

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

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Lewis Central Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2008 Election)		
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
Board of Education (After September 2008 Election)		
Dorene Scheffel	President	2009
Daryl Weilage	Vice President	2009
Daniel Feller	Board Member	2011
Amie Adkins-Studer	Board Member	2011
Scott Charleson	Board Member	2009
Robert Hendrix	Board Member	2009*
Ron Stazzoni	Board Member	2011*
School Officials		
Mark Schweer	Superintendent	2009
Art Hill	District Secretary/Treasurer and Business Manager (Resigned)	2009
Dale Kreher	District Secretary/Treasurer and Business Manager (Appointed)	2009
Brian Gruhn	Attorney	2009

* Board term altered 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)

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Telephone (641) 792-1910

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, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

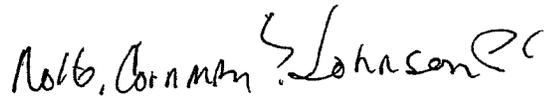
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lewis Central Community School District at June 30, 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 February 26, 2010 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 7 through 16 and 42 through 44 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 nine years ended June 30, 2008 (which none are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 8, 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 26, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- The District's total net assets for governmental activities were \$19,449,185 at June 30, 2009 compared to \$16,047,722 at June 30, 2008, an increase of 21.20%.
- At the end of the current fiscal year, unreserved fund balance in the General Fund was \$3,336,464 or 12.82% of total General Fund revenues compared to prior years unreserved fund balance of \$2,425,302 or 10.47% of total General Fund revenues.
- General Fund revenues increased from \$23,168,191 in fiscal 2008 to \$26,031,971 in fiscal 2009, while General Fund expenditures and transfers out increased from \$23,003,834 in fiscal 2008 to \$24,917,061 in fiscal 2009. This resulted in an increase in the District's General Fund balance from \$2,672,228 in fiscal 2008 to a balance of \$3,787,138 in fiscal 2009, a 41.72% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local tax sources in fiscal 2009. The increase in expenditures was due primarily to an increase in the instruction functional area.
- October 2008 Certified Enrollment count resulted in an increase of 22.5 students, representing a .88% 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, as well as presenting the schedule of funding progress for the retiree health plan.

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

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

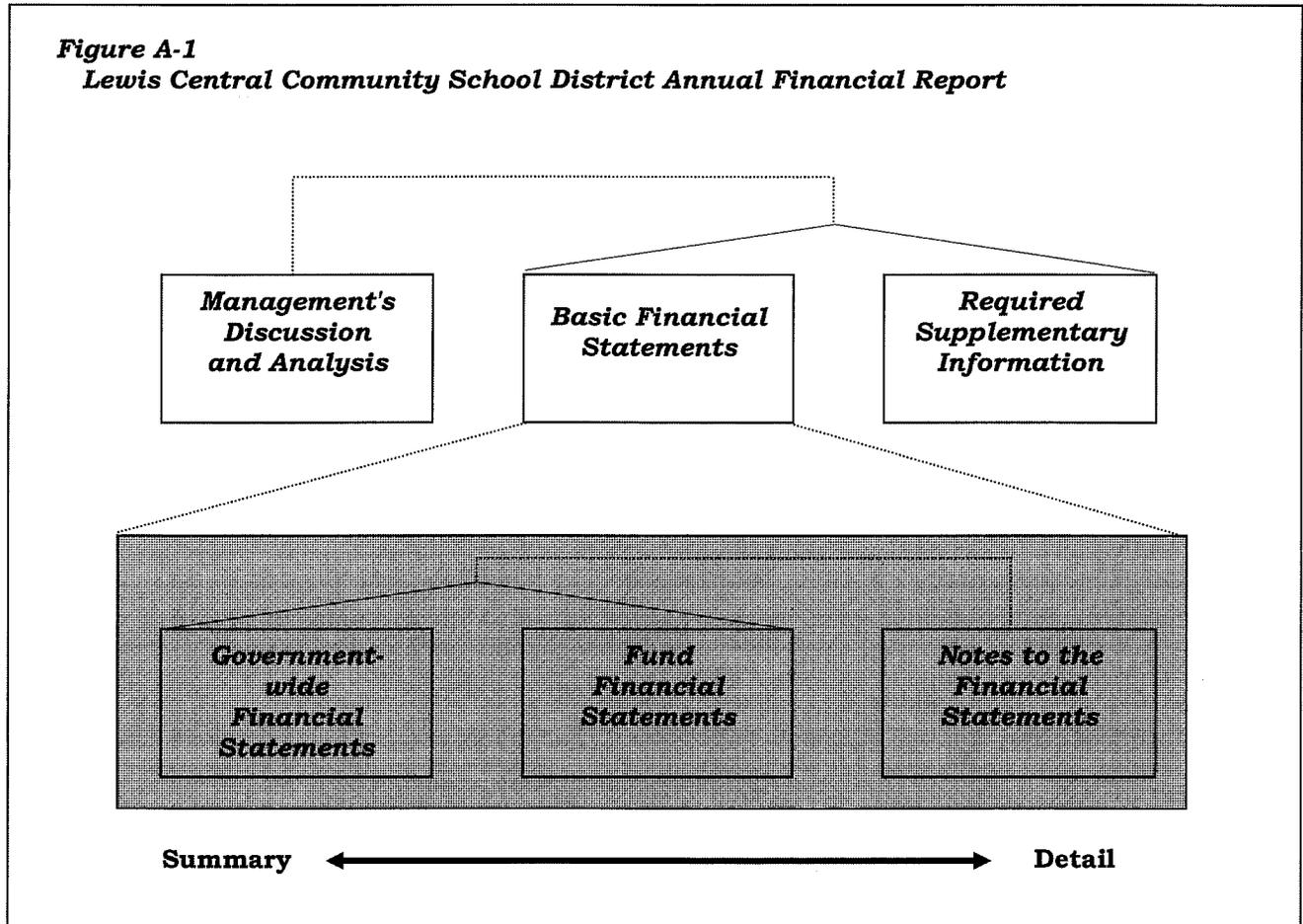


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has 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 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, 2009 compared to June 30, 2008.

Table 1
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 19,754,916	20,486,816	300,837	176,135	20,055,753	20,662,951	-2.94%
Capital assets	31,104,395	28,101,068	279,460	331,458	31,383,855	28,432,526	10.38%
Total assets	50,859,311	48,587,884	580,297	507,593	51,439,608	49,095,477	4.77%
Long-term obligations	18,459,854	20,921,432	3,011	-	18,462,865	20,921,432	-11.75%
Other liabilities	12,950,272	11,618,730	54,494	28,822	13,004,766	11,647,552	11.65%
Total liabilities	31,410,126	32,540,162	57,505	28,822	31,467,631	32,568,984	-3.38%
Net assets:							
Invested in capital assets, net of related debt	12,860,751	9,533,258	279,460	331,458	13,140,211	9,864,716	33.20%
Restricted	3,329,960	3,769,011	-	-	3,329,960	3,769,011	-11.65%
Unrestricted	3,258,474	2,745,453	243,332	147,313	3,501,806	2,892,766	21.05%
Total net assets	\$ 19,449,185	16,047,722	522,792	478,771	19,971,977	16,526,493	20.85%

The District's combined net assets increased by 20.85%, or \$3,445,484, 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 decreased \$439,051, or 11.65% over the prior year. The decrease was a result of the District's decrease 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 – increased \$609,040, or 21.05%. 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, 2009 compared to June 30, 2008.

