1,405     | 427                       |
| <b><u>TOTALS - ALL AGENCY FUNDS</u></b>  |                                 |           |           |                           |
| <b>ASSETS</b>                            |                                 |           |           |                           |
| Cash and pooled investments              | \$ 4,743                        | 6,137     | 6,172     | 4,708                     |
| <b>LIABILITIES</b>                       |                                 |           |           |                           |
| Due to other groups                      | \$ 4,743                        | 6,137     | 6,172     | 4,708                     |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -  
ALL GOVERNMENTAL FUND TYPES  
FOR THE LAST NINE YEARS**

|   | Modified Accrual Basis |                   |                   |                   |                   |                   |                   |                   |                   |
|---|------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|   | Years Ended June 30,   |                   |                   |                   |                   |                   |                   |                   |                   |
|   | 2008                   | 2007              | 2006              | 2005              | 2004              | 2003              | 2002              | 2001              | 2000              |
| <b>Revenues:</b>                            |                        |                   |                   |                   |                   |                   |                   |                   |                   |
| Local sources:                              |                        |                   |                   |                   |                   |                   |                   |                   |                   |
| Local tax                                   | 12,012,734             | 11,416,213        | 10,665,011        | 9,892,986         | 9,932,264         | 8,976,353         | 7,127,180         | 6,596,103         | 6,461,572         |
| Tuition                                     | 2,567,375              | 2,302,170         | 1,938,746         | 1,667,730         | 1,548,902         | 1,706,042         | 1,478,100         | 1,274,259         | 1,199,115         |
| Other                                       | 1,192,676              | 1,420,977         | 1,110,593         | 1,118,611         | 1,153,242         | 1,014,990         | 1,435,641         | 1,407,278         | 1,929,167         |
| Intermediate sources                        | 155,608                | 239,875           | 229,093           | 29,414            | 0                 | 0                 | 0                 | 0                 | 0                 |
| State sources                               | 11,714,131             | 11,333,633        | 10,367,675        | 9,871,889         | 9,457,349         | 10,036,094        | 10,230,093        | 10,291,981        | 9,921,694         |
| Federal sources                             | 664,848                | 740,545           | 653,052           | 1,102,874         | 969,969           | 573,316           | 474,531           | 404,410           | 592,037           |
| <b>Total</b>                                | <b>\$ 28,307,372</b>   | <b>27,453,413</b> | <b>24,964,170</b> | <b>23,683,504</b> | <b>23,061,726</b> | <b>22,306,795</b> | <b>20,745,545</b> | <b>19,974,031</b> | <b>20,103,585</b> |
| <b>Expenditures:</b>                        |                        |                   |                   |                   |                   |                   |                   |                   |                   |
| Instruction:                                |                        |                   |                   |                   |                   |                   |                   |                   |                   |
| Regular instruction                         | 10,939,785             | 10,366,844        | 9,156,257         | 8,487,424         | 8,424,639         | 8,670,491         | 8,716,492         | 8,367,551         | 8,098,294         |
| Special instruction                         | 2,596,845              | 2,635,120         | 2,700,906         | 3,281,264         | 3,116,389         | 3,401,001         | 3,131,051         | 3,194,624         | 3,040,034         |
| Other instruction                           | 2,661,627              | 2,486,610         | 2,468,092         | 1,738,843         | 1,338,342         | 1,250,653         | 1,433,126         | 1,344,664         | 1,275,571         |
| Support services:                           |                        |                   |                   |                   |                   |                   |                   |                   |                   |
| Student services                            | 435,588                | 486,726           | 393,108           | 526,486           | 450,984           | 386,518           | 343,937           | 310,031           | 304,670           |
| Instructional staff services                | 974,157                | 1,023,152         | 893,911           | 525,140           | 701,737           | 565,228           | 568,553           | 727,818           | 656,161           |
| Administration services                     | 1,927,754              | 1,717,968         | 1,580,310         | 1,516,607         | 1,352,365         | 1,338,687         | 1,314,020         | 1,234,994         | 1,179,886         |
| Operation and maintenance of plant services | 2,666,353              | 2,741,455         | 2,437,330         | 1,943,172         | 1,874,668         | 1,983,347         | 1,870,437         | 1,732,121         | 1,432,379         |
| Transportation services                     | 996,484                | 802,189           | 1,190,886         | 588,283           | 907,846           | 521,840           | 846,675           | 578,663           | 704,272           |
| Central support services                    | 0                      | 0                 | 0                 | 0                 | 0                 | 33,673            | 58,599            | 30,016            | 27,641            |
| Other support services                      | 0                      | 0                 | 0                 | 84,200            | 74,274            | 19,300            | 16,384            | 12,601            | 13,079            |
| Non-instructional programs                  | 0                      | 0                 | 0                 | 2,500             | 22,103            | 25,922            | 17,441            | 81,067            | 82,518            |
| Other expenditures:                         |                        |                   |                   |                   |                   |                   |                   |                   |                   |
| Facilities acquisitions                     | 1,554,747              | 4,874,272         | 673,836           | 1,486,759         | 4,447,789         | 3,944,926         | 4,196,057         | 7,579,085         | 9,460,614         |
| Long-term debt:                             |                        |                   |                   |                   |                   |                   |                   |                   |                   |
| Principal                                   | 10,774,622             | 2,385,183         | 837,926           | 789,871           | 765,068           | 671,903           | 595,000           | 550,000           | 330,000           |
| Interest and other charges                  | 941,840                | 1,044,697         | 921,368           | 731,160           | 749,588           | 779,714           | 793,674           | 668,360           | 889,840           |
| AEA flow-through                            | 826,825                | 801,445           | 716,983           | 678,959           | 685,810           | 734,742           | 734,795           | 758,522           | 721,076           |
| <b>Total</b>                                | <b>\$ 37,296,627</b>   | <b>31,365,661</b> | <b>23,970,913</b> | <b>22,380,668</b> | <b>24,911,602</b> | <b>24,327,945</b> | <b>24,636,241</b> | <b>27,170,117</b> | <b>28,216,035</b> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2008

