

CENTRAL LEE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

## Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14
Governmental Fund Financial Statements:		
Balance Sheet	C	15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	16
Statement of Revenues, Expenditures and Changes in Fund Balances	E	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	18
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	19
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	20
Statement of Cash Flows	I	21
Notes to Financial Statements		22-32
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		33
Notes to Required Supplementary Information - Budgetary Reporting		34
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	35
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	36
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	37-38
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	39
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>		40-41
Schedule of Findings		42-44

Central Lee Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education  
(Before September 2008 Election)**

Robert Galle	President	2008
Robert Bryant	Vice President	2008
Verna Brunstein	Board Member	2009
John Johnson	Board Member	2010
Larry Engler	Board Member	2010

**Board of Education  
(After September 2008 Election)**

John Johnson	President	2009*
Robert Bryant	Vice President	2011
Robert Galle	Board Member	2011
Verna Brunstein	Board Member	2009
Larry Engler	Board Member	2011*

**School Officials**

John Henriksen	Superintendent	2009
Sandra Meierotto	Board Secretary	2009
Sharon Bradley	Board Treasurer	2009
Gruhn Law Firm	Attorney	2009
James Miller	Attorney	2009

\* Board term changed per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

**NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Central Lee 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 Central Lee Community School District, Donnellson, Iowa as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Central Lee Community School District at June 30, 2009, 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 March 11, 2010 on our consideration of the Central Lee Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central Lee Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2010

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

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

### **2009 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$9,048,844 in fiscal 2008 to \$9,172,186 in fiscal 2009, while General Fund expenditures decreased from \$8,937,093 in fiscal 2008 to \$8,698,563 in fiscal 2009. The District's General Fund balance increased from a deficit fund balance of \$20,235 in fiscal 2008 to a fund balance of \$453,388.
- The increase in General Fund revenues was mainly attributable to increases in local tax and federal revenues in fiscal 2009. The decrease in expenditures was due primarily to a decrease in instruction and support services expenditures.
- The District ended the 2008-09 school year with a 3.77% solvency ratio, which is an improvement from the negative 0.48% solvency ratio the District had the previous year.
- According to the Department of Management, the District finished the 2009 year with an unspent balance authority of \$568,244 not including any adjustment for special education deficit allowable growth.

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

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

**Figure A-1**  
**Central Lee Community School District Annual Financial Report**

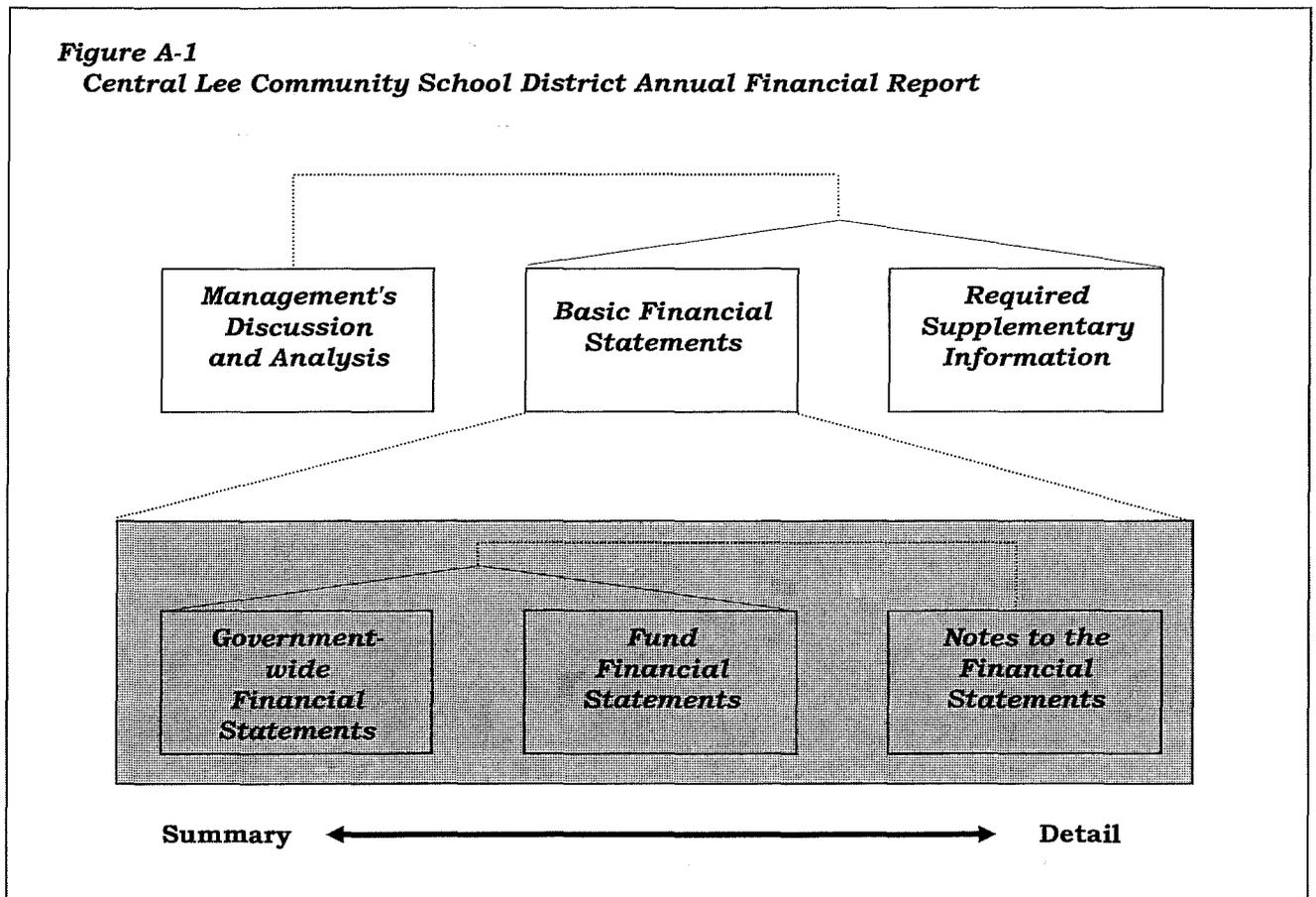


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education
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 Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</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
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
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

