

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

JUNE 30, 2010

TABLE OF CONTENTS

Officials		<u>Page</u> 4
Independent Auditor’s Report		5-6
Management Discussion and Analysis (MD&A)		7-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses and Changes in Net Assets	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	27
Statement of Changes in Fiduciary Net Assets	K	28
Notes to Financial Statements		29-40
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		42
Notes to Required Supplementary Information - Budgetary Reporting		43
Schedule of Funding Progress for the Retiree Health Plan		44
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	1	47
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	48
Capital Projects Funds:		
Combining Balance Sheet	3	49
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	50
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	51-52
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	6	53
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7	54-55
Schedule of Expenditures of Federal Awards	8	56

TABLE OF CONTENTS
(CONTINUED)

	<u>Page</u>
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	57-58
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	59-60
Schedule of Findings and Questioned Costs	61-67

Lewis Central Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 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
Board of Education (After September 2009 Election)		
Dorene Scheffel	President	2013
Daryl Weilage	Vice President	2013
Daniel Feller	Board Member	2011
Amie Adkins-Studer	Board Member	2011
Rob Livingston	Board Member	2013
Robert Hendrix	Board Member	2013
Ron Stazzoni	Board Member	2011
School Officials		
Mark Schweer	Superintendent	2010
Dale Kreher	District Secretary/Treasurer and Business Manager	2010
Brian Gruhn	Attorney	2010

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
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, 2010, 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, 2010, 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 January 26, 2011 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 Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan 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, 2009 (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.

January 26, 2011

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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- The District's total net assets for governmental activities were \$22,780,430 at June 30, 2010 compared to \$19,449,185 at June 30, 2009, an increase of 17.13%.
- At the end of the current fiscal year, unreserved fund balance in the General Fund was \$4,022,958 or 15.05% of total General Fund revenues compared to prior years unreserved fund balance of \$3,336,464 or 12.82% of total General Fund revenues.
- General Fund revenues increased from \$26,031,971 in fiscal 2009 to \$26,732,543 in fiscal 2010, while General Fund expenditures and transfers out increased from \$24,917,061 in fiscal 2009 to \$25,761,847 in fiscal 2010. This resulted in an increase in the District's General Fund balance from \$3,787,138 in fiscal 2009 to a balance of \$4,757,834 in fiscal 2010, a 25.64% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local and federal sources in fiscal 2010. The increase in expenditures was due primarily to an increase in the instruction functional area.
- October 2009 Certified Enrollment count resulted in a decrease of 4.5 students, representing a .18% decrease 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.

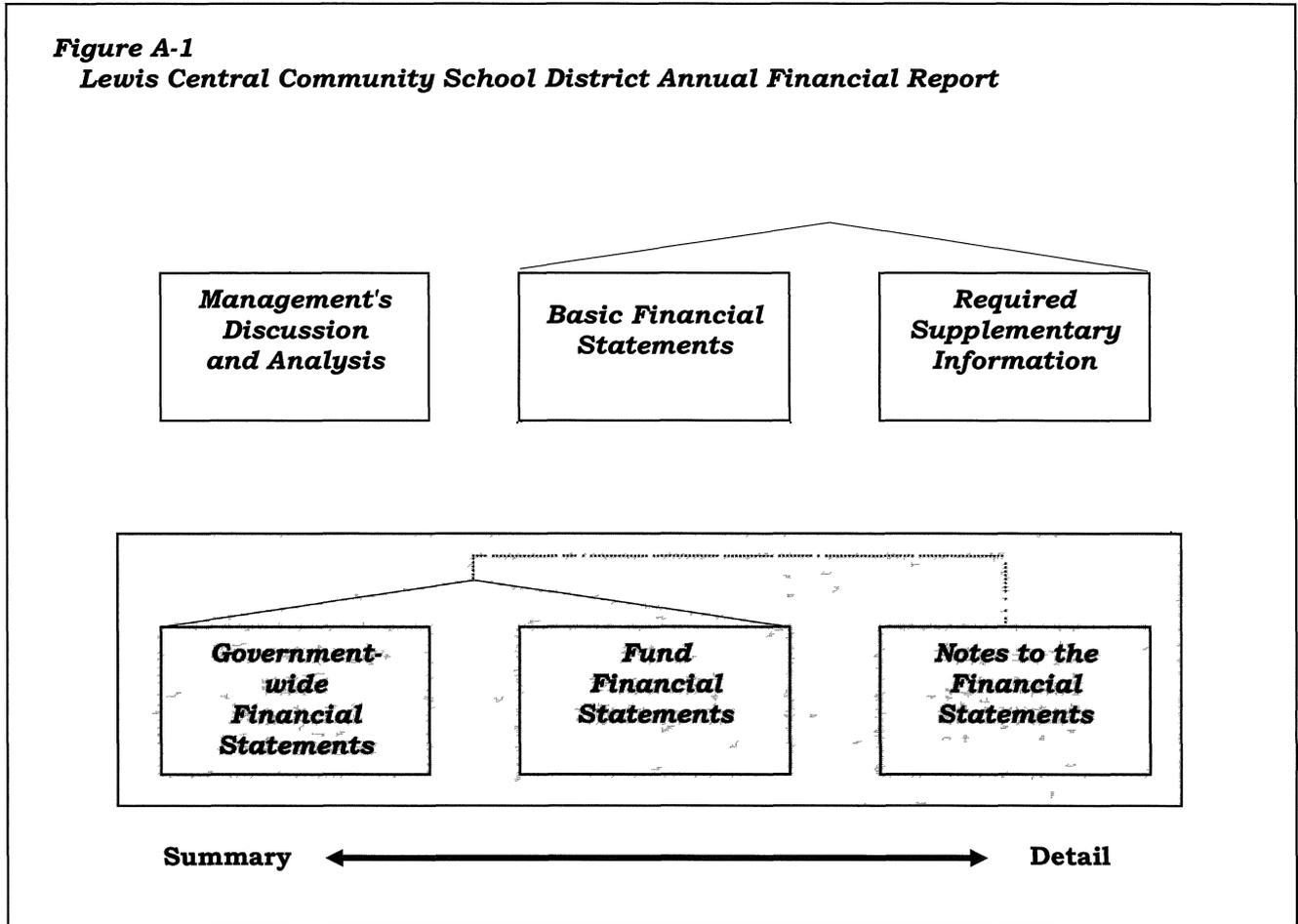


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 pop and related expenditures.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 23,822,716	19,754,916	422,667	300,837	24,245,383	20,055,753	20.89%
Capital assets	30,962,756	31,104,395	286,675	279,460	31,249,431	31,383,855	-0.43%
Total assets	54,785,472	50,859,311	709,342	580,297	55,494,814	51,439,608	7.88%
Long-term obligations	16,744,231	18,459,854	4,511	3,011	16,748,742	18,462,865	-9.28%
Other liabilities	15,260,811	12,950,272	96,299	54,494	15,357,110	13,004,766	18.09%
Total liabilities	32,005,042	31,410,126	100,810	57,505	32,105,852	31,467,631	2.03%
Net assets:							
Invested in capital assets, net of related debt	14,452,314	12,860,751	286,675	279,460	14,738,989	13,140,211	12.17%
Restricted	4,246,637	3,329,960	-	-	4,246,637	3,329,960	27.53%
Unrestricted	4,081,479	3,258,474	321,857	243,332	4,403,336	3,501,806	25.74%
Total net assets	\$ 22,780,430	19,449,185	608,532	522,792	23,388,962	19,971,977	17.11%