Table 2
Changes of Net Assets

	Governmental Activities		Business Type Activities		Total		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues:							
Program revenues:							
Charges for services	\$ 3,369,104	3,086,661	1,091,183	1,026,082	4,460,287	4,112,743	8.45%
Operating grants and contributions and restricted interest	4,088,871	3,467,063	641,091	552,579	4,729,962	4,019,642	17.67%
General revenues:							
Property taxes	10,735,868	9,389,605	-	-	10,735,868	9,389,605	14.34%
Income surtax	817,447	686,015	-	-	817,447	686,015	19.16%
Statewide sales and services tax	2,333,821	1,980,456	-	-	2,333,821	1,980,456	17.84%
Unrestricted state grants	9,224,131	9,130,911	-	-	9,224,131	9,130,911	1.02%
Other	672,197	611,362	1,122	8,533	673,319	619,895	8.62%
Transfers	-	(16,415)	-	16,415	-	-	0.00%
Total revenues	31,241,439	28,335,658	1,733,396	1,603,609	32,974,835	29,939,267	10.14%
Program expenses:							
Governmental activities:							
Instructional	17,831,303	16,167,054	17,787	18,045	17,849,090	16,185,099	10.28%
Support services	7,463,785	7,690,842	988	1,427	7,464,773	7,692,269	-2.96%
Non-instructional programs	-	-	1,670,600	1,672,743	1,670,600	1,672,743	-0.13%
Other expenses	2,544,888	2,599,532	-	-	2,544,888	2,599,532	-2.10%
Total expenses	27,839,976	26,457,428	1,689,375	1,692,215	29,529,351	28,149,643	4.90%
Changes in net assets	3,401,463	1,878,230	44,021	(88,606)	3,445,484	1,789,624	92.53%
Beginning net assets	16,047,722	14,169,492	478,771	567,377	16,526,493	14,736,869	12.14%
Ending net assets	\$ 19,449,185	16,047,722	522,792	478,771	19,971,977	16,526,493	20.85%

In fiscal 2009, property tax, income surtax, statewide sales and services tax and unrestricted state grants account for 73.98% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.94% of the revenue from business type activities.

The District’s total revenues were approximately \$33.0 million of which \$31.3 million was for governmental activities and less than \$1.7 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 10.14% increase in revenues and a 4.90% increase in expenses. The increase in expenses related to increase in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$31,241,439 and expenses were \$27,839,976.

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		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 17,831,303	16,167,054	10.29%	11,304,360	10,489,180	7.77%
Support services	7,463,785	7,690,842	-2.95%	7,443,777	7,641,817	-2.59%
Other expenses	2,544,888	2,599,532	-2.10%	1,633,864	1,772,707	-7.83%
Totals	\$ 27,839,976	26,457,428	5.23%	20,382,001	19,903,704	2.40%

- The cost financed by users of the District’s programs was \$3,369,104.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$4,088,871.
- The net cost of governmental activities was financed with \$10,735,868 in property tax, \$817,447 in income surtax, \$2,333,821 in statewide sales and services tax, \$9,224,131 in unrestricted state grants, \$141,715 in unrestricted investment earnings, \$530,482 in other general revenues.

Business Type Activities

Revenues of the District’s business type activities were \$1,733,396 and expenses were \$1,689,375. 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.

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 \$6,255,494, below last year’s ending fund balances of \$8,423,702. The primary reason for the decrease in combined fund balances in fiscal 2009 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 2009 increased 12.36%, or \$2,863,780, as compared to one year ago to \$26,031,971. The expenses and transfers increased by 8.32%, or \$1,913,227, as compared to one year ago to \$24,917,061. The General Fund balance increased \$1,114,910.
- The Physical Plant and Equipment Levy Fund balance decreased from \$1,405,095 in fiscal 2008 to \$1,354,813 in fiscal 2009. The decrease is due to increased expenses in transportation and facilities acquisitions compared to prior year.

-
- The Capital Projects Fund balance decreased from \$2,691,829 in fiscal 2008 to a deficit \$390,760 in fiscal 2009. This is due to the increase in construction projects.
 - The Debt Service Fund balance decreased from \$1,313,731 in fiscal 2008 to \$1,123,352 in fiscal 2009. The increase is due to normal debt transactions through the year.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$338,217 at June 30, 2008 to \$356,737 at June 30, 2009, representing an increase of 5.48%. The Lucky Children Day Care Fund net assets increased from \$140,175 at June 30, 2008 to \$166,134 at June 30, 2009, representing an increase of 18.52%. The Swimming Pool Fund net assets decreased from \$379 at June 30, 2008 to deficit \$79 at June 30, 2009, representing a decrease of 120.84%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$385,030 less than budgeted revenues, a variance of 1.16%. The most significant variance resulted from the District receiving less in state 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$31,383,855, 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 \$1,117,380.

The original cost of the District's capital assets was \$52.0 million. Governmental funds account for \$51.2 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 \$4,627,348 at June 30, 2009, compared to \$4,275,013 reported at June 30, 2008. This increase resulted from the construction projects that were started, but not completed during the year.

Table 4
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total Change June 30, 2008-09
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2009	2008	2009	2008	2009	2008	
Land	\$ 500,000	500,000	-	-	500,000	500,000	0.00%
Construction in progress	4,627,348	943,540	-	-	4,627,348	943,540	390.42%
Buildings and improvements	25,255,712	26,098,164	-	-	25,255,712	26,098,164	-3.23%
Machinery and equipment	721,335	559,364	279,460	331,458	1,000,795	890,822	12.35%
Total	\$ 31,104,395	28,101,068	279,460	331,458	31,383,855	28,432,526	10.38%

Long-Term Debt

At June 30, 2009, the District had \$18,462,865 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of 11.75% 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 \$12,755,000 at June 30, 2009.

The District had total outstanding revenue bonded indebtedness of \$5,353,452 at June 30, 2009.

The District had total outstanding school bus lease payable from the General and Special Revenue, Physical Plant and Equipment Fund of \$135,192 at June 30, 2009.

The District had total outstanding compensated absences payable from the General Fund of \$144,949 at June 30, 2009.

The District had total outstanding other postemployment benefits payable of \$74,272 at June 30, 2009.

Table 5
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total Change June 30, 2008-09
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2009	2008	2009	2008	2009	2008	
General obligation bonds	\$ 12,755,000	13,590,000	-	-	12,755,000	13,590,000	-6.14%
Revenue bonds	5,353,452	6,937,025	-	-	5,353,452	6,937,025	-22.83%
School bus lease	135,192	261,248	-	-	135,192	261,248	-48.25%
Compensated absences	144,949	124,233	-	-	144,949	124,233	16.68%
Early retirement	-	8,926	-	-	-	8,926	-100.00%
Net OPEB liability	71,261	-	3,011	-	74,272	-	100.00%
Totals	\$ 18,459,854	20,921,432	3,011	-	18,462,865	20,921,432	-11.75%

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 2009.
 - 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, 2009

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 5,885,321	276,001	6,161,322
Receivables:			
Property tax:			
Delinquent	75,380	-	75,380
Succeeding year	11,607,815	-	11,607,815
Income surtax	642,550	-	642,550
Accounts	3,828	-	3,828
Due from other governments	1,509,689	-	1,509,689
Inventories	-	24,836	24,836
Prepaid items	30,333	-	30,333
Capital assets, net of accumulated depreciation	31,104,395	279,460	31,383,855
TOTAL ASSETS	50,859,311	580,297	51,439,608
LIABILITIES			
Accounts payable	836,753	2,041	838,794
Salaries and benefits payable	154,433	36,163	190,596
Interest payable	93,400	-	93,400
Deferred revenue:			
Succeeding year property tax	11,607,815	-	11,607,815
Other	257,871	-	257,871
Unearned revenue	-	16,290	16,290
Long-term liabilities:			
Portion due within one year:			
G.O. bonds payable	855,000	-	855,000
Revenue bonds payable	1,655,992	-	1,655,992
School bus lease payable	66,002	-	66,002
Compensated absences payable	144,949	-	144,949
Portion due after one year:			
G.O. bonds payable	11,900,000	-	11,900,000
Revenue bonds payable	3,697,460	-	3,697,460
School bus lease payable	69,190	-	69,190
Net OPEB liability	71,261	3,011	74,272
TOTAL LIABILITIES	31,410,126	57,505	31,467,631
NET ASSETS			
Invested in capital assets, net of related debt	12,860,751	279,460	13,140,211
Restricted for:			
Debt service	1,123,352	-	1,123,352
Categorical funding	450,674	-	450,674
Management levy	401,121	-	401,121
Physical plant and equipment levy	1,354,813	-	1,354,813
Unrestricted	3,258,474	243,332	3,501,806
TOTAL NET ASSETS	\$ 19,449,185	522,792	19,971,977