## 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 two 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, the Special Revenue Funds, the Debt Service, and the 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 one Enterprise Fund, the School Nutrition Fund.

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

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 total net assets at June 30, 2009 compared to June 30, 2008.

Figure A-3  
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total Change June 30, 2008-09
	Activities		Activities		School District		
	June 30, 2009	2008	June 30, 2009	2008	June 30, 2009	2008	
Current and other assets	\$ 7,536,562	7,412,557	28,195	20,995	7,564,757	7,433,552	1.77%
Capital assets	6,470,384	6,602,679	48,407	25,545	6,518,791	6,628,224	-1.65%
Total assets	14,006,946	14,015,236	76,602	46,540	14,083,548	14,061,776	0.15%
Long-term liabilities	416,492	1,424,957	0	0	416,492	1,424,957	-70.77%
Other liabilities	6,024,203	5,939,845	2,859	4,431	6,027,062	5,944,276	1.39%
Total liabilities	6,440,695	7,364,802	2,859	4,431	6,443,554	7,369,233	-12.56%
Net assets:							
Invested in capital assets, net of related debt	6,171,170	5,373,184	48,407	25,545	6,219,577	5,398,729	15.20%
Restricted	780,768	1,224,538	0	0	780,768	1,224,538	-36.24%
Unrestricted	614,313	52,712	25,336	16,564	639,649	69,276	823.33%
Total net assets	\$ 7,566,251	6,650,434	73,743	42,109	7,639,994	6,692,543	14.16%

The District's combined net assets increased by \$947,451 or 14.16% from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$443,770 or 36.24% from the prior year. The decrease was due primarily to the decrease in the Debt Service fund balance.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$570,373 or 823.33%. This increase was due primarily to the increase in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4  
Changes of Net Assets

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 1,509,622	1,482,896	210,976	192,851	1,720,598	1,675,747	2.68%
Operating grants and contributions and restricted interest	1,323,065	1,124,364	190,456	178,740	1,513,521	1,303,104	16.15%
General revenues:							
Property tax	2,473,420	2,358,123	0	0	2,473,420	2,358,123	4.89%
Income surtax	371,559	333,066	0	0	371,559	333,066	11.56%
Statewide sales and service tax	679,221	669,090	0	0	679,221	669,090	1.51%
Unrestricted state grants	3,971,584	4,162,699	0	0	3,971,584	4,162,699	-4.59%
Unrestricted investment earnings	85,167	126,486	610	804	85,777	127,290	-32.61%
Other	67,964	37,623	0	0	67,964	37,623	80.64%
Transfers	(48,140)	0	48,140	0	0	0	0.00%
Total revenues and transfers	10,433,462	10,294,347	450,182	372,395	10,883,644	10,666,742	2.03%
Program expenses:							
Governmental activities:							
Instructional	6,386,645	6,895,466	0	0	6,386,645	6,895,466	-7.38%
Support services	2,370,749	2,606,131	139	2,569	2,370,888	2,608,700	-9.12%
Non-instructional programs	0	0	418,409	408,144	418,409	408,144	2.52%
Other expenses	760,251	698,725	0	0	760,251	698,725	8.81%
Total expenses	9,517,645	10,200,322	418,548	410,713	9,936,193	10,611,035	-6.36%
Change in net assets	915,817	94,025	31,634	(38,318)	947,451	55,707	1600.78%
Net assets beginning of year	6,650,434	6,556,409	42,109	80,427	6,692,543	6,636,836	0.84%
Net assets end of year	\$ 7,566,251	6,650,434	73,743	42,109	7,639,994	6,692,543	14.16%

In fiscal 2009, property tax, income surtax, statewide sales and service tax and unrestricted state grants account for 71.84% of the revenue from governmental activities while charges for services and operating grants and contributions account for 89.17% of the revenue from business type activities.

The District's total revenues were approximately \$10.88 million of which \$10.43 million was for governmental activities and \$0.45 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 2.03% in revenues and a 6.36% decrease in expenses.

### Governmental Activities

Revenues for governmental activities were \$10,433,462 and expenses were \$9,517,645 for the year ended June 30, 2009.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 6,386,645	6,895,466	-7.38%	3,881,779	4,610,438	-15.80%
Support services	2,370,749	2,606,131	-9.03%	2,364,188	2,600,451	-9.09%
Other expenses	760,251	698,725	8.81%	438,991	382,173	14.87%
Totals	\$ 9,517,645	10,200,322	-6.69%	6,684,958	7,593,062	-11.96%

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$1,509,622.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,323,065.
- The net cost of governmental activities was financed with \$2,473,420 in property tax, \$371,559 in income surtax, \$679,221 in statewide sales and service tax, \$3,971,584 in unrestricted state grants, \$85,167 in investment interest and \$67,694 in other revenue.