The District's combined net assets increased by 17.11%, or \$3,416,985, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$916,677, or 27.53% over the prior year. The increase was a result of the District's increase in the reserved fund balances.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$901,530, or 25.74%. 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, 2010 compared to June 30, 2009.

Figure A-4
Changes of Net Assets

	Governmental		Business Type		Total		Total Change 2009-10
	Activities		Activities				
	2010	2009	2010	2009	2010	2009	
Revenues:							
Program revenues:							
Charges for services	\$ 3,901,635	3,369,104	1,091,130	1,091,183	4,992,765	4,460,287	11.94%
Operating grants and contributions and restricted interest	5,685,947	4,088,871	719,903	641,091	6,405,850	4,729,962	35.43%
General revenues:							
Property taxes	11,541,028	10,735,868	-	-	11,541,028	10,735,868	7.50%
Income surtax	1,077,766	817,447	-	-	1,077,766	817,447	31.85%
Statewide sales and services tax	2,187,937	2,333,821	-	-	2,187,937	2,333,821	-6.25%
Unrestricted state grants	7,478,038	9,224,131	-	-	7,478,038	9,224,131	-18.93%
Other	425,949	672,197	12,866	1,122	438,815	673,319	-34.83%
Transfers	(60,779)	-	60,779	-	-	-	0.00%
Total revenues	32,237,521	31,241,439	1,884,678	1,733,396	34,122,199	32,974,835	3.48%
Program expenses:							
Governmental activities:							
Instructional	18,324,339	17,831,303	22,349	17,787	18,346,688	17,849,090	2.79%
Support services	7,047,036	7,463,785	1,184	988	7,048,220	7,464,773	-5.58%
Non-instructional programs	-	-	1,775,405	1,670,600	1,775,405	1,670,600	6.27%
Other expenses	3,534,901	2,544,888	-	-	3,534,901	2,544,888	38.90%
Total expenses	28,906,276	27,839,976	1,798,938	1,689,375	30,705,214	29,529,351	3.98%
Change in net assets	3,331,245	3,401,463	85,740	44,021	3,416,985	3,445,484	-0.83%
Beginning net assets	19,449,185	16,047,722	522,792	478,771	19,971,977	16,526,493	20.85%
Ending net assets	\$ 22,780,430	19,449,185	608,532	522,792	23,388,962	19,971,977	17.11%

In fiscal 2010, property tax, income surtax, statewide sales and services tax and unrestricted state grants account for 69.13% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 96.10% of the revenue from business type activities.

The District’s total revenues were approximately \$34.1 million of which \$32.2 million was for governmental activities and less than \$1.9 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.48% increase in revenues and a 3.98% increase in expenses. The increase in expenses related to increase in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$32,237,521 and expenses were \$28,906,276.

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

Figure A-7
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 18,324,339	17,831,303	2.77%	9,806,530	11,304,360	-13.25%
Support services	7,047,036	7,463,785	-5.58%	7,007,615	7,443,777	-5.86%
Other expenses	3,534,901	2,544,888	38.90%	2,504,549	1,633,864	53.29%
Totals	<u>\$ 28,906,276</u>	<u>27,839,976</u>	<u>3.83%</u>	<u>19,318,694</u>	<u>20,382,001</u>	<u>-5.22%</u>

- The cost financed by users of the District's programs was \$3,901,635.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$5,685,947.
- The net cost of governmental activities was financed with \$11,541,028 in property tax, \$1,077,766 in income surtax, \$2,187,937 in statewide sales and services tax, \$7,478,038 in unrestricted state grants, \$35,486 in unrestricted investment earnings, \$390,463 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$1,884,698 and expenses were \$1,798,938. The Nutrition Fund had contributed capital from the General Fund of \$60,779. 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 \$7,911,597, above last year's ending fund balances of \$6,255,494. The primary reason for the increase in combined fund balances in fiscal 2010 is due to the increase in the General Fund.

Governmental Fund Highlights

- Overall, District revenues in the General Fund for fiscal 2010 increased 2.70% or \$700,572, to \$26,732,543 compared to \$26,031,971 in fiscal 2009. The expenses and transfers increased by 3.17% or \$790,786, to \$25,761,847 compared to \$24,971,061 in fiscal 2009. The General Fund balance increased \$970,696.
- The Capital Projects Fund balance increased from a deficit \$390,760 in fiscal 2009 to a deficit \$357,998 in fiscal 2010.

-
- The Debt Service Fund balance increased from \$1,123,352 in fiscal 2009 to \$1,162,507 in fiscal 2010. The increase is due to normal debt transactions through the year.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$356,737 at June 30, 2009 to \$428,048 at June 30, 2010, representing an increase of 19.99%. The Lucky Children Day Care Fund net assets increased from \$166,134 at June 30, 2009 to \$181,562 at June 30, 2010, representing an increase of 9.29%. The Swimming Pool Fund net assets decreased from a deficit \$79 at June 30, 2009 to deficit \$1,078 at June 30, 2010, representing a decrease of 1,264.56%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$215,063 less than budgeted revenues, a variance of .63%. 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional and other expenditure functional areas.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$31,249,431, 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 5 to the financial statements. Depreciation expense for the year was \$1,064,102.