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL 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	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 11,937,774	2,514,206	2,309,444	(7,114,124)	-	(7,114,124)
Special	3,095,130	416,988	497,650	(2,180,492)	-	(2,180,492)
Other	2,798,399	437,910	350,745	(2,009,744)	-	(2,009,744)
	<u>17,831,303</u>	<u>3,369,104</u>	<u>3,157,839</u>	<u>(11,304,360)</u>	-	<u>(11,304,360)</u>
Support services:						
Student	462,461	-	-	(462,461)	-	(462,461)
Instructional staff	1,012,424	-	-	(1,012,424)	-	(1,012,424)
Administration	2,011,353	-	-	(2,011,353)	-	(2,011,353)
Operation and maintenance of plant	2,880,029	-	-	(2,880,029)	-	(2,880,029)
Transportation	1,097,518	-	20,008	(1,077,510)	-	(1,077,510)
	<u>7,463,785</u>	-	<u>20,008</u>	<u>(7,443,777)</u>	-	<u>(7,443,777)</u>
Other expenses:						
Long-term debt interest	791,412	-	-	(791,412)	-	(791,412)
AEA flowthrough	911,024	-	911,024	-	-	-
Depreciation(unallocated)*	842,452	-	-	(842,452)	-	(842,452)
	<u>2,544,888</u>	-	<u>911,024</u>	<u>(1,633,864)</u>	-	<u>(1,633,864)</u>
Total governmental activities	27,839,976	3,369,104	4,088,871	(20,382,001)	-	(20,382,001)
Business Type activities:						
Instruction:						
Other	17,787	17,329	-	-	(458)	(458)
Support services:						
Transportation	988	-	-	-	(988)	(988)
Non-instructional programs:						
Nutrition services	1,469,933	846,240	641,091	-	17,398	17,398
Day care services	200,667	227,614	-	-	26,947	26,947
	<u>1,689,375</u>	<u>1,091,183</u>	<u>641,091</u>	-	<u>42,899</u>	<u>42,899</u>
Total	\$ 29,529,351	4,460,287	4,729,962	(20,382,001)	42,899	(20,339,102)
General Revenues:						
Property tax levied for:						
General purposes				\$ 9,015,224	-	9,015,224
Debt service				1,151,331	-	1,151,331
Capital outlay				569,313	-	569,313
Income surtax				817,447	-	817,447
Statewide sales and services tax				2,333,821	-	2,333,821
Unrestricted state grants				9,224,131	-	9,224,131
Unrestricted investment earnings				141,715	1,122	142,837
Other general revenues				530,482	-	530,482
Total general revenues				<u>23,783,464</u>	<u>1,122</u>	<u>23,784,586</u>
Changes in net assets				3,401,463	44,021	3,445,484
Net assets beginning of year				<u>16,047,722</u>	<u>478,771</u>	<u>16,526,493</u>
Net assets end of year				<u>\$ 19,449,185</u>	<u>522,792</u>	<u>19,971,977</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, 2009

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
ASSETS					
Cash and pooled investments	\$ 3,138,586	4,177,742	1,298,734	1,783,551	10,398,613
Receivables:					
Property tax:					
Delinquent	58,289	-	9,405	7,686	75,380
Succeeding year	9,107,867	-	1,321,200	1,178,748	11,607,815
Income surtax	642,550	-	-	-	642,550
Accounts	3,828	-	-	-	3,828
Due from other governments	1,162,172	347,517	-	-	1,509,689
Prepaid items	-	-	-	30,333	30,333
TOTAL ASSETS	\$ 14,113,292	4,525,259	2,629,339	3,000,318	24,268,208
LIABILITIES AND FUND BALANCES					
Liabilities:					
Excess of warrants issued over bank balance	\$ -	4,309,340	184,787	19,165	4,513,292
Accounts payable	163,433	606,679	-	66,641	836,753
Salaries and benefits payable	154,433	-	-	-	154,433
Deferred revenue:					
Succeeding year property tax	9,107,867	-	1,321,200	1,178,748	11,607,815
Income surtax	642,550	-	-	-	642,550
Other	257,871	-	-	-	257,871
Total liabilities	10,326,154	4,916,019	1,505,987	1,264,554	18,012,714
Fund balances:					
Reserved for:					
Debt service	-	-	1,123,352	-	1,123,352
Categorical funding	450,674	-	-	-	450,674
Prepaid items	-	-	-	30,333	30,333
Unreserved fund balances	3,336,464	(390,760)	-	1,705,431	4,651,135
Total fund balances	3,787,138	(390,760)	1,123,352	1,735,764	6,255,494
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,113,292	4,525,259	2,629,339	3,000,318	24,268,208

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, 2009

Total fund balances of governmental funds(page 20)	\$	6,255,494
 <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.		31,104,395
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.		(93,400)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		642,550
Long-term liabilities, including bonds payable, school bus lease payable, compensated absences payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(18,459,854)</u>
Net assets of governmental activities(page 18)	\$	<u>19,449,185</u>

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, 2009

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 9,368,226	2,333,821	1,151,331	949,239	13,802,617
Tuition	2,819,686	-	-	-	2,819,686
Other	624,359	82,160	15,919	594,879	1,317,317
Intermediate sources	166,974	-	-	-	166,974
State sources	12,117,377	-	-	-	12,117,377
Federal sources	912,784	-	-	-	912,784
Total revenues	26,009,406	2,415,981	1,167,250	1,544,118	31,136,755
EXPENDITURES:					
Current:					
Instruction:					
Regular	11,811,258	-	-	102,291	11,913,549
Special	3,086,613	-	-	-	3,086,613
Other	2,208,759	-	-	583,438	2,792,197
	17,106,630	-	-	685,729	17,792,359
Support services:					
Student	460,292	-	-	-	460,292
Instructional staff	1,005,186	-	-	-	1,005,186
Administration	1,972,782	13,863	1,800	5,499	1,993,944
Operation and maintenance of plant	2,570,446	-	-	198,738	2,769,184
Transportation	878,286	-	-	273,265	1,151,551
	6,886,992	13,863	1,800	477,502	7,380,157
Other expenditures:					
Facilities acquisitions	-	3,622,619	-	265,081	3,887,700
Long-term debt:					
Principal	-	-	2,544,629	-	2,544,629
Interest and fiscal charges	-	-	811,659	-	811,659
AEA flowthrough	911,024	-	-	-	911,024
	911,024	3,622,619	3,356,288	265,081	8,155,012
Total expenditures	24,904,646	3,636,482	3,358,088	1,428,312	33,327,528
Excess(deficiency) of revenues over(under) expenditures	1,104,760	(1,220,501)	(2,190,838)	115,806	(2,190,773)
Other financing sources(uses):					
Proceeds from the disposal of property	22,565	-	-	-	22,565
Transfers in	-	-	2,000,459	-	2,000,459
Transfers out	(12,415)	(1,862,088)	-	(125,956)	(2,000,459)
Total other financing sources(uses)	10,150	(1,862,088)	2,000,459	(125,956)	22,565
Net change in fund balances	1,114,910	(3,082,589)	(190,379)	(10,150)	(2,168,208)
Fund balances beginning of year	2,672,228	2,691,829	1,313,731	1,745,914	8,423,702
Fund balances end of year	\$ 3,787,138	(390,760)	1,123,352	1,735,764	6,255,494

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, 2009

Net change in fund balances - total governmental funds(page 22) \$ (2,168,208)

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	\$ 3,956,151	
Depreciation expense	<u>(952,824)</u>	3,003,327