### Business Type Activities

Revenues of the District's business type activities were \$450,182 and expenses were \$418,548. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### INDIVIDUAL FUND ANALYSIS

As previously noted, the Central Lee 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 \$1,182,147, below last year's ending fund balances of a \$1,198,801.

### Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. Growth during the year in federal grants, local tax, and tuition resulted in an increase in revenues. Also, the District was able to reduce expenditures from the prior year.
- The General Fund balance increased from a deficit of \$20,235 to a balance of \$453,388, due in part to the increase in revenues as well as the District being able to significantly reduce expenditures compared to the prior year.
- The Capital Projects balance decreased from \$373,891 to \$474,643, due in part to the increase in local tax revenue and the decrease in expenditures.

- The Debt Service Fund balance decreased from \$556,574 to \$0. This decrease was due to the District paying off the remaining balance on its revenue bonds and computer leases.

### Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$42,109 at June 30, 2008 to \$73,743 at June 30, 2009, representing an increase of approximately 75.12%.

### BUDGETARY HIGHLIGHTS

The District's revenues were \$150,846 less than budgeted revenues, a variance of approximately 1.37%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2009, the District had invested \$6,518,791, 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) This amount represents a net decrease of 1.65% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$364,961.

The original cost of the District's capital assets was \$12,980,231. Governmental funds account for \$12,725,716 with the remainder of \$254,515 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$604,143 at June 30, 2009, compared to \$504,827 reported at June 30, 2008. This increase is primarily due to the purchase of vehicles during the year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total Change
	Activities		Activities		School District		
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	
Land	\$ 203,592	203,592	0	0	203,592	203,592	0.00%
Buildings	5,152,057	5,298,592	0	0	5,152,057	5,298,592	-2.77%
Improvements other than buildings	558,999	621,213	0	0	558,999	621,213	-10.01%
Machinery and equipment	555,736	479,282	48,407	25,545	604,143	504,827	19.67%
Total	\$ 6,470,384	6,602,679	48,407	25,545	6,518,791	6,628,224	-1.65%

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## Long-Term Debt

At June 30, 2009, the District had long-term debt outstanding of \$416,492 in total long-term debt outstanding. This was a 70.77% decrease from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District has a bus lease outstanding of \$229,167, payable from the Capital Projects Fund. Payments for the bus lease will continue through 2012.

The District had total outstanding Early Retirement payable from the Special Revenue, Management Levy Fund of \$117,278 at June 30, 2009.

The District had a land purchase outstanding of \$70,047, payable from the Capital Projects Fund at June 30, 2009.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2009	2008	2008-09
Revenue bonds	\$ 0	810,000	-100.00%
Land	70,047	81,102	-13.63%
Bus lease	229,167	298,917	-23.33%
Computer leases	0	39,476	-100.00%
Early retirement	117,278	195,462	-40.00%
Totals	\$ 416,492	1,424,957	-70.77%

## 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:

- With the District's current financial challenges, the FY 2010 state budget cut of 10% results in a significant decrease in General Fund revenue, shifting funding on property taxes and other revenue sources. As a result of these lost revenues, the District will explore all opportunities to reduce expenditures and/or increase revenues.
- The District continues to make staff reductions in order to match declining enrollment.
- The District must not continue to allow expenditures to outpace revenues.

## 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 Sandra Meierotto, District Secretary, Central Lee Community School District, 2642 Highway 218, Donnellson, Iowa, 52625.