The original cost of the District's capital assets was \$52.9 million. Governmental funds account for \$52.0 million with the remainder of \$0.9 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 \$0 at June 30, 2010, compared to \$4,627,348 reported at June 30, 2009. This decrease resulted from the construction projects that were started, and completed during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
#	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 500,000	500,000	-	-	500,000	500,000	0.00%
Construction in progress	-	4,627,348	-	-	-	4,627,348	-100.00%
Buildings and improvements	29,470,750	25,255,712	-	-	29,470,750	25,255,712	16.69%
Machinery and equipment	992,006	721,335	286,675	279,460	1,278,681	1,000,795	27.77%
Total	\$ 30,962,756	31,104,395	286,675	279,460	31,249,431	31,383,855	-0.43%

Long-Term Debt

At June 30, 2010, the District had \$16,748,742 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of 9.28% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonded indebtedness of \$11,900,000 at June 30, 2010.

The District had total outstanding revenue bonded indebtedness of \$4,541,252 at June 30, 2010.

The District had total outstanding school bus lease payable from the General and Special Revenue, Physical Plant and Equipment Fund of \$69,190 at June 30, 2010.

The District had total outstanding compensated absences payable from the General Fund of \$127,049 at June 30, 2010.

The District had total outstanding other postemployment benefits payable of \$111,251 at June 30, 2010.

Figure A-6
Outstanding Long-Term Obligations

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
General obligation bonds	\$ 11,900,000	12,755,000	-	-	11,900,000	12,755,000	-6.70%
Revenue bonds	4,541,252	5,353,452	-	-	4,541,252	5,353,452	-15.17%
School bus lease	69,190	135,192	-	-	69,190	135,192	-48.82%
Compensated absences	127,049	144,949	-	-	127,049	144,949	-12.35%
Net OPEB liability	106,740	71,261	4,511	3,011	111,251	74,272	100.00%
Totals	\$ 16,744,231	18,459,854	4,511	3,011	16,748,742	18,462,865	-9.28%

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.
 - 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, 2010

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 9,341,303	383,977	9,725,280
Receivables:			
Property tax:			
Delinquent	79,524	-	79,524
Succeeding year	12,037,907	-	12,037,907
Income surtax	732,330	-	732,330
Accounts	195,266	-	195,266
Interfund	11,821	-	11,821
Due from other governments	1,391,837	-	1,391,837
Inventories	-	38,690	38,690
Prepaid items	32,728	-	32,728
Capital assets, net of accumulated depreciation	30,962,756	286,675	31,249,431
TOTAL ASSETS	54,785,472	709,342	55,494,814
LIABILITIES			
Accounts payable	415,637	6,219	421,856
Salaries and benefits payable	2,660,700	58,221	2,718,921
Interest payable	82,022	11,821	93,843
Deferred revenue:			
Succeeding year property tax	12,037,907	-	12,037,907
Other	64,545	-	64,545
Unearned revenue	-	20,038	20,038
Long-term liabilities:			
Portion due within one year:			
G.O. bonds payable	880,000	-	880,000
Revenue bonds payable	1,731,723	-	1,731,723
School bus lease payable	69,190	-	69,190
Compensated absences payable	127,049	-	127,049
Portion due after one year:			
G.O. bonds payable	11,020,000	-	11,020,000
Revenue bonds payable	2,809,529	-	2,809,529
Net OPEB liability	106,740	4,511	111,251
TOTAL LIABILITIES	32,005,042	100,810	32,105,852
NET ASSETS			
Invested in capital assets, net of related debt	14,452,314	286,675	14,738,989
Restricted for:			
Debt service	1,162,507	-	1,162,507
Categorical funding	734,876	-	734,876
Management levy	578,751	-	578,751
Physical plant and equipment levy	1,753,685	-	1,753,685
Other special revenue purposes	16,818	-	16,818
Unrestricted	4,081,479	321,857	4,403,336
TOTAL NET ASSETS	\$ 22,780,430	608,532	23,388,962

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 11,957,178	2,881,877	3,447,055	(5,628,246)	-	(5,628,246)
Special	3,315,431	523,003	720,089	(2,072,339)	-	(2,072,339)
Other	3,051,730	496,755	449,030	(2,105,945)	-	(2,105,945)
	<u>18,324,339</u>	<u>3,901,635</u>	<u>4,616,174</u>	<u>(9,806,530)</u>	<u>-</u>	<u>(9,806,530)</u>
Support services:						
Student	464,596	-	-	(464,596)	-	(464,596)
Instructional staff	1,111,881	-	-	(1,111,881)	-	(1,111,881)
Administration	1,958,360	-	-	(1,958,360)	-	(1,958,360)
Operation and maintenance of plant	2,454,691	-	-	(2,454,691)	-	(2,454,691)
Transportation	1,057,508	-	39,421	(1,018,087)	-	(1,018,087)
	<u>7,047,036</u>	<u>-</u>	<u>39,421</u>	<u>(7,007,615)</u>	<u>-</u>	<u>(7,007,615)</u>
Other expenses:						
Facilities acquisitions	1,028,404	-	-	(1,028,404)	-	(1,028,404)
Long-term debt interest	697,525	-	-	(697,525)	-	(697,525)
AEA flowthrough	1,030,352	-	1,030,352	-	-	-
Depreciation(unallocated)*	778,620	-	-	(778,620)	-	(778,620)
	<u>3,534,901</u>	<u>-</u>	<u>1,030,352</u>	<u>(2,504,549)</u>	<u>-</u>	<u>(2,504,549)</u>
Total governmental activities	28,906,276	3,901,635	5,685,947	(19,318,694)	-	(19,318,694)
Business Type activities:						
Instruction:						
Other	22,349	21,350	-	-	(999)	(999)
Support services:						
Transportation	1,184	-	-	-	(1,184)	(1,184)
Non-instructional programs:						
Nutrition services	1,543,422	822,485	718,603	-	(2,334)	(2,334)
Day care services	231,983	247,295	1,300	-	16,612	16,612
	<u>1,798,938</u>	<u>1,091,130</u>	<u>719,903</u>	<u>-</u>	<u>12,095</u>	<u>12,095</u>
Total	\$ 30,705,214	4,992,765	6,405,850	(19,318,694)	12,095	(19,306,599)
General Revenues:						
Property tax levied for:						
General purposes				\$ 9,484,876	-	9,484,876
Debt service				1,323,511	-	1,323,511
Capital outlay				732,641	-	732,641
Income surtax				1,077,766	-	1,077,766
Statewide sales and services tax				2,187,937	-	2,187,937
Unrestricted state grants				7,478,038	-	7,478,038
Unrestricted investment earnings				35,486	693	36,179
Other general revenues				390,463	12,173	402,636
Transfers				(60,779)	60,779	-
Total general revenues				<u>22,649,939</u>	<u>73,645</u>	<u>22,723,584</u>
Changes in net assets				3,331,245	85,740	3,416,985
Net assets beginning of year				<u>19,449,185</u>	<u>522,792</u>	<u>19,971,977</u>
Net assets end of year				\$ <u>22,780,430</u>	<u>608,532</u>	<u>23,388,962</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, 2010