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. 2,544,629

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. 20,247

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 84,519

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	\$ 8,926	
Compensated absences	(20,716)	
Other postemployment benefits	<u>(71,261)</u>	<u>(83,051)</u>

Changes in net assets of governmental activities(page 19) \$ 3,401,463

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	School Nutrition	Lucky Children Day Care	Nonmajor: Swimming Pool	Total
ASSETS				
Current assets:				
Cash and pooled investments	\$ 81,114	187,970	6,917	276,001
Inventories	24,836	-	-	24,836
Total current assets	<u>105,950</u>	<u>187,970</u>	<u>6,917</u>	<u>300,837</u>
Non-current assets:				
Capital assets:				
Machinery and equipment, net of accumulated depreciation	279,460	-	-	279,460
Total non-current assets	<u>279,460</u>	<u>-</u>	<u>-</u>	<u>279,460</u>
TOTAL ASSETS	<u>385,410</u>	<u>187,970</u>	<u>6,917</u>	<u>580,297</u>
LIABILITIES				
Current liabilities:				
Accounts payable	30	2,011	-	2,041
Salaries and benefits payable	9,566	19,601	6,996	36,163
Unearned revenue	16,290	-	-	16,290
Total current liabilities	<u>25,886</u>	<u>21,612</u>	<u>6,996</u>	<u>54,494</u>
Long-term liabilities:				
Net OPEB liability	2,787	224	-	3,011
Total long-term liabilities	<u>2,787</u>	<u>224</u>	<u>-</u>	<u>3,011</u>
TOTAL LIABILITIES	<u>28,673</u>	<u>21,836</u>	<u>6,996</u>	<u>57,505</u>
NET ASSETS				
Invested in capital assets	279,460	-	-	279,460
Unrestricted	77,277	166,134	(79)	243,332
Total net assets	<u>\$ 356,737</u>	<u>166,134</u>	<u>(79)</u>	<u>522,792</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, 2009

	School Nutrition	Lucky Children Day Care	Nonmajor: Swimming Pool	Total
OPERATING REVENUE:				
Local sources:				
Charges for service	\$ 846,240	227,614	17,329	1,091,183
OPERATING EXPENSES:				
Instruction:				
Other:				
Salaries	-	-	14,634	14,634
Benefits	-	-	1,870	1,870
Supplies	-	-	1,283	1,283
Support services:				
Transportation				
Salaries	-	866	-	866
Benefits	-	122	-	122
Non-instructional programs:				
Salaries	502,370	139,974	-	642,344
Benefits	167,832	26,789	-	194,621
Services	14,097	9,385	-	23,482
Supplies	733,636	24,519	-	758,155
Depreciation	51,998	-	-	51,998
TOTAL OPERATING EXPENSES	1,469,933	201,655	17,787	1,689,375
OPERATING INCOME(LOSS)	(623,693)	25,959	(458)	(598,192)
NON-OPERATING REVENUES:				
State sources	14,015	-	-	14,015
Federal sources	627,076	-	-	627,076
Interest on investments	1,122	-	-	1,122
TOTAL NON-OPERATING REVENUES	642,213	-	-	642,213
Changes in net assets	18,520	25,959	(458)	44,021
Net assets beginning of year	338,217	140,175	379	478,771
Net assets end of year	\$ 356,737	166,134	(79)	522,792

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition	Lucky Children Day Care	Nonmajor: Swimming Pool	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 822,040	-	-	822,040
Cash received from miscellaneous sources	26,411	227,614	17,329	271,354
Cash payments to employees for services	(661,206)	(155,133)	(12,482)	(828,821)
Cash payments to suppliers for goods or services	(691,211)	(33,098)	(1,283)	(725,592)
Net cash provided by(used in) operating activities	(503,966)	39,383	3,564	(461,019)
Cash flows from non-capital financing activities:				
State grants received	14,015	-	-	14,015
Federal grants received	580,909	-	-	580,909
Net cash provided by non-capital financing activities	594,924	-	-	594,924
Cash flows from investing activities:				
Interest on investments	1,122	-	-	1,122
Net cash provided by investing activities	1,122	-	-	1,122
Net increase in cash and cash equivalents	92,080	39,383	3,564	135,027
Cash and cash equivalents at beginning of year	(10,966)	148,587	3,353	140,974
Cash and cash equivalents at end of year	\$ 81,114	187,970	6,917	276,001
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (623,693)	25,959	(458)	(598,192)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities used	46,263	-	-	46,263
Depreciation	51,998	-	-	51,998
Decrease in inventories	10,229	-	-	10,229
Increase in accounts payable	30	806	-	836
Increase in salaries and benefits payable	6,209	12,394	4,022	22,625
Increase in unearned revenue	2,211	-	-	2,211
Increase in other postemployment benefits	2,787	224	-	3,011
Net cash provided by(used in) operating activities	\$ (503,966)	39,383	3,564	(461,019)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:				
Current assets:				
Cash and investments	\$ 81,114	187,970	6,917	276,001
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
During the year ended June 30, 2009, the District received Federal commodities valued at \$46,263.				
SEE NOTES TO FINANCIAL STATEMENTS.				

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

	Private Purpose Trust Scholarship Fund	Agency Fund
ASSETS		
Cash and pooled investments	\$ 2,737	4,352
Due from other groups	-	989
Total assets	<u>2,737</u>	<u>5,341</u>
LIABILITIES		
Due to other groups	-	5,341
Total liabilities	<u>-</u>	<u>5,341</u>
NET ASSETS		
Reserved for scholarships	<u>\$ 2,737</u>	<u>-</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2009

	<u>Private Purpose Trust Scholarship Fund</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 5,100
Total additions	<u>5,100</u>
Deductions:	
Regular instruction:	
Scholarships awarded	<u>3,700</u>
Total deductions	<u>3,700</u>
Change in net assets	1,400
Net assets beginning of year	<u>1,337</u>
Net assets end of year	<u>\$ 2,737</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

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 Capital Projects Fund is utilized to account for statewide 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 major 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. Assets, Liabilities and Fund Equity

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

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.

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, 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 - 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.

Prepaid Items - The District prepaid insurance expense for July 2009 from the Special Revenue, Management Levy.

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

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 and improvements	20-50 years
Machinery and equipment	5-12 years

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 2009, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2009.

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.

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.

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, 2009.

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.

Net assets restricted through enabling legislation consists of \$1,123,352 for debt service, \$450,674 for categorical funding, \$401,121 for management levy and \$1,354,813 for physical plant and equipment levy.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