| GRANTOR/PROGRAM  | CFDA<br>NUMBER | GRANT<br>NUMBER | EXPENDITURES        |
|--|----------------|-----------------|---------------------|
| INDIRECT:  |                |                 |                     |
| DEPARTMENT OF AGRICULTURE:   |                |                 |                     |
| IOWA DEPARTMENT OF EDUCATION:  |                |                 |                     |
| SCHOOL NUTRITION CLUSTER PROGRAMS:                                   |                |                 |                     |
| NATIONAL SCHOOL LUNCH PROGRAM  | 10.555         | FY 08           | \$ 440,831 *        |
| SCHOOL BREAKFAST PROGRAM   | 10.553         | FY 08           | <u>98,787</u>       |
|  |                |                 | <u>539,618</u>      |
| DEPARTMENT OF EDUCATION:   |                |                 |                     |
| IOWA DEPARTMENT OF EDUCATION:  |                |                 |                     |
| TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES                         | 84.010         | 3465-G          | <u>243,335</u>      |
| SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - STATE GRANTS            | 84.186         | FY 08           | <u>10,671</u>       |
| STATE GRANTS FOR INNOVATIVE PROGRAMS(TITLE V)                        | 84.298         | FY 08           | <u>4,947</u>        |
| IMPROVING TEACHER QUALITY STATE GRANTS(TITLE IIA)                    | 84.367         | FY 08           | <u>90,457</u>       |
| GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VI A)      | 84.369         | FY 08           | <u>19,635</u>       |
| AREA EDUCATION AGENCY: VOCATIONAL EDUCATION - BASIC GRANTS TO STATES | 84.048         | FY 07           | <u>19,576</u>       |
| SPECIAL EDUCATION - GRANTS TO STATES (PART B)                        | 84.027         | FY 07           | <u>143,788</u>      |
| TOTAL  |                |                 | <u>\$ 1,072,027</u> |

\* includes non-cash awards of \$37,374.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Lewis Central 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 financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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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  
Lewis Central 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 Lewis Central Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 20, 2009. 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 Lewis Central 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 Lewis Central Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lewis Central Community School District's internal control over financial reporting.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lewis Central 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.