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
ASSETS					
Cash and pooled investments	\$ 6,424,200	1,923,219	1,739,915	2,325,414	12,412,748
Receivables:					
Property tax:					
Delinquent	62,538	-	8,937	8,049	79,524
Succeeding year	9,412,296	-	1,388,309	1,237,302	12,037,907
Income surtax	732,330	-	-	-	732,330
Accounts	193,046	-	-	2,220	195,266
Interfund	11,821	-	-	-	11,821
Due from other governments	1,186,209	205,628	-	-	1,391,837
Prepaid items	-	-	-	32,728	32,728
TOTAL ASSETS	\$ 18,022,440	2,128,847	3,137,161	3,605,713	26,894,161
LIABILITIES AND FUND BALANCES					
Liabilities:					
Excess of warrants issued over bank balance	\$ -	2,485,100	586,345	-	3,071,445
Accounts payable	394,735	1,745	-	19,157	415,637
Salaries and benefits payable	2,660,700	-	-	-	2,660,700
Deferred revenue:					
Succeeding year property tax	9,412,296	-	1,388,309	1,237,302	12,037,907
Income surtax	732,330	-	-	-	732,330
Other	64,545	-	-	-	64,545
Total liabilities	13,264,606	2,486,845	1,974,654	1,256,459	18,982,564
Fund balances:					
Reserved for:					
Debt service	-	-	1,162,507	-	1,162,507
Categorical funding	734,876	-	-	-	734,876
Prepaid items	-	-	-	32,728	32,728
Unreserved fund balances	4,022,958	(357,998)	-	2,316,526	5,981,486
Total fund balances	4,757,834	(357,998)	1,162,507	2,349,254	7,911,597
TOTAL LIABILITIES AND FUND BALANCES	\$ 18,022,440	2,128,847	3,137,161	3,605,713	26,894,161

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, 2010

Total fund balances of governmental funds(page 20)	\$	7,911,597
 <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.		30,962,756
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.		(82,022)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		732,330
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>(16,744,231)</u>
Net assets of governmental activities(page 18)	\$	<u>22,780,430</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, 2010

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 10,024,448	2,187,937	1,323,511	1,181,055	14,716,951
Tuition	3,152,468	-	-	-	3,152,468
Other	426,552	112,380	20	669,993	1,208,945
Intermediate sources	88,783	-	-	-	88,783
State sources	10,433,185	-	569	512	10,434,266
Federal sources	2,593,764	-	-	-	2,593,764
Total revenues	26,719,200	2,300,317	1,324,100	1,851,560	32,195,177
EXPENDITURES:					
Current:					
Instruction:					
Regular	11,909,020	-	-	72,109	11,981,129
Special	3,311,190	-	-	-	3,311,190
Other	2,488,631	-	-	574,424	3,063,055
	17,708,841	-	-	646,533	18,355,374
Support services:					
Student	463,517	-	-	-	463,517
Instructional staff	1,114,783	-	-	-	1,114,783
Administration	2,016,875	-	1,400	6,014	2,024,289
Operation and maintenance of plant	2,487,534	-	-	207,568	2,695,102
Transportation	927,530	-	-	43,872	971,402
	7,010,239	-	1,400	257,454	7,269,093
Other expenditures:					
Facilities acquisitions	-	1,181,527	-	273,966	1,455,493
Long-term debt:					
Principal	-	-	2,733,202	-	2,733,202
Interest and fiscal charges	-	-	708,903	-	708,903
AEA flowthrough	1,030,352	-	-	-	1,030,352
	1,030,352	1,181,527	3,442,105	273,966	5,927,950
Total expenditures	25,749,432	1,181,527	3,443,505	1,177,953	31,552,417
Excess(deficiency) of revenues over(under) expenditures	969,768	1,118,790	(2,119,405)	673,607	642,760
Other financing sources(uses):					
Proceeds from the disposal of property	13,343	-	-	-	13,343
Issuance of bonds	-	1,000,000	-	-	1,000,000
Transfers in	-	999,000	2,158,560	-	3,157,560
Transfers out	(12,415)	(3,085,028)	-	(60,117)	(3,157,560)
Total other financing sources(uses)	928	(1,086,028)	2,158,560	(60,117)	1,013,343
Net change in fund balances	970,696	32,762	39,155	613,490	1,656,103
Fund balances beginning of year	3,787,138	(390,760)	1,123,352	1,735,764	6,255,494
Fund balances end of year	\$ 4,757,834	(357,998)	1,162,507	2,349,254	7,911,597

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, 2010

Net change in fund balances - total governmental funds(page 22) \$ 1,656,103

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	\$ 812,688	
Depreciation expense	<u>(954,327)</u>	(141,639)

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

Current year repayments exceeded issues, as follows:

Issued	\$ (1,000,000)	
Repaid	<u>2,733,202</u>	1,733,202

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

11,378

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

89,780

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.

Compensated absences	\$ 17,900	
Other postemployment benefits	<u>(35,479)</u>	<u>(17,579)</u>

Changes in net assets of governmental activities(page 19) \$ 3,331,245

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	School Nutrition	Lucky Children Day Care	Nonmajor: Swimming Pool	Total
<u>ASSETS</u>				
Current assets:				
Cash and pooled investments	\$ 167,404	210,673	5,900	383,977
Receivables:				
Accounts	-	2,647	1,586	4,233
Inventories	34,457	-	-	34,457
Total current assets	<u>201,861</u>	<u>213,320</u>	<u>7,486</u>	<u>422,667</u>
Non-current assets:				
Capital assets:				
Machinery and equipment, net of accumulated depreciation	286,675	-	-	286,675
Total non-current assets	<u>286,675</u>	<u>-</u>	<u>-</u>	<u>286,675</u>
TOTAL ASSETS	<u>488,536</u>	<u>213,320</u>	<u>7,486</u>	<u>709,342</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	622	5,597	-	6,219
Salaries and benefits payable	23,832	25,825	8,564	58,221
Interfund	11,821	-	-	11,821
Unearned revenue	20,038	-	-	20,038
Total current liabilities	<u>56,313</u>	<u>31,422</u>	<u>8,564</u>	<u>96,299</u>
Long-term liabilities:				
Net OPEB liability	4,175	336	-	4,511
Total long-term liabilities	<u>4,175</u>	<u>336</u>	<u>-</u>	<u>4,511</u>
TOTAL LIABILITIES	<u>60,488</u>	<u>31,758</u>	<u>8,564</u>	<u>100,810</u>
<u>NET ASSETS</u>				
Invested in capital assets	286,675	-	-	286,675
Unrestricted	141,373	181,562	(1,078)	321,857
Total net assets	<u>\$ 428,048</u>	<u>181,562</u>	<u>(1,078)</u>	<u>608,532</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, 2010