E. Budgeting and Budgetary Control

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

Note 2. Deposits and Pooled Investments

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers

acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 3,554,643</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, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 12,415
Debt Service	Special Revenue: Physical Plant and 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:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Business Type activities:				
Machinery and equipment	\$ 814,731	-	-	814,731
Less accumulated depreciation	483,273	51,998	-	535,271
Business-type activities capital assets, net	<u>\$ 331,458</u>	<u>(51,998)</u>	<u>-</u>	<u>279,460</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 500,000	-	-	500,000
Construction in progress	943,540	3,683,808	-	4,627,348
Total capital assets not being depreciated	<u>1,443,540</u>	<u>3,683,808</u>	<u>-</u>	<u>5,127,348</u>
Capital assets being depreciated:				
Buildings and improvements	42,522,630	-	-	42,522,630
Machinery and equipment	3,282,282	384,901	112,558	3,554,625
Total capital assets being depreciated	<u>45,804,912</u>	<u>384,901</u>	<u>112,558</u>	<u>46,077,255</u>
Less accumulated depreciation for:				
Buildings and improvements	16,424,466	842,452	-	17,266,918
Machinery and equipment	2,722,918	222,930	112,558	2,833,290
Total accumulated depreciation	<u>19,147,384</u>	<u>1,065,382</u>	<u>112,558</u>	<u>20,100,208</u>
Total capital assets being depreciated, net	<u>26,657,528</u>	<u>(680,481)</u>	<u>-</u>	<u>25,977,047</u>
Governmental activities capital assets, net	<u>\$ 28,101,068</u>	<u>3,003,327</u>	<u>-</u>	<u>31,104,395</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 3,585
Other	9,566
Support services:	
Instructional staff	1,676
Operation and maintenance of plant	36,571
Transportation	171,532
	<u>222,930</u>
Unallocated depreciation	<u>842,452</u>
Total governmental activities depreciation expense	<u>\$ 1,065,382</u>
Business Type activities:	
Food services	<u>\$ 51,998</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, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 13,590,000	\$ -	\$ 835,000	\$ 12,755,000	\$ 855,000
Revenue Bonds	6,937,025	-	1,583,573	5,353,452	1,655,992
School Bus Lease	261,248	-	126,056	135,192	66,002
Compensated Absences	124,233	144,949	124,233	144,949	144,949
Early Retirement	8,926	-	8,926	-	-
Net OPEB liability	-	71,261	-	71,261	-
Total	<u>\$ 20,921,432</u>	<u>\$ 216,210</u>	<u>\$ 2,677,788</u>	<u>\$ 18,459,854</u>	<u>\$ 2,721,943</u>
<u>Business Type Activities:</u>					
Net OPEB liability	<u>\$ -</u>	<u>\$ 3,011</u>	<u>-</u>	<u>\$ 3,011</u>	<u>-</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, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2008			Bond Issue of October 1, 2005			Total		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest	Total
2010	3.57 %	\$ 710,000	275,068	3.50 %	\$ 145,000	191,132	\$ 855,000	466,200	1,321,200
2011	3.57	730,000	250,722	3.50	150,000	186,058	880,000	436,780	1,316,780
2012	3.57	770,000	223,660	3.50	145,000	180,807	915,000	404,467	1,319,467
2013	3.57	805,000	196,171	3.50	145,000	175,733	950,000	371,904	1,321,904
2014	3.57	845,000	167,433	3.50	145,000	170,585	990,000	338,018	1,328,018
2015-2019	3.57	3,845,000	352,003	3.50-3.80	1,765,000	773,463	5,610,000	1,125,466	6,735,466
2020-2021	3.57	-	-	3.80-3.85	2,555,000	148,417	2,555,000	148,417	2,703,417
Total		<u>\$ 7,705,000</u>	<u>1,465,057</u>		<u>\$ 5,050,000</u>	<u>1,826,195</u>	<u>\$ 12,755,000</u>	<u>3,291,252</u>	<u>16,046,252</u>

On May 3, 2006, the District issued statewide 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, 2009 statewide sales and service tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 3, 2006			
	Interest Rate	Principal	Interest	Total
2010	4.48 %	\$ 1,655,992	206,096	1,862,088
2011	4.48	1,731,723	130,365	1,862,088
2012	4.48	1,811,140	50,948	1,862,088
2013	4.48	154,597	577	155,174
Total		<u>\$ 5,353,452</u>	<u>387,986</u>	<u>5,741,438</u>

The District has pledged future statewide 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 statewide 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 statewide sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$5,741,438. For the current year, principal and interest was paid on the bonds of \$1,583,573 and \$278,515 and total statewide sales and services tax revenues were \$2,333,821.

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

- a) The bonds will only be redeemed from the future earnings of the statewide 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 Statewide 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 Statewide Sales and Services Tax Reserve Fund.

School Bus Lease

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

Year Ending June 30,	June 30, 2006				
	Interest Rate		Principal	Interest	Total
2010	4.83 %	\$	66,002	6,530	72,532
2011	4.83		69,190	3,342	72,532
		\$	135,192	9,872	145,064

Note 6. Other Postemployment Benefits(OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 430 active and 22 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an

ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 158,024
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	158,024
Contributions made	<u>(83,752)</u>
Increase in net OPEB obligation	74,272
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>\$ 74,272</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

For the year ended June 30, 2009, the District contributed \$83,752 to the medical plan. Plan members eligible for benefits contributed \$83,752, or 100% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 158,024	53.0%	\$ 74,272

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$1,349,054, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,349,054. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$13,252,651, and the ratio of the UAAL to covered payroll was 10.2%. As of June 30, 2009, there were no trust fund assets.

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

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

As of the July 1, 2008 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions includes a 5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10.0%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from sample rates varying by age and employee type. Turnover probabilities were developed from rates based on Scale T-7 of the Actuary's Pension Handbook.

Projected claim costs of the medical plan are for the \$500 deductible plan is \$905 per month and \$1000 deductible plan is \$830 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 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 year ended June 30, 2009. 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. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$893,051, \$885,019, and \$776,193 respectively, equal to the required contributions for each year.

Note 8. 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 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$911,024 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.

Note 10. Construction Commitments

The District entered into various contracts totaling \$4,877,387 for renovations at Kreft Elementary School, Air Conditioning project and Concession Stand project. At June 30, 2009, \$4,627,348 of the contracts was completed. The remaining amounts of the contracts will be paid as work on the project progresses.

Note 11. Deficit Balances

The District had deficit unreserved fund balances in the Capital Projects Fund, Construction Projects of \$1,416,019 and Special Revenue, Student Activity Fund of \$20,170. The District had deficit unrestricted net assets in the Enterprise, Swimming Pool Fund of \$79. We also noted eleven accounts in the Special Revenue, Student Activity Fund with a deficit balances totaling \$64,572.

Note 12. Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2009 are broken out by the following projects:

<u>Project</u>	<u>Amount</u>
At-risk supplemental weighting	\$ 66,042
Gifted and talented	56,921
Dropout and dropout prevention	40,380
Early intervention	175,629
Salary improvement program	3,486
Educator quality, market factor	17,344
Educator quality, model core curriculum	34,192
Beginning administrator mentoring	2,250
Nonpublic textbook services	280
Professional development, additional days	13,985
Market factor	17,294
Four-year-old preschool	22,871
Total reserved for cateforical funding	<u>\$ 450,674</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental Fund Types - Actual	Proprietary Fund Types - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 17,939,620	\$ 1,092,305	\$ 19,031,925	\$ 18,233,458	\$ 18,233,458	\$ 798,467
Intermediate sources	166,974	-	166,974	125,000	125,000	41,974
State appropriations	12,117,377	14,015	12,131,392	13,696,723	13,696,723	(1,565,331)
Federal appropriations	912,784	627,076	1,539,860	1,200,000	1,200,000	339,860
Total revenues	31,136,755	1,733,396	32,870,151	33,255,181	33,255,181	(385,030)
Expenditures/expenses:						
Instruction	17,792,359	17,787	17,810,146	17,935,154	17,935,154	125,008
Support services	7,380,157	988	7,381,145	8,170,000	8,170,000	788,855
Non-instructional programs	-	1,670,600	1,670,600	1,720,000	1,720,000	49,400
Other expenditures/expenses	8,155,012	-	8,155,012	9,231,565	9,231,565	1,076,553
Total expenditures/expenses	33,327,528	1,689,375	35,016,903	37,056,719	37,056,719	2,039,816
Excess(deficiency) of revenues over(under) expenditures/expenses	(2,190,773)	44,021	(2,146,752)	(3,801,538)	(3,801,538)	1,654,786
Other financing sources, net	22,565	-	22,565	-	-	22,565
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(2,168,208)	44,021	(2,124,187)	(3,801,538)	(3,801,538)	1,677,351
Balance beginning of year	8,423,702	478,771	8,902,473	8,455,604	8,455,604	446,869
Balance end of year	\$ 6,255,494	\$ 522,792	\$ 6,778,286	\$ 4,654,066	\$ 4,654,066	\$ 2,124,220

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL 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 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.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
 REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-c)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2008	\$ -	\$ 1,349,054	\$ 1,349,054	0.0%	\$ 13,252,651	10.2%