BASIC FINANCIAL STATEMENTS

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2009

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents:			
ISCAP	\$ 2,427,496	0	2,427,496
Other	1,868,963	18,027	1,886,990
Receivables:			
Property tax:			
Delinquent	47,434	0	47,434
Succeeding year	2,521,562	0	2,521,562
Income surtax	344,511	0	344,511
Accounts	10,982	0	10,982
Accrued ISCAP interest	7,593	0	7,593
Due from other governments	308,021	0	308,021
Inventories	0	10,168	10,168
Capital assets, net of accumulated depreciation	6,470,384	48,407	6,518,791
<b>Total Assets</b>	<b>14,006,946</b>	<b>76,602</b>	<b>14,083,548</b>
<b>Liabilities</b>			
Interest payable	14,299	0	14,299
Salaries and benefits payable	1,045,778	0	1,045,778
ISCAP warrants payable	2,392,000	0	2,392,000
ISCAP accrued interest payable	10,925	0	10,925
ISCAP unamortized premium	39,639	0	39,639
Deferred revenue:	0		
Succeeding year property tax	2,521,562	0	2,521,562
Unearned revenue	0	2,859	2,859
Long-term liabilities:			
Portion due within one year:			
Bus Lease	72,989	0	72,989
Land	11,940	0	11,940
Early Retirement	39,093	0	39,093
Portion due after one year:			
Bus Lease	156,178	0	156,178
Land	58,107	0	58,107
Early Retirement	78,185	0	78,185
<b>Total Liabilities</b>	<b>6,440,695</b>	<b>2,859</b>	<b>6,443,554</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	6,171,170	48,407	6,219,577
Restricted for:			
Catergorical funding	105,507	0	105,507
Physical plant and equipment levy	154,351	0	154,351
Capital projects	474,643	0	474,643
Other special revenue purposes	44,267	0	44,267
Designated for special purpose	2,000	0	2,000
Unrestricted	614,313	25,336	639,649
<b>Total Net Assets</b>	<b>\$ 7,566,251</b>	<b>73,743</b>	<b>7,639,994</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
<b>Functions/Programs</b>						
<b>Governmental activities:</b>						
Instruction:						
Regular	\$ 3,956,179	1,058,841	919,955	(1,977,383)	0	(1,977,383)
Special	1,319,529	173,385	73,483	(1,072,661)	0	(1,072,661)
Other	1,110,937	277,051	2,151	(831,735)	0	(831,735)
	<u>6,386,645</u>	<u>1,509,277</u>	<u>995,589</u>	<u>(3,881,779)</u>	<u>0</u>	<u>(3,881,779)</u>
Support services:						
Student	202,095	0	0	(202,095)	0	(202,095)
Instructional staff	142,111	0	0	(142,111)	0	(142,111)
Administration	859,783	0	0	(859,783)	0	(859,783)
Operation and maintenance of plant	687,418	0	0	(687,418)	0	(687,418)
Transportation	479,342	345	6,216	(472,781)	0	(472,781)
	<u>2,370,749</u>	<u>345</u>	<u>6,216</u>	<u>(2,364,188)</u>	<u>0</u>	<u>(2,364,188)</u>
Other expenditures:						
Facilities acquisitions	148,318	0	0	(148,318)	0	(148,318)
Long-term debt interest	38,215	0	0	(38,215)	0	(38,215)
AEA flowthrough	321,260	0	321,260	0	0	0
Depreciation(unallocated)*	252,458	0	0	(252,458)	0	(252,458)
	<u>760,251</u>	<u>0</u>	<u>321,260</u>	<u>(438,991)</u>	<u>0</u>	<u>(438,991)</u>
Total governmental activities	9,517,645	1,509,622	1,323,065	(6,684,958)	0	(6,684,958)
<b>Business Type activities:</b>						
Support services:						
Operation and maintenance of plant	139	0	0	0	(139)	(139)
Non-instructional programs:						
Food service operations	418,409	210,976	190,456	0	(16,977)	(16,977)
Total business type activities	<u>418,548</u>	<u>210,976</u>	<u>190,456</u>	<u>0</u>	<u>(17,116)</u>	<u>(17,116)</u>
Total	\$ 9,936,193	1,720,598	1,513,521	(6,684,958)	(17,116)	(6,702,074)
<b>General Revenues and Transfers:</b>						
Property tax levied for:						
General purposes				\$ 2,415,828	0	2,415,828
Capital outlay				57,592	0	57,592
Income surtax				371,559	0	371,559
Statewide sales and services				679,221	0	679,221
Unrestricted state grants				3,971,584	0	3,971,584
Unrestricted investment earnings				85,167	610	85,777
Other				67,964	0	67,964
Transfers				(48,140)	48,140	0
Total general revenues and transfers				<u>7,600,775</u>	<u>48,750</u>	<u>7,649,525</u>
Changes in net assets				915,817	31,634	947,451
Net assets beginning of year				6,650,434	42,109	6,692,543
Net assets end of year				<u>\$ 7,566,251</u>	<u>73,743</u>	<u>7,639,994</u>

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	General	Other Nonmajor Governmental Funds	Total
<b>Assets</b>			
Cash and pooled investments:			
ISCAP	\$ 2,427,496	0	2,427,496
Other	1,245,133	623,830	1,868,963
Receivables:			
Property tax:			
Delinquent	42,218	5,216	47,434
Succeeding year	2,306,562	215,000	2,521,562
Income surtax	344,511	0	344,511
Accounts	10,982	0	10,982
Accrued ISCAP interest	7,593	0	7,593
Due from other governments	208,308	99,713	308,021
<b>Total Assets</b>	<b>\$ 6,592,803</b>	<b>943,759</b>	<b>7,536,562</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Salaries and benefits payable	\$ 1,045,778	0	1,045,778
ISCAP warrants payable	2,392,000	0	2,392,000
ISCAP accrued interest payable	10,925	0	10,925
ISCAP unamortized premium	39,639	0	39,639
Deferred revenue:			
Succeeding year property tax	2,306,562	215,000	2,521,562
Income surtax	344,511	0	344,511
Total liabilities	<u>6,139,415</u>	<u>215,000</u>	<u>6,354,415</u>
Fund balances:			
Reserved for:			
Categorical funding	105,507	0	105,507
Other designations	2,000	0	2,000
Unreserved	345,881	728,759	1,074,640
Total fund balances	<u>453,388</u>	<u>728,759</u>	<u>1,182,147</u>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 6,592,803</b>	<b>943,759</b>	<b>7,536,562</b>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2009

<b>Total fund balances of governmental funds(page 15)</b>		\$ 1,182,147
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		6,470,384
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.		(14,299)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		344,511
Long-term liabilities, including bus lease, early retirement, and land purchase are not due and payable in the current period and, therefore, are not reported in the governmental funds		<u>(416,492)</u>
<b>Net assets of governmental activities(page 13)</b>		<u><u>\$ 7,566,251</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2009