	School Nutrition	Lucky Children Day Care	Nonmajor: Swimming Pool	Total
OPERATING REVENUE:				
Local sources:				
Charges for service	\$ 822,485	247,295	21,350	1,091,130
Miscellaneous	12,173	-	-	12,173
Contributions	-	1,300	-	1,300
	<u>834,658</u>	<u>248,595</u>	<u>21,350</u>	<u>1,104,603</u>
OPERATING EXPENSES:				
Instruction:				
Other:				
Salaries	-	-	18,424	18,424
Benefits	-	-	2,151	2,151
Supplies	-	-	1,774	1,774
Support services:				
Transportation				
Salaries	-	1,036	-	1,036
Benefits	-	148	-	148
Non-instructional programs:				
Salaries	550,052	170,610	-	720,662
Benefits	188,926	29,070	-	217,996
Services	18,447	6,996	-	25,443
Supplies	732,433	25,307	-	757,740
Depreciation	53,564	-	-	53,564
TOTAL OPERATING EXPENSES	<u>1,543,422</u>	<u>233,167</u>	<u>22,349</u>	<u>1,798,938</u>
OPERATING INCOME(LOSS)	<u>(708,764)</u>	<u>15,428</u>	<u>(999)</u>	<u>(694,335)</u>
NON-OPERATING REVENUES:				
State sources	12,668	-	-	12,668
Federal sources	705,935	-	-	705,935
Interest on investments	693	-	-	693
TOTAL NON-OPERATING REVENUES	<u>719,296</u>	<u>-</u>	<u>-</u>	<u>719,296</u>
Net income(loss) before capital contributions	10,532	15,428	(999)	24,961
Capital contributions	60,779	-	-	60,779
Changes in net assets	71,311	15,428	(999)	85,740
Net assets beginning of year	356,737	166,134	(79)	522,792
Net assets end of year	<u>\$ 428,048</u>	<u>181,562</u>	<u>(1,078)</u>	<u>608,532</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 YEAR ENDED JUNE 30, 2010

	School Nutrition	Lucky Children Day Care	Nonmajor: Swimming Pool	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 826,233	(2,647)	(1,586)	822,000
Cash received from miscellaneous sources	12,173	248,595	21,350	282,118
Cash payments to employees for services	(723,324)	(194,528)	(19,007)	(936,859)
Cash payments to suppliers for goods or services	(673,032)	(28,717)	(1,774)	(703,523)
Net cash provided by(used in) operating activities	(557,950)	22,703	(1,017)	(536,264)
Cash flows from non-capital financing activities:				
State grants received	12,668	-	-	12,668
Federal grants received	630,879	-	-	630,879
Net cash provided by non-capital financing activities	643,547	-	-	643,547
Cash flows from investing activities:				
Interest on investments	693	-	-	693
Net cash provided by investing activities	693	-	-	693
Net increase(decrease) in cash and cash equivalents	86,290	22,703	(1,017)	107,976
Cash and cash equivalents at beginning of year	81,114	187,970	6,917	276,001
Cash and cash equivalents at end of year	\$ 167,404	210,673	5,900	383,977
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (708,764)	15,428	(999)	(694,335)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities used	75,056	-	-	75,056
Depreciation	53,564	-	-	53,564
Increase in inventories	(9,621)	-	-	(9,621)
Increase in accounts receivable	-	(2,647)	(1,586)	(4,233)
Increase in accounts payable	12,413	3,586	-	15,999
Increase in salaries and benefits payable	14,266	6,224	1,568	22,058
Increase in unearned revenue	3,748	-	-	3,748
Increase in other postemployment benefits	1,388	112	-	1,500
Net cash provided by(used in) operating activities	(557,950)	22,703	(1,017)	(536,264)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2010, the District received Federal commodities valued at \$75,056.

During the year ended June 30, 2010, the District received capital contributions valued at \$60,779 from the General Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2010

	Private Purpose Trust	
	Scholarship Fund	Agency Fund
ASSETS		
Cash and pooled investments	\$ 2,472	5,286
Due from other groups	-	1,066
Total assets	<u>2,472</u>	<u>6,352</u>
LIABILITIES		
Due to other groups	-	6,352
Total liabilities	<u>-</u>	<u>6,352</u>
NET ASSETS		
Reserved for scholarships	<u>\$ 2,472</u>	<u>-</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2010

	<u>Private Purpose Trust</u>
	<u>Scholarship Fund</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 3,669
Total additions	<u>3,669</u>
Deductions:	
Regular instruction:	
Scholarships awarded	<u>3,934</u>
Total deductions	<u>3,934</u>
Change in net assets	(265)
Net assets beginning of year	<u>2,737</u>
Net assets end of year	<u>\$ 2,472</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

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 2010 from the Special Revenue, Management Levy.

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

Asset Class	Amount
Land	\$ 2,500
Buildings and improvements	2,500
Intangibles	100,000
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
Intangibles	5-12 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, 2010.

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, 2010.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures in the non-instructional and other expenditures functional areas exceeded the amounts budgeted.

Note 2. Deposits and Pooled Investments

The District's deposits in banks at June 30, 2010 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, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,056,332 pursuant to Rule 2a-

7 under the Investment Company Act of 1940.

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, 2010 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	60,117
Capital Projects: Construction	Capital Projects: Statewide sales and service tax	999,000
Debt Service	Capital Projects	<u>2,086,028</u>
Total		<u>\$ 3,157,560</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. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2010 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nutrition	<u>\$ 11,821</u>

The Nutrition Fund owes the General Fund \$11,821. The balance will be repaid by June 30, 2011.