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

OTHER SUPPLEMENTARY INFORMATION

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2009

	Nonmajor Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
ASSETS				
Cash and pooled investments	\$ 367,644	-	1,415,907	1,783,551
Receivables:				
Property tax:				
Current year delinquent	3,144	-	4,542	7,686
Succeeding year	448,215	-	730,533	1,178,748
Prepaid items	30,333	-	-	30,333
TOTAL ASSETS	\$ 849,336	-	2,150,982	3,000,318
LIABILITIES AND FUND BALANCES				
Liabilities:				
Excess of warrants issued over bank balances	\$ -	19,165	-	19,165
Accounts payable	-	1,005	65,636	66,641
Deferred revenue:				
Succeeding year property tax	448,215	-	730,533	1,178,748
Total liabilities	448,215	20,170	796,169	1,264,554
Fund balances:				
Reserved for prepaid items	30,333	-	-	30,333
Unreserved fund balances	370,788	(20,170)	1,354,813	1,705,431
Total fund balances	401,121	(20,170)	1,354,813	1,735,764
TOTAL LIABILITIES AND FUND BALANCES	\$ 849,336	-	2,150,982	3,000,318

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2009

	Nonmajor Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
REVENUES:				
Local sources:				
Local tax	\$ 379,926	-	569,313	949,239
Other	40,298	554,581	-	594,879
Total revenues	420,224	554,581	569,313	1,544,118
EXPENDITURES:				
Current:				
Instruction:				
Regular	102,291	-	-	102,291
Other	-	583,438	-	583,438
Support services:				
Administration	5,499	-	-	5,499
Operation and maintenance of plant	198,373	365	-	198,738
Transportation	44,707	-	228,558	273,265
Other expenditures:				
Facilities acquisitions	-	-	265,081	265,081
Total expenditures	350,870	583,803	493,639	1,428,312
Excess(deficiency) of revenues over(under) expenditures	69,354	(29,222)	75,674	115,806
OTHER FINANCING USES:				
Transfers out	-	-	(125,956)	(125,956)
Total other financing uses	-	-	(125,956)	(125,956)
Net change in fund balances	69,354	(29,222)	(50,282)	(10,150)
Fund balances beginning of year	331,767	9,052	1,405,095	1,745,914
Fund balances end of year	\$ 401,121	(20,170)	1,354,813	1,735,764

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2009

	Capital Projects Funds		
	Statewide Sales and Services Tax	Construction Projects	Total
	ASSETS		
Cash and pooled investments	\$ 677,742	3,500,000	4,177,742
Due from other governments	347,517	-	347,517
TOTAL ASSETS	\$ 1,025,259	3,500,000	4,525,259
LIABILITIES AND FUND BALANCES			
Liabilities:			
Excess of warrants issued over bank balance	\$ -	4,309,340	4,309,340
Accounts payable	-	606,679	606,679
Total liabilities	-	4,916,019	4,916,019
Fund balances:			
Unreserved fund balances	1,025,259	(1,416,019)	(390,760)
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,025,259	3,500,000	4,525,259

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2009

	Capital Project Funds		
	Statewide Sales and Services Tax	Construction Projects	Total
REVENUES:			
Local sources:			
Local tax	\$ 2,333,821	-	2,333,821
Other	82,160	-	82,160
TOTAL REVENUES	<u>2,415,981</u>	<u>-</u>	<u>2,415,981</u>
EXPENDITURES:			
Current:			
Support services:			
Administration	-	13,863	13,863
Other expenditures:			
Facilities acquisition	-	3,622,619	3,622,619
TOTAL EXPENDITURES	<u>-</u>	<u>3,636,482</u>	<u>3,636,482</u>
Excess(deficiency) of revenues over(under) expenditures	2,415,981	(3,636,482)	(1,220,501)
OTHER FINANCING USES:			
Transfer out	(1,862,088)	-	(1,862,088)
Total other financing uses	<u>(1,862,088)</u>	<u>-</u>	<u>(1,862,088)</u>
Net change in fund balances	553,893	(3,636,482)	(3,082,589)
FUND BALANCES BEGINNING OF YEAR	<u>471,366</u>	<u>2,220,463</u>	<u>2,691,829</u>
FUND BALANCES END OF YEAR	<u>\$ 1,025,259</u>	<u>(1,416,019)</u>	<u>(390,760)</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, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
GENERAL ACTIVITIES	\$ 13,041	69,722	82,759	4
INTEREST	5,086	-	5,086	-
DRAMA	(1,358)	14,139	17,379	(4,598)
SPEECH	(1,138)	2,424	1,286	-
VOCAL MUSIC	3,061	45,062	37,320	10,803
BAND	2,351	37,878	36,880	3,349
BOYS/GIRLS CROSS COUNTY	(911)	4,568	3,657	-
BOYS BASKETBALL	796	26,598	31,038	(3,644)
FOOTBALL	2,899	30,030	32,929	-
BOYS SOCCER	(2,887)	3,947	1,060	-
BASEBALL	(15,577)	18,522	6,590	(3,645)
BOYS TRACK	(3,255)	6,533	10,046	(6,768)
BOYS TENNIS	(66)	614	548	-
BOYS GOLF	(2,522)	3,342	820	-
BOYS SWIM	(134)	6,228	6,094	-
WRESTLING	(9,397)	18,785	19,985	(10,597)
GIRLS BASKETBALL	(356)	19,096	21,521	(2,781)
VOLLEYBALL	(3,386)	19,628	18,390	(2,148)
GIRLS SOCCER	(995)	7,659	6,764	(100)
SOFTBALL	(7,621)	8,190	7,994	(7,425)
GIRLS TRACK	(1,133)	10,195	11,420	(2,358)
GIRLS TENNIS	(484)	1,651	1,167	-
GIRLS GOLF	(255)	1,606	1,351	-
GIRLS SWIM	(56)	6,985	6,929	-
GIRLS BOWLING	-	423	423	-
FUTURE BUSINESS LEADERS	849	23,703	23,944	608
ART CLUB	1,092	1,401	1,234	1,259
DRAMA CLUB	1,677	216	89	1,804
COOKING FOR A CAUSE	-	149	38	111
SKILLS USA	738	6,057	6,795	-
POWERLIFT CLUB	(204)	452	248	-
BOYS BOWLING	-	402	402	-
SPECIAL OLYMPICS	2	1,050	920	132
CLASS OF 2007	(402)	-	(402)	-
CLASS OF 2008	(46)	-	(46)	-
CLASS OF 2009	(524)	630	(334)	440
CLASS OF 2010	45	4,970	4,831	184
CLASS OF 2011	45	20	-	65
STUDENT COUNCIL	1,794	6,763	7,718	839
NATIONAL HONOR SOCIETY	330	1,260	1,478	112
CHEERLEADERS	(327)	9,892	9,320	245
DANCE TEAM	(7,841)	39,013	51,680	(20,508)
YEARBOOK	3,083	29,281	32,325	39
KREFT PRIMARY	1,103	2,589	3,692	-

LEWIS CENTRAL 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
TITAN HILL INTERMEDIATE	380	7,096	7,476	-
TITAN HILL STUDENT COUNCIL	(267)	7,914	6,842	805
HIGH SCHOOL STUDENTS	8,653	1,070	9,723	-
MS VOCAL	2,187	7,064	6,286	2,965
MS BAND	6,767	21,015	18,736	9,046
MS STUDENT COUNCIL	2,255	2,236	1,475	3,016
MS LEADERSHIP	2,919	5,492	7,235	1,176
MS YEARBOOK	1,624	2,928	2,408	2,144
MS STUDENTS	2,799	2,856	5,655	-
MS SCHOLASTICS	4,618	5,237	4,599	5,256
TOTAL	<u>\$ 9,052</u>	<u>554,581</u>	<u>583,803</u>	<u>(20,170)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Lewis
Central