	General	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>			
Local sources:			
Local tax	\$ 2,540,602	952,780	3,493,382
Tuition	1,197,429	0	1,197,429
Other	147,494	325,818	473,312
State sources	4,928,448	0	4,928,448
Federal sources	357,020	0	357,020
Total revenues	<u>9,170,993</u>	<u>1,278,598</u>	<u>10,449,591</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Regular	4,066,413	83,272	4,149,685
Special	1,315,008	0	1,315,008
Other	772,991	337,053	1,110,044
	<u>6,154,412</u>	<u>420,325</u>	<u>6,574,737</u>
Support services:			
Student	201,708	0	201,708
Instructional staff	137,290	4,389	141,679
Administration	856,730	854	857,584
Operation and maintenance of plant	593,605	90,209	683,814
Transportation	433,558	36,556	470,114
	<u>2,222,891</u>	<u>132,008</u>	<u>2,354,899</u>
Other expenditures:			
Facilities acquisitions	0	222,563	222,563
Long-term debt:			
Principal	0	930,281	930,281
Interest and fiscal charges	0	63,698	63,698
AEA flowthrough	321,260	0	321,260
	<u>321,260</u>	<u>1,216,542</u>	<u>1,537,802</u>
Total expenditures	<u>8,698,563</u>	<u>1,768,875</u>	<u>10,467,438</u>
Excess (deficiency) of revenues over (under) expenditures	472,430	(490,277)	(17,847)
Other financing sources (uses):			
Proceeds from disposal of equipment	1,193	0	1,193
Transfers in	0	431,257	431,257
Transfers out	0	(431,257)	(431,257)
Total other financing sources (uses)	<u>1,193</u>	<u>0</u>	<u>1,193</u>
Net change in fund balances	473,623	(490,277)	(16,654)
Fund balance beginning of year	(20,235)	1,219,036	1,198,801
Fund balance end of year	<u>\$ 453,388</u>	<u>728,759</u>	<u>1,182,147</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2009

Net change in fund balances - total governmental funds (page 17) \$ (16,654)

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

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

Capital outlays	\$ 207,388	
Depreciation expense	<u>(339,683)</u>	(132,295)

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. 930,281

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. 25,483

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 30,818

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in the governmental funds, as follows:

Early Retirement		<u>78,184</u>
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Changes in net assets of governmental activities (page 14) \$ 915,817

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2009

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 18,027
Inventories	10,168
Capital assets, net of accumulated depreciation	<u>48,407</u>
<b>Total Assets</b>	<u>76,602</u>
<b>Liabilities</b>	
Unearned revenue	<u>2,859</u>
<b>Net Assets</b>	
Invested in capital assets	48,407
Unrestricted	<u>25,336</u>
<b>Total Net Assets</b>	<u>\$ 73,743</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2009

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 210,976
Operating expenses:	
Support services:	
Operation and maintenance of plant	
Services	139
Non-instructional programs:	
Food service operations:	
Salaries	148,807
Benefits	19,943
Services	25,717
Supplies	198,664
Depreciation	25,278
	418,409
Total operating expenses	418,548
Operating loss	(207,572)
Non-operating revenues:	
State sources	5,292
Federal sources	185,164
Interest income	610
Total non-operating revenues	191,066
Net loss before capital contributions	(16,506)
Capital contributions	48,140
Change in net assets	31,634
Net assets beginning of year	42,109
Net assets end of year	\$ 73,743

SEE NOTES TO BASIC FINANCIAL STATEMENT.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2009

Exhibit I

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 208,875
Cash received from miscellaneous operating activities	529
Cash payments to employees for services	(168,750)
Cash payments to suppliers for goods or services	(198,205)
Net cash used in operating activities	(157,551)
Cash flows from non-capital financing activities:	
State grants received	5,292
Federal grants received	158,567
Net cash provided by non-capital financing activities	163,859
Cash flows from investing activities:	
Interest on investments	610
Net increase in cash and cash equivalents	6,918
Cash and cash equivalents at beginning of year	11,109
Cash and cash equivalents at end of year	\$ 18,027
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (207,572)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	26,597
Depreciation	25,278
Increase in inventories	(282)
Decrease in unearned revenue	(1,572)
Net cash used in operating activities	\$ (157,551)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$26,597.

During the year ended June 30, 2009, the District received capital contributions from the General Fund valued at \$48,140.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2009

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

The Central Lee 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 Donnellson, Iowa, and the predominate agricultural territory in Lee County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Central Lee 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 Central Lee 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 Lee County Assessors' Conference Board.

B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest 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 and proprietary funds. 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 fund:

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

The District reports the following proprietary fund:

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

#### C. Measurement Focus and Basis of Accounting

The government-wide and the proprietary 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 November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

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

Capital Assets - Capital assets, which include property, 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 repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Improvements other than buildings	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment	5-20 years

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

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

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

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

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

Fund 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.

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

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

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

The District's had no investments at June 30, 2009.

(3) **Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue, Physical Plant and Equipment Levy	\$ 42,160
Debt Service	Capital Projects	<u>389,097</u>
Total		<u>\$ 431,257</u>

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

(4) **Iowa School Cash Anticipation Program (ISCAP)**

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

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2008-09B	1/21/09	1/21/10	\$ 799,115	7,392	789,000	10,376
2009-10A	6/25/09	6/23/10	1,628,381	201	1,603,000	549
			<u>\$ 2,427,496</u>	<u>7,593</u>	<u>2,392,000</u>	<u>10,925</u>

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

Series	Balance			Balance End of Year
	Beginning of Year	Advances Received	Advances Repaid	
2008-09A	\$ 0	1,175,000	1,175,000	0