Lewis Central Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Lewis Central 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 Lewis Central Community School District and other parties to whom Lewis Central 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 Lewis Central 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.

February 20, 2009

**NOLTE, CORNMAN & JOHNSON P.C.**  
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Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Board of Education of  
Lewis Central Community School District

Compliance

We have audited the compliance of Lewis Central Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Lewis Central 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 Lewis Central Community School District's management. Our responsibility is to express an opinion on Lewis Central 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 Lewis Central 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 Lewis Central Community School District's compliance with those requirements.

In our opinion, Lewis Central Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Lewis Central 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 Lewis Central Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lewis Central Community School District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Lewis Central Community School District and other parties to whom Lewis Central 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.



NOLTE, CORNMAN & JOHNSON, P.C.

February 20, 2009

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements; however, none were considered material weaknesses.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose 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 Programs
    - CFDA Number 10.555 - National School Lunch Program
    - CFDA Number 10.556 - School Breakfast Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Lewis Central Community School District qualified as a low-risk auditee.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-08 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from.

School betterment accounts were noted. These accounts should be should more appropriately be expended from the General Fund. Included in these accounts were purchases of student agendas, student rewards, and field trips. It would appear the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. In addition, the student rewards need to be documented as to the public purpose.

Recommendation - 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 the students established under Iowa Administrative Code 281-12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund and establish procedures to ensure only appropriate expenditures are made form the Student Activity Fund. The betterment accounts need to be reviewed for propriety by management and consider closing betterment accounts into the General Fund. The District should review Chapter 9 of the LEA Uniform Administrative Procedures Manual available at the Department of Education website.

Response - The District will review Chapter 9 of the LEA Uniform Administrative Manual and take appropriate action.

Conclusion - Response accepted.

II-B-08 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to 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 receive checks.

Response - The District will implement procedures to begin tracking hours worked for coaches who are non-certified staff.

Conclusion - Response accepted.

II-C-08 Supporting Documents for Payments with Credit Cards - Payments made with credit cards do not always have detailed supporting documentation.

Recommendation - The District has a policy in place for credit card usage, which states that the users of the credit cards need to provide detailed receipts for purchases made. The District should review procedures in place with personnel using the district credit cards to ensure the proper detailed documentation will be available with paid credit card statements.

Response - The District will exercise additional care to ensure the proper documentation is received.

Conclusion - Response accepted.

II-D-08 Grants - We noted during our audit, that when expenditures for specific projects were posted; it appeared that the expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - The District will take greater care in reviewing expenditures to make sure the expenses are posted to the correct accounts.

Conclusion - Response accepted.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-08 Certified Budget - District expenditures for the year ended June 30, 2008 exceeded the amount budgeted in the non-instructional programs functional area.

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

Response - We will amend the budget if necessary in the future.

Conclusion - Response accepted.

IV-B-08 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-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-08 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-08 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-I-08 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-J-08 Financial Condition - The District had several deficit student account balances in the Special Revenue, Student Activity Fund at year end.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate the deficit.

Response - The District will continue to monitor the deficit accounts and investigate any available options to eliminate the deficit.

Conclusion - Response accepted.

IV-K-08 Physical Plant and Equipment Levy Fund Expenditures - According to Chapter 298.3 of the Code of Iowa, the Physical Plant and Equipment Levy Fund monies may be used for a purchase of a single unit of equipment exceeding \$500 per unit. We noted during our audit that the District purchased several items, including desks and chairs, from the Physical Plant and Equipment Levy Fund.

Recommendation - The District should review Chapter 298.3 of the Code of Iowa with regard to allowable expenditures. The District has made the corrective transfer at the time of audit and is reflected in the financial statements.

Response - We will review Chapter 298.3 of the Code of Iowa.

Conclusion - Response accepted.