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2009

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>KREFT POP TEACHERS' LOUNGE</u>				
ASSETS				
Cash and pooled investments	\$ 119	1,279	1,929	(531)
Due from other groups	-	-	(531)	531
	<u>\$ 119</u>	<u>1,279</u>	<u>1,398</u>	<u>-</u>
LIABILITIES				
Due to other groups	<u>\$ 119</u>	<u>1,279</u>	<u>1,398</u>	<u>-</u>
<u>TITAN HILL TEACHERS</u>				
ASSETS				
Cash and pooled investments	\$ 3,221	2,091	988	4,324
LIABILITIES				
Due to other groups	<u>\$ 3,221</u>	<u>2,091</u>	<u>988</u>	<u>4,324</u>
<u>ADMINISTRATION POP</u>				
ASSETS				
Cash and pooled investments	\$ 531	615	1,246	(100)
Due from other groups	-	-	(100)	100
	<u>\$ 531</u>	<u>615</u>	<u>1,146</u>	<u>-</u>
LIABILITIES				
Due to other groups	<u>\$ 531</u>	<u>615</u>	<u>1,146</u>	<u>-</u>
<u>MS POP - TEACHERS' LOUNGE</u>				
ASSETS				
Cash and pooled investments	\$ 410	1,135	1,903	(358)
Due from other groups	-	-	(358)	358
	<u>\$ 410</u>	<u>1,135</u>	<u>1,545</u>	<u>-</u>
LIABILITIES				
Due to other groups	<u>\$ 410</u>	<u>1,135</u>	<u>1,545</u>	<u>-</u>
<u>HS POP TEACHERS' LOUNGE</u>				
ASSETS				
Cash and pooled investments	\$ 427	3,297	2,707	1,017
LIABILITIES				
Due to other groups	<u>\$ 427</u>	<u>3,297</u>	<u>2,707</u>	<u>1,017</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and pooled investments	\$ 4,708	8,417	8,773	4,352
Due from other groups	-	-	(989)	989
	<u>\$ 4,708</u>	<u>8,417</u>	<u>7,784</u>	<u>5,341</u>
LIABILITIES				
Due to other groups	<u>\$ 4,708</u>	<u>8,417</u>	<u>7,784</u>	<u>5,341</u>

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 TEN YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2009	2008	2007	2006	2005
Revenues:					
Local sources:					
Local tax	\$ 13,802,617	12,012,734	11,416,213	10,665,011	9,892,986
Tuition	2,819,686	2,567,375	2,302,170	1,938,746	1,667,730
Other	1,317,317	1,192,676	1,420,977	1,110,593	1,118,611
Intermediate sources	166,974	155,608	239,875	229,093	29,414
State sources	12,117,377	11,714,131	11,333,633	10,367,675	9,871,889
Federal sources	912,784	664,848	740,545	653,052	1,102,874
Total	\$ 31,136,755	28,307,372	27,453,413	24,964,170	23,683,504
Expenditures:					
Instruction:					
Regular	\$ 11,913,549	10,939,785	10,366,844	9,156,257	8,487,424
Special	3,086,613	2,596,845	2,635,120	2,700,906	3,281,264
Other	2,792,197	2,661,627	2,486,610	2,468,092	1,738,843
Support services:					
Student	460,292	435,588	486,726	393,108	526,486
Instructional staff	1,005,186	974,157	1,023,152	893,911	525,140
Administration	1,993,944	1,927,754	1,717,968	1,580,310	1,516,607
Operation and maintenance of plant	2,769,184	2,666,353	2,741,455	2,437,330	1,943,172
Transportation	1,151,551	996,484	802,189	1,190,886	588,283
Central support	-	-	-	-	-
Other	-	-	-	-	84,200
Non-instructional programs	-	-	-	-	2,500
Other expenditures:					
Facilities acquisitions	3,887,700	1,554,747	4,874,272	673,836	1,486,759
Long-term debt:					
Principal	2,544,629	10,774,622	2,385,183	837,926	789,871
Interest and other charges	811,659	941,840	1,044,697	921,368	731,160
AEA flow-through	911,024	826,825	801,445	716,983	678,959
Total	\$ 33,327,528	37,296,627	31,365,661	23,970,913	22,380,668

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Modified Accrual Basis				
Years Ended June 30,				
2004	2003	2002	2001	2000
9,932,264	8,976,353	7,127,180	6,596,103	6,461,572
1,548,902	1,706,042	1,478,100	1,274,259	1,199,115
1,153,242	1,014,990	1,435,641	1,407,278	1,929,167
-	-	-	-	-
9,457,349	10,036,094	10,230,093	10,291,981	9,921,694
969,969	573,316	474,531	404,410	592,037
<u>23,061,726</u>	<u>22,306,795</u>	<u>20,745,545</u>	<u>19,974,031</u>	<u>20,103,585</u>
8,424,639	8,670,491	8,716,492	8,367,551	8,098,294
3,116,389	3,401,001	3,131,051	3,194,624	3,040,034
1,338,342	1,250,653	1,433,126	1,344,664	1,275,571
450,984	386,518	343,937	310,031	304,670
701,737	565,228	568,553	727,818	656,161
1,352,365	1,338,687	1,314,020	1,234,994	1,179,886
1,874,668	1,983,347	1,870,437	1,732,121	1,432,379
907,846	521,840	846,675	578,663	704,272
-	33,673	58,599	30,016	27,641
74,274	19,300	16,384	12,601	13,079
22,103	25,922	17,441	81,067	82,518
4,447,789	3,944,926	4,196,057	7,579,085	9,460,614
765,068	671,903	595,000	550,000	330,000
749,588	779,714	793,674	668,360	889,840
685,810	734,742	734,795	758,522	721,076
<u>24,911,602</u>	<u>24,327,945</u>	<u>24,636,241</u>	<u>27,170,117</u>	<u>28,216,035</u>

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 09	\$ 501,978
SCHOOL BREAKFAST PROGRAM	10.553	FY 09	125,098
			<u>627,076</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I, PART A CLUSTER:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	3465-G	248,337
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 09	30,253
			<u>278,590</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 09	7,506
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 09	91,991
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI A)	84.369	FY 09	18,720
AREA EDUCATION AGENCY: VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 09	18,327
SPECIAL EDUCATION CLUSTER (IDEA):			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 09	148,458
SPECIAL EDUCATION - GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 09	33,698
			<u>182,156</u>
TOTAL			<u>\$ 1,224,366</u>

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.

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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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 26, 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 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 26, 2010

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 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, 2009. 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, 2009.

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 26, 2010

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

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, 2009

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-09 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel is expected to be completing. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel. The District's records required numerous end of year adjustments. There were no end of year adjustments made to the Nutrition Fund to convert the financial statements to GAAP basis.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every district. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Response - The District will continue to send their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

Conclusion - Response accepted.

II-B-09 Bank Reconciliations - We noted during our audit that the District does not reconcile the bank statements to the general ledger on a timely basis.

Recommendation - The District should reconcile bank statement balances to financial statement bank balances on a monthly basis.

Response - The Accounting staff is currently reconciling bank statement balances to financial bank balances on a monthly basis.

Conclusion - Response accepted.

II-C-09 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 properly code all bills to ensure the accountability of the grants by matching revenues to the expenditures.

Conclusion - Response accepted.

II- D-09 Accurate Posting of Receipts - We noted during our audit that the District recorded numerous receipts to the incorrect revenue accounts.

Recommendation - The District should use the standard account structure to record revenue and record the receipts into the appropriate accounts.

Response - The District will use the standard account structure to record revenue and record receipts into the appropriate accounts.

Conclusion - Response accepted.

II-E-09 Timely Deposits - We noted during our audit that deposits in the Special Revenue, Student Activity Fund were prepared but may not be taken to the bank for deposit until several days later.

Recommendation - All receipts should be deposited when received. The District should review procedures to ensure that the deposits are made timely.

Response - The District has addressed the issue of timely deposits with the Special Revenue, Student Activity Fund staff.

Conclusion - Response accepted.

II-F-09 Receipting and Depositing Procedures - We noted during our audit of the receipting process that deposits made were difficult to reconcile to receipts because deposit slips did not contain a detail listing of the checks and cash included in the deposit.