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

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

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 203,592	0	0	203,592
Total capital assets not being depreciated	203,592	0	0	203,592
Capital assets being depreciated:				
Buildings	8,554,992	26,030	0	8,581,022
Improvements other than buildings	1,397,546	0	0	1,397,546
Machinery and equipment	2,362,198	181,358	0	2,543,556
Total capital assets being depreciated	12,314,736	207,388	0	12,522,124
Less accumulated depreciation for:				
Buildings	3,256,400	172,565	0	3,428,965
Improvements other than buildings	776,333	62,214	0	838,547
Machinery and equipment	1,882,916	104,904	0	1,987,820
Total accumulated depreciation	5,915,649	339,683	0	6,255,332
Total capital assets being depreciated, net	6,399,087	(132,295)	0	6,266,792
Governmental activities capital assets, net	\$ 6,602,679	(132,295)	0	6,470,384
Business type activities:				
Machinery and equipment	\$ 206,375	48,140	0	254,515
Less accumulated depreciation	180,830	25,278	0	206,108
Business type activities capital assets, net	\$ 25,545	22,862	0	48,407

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 14,246
Special	4,521
Other	893

Support services:

Student	387
Instructional staff	432
Administration	2,199
Operation and maintenance of plant	5,821
Transportation	58,726
	<u>87,225</u>

Unallocated depreciation 252,458

Total governmental activities depreciation expense \$ 339,683

Business type activities:

Food service operations \$ 25,278

**(6) Long-Term Liabilities**

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue Bond	\$ 810,000	0	810,000	0	0
Bus Lease	298,917	0	69,750	229,167	72,989
Computer Leases	39,476	0	39,476	0	0
Land	81,102	0	11,055	70,047	11,940
Early Retirement	195,462	0	78,184	117,278	39,093
Total	<u>\$ 1,424,957</u>	<u>0</u>	<u>1,008,465</u>	<u>416,492</u>	<u>124,022</u>

Bus Lease

Details of the District's June 30, 2009 Bus Lease indebtedness, which is paid from the Physical Plant and Equipment Levy, is as follows:

Year Ending June 30,	Bus Lease dated October 11, 2006			
	Interest Rates	Principal	Interest	Total
2010	4.60	% \$ 72,989	10,528	83,517
2011	4.60	76,333	7,184	83,517
2012	4.60	79,845	3,673	83,518
Total		<u>\$ 229,167</u>	<u>21,385</u>	<u>250,552</u>

Land Purchase

Details of the District's June 30, 2009 Land Purchase indebtedness, which is paid from the Capital Projects Fund, is as follows:

Year Ending June 30,	Land purchase dated October 1, 2001			
	Interest Rates	Principal	Interest	Total
2010	8.00	% \$ 11,940	5,604	17,544
2011	8.00	12,895	4,649	17,544
2012	8.00	13,927	3,617	17,544
2013	8.00	15,041	2,503	17,544
2014	8.00	16,244	1,300	17,544
Total		\$ 70,047	17,673	87,720

Early Retirement

The District offers a voluntary early retirement plan to its certified and classified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees complete an application which is required to be approved by the Board of Education. Early retirement benefits paid during the year ended June 30, 2009, totaled \$78,184.

**(7) Pension and Retirement Benefits**

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

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered payroll for the years ended June 30, 2009, 2008, and 2007. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$355,169, \$364,634, \$319,540, respectively, equal to the required contributions for each year.

**(8) Other Postemployment Benefits (OPEB)**

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or

assets, note disclosures and, if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB Statement No. 45 for the year ended June 30, 2010.

**(9) Risk Management**

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

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$321,260 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Categorical Funding**

The District's categorical funding balances for the year ended June 30, 2009 are as follows:

<u>Project</u>	<u>Amount</u>
Early Intervention	\$ 16,700
Dropout and Dropout Prevention	65,147
Professional Development	6,876
Model Core Curriculum	<u>16,784</u>
Total	<u><u>\$ 105,507</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES  
 AND CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 5,164,123	211,586	5,375,709	5,354,514	5,354,514	21,195
State sources	4,928,448	5,292	4,933,740	5,157,965	5,157,965	(224,225)
Federal sources	357,020	185,164	542,184	490,000	490,000	52,184
Total revenues	10,449,591	402,042	10,851,633	11,002,479	11,002,479	(150,846)
Expenditures/Expenses:						
Instruction	6,574,737	0	6,574,737	7,105,493	7,105,493	530,756
Support services	2,354,899	139	2,355,038	3,236,269	3,236,269	881,231
Non-instructional programs	0	418,409	418,409	510,727	510,727	92,318
Other expenditures	1,537,802	0	1,537,802	1,167,206	1,667,206	129,404
Total expenditures/expenses	10,467,438	418,548	10,885,986	12,019,695	12,519,695	1,633,709
Deficiency of revenues under expenditures/expenses	(17,847)	(16,506)	(34,353)	(1,017,216)	(1,517,216)	1,482,863
Other financing sources, net	1,193	48,140	49,333	49,660	49,660	(327)
Excess(deficiency)of revenues and other financing sources over(under) expenditures/expenses	(16,654)	31,634	14,980	(967,556)	(1,467,556)	1,482,536
Balance beginning of year	1,198,801	42,109	977,139	1,668,383	1,668,383	(691,244)
Balance end of year	\$ 1,182,147	73,743	992,119	700,827	200,827	791,292

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -- BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2009