Note 5. 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	60,779	-	875,510
Less accumulated depreciation	535,271	53,564	-	588,835
Business-type activities capital assets, net	<u>\$ 279,460</u>	<u>7,215</u>	<u>-</u>	<u>286,675</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	4,627,348	948,771	5,576,119	-
Total capital assets not being depreciated	<u>5,127,348</u>	<u>948,771</u>	<u>5,576,119</u>	<u>500,000</u>
Capital assets being depreciated:				
Buildings and improvements	42,522,630	4,993,658	-	47,516,288
Machinery and equipment	3,554,625	502,589	56,211	4,001,003
Total capital assets being depreciated	<u>46,077,255</u>	<u>5,496,247</u>	<u>56,211</u>	<u>51,517,291</u>
Less accumulated depreciation for:				
Buildings and improvements	17,266,918	778,620	-	18,045,538
Machinery and equipment	2,833,290	231,918	56,211	3,008,997
Total accumulated depreciation	<u>20,100,208</u>	<u>1,010,538</u>	<u>56,211</u>	<u>21,054,535</u>
Total capital assets being depreciated, net	<u>25,977,047</u>	<u>4,485,709</u>	<u>-</u>	<u>30,462,756</u>
Governmental activities capital assets, net	<u>\$ 31,104,395</u>	<u>5,434,480</u>	<u>5,576,119</u>	<u>30,962,756</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 13,714
Other		13,318
Support services:		
Instructional staff		1,676
Administration		17,728
Operation and maintenance of plant		99,689
Transportation		85,793
		<u>231,918</u>
Unallocated depreciation		<u>778,620</u>
Total governmental activities depreciation expense		<u>\$ 1,010,538</u>
Business Type activities:		
Food services		<u>\$ 53,564</u>

Note 6. 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, 2010 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 12,755,000	\$ -	\$ 855,000	\$ 11,900,000	\$ 880,000
Revenue Bonds	5,353,452	1,000,000	1,812,200	4,541,252	1,926,207
School Bus Lease	135,192	-	66,002	69,190	69,190
Compensated Absences	144,949	127,049	144,949	127,049	127,049
Net OPEB liability	71,261	35,479	-	106,740	-
Total	<u>\$ 18,459,854</u>	<u>\$ 1,162,528</u>	<u>\$ 2,878,151</u>	<u>\$ 16,744,231</u>	<u>\$ 3,002,446</u>

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<u>Business Type Activities:</u>					
Net OPEB liability	\$ 3,011	\$ 1,500	-	\$ 4,511	-

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, 2010 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
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	3.57	890,000	137,267	3.50	145,000	165,293	1,035,000	302,560	1,337,560
2016-2020	3.57	2,955,000	214,736	3.50-3.80	2,875,000	706,537	5,830,000	921,273	6,751,273
2021	3.57	-	-	3.80-3.85	1,300,000	50,050	1,300,000	50,050	1,350,050
Total		\$ 6,995,000	1,189,989		\$ 4,905,000	1,635,063	\$ 11,900,000	2,825,052	14,725,052

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, 2010 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
2011	4.48	% \$ 1,731,723	130,365	1,862,088
2012	4.48	1,811,405	50,683	1,862,088
2013	4.48	154,597	577	155,174
Total		\$ 3,697,725	181,625	3,879,350

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 \$1,812,200 and \$235,773 and total statewide sales and services tax revenues were \$2,187,937.

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.

On August 14, 2009, the District issued statewide sales and service tax revenue bonds of \$1,000,000 air conditioning improvements at the high school and demolition of an existing building. Details of the District's June 30, 2010 statewide sales and service tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of August 14, 2009				
	Interest Rate		Principal	Interest	Total
2011	3.85	% \$	194,504	29,067	223,571
2012	3.85		202,126	21,445	223,571
2013	3.85		210,047	13,525	223,572
2014	3.85		218,279	5,294	223,573
2015	3.85		18,571	60	18,631
Total			\$ 843,527	69,391	912,918

The District has pledged future statewide sales and services tax revenues to repay the \$1,000,000 bonds issued August 14, 2009. 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 2015. 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 \$912,818. For the current year, principal and interest was paid on the bonds of \$156,473 and \$29,944 and total statewide sales and services tax revenues were \$2,187,937.

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 \$100,000 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
2011	4.83	% \$	69,190	3,342	72,532

Note 7. 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, 2010.

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, 2010, 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	3,342
Adjustment to annual required contribution	<u>(4,363)</u>
Annual OPEB cost	157,003
Contributions made	<u>(120,024)</u>
Increase in net OPEB obligation	36,979
Net OPEB obligation beginning of year	<u>74,272</u>
Net OPEB obligation end of year	<u>\$ 111,251</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, 2010.

For the year ended June 30, 2010, the District contributed \$120,024 to the medical plan. Plan members eligible for benefits contributed \$120,024, 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, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 157,003	76.4%	\$ 111,251

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, 2010, 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 \$13,507,340,

and the ratio of the UAAL to covered payroll was 10.0%. As of June 30, 2010, 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 8. Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered payroll for the year ended June 30, 2010. Plan members are required to contribute 4.1% 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 years ended June 30, 2008. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$1,102,686, \$893,051, and \$885,019 respectively, equal to the required contributions for each year.

Note 9. Risk Management

Lewis Central Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District’s actual amount for this purpose totaled \$1,030,352 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Deficit Balances

The District had deficit unreserved fund balances in the Capital Projects Fund, Construction Projects of \$1,486,845. The District had deficit unrestricted net assets in the Enterprise, Swimming Pool Fund of \$1,078. We also noted fourteen accounts in the Special Revenue, Student Activity Fund with a deficit balances totaling \$68,624.

Note 12. Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2010 are broken out by the following projects:

<u>Project</u>	<u>Amount</u>
At-risk supplemental weighting	\$ 136,960
Gifted and talented	56,389
Dropout and dropout prevention	85,030
Educator quality, professional development	52,285
Salary improvement program	121,659
Educator quality, market factor	7,905
Educator quality, model core curriculum	72,499
Beginning administrator mentoring	2,250
Market factor	17,294
Four-year-old preschool	<u>182,605</u>
Total reserved for cateforical funding	<u>\$ 734,876</u>

Note 13. Budget Over expenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2010, expenditures in the non instructional and the other expenditures function exceeded the amounts budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

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, 2010

	Governmental Fund Types - Actual	Proprietary Fund Types - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 19,078,364	1,105,296	20,183,660	19,564,665	19,564,665	618,995
Intermediate sources	88,783	-	88,783	165,000	165,000	(76,217)
State appropriations	10,434,266	12,668	10,446,934	13,525,474	13,525,474	(3,078,540)
Federal appropriations	2,593,764	705,935	3,299,699	979,000	979,000	2,320,699
Total revenues	32,195,177	1,823,899	34,019,076	34,234,139	34,234,139	(215,063)
Expenditures/expenses:						
Instruction	18,355,374	22,349	18,377,723	19,645,000	19,645,000	1,267,277
Support services	7,269,093	1,184	7,270,277	9,731,000	9,731,000	2,460,723
Non-instructional programs	-	1,775,405	1,775,405	1,725,000	1,725,000	(50,405)
Other expenditures/expenses	5,927,950	-	5,927,950	5,551,855	5,551,855	(376,095)
Total expenditures/expenses	31,552,417	1,798,938	33,351,355	36,652,855	36,652,855	3,301,500
Excess(deficiency) of revenues over(under) expenditures/expenses	642,760	24,961	667,721	(2,418,716)	(2,418,716)	3,086,437
Other financing sources, net	1,013,343	60,779	1,074,122	-	-	1,074,122
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	1,656,103	85,740	1,741,843	(2,418,716)	(2,418,716)	4,160,559
Balance beginning of year	6,255,494	522,792	6,778,286	6,529,983	6,529,983	248,303
Balance end of year	\$ 7,911,597	608,532	8,520,129	4,111,267	4,111,267	4,408,862

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis

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

During the year ended June 30, 2010, expenditures in the non-instruction and other expenditure functions exceeded the amount budgeted.