Recommendation - The District should require individuals who are preparing the deposit slips to complete the listing of checks and insert the amount of currency included in the deposit. The District may also consider identifying which receipts are included in that specific deposit. The identification of the receipts to the deposit slip aids in identifying reconciling items when reconciling bank statements each month, as well as serving as a control to help ensure all receipts are deposited.

Response - The District will require the individuals who are preparing the deposit slips to complete the listing of checks and insert the amount of currency included in the deposit.

Conclusion - Response accepted.

II-G-09 Insurance Dividend - We noted during our audit that the District received an insurance dividend. This was receipted into the General Fund, but should have been recorded in the Special Revenue, Management Levy Fund where the insurance payments were made. This entry correcting the receipt was posted in FY09 General Ledger.

Recommendation - The District should record future insurance dividends in the Special Revenue, Management Levy Fund.

Response - The District will record all future dividends in the Special Revenue, Management Levy Fund.

Conclusion - Response accepted.

II-H-09 School Accounting Software - We noted during our audit that the Special Revenue, Student Activity Fund and Agency Fund are maintained by the District in an Excel spreadsheet as a subsidiary record. The District may maintain subsidiary records, but all official records of the District shall be maintained on the District's Uniform Financial Accounting system. If subsidiary records are maintained, these records must be reconciled to the official records monthly.

Recommendation - Reconciliations of subsidiary records to the official records should be done monthly. District personnel should receive additional training on how to properly maintain the official records on the District's Uniform Financial Accounting system.

Response - The District will train their personnel on how to properly maintain the official records on the District's Uniform Financial Accounting system.

Conclusion - Response accepted.

II-I-09 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 timesheets turned in to central office need to be reviewed for determination if minimum wage is paid.

Response - The District will continue to implement procedures to track hours worked for coaches who are non-certified staff

Conclusion - Response accepted.

II-J-09 Payroll Reporting Procedures - We noted during our audit that the District July and August payroll was written and dated in June; however, the payroll was not included on the 2nd Quarter 941 Payroll Report, nor on the June IPERS Report. We also noted late payments being made to IPERS for the months of November (paid 12/22/08) and January (paid 3/4/09).

Recommendation - The District must include payroll in the appropriate quarterly reports when checks were paid. If checks will not be distributed in June, payroll should not be paid, but rather accrued and then paid in the appropriate month. Regardless of how the District chooses to handle July and August liability, when the checks are written, the payroll taxes should be submitted and then payroll should be reported in the correct tax period. The District should review procedures in place to ensure payroll reports are accurately completed and filed timely.

Response - The District will review payroll procedures to ensure that payroll reports are accurately completed and filed in a timely manner.

Conclusion - Response accepted.

II-K-09 Cell Phone Policy - We noted during our audit that the District pays for district owned cell phones. In addition, we noted that the District does not have board policy in place for the district owned cell phones.

Recommendation - The District should adopt a board policy in regard to district owned cell phones. The policy should identify who has district cell phones and include an additional review of usage to ensure cell phones are not being abused.

Response - The District will research and adopt a cell phone policy to ensure that District owned cell phones are not being abused.

Conclusion - Response accepted.

II-L-09 Board Policies - We noted during the audit that the board policies are not being reviewed on a regular basis. The District has policies that have not been updated within five year.

Recommendation - Board policies should be reviewed by the Board at a minimum every five years.

Response - The Board of Education is currently reviewing all policies that have not been reviewed in the last five years.

Conclusion - Response accepted.

II-M-09 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchasing process; however, we noted instances of purchase orders that were completed and dated after the invoice.

Recommendation -The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The District will review and make necessary changes so that all disbursements are approved by the appropriate administrator before the order is placed.

Conclusion - Response accepted.

II-N-09 Capital Assets - A record of capital asset acquisitions and disbursements are kept; however, these changes are not kept up to date and are not being kept on the District's software system. Capital assets are required to be maintained for financial statement presentation.

Recommendation - Capital asset updates should be made on a continuous basis to allow the school officials and outsiders an accurate account of the amount of capital assets at any point in time. This is necessary for both an accurate account of assets and to ensure a proper amount of insurance is carried to cover the assets in case of loss from fire, vandalism, or theft. The District should have a complete list of additions, deletions, and current assets for reporting purposes. This needs to include current and accumulated depreciation.

Response - The District is currently working on a plan to update and record their capital assets on the District's software system.

Conclusion - Response accepted.

II-O-09 Student Activity Fund - Fundraisers - We noted during our audit that the District maintains fundraisers in the Student Activity Fund. All fundraisers are not being approved by the board and do not always have a specific purpose.

Recommendation - The District should review the procedures in place. The board should approve fundraisers and all fundraisers should have a specific purpose. The District should cease the practice of fundraising without specific purposes.

Response - The District will review the procedures in place and will only approve fundraisers that have a specific purpose.

Conclusion - Response accepted.

II-P-09 Student Activity Fund - Bank Fees - We noted during our audit that the District is charged bank fees in excess of interest earned in the Student Activity Fund.

Recommendation - The District should consider discussing this issue with the bank or consider renegotiating bank contracts.

Response - The District will discuss this issue with the bank.

Conclusion - Response accepted.

II-Q-09 Student Activity Fund - Support for Checks Written - The District has a practice of issuing a check to sponsors to be distributed to student participants at state athletic events. The money was to be divided among the students for meals. The sponsors do not provide receipts to support the meal purchase nor do they have documentation that the individual students actually received the money.

Recommendation - The District should always have documentation to support a check written. The District should develop procedures for situations when meals will be paid for students participating at state events. The District may have the Sponsors pay for meals and retain documentation or the District may provide to individuals the meal allotment and request a signoff sheet by the individual students. The District should also ensure that checks are being written to the sponsor/custodian of the event.

Response - The District will develop procedures when meals will be paid for students participating in state events.

Conclusion - Response accepted.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

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, 2009

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-09 Certified Budget - District disbursements for the year ended June 30, 2009, did not exceed the amount budgeted.

IV-B-09 Questionable Disbursements - We noted during our audit that the District wrote a check to purchase gift cards from the Student Council account, Student Activity Fund. Gift cards do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to refrain from purchase of gift cards.

Response - The District has taken measures to make sure that gift cards are not purchased.

Conclusion - Response accepted.

IV-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.

IV-D-09 Business Transactions - No business transactions between the District and District officials were noted.

IV-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.

IV-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-09 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-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.

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

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

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

Beginning balance	\$ -
Statewide sales and services tax	2,333,821
Expenditures/transfers out:	
Debt service for school infrastructure:	
Revenue debt	<u>1,862,088</u>
Ending balance	<u>\$ 471,733</u>

IV-L-09 Financial Condition - The District had eleven deficit student account balances in the Special Revenue, Student Activity Fund at year end totaling \$64,572. The District had deficit unreserved fund balances in the Capital Projects Fund, Construction Projects of \$1,416,019 and Special Revenue, Student Activity Fund of \$20,170. The District had deficit unrestricted net assets in the Enterprise, Swimming Pool Fund of \$79.

Recommendation - The District should continue to monitor these funds 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-M-09 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 would 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 from 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 Procedures Manual and make necessary changes.

Conclusion - Response accepted.

IV-N-09 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 - The District will review Chapter 298.3 of the Code of Iowa with regard to allowable expenditures in the Physical Plant and Equipment Levy Fund.

Conclusion - Response accepted.

IV-O-09 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - The District has requested an image of both the front and the back of each cancelled check.

Conclusion - Response accepted.

IV-P-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 - The District has obtained written authorization from each employee who desires to receive a payroll check by mail.

Conclusion - Response accepted.

IV-Q-09 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

Response - The District will have the Board President sign all contracts.

Conclusion - Response accepted.

IV-R-09 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliation which have been outstanding for over a year.

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

Response - The District will research the outstanding checks to determine if they should be reissued, voided or submitted to the Treasurer of Iowa.

Conclusion - Response accepted.

Lewis
Central