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

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

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

OTHER SUPPLEMENTARY INFORMATION

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2009

	Special Revenue Funds					Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Capital Projects	Other Nonmajor Governmental Funds
<b>Assets</b>						
Cash and pooled investments	\$ 51,353	154,351	43,196	248,900	374,930	623,830
Receivables:						
Property tax:						
Current year delinquent	4,145	0	1,071	5,216	0	5,216
Succeeding year	215,000	0	0	215,000	0	215,000
Due from other governments	0	0	0	0	99,713	99,713
<b>Total Assets</b>	<b>\$ 270,498</b>	<b>154,351</b>	<b>44,267</b>	<b>469,116</b>	<b>474,643</b>	<b>943,759</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Deferred revenue:						
Succeeding year property tax	\$ 215,000	0	0	215,000	0	215,000
Fund balances:						
Unreserved	55,498	154,351	44,267	254,116	474,643	728,759
<b>Total liabilities and fund balances</b>	<b>\$ 270,498</b>	<b>154,351</b>	<b>44,267</b>	<b>469,116</b>	<b>474,643</b>	<b>943,759</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2009

	Special Revenue Funds						Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Debt Service	Capital Projects	Other Nonmajor Governmental Funds
REVENUES:							
Local sources:							
Local tax	\$ 215,967	0	57,592	273,559	0	679,221	952,780
Other	0	316,203	620	316,823	6,148	2,847	325,818
TOTAL REVENUES	215,967	316,203	58,212	590,382	6,148	682,068	1,278,598
EXPENDITURES:							
Current:							
Instruction:							
Regular	83,272	0	0	83,272	0	0	83,272
Other	0	337,053	0	337,053	0	0	337,053
Support services:							
Instructional staff	4,389	0	0	4,389	0	0	4,389
Administration	0	0	854	854	0	0	854
Operation and maintenance of plant	86,650	0	3,559	90,209	0	0	90,209
Student transportation	3,956	0	32,600	36,556	0	0	36,556
Other expenditures:							
Facilities acquisitions	0	0	30,344	30,344	0	192,219	222,563
Long-term debt:							
Principal	0	0	0	0	930,281	0	930,281
Interest	0	0	0	0	63,698	0	63,698
TOTAL EXPENDITURES	178,267	337,053	67,357	582,677	993,979	192,219	1,768,875
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	37,700	(20,850)	(9,145)	7,705	(987,831)	489,849	(490,277)
OTHER FINANCING SOURCES (USES):							
Transfers in	0	0	0	0	431,257	0	431,257
Transfers out	0	0	(42,160)	(42,160)	0	(389,097)	(431,257)
TOTAL OTHER FINANCING SOURCES (USES)	0	0	(42,160)	(42,160)	431,257	(389,097)	0
NET CHANGE IN FUND BALANCES	37,700	(20,850)	(51,305)	(34,455)	(556,574)	100,752	(490,277)
FUND BALANCE BEGINNING OF YEAR	17,798	175,201	95,572	288,571	556,574	373,891	1,219,036
FUND BALANCE END OF YEAR	\$ 55,498	154,351	44,267	254,116	0	474,643	728,759

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
All School Play	\$ 4,400	1,186	603	4,983
Drama Club	1,372	777	343	1,806
Quiz Bowl	15	0	0	15
Yearbook	46	6,590	5,281	1,355
Uniform Band Fee	398	0	398	0
Milk Machine	1,889	7,513	6,693	2,709
Art Club	1,078	1,907	1,644	1,341
Pep Club	99	0	0	99
AFS Club	4,290	2,404	1,428	5,266
Student Council	12,896	4,509	6,079	11,326
Spanish Club	1,783	1,595	2,514	864
Science Club	1,346	149	304	1,191
Computer Club	163	0	0	163
FFA	46,037	56,513	68,964	33,586
FCCLA Group	27	0	0	27
National Honor Society	99	1,495	1,577	17
Class of 2009	218	0	200	18
Class of 2010	15	5,106	4,929	192
Class of 2012	3	0	3	0
Post Prom Activities	386	28	28	386
SAEP-Entrepreneurship	31,597	1,953	5,702	27,848
Athletics	628	10,395	11,010	13
Athletic Activities	2,761	36,240	36,147	2,854
Concessions	3,753	33,752	35,021	2,484
Golf	(306)	584	0	278
Cross Country	1,167	956	1,667	456
Soccer	852	951	1,427	376
Boys Basketball	3,633	27,708	29,887	1,454
Football	4,635	16,539	16,347	4,827
Baseball	1,543	2,859	4,337	65
Boys Track	(1,077)	2,388	0	1,311
Wrestling	2	0	2	0
Girls Basketball	3,418	8,935	6,452	5,901
Volleyball	2,168	7,234	6,402	3,000
Softball	30	1,491	1,197	324
Girls Track	1,805	707	1,709	803
Cheerleaders	1,775	703	823	1,655
Dance Team	542	4,957	5,350	149

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Library Club	230	0	230	0
Teachers Pop Fund	2,629	718	3,347	0
HS Student Activities	2,604	2,423	4,478	549
Renaissance Program	2,084	8,696	9,096	1,684
S.A.D.D	239	0	0	239
K-8 Conference Fair	1,642	0	1,642	0
MS Student Council	1,921	10,281	9,488	2,714
MS Student Activities	9,268	28,968	29,723	8,513
MS Football	1,459	1,232	1,725	966
MS Socceer	169	0	169	0
MS Volleyball	1,216	1,332	360	2,188
MS Girls Basketball	707	1,138	456	1,389
MS Boys Basketball	1,537	1,366	1,000	1,903
MS Girls Track	28	290	231	87
MS Boys Track	28	300	205	123
MS Softball	857	1,296	1,664	489
MS Baseball	598	1,164	1,396	366
Athletic Resale	247	0	0	247
Future Problem Solvers	70	0	60	10
K-8 Faculty Pop	1,216	865	2,081	0
Special Olympics	605	25	590	40
Special Needs Field Trips	2,881	0	0	2,881
Playground	243	0	243	0
T.A.G. Club	530	0	0	530
Elementary Resale Account	1,225	1,048	942	1,331
Elementary Student Activities	5,183	4,388	3,136	6,435
Interest Account	299	2,549	323	2,525
 Total	 \$ 175,201	 316,203	 337,053	 154,351