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

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1 ,2008	\$ -	\$1,349,054	\$1,349,054	0.0%	\$13,252,651	10.2%
2010	July 1 ,2009	-	1,349,054	1,349,054	0.0%	13,507,340	10.0%

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

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2010

	Nonmajor Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
ASSETS				
Cash and pooled investments	\$ 542,915	33,755	1,748,744	2,325,414
Receivables:				
Property tax:				
Current year delinquent	3,108	-	4,941	8,049
Succeeding year	448,214	-	789,088	1,237,302
Accounts	-	2,220	-	2,220
Prepaid items	32,728	-	-	32,728
TOTAL ASSETS	\$ 1,026,965	35,975	2,542,773	3,605,713
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	19,157	-	19,157
Deferred revenue:				
Succeeding year property tax	448,214	-	789,088	1,237,302
Total liabilities	448,214	19,157	789,088	1,256,459
Fund balances:				
Reserved for prepaid items	32,728	-	-	32,728
Unreserved fund balances	546,023	16,818	1,753,685	2,316,526
Total fund balances	578,751	16,818	1,753,685	2,349,254
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,026,965	35,975	2,542,773	3,605,713

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, 2010

	Nonmajor Special Revenue Funds			Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ 448,414	-	732,641	1,181,055
Other	58,158	611,835	-	669,993
State sources	198	-	314	512
Total revenues	<u>506,770</u>	<u>611,835</u>	<u>732,955</u>	<u>1,851,560</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	72,109	-	-	72,109
Other	-	574,424	-	574,424
Support services:				
Administration	6,014	-	-	6,014
Operation and maintenance of plant	207,145	423	-	207,568
Transportation	43,872	-	-	43,872
Other expenditures:				
Facilities acquisitions	-	-	273,966	273,966
Total expenditures	<u>329,140</u>	<u>574,847</u>	<u>273,966</u>	<u>1,177,953</u>
Excess(deficiency) of revenues over(under) expenditures	177,630	36,988	458,989	673,607
OTHER FINANCING USES:				
Transfers out	-	-	(60,117)	(60,117)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(60,117)</u>	<u>(60,117)</u>
Net change in fund balances	177,630	36,988	398,872	613,490
Fund balances beginning of year	<u>401,121</u>	<u>(20,170)</u>	<u>1,354,813</u>	<u>1,735,764</u>
Fund balances end of year	<u>\$ 578,751</u>	<u>16,818</u>	<u>1,753,685</u>	<u>2,349,254</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2010

	Capital Projects Funds		
	Statewide Sales and Services Tax	Construction Projects	Total
	ASSETS		
Cash and pooled investments	\$ 923,219	1,000,000	1,923,219
Due from other governments	205,628	-	205,628
TOTAL ASSETS	\$ 1,128,847	1,000,000	2,128,847
LIABILITIES AND FUND BALANCES			
Liabilities:			
Excess of warrants issued over bank balance	\$ -	2,485,100	2,485,100
Accounts payable	-	1,745	1,745
Total liabilities	-	2,486,845	2,486,845
Fund balances:			
Unreserved fund balances	1,128,847	(1,486,845)	(357,998)
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,128,847	1,000,000	2,128,847

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, 2010

	Capital Project Funds		
	Statewide Sales and Services Tax	Construction Projects	Total
REVENUES:			
Local sources:			
Local tax	\$ 2,187,937	-	2,187,937
Other	1,680	110,700	112,380
TOTAL REVENUES	<u>2,189,617</u>	<u>110,700</u>	<u>2,300,317</u>
EXPENDITURES:			
Current:			
Support services:			
Administration		-	-
Other expenditures:			
Facilities acquisition	1,001	1,180,526	1,181,527
TOTAL EXPENDITURES	<u>1,001</u>	<u>1,180,526</u>	<u>1,181,527</u>
Excess(deficiency) of revenues over(under) expenditures	2,188,616	(1,069,826)	1,118,790
OTHER FINANCING SOURCES(USES):			
Proceeds from sale bonds	1,000,000	-	1,000,000
Transfer in	-	999,000	999,000
Transfer out	(3,085,028)	-	(3,085,028)
Total other financing sources(uses)	<u>(2,085,028)</u>	<u>999,000</u>	<u>(1,086,028)</u>
Net change in fund balances	103,588	(70,826)	32,762
FUND BALANCES BEGINNING OF YEAR	<u>1,025,259</u>	<u>(1,416,019)</u>	<u>(390,760)</u>
FUND BALANCES END OF YEAR	<u>\$ 1,128,847</u>	<u>(1,486,845)</u>	<u>(357,998)</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, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
GENERAL ACTIVITIES	\$ 4	65,593	66,295	(698)
HAWKEYE 10 CONFERENCE	-	10,568	6,003	4,565
DRAMA	(4,598)	14,626	11,532	(1,504)
SPEECH	-	4,711	4,711	-
VOCAL MUSIC	10,803	61,665	64,563	7,905
BAND	3,349	105,878	71,116	38,111
BOYS/GIRLS CROSS COUNTY	-	8,144	8,295	(151)
BOYS BASKETBALL	(3,644)	32,357	30,060	(1,347)
FOOTBALL	-	25,561	25,561	-
BOYS SOCCER	-	4,360	5,680	(1,320)
BASEBALL	(3,645)	15,991	15,686	(3,340)
BOYS TRACK	(6,768)	11,734	11,742	(6,776)
BOYS TENNIS	-	180	180	-
BOYS GOLF	-	2,153	2,153	-
BOYS SWIM	-	5,515	5,515	-
WRESTLING	(10,597)	17,742	19,244	(12,099)
GIRLS BASKETBALL	(2,781)	18,560	19,494	(3,715)
VOLLEYBALL	(2,148)	16,554	14,406	-
GIRLS SOCCER	(100)	3,558	3,012	446
SOFTBALL	(7,425)	6,776	6,420	(7,069)
GIRLS TRACK	(2,358)	8,594	7,543	(1,307)
GIRLS TENNIS	-	1,466	1,466	-
GIRLS GOLF	-	1,302	1,302	-
GIRLS SWIM	-	6,291	6,291	-
GIRLS BOWLING	-	817	817	-
FUTURE BUSINESS LEADERS	608	13,078	12,933	753
ART CLUB	1,259	1,891	1,165	1,985
DRAMA CLUB	1,804	217	129	1,892
COOKING FOR A CAUSE	111	40	35	116
SKILLS USA	-	3,775	3,555	220
BOYS BOWLING	-	900	900	-
SPECIAL OLYMPICS	132	1,100	1,160	72
CLASS OF 2009	440	-	440	-
CLASS OF 2010	184	787	1,331	(360)
CLASS OF 2011	65	5,405	5,102	368
CLASS OF 2012	-	20	-	20
STUDENT COUNCIL	839	8,895	8,147	1,587
NATIONAL HONOR SOCIETY	112	1,058	525	645
CHEERLEADERS	245	8,499	11,338	(2,594)
DANCE TEAM	(20,508)	46,105	51,941	(26,344)