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 3,493,382	3,372,263	3,348,880	3,136,981	3,189,323	3,497,010
Tuition	1,197,429	1,113,423	981,596	803,065	724,243	595,298
Other	473,312	533,582	529,619	482,003	390,920	383,090
Intermediate sources	0	0	0	0	0	2,834
State sources	4,928,448	5,027,800	4,861,274	4,531,530	4,466,282	4,003,832
Federal sources	357,020	259,263	296,527	268,240	376,006	292,168
Total	<u>\$ 10,449,591</u>	<u>10,306,331</u>	<u>10,017,896</u>	<u>9,221,819</u>	<u>9,146,774</u>	<u>8,774,232</u>
Expenditures:						
Current:						
Instruction:						
Regular	\$ 4,149,685	4,393,908	4,261,021	4,175,716	3,792,917	3,777,269
Special	1,315,008	1,197,589	1,108,147	988,254	1,210,190	1,094,013
Other	1,110,044	1,110,902	1,089,480	912,535	942,480	802,322
Support services:						
Student	201,708	299,344	280,908	289,636	276,961	221,495
Instructional staff	141,679	123,247	235,853	135,997	151,639	109,362
Administration	857,584	961,251	886,861	885,935	776,587	762,246
Operation and maintenance of plant	683,814	690,085	679,850	686,548	639,309	592,371
Transportation	470,114	468,759	778,867	324,288	438,627	349,528
Other expenditures:						
Facilities acquisitions	222,563	166,044	204,456	202,602	332,966	173,956
Long-term debt:						
Principal	930,281	490,092	441,118	392,590	369,686	346,127
Interest	63,698	46,625	79,567	97,312	117,521	139,702
AEA flow-through	321,260	316,552	310,819	289,512	281,037	282,203
Total	<u>\$ 10,467,438</u>	<u>10,264,398</u>	<u>10,356,947</u>	<u>9,380,925</u>	<u>9,329,920</u>	<u>8,650,594</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

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

Telephone (641) 792-1910

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

To the Board of Education of the  
Central Lee 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 Central Lee Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 11, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Central Lee 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 Central Lee Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Central Lee 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 Central Lee 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 Central Lee Community School District's financial statements that is more than inconsequential will not be prevented or detected by Central Lee Community School District's internal control. We consider the deficiencies in internal control described in Part I of the Findings Related to the General Purpose Financial Statements.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Central Lee Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Central Lee 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 Central Lee Community School District and other parties to whom Central Lee 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 Central Lee Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2010

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

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

Conclusion - Response accepted.

I-B-09 Cell Phone Policy - We noted during our audit that the District does not have a policy in place for the procedures on the use of District owned cell phones.

Recommendation - The District should review the policies in place and implement a cell phone policy.

Response - We will comply.

Conclusion - Response accepted.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-09 Certified Budget - District expenditures for the year ended June 30, 2009, did not exceed the amounts budgeted.
- II-B-09 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.
- II-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-09 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-09 Deposits and Investments - We noted no instances of non-compliance with the deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-09 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.
- II-J-09 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-K-09 Statewide Sales and Services Tax - We noted during our audit instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa .

Pursuant to Chapter 425F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance	\$	0
Statewide sales and services tax revenue		679,221
Expenditures/transfers out:		
School infrastructure:		
Other improvements	\$	192,219
Debt service for school infrastructure:		
Revenue debt		581,316
		389,097
Ending balance	\$	97,905

We noted during our audit that the District purchased desks and folding chairs totaling \$4,954.80 from the statewide sales and services tax dollars. These expenditures do not meet the requirements of appropriate equipment under Chapter 423F.3 of the Code of Iowa

Recommendation - The District should make a corrective transfer to the Capital Projects Fund from the General Fund.

Response - The District's future purchases will comply with statewide sales and services tax revenue provisions.

Conclusion - Response accepted.

II-L-09 Payroll Authorization - We noted during our audit, the District does not have written authorization to mail employee's payroll checks. Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

Recommendation - The District should obtain written authorization from each employee who desires to receive a payroll check by mail.

Response - We will comply.

Conclusion - Response accepted.

II-M-09 Physical Plant and Equipment Levy (PPEL) Expenditures - According to Chapter 298.3 of the Code of Iowa, PPEL monies may be used for purchasing a single unit of equipment exceeding \$500 per unit. We noted during our audit that the District purchased ball field chalk from the PPEL Fund for \$395. This expenditure was less than the \$500 per single unit allowable from the PPEL Fund.

Recommendation - The District should review the Code of Iowa with regard to allowable expenditures from the PPEL Fund to avoid non-compliance. The District should also make a corrective transfer to the PPEL Fund from the General Fund in the amount of \$395.

Response - The District's future purchases will comply with PPEL revenue provisions.

Conclusion - Response accepted.