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2010

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
TITAN HILL STUDENT COUNCIL	805	1,771	1,801	775
MS VOCAL	2,965	6,800	5,748	4,017
MS BAND	9,046	19,392	16,406	12,032
MS STUDENT COUNCIL	3,016	836	1,021	2,831
MS LEADERSHIP	1,176	4,047	5,160	63
MS YEARBOOK	2,144	3,048	2,546	2,646
MS SCHOLASTICS	5,256	5,508	3,107	7,657
TOTAL	<u>\$ (20,170)</u>	<u>611,835</u>	<u>574,847</u>	<u>16,818</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2010

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>KREFT POP TEACHERS' LOUNGE</u>				
ASSETS				
Cash and pooled investments	\$ (531)	683	-	152
Due from other groups	531	-	531	-
	<u>\$ -</u>	<u>683</u>	<u>531</u>	<u>152</u>
LIABILITIES				
Due to other groups	\$ -	683	531	152
<u>TITAN HILL TEACHERS</u>				
ASSETS				
Cash and pooled investments	\$ 4,324	1,706	1,219	4,811
LIABILITIES				
Due to other groups	\$ 4,324	1,706	1,219	4,811
<u>ADMINISTRATION POP</u>				
ASSETS				
Cash and pooled investments	\$ (100)	631	348	183
Due from other groups	100	-	100	-
	<u>\$ -</u>	<u>631</u>	<u>448</u>	<u>183</u>
LIABILITIES				
Due to other groups	\$ -	631	448	183
<u>MS POP - TEACHERS' LOUNGE</u>				
ASSETS				
Cash and pooled investments	\$ (358)	979	1,687	(1,066)
Due from other groups	358	-	(708)	1,066
	<u>\$ -</u>	<u>979</u>	<u>979</u>	<u>-</u>
LIABILITIES				
Due to other groups	\$ -	979	979	-
<u>HS POP TEACHERS' LOUNGE</u>				
ASSETS				
Cash and pooled investments	\$ 1,017	1,374	1,185	1,206
LIABILITIES				
Due to other groups	\$ 1,017	1,374	1,185	1,206
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and pooled investments	\$ 4,352	5,373	4,439	5,286
Due from other groups	989	-	(77)	1,066
	<u>\$ 5,341</u>	<u>5,373</u>	<u>4,362</u>	<u>6,352</u>
LIABILITIES				
Due to other groups	\$ 5,341	5,373	4,362	6,352

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,			
	2010	2009	2008	2007
Revenues:				
Local sources:				
Local tax	\$ 14,716,951	13,802,617	12,012,734	11,416,213
Tuition	3,152,468	2,819,686	2,567,375	2,302,170
Other	1,208,945	1,317,317	1,192,676	1,420,977
Intermediate sources	88,783	166,974	155,608	239,875
State sources	10,434,266	12,117,377	11,714,131	11,333,633
Federal sources	2,593,764	912,784	664,848	740,545
Total	\$ 32,195,177	31,136,755	28,307,372	27,453,413
Expenditures:				
Instruction:				
Regular	\$ 11,981,129	11,913,549	10,939,785	10,366,844
Special	3,311,190	3,086,613	2,596,845	2,635,120
Other	3,063,055	2,792,197	2,661,627	2,486,610
Support services:				
Student	463,517	460,292	435,588	486,726
Instructional staff	1,114,783	1,005,186	974,157	1,023,152
Adminstration	2,024,289	1,993,944	1,927,754	1,717,968
Operation and maintenance of plant	2,695,102	2,769,184	2,666,353	2,741,455
Transportation	971,402	1,151,551	996,484	802,189
Central support	-	-	-	-
Other	-	-	-	-
Non-instructional programs				
Other expenditures:				
Facilities acquisitions	1,455,493	3,887,700	1,554,747	4,874,272
Long-term debt:				
Principal	2,733,202	2,544,629	10,774,622	2,385,183
Interest and other charges	708,903	811,659	941,840	1,044,697
AEA flow-through	1,030,352	911,024	826,825	801,445
Total	\$ 31,552,417	33,327,528	37,296,627	31,365,661

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Modified Accrual Basis					
Years Ended June 30,					
2006	2005	2004	2003	2002	2001
10,665,011	9,892,986	9,932,264	8,976,353	7,127,180	6,596,103
1,938,746	1,667,730	1,548,902	1,706,042	1,478,100	1,274,259
1,110,593	1,118,611	1,153,242	1,014,990	1,435,641	1,407,278
229,093	29,414	-	-	-	-
10,367,675	9,871,889	9,457,349	10,036,094	10,230,093	10,291,981
653,052	1,102,874	969,969	573,316	474,531	404,410
24,964,170	23,683,504	23,061,726	22,306,795	20,745,545	19,974,031
9,156,257	8,487,424	8,424,639	8,670,491	8,716,492	8,367,551
2,700,906	3,281,264	3,116,389	3,401,001	3,131,051	3,194,624
2,468,092	1,738,843	1,338,342	1,250,653	1,433,126	1,344,664
393,108	526,486	450,984	386,518	343,937	310,031
893,911	525,140	701,737	565,228	568,553	727,818
1,580,310	1,516,607	1,352,365	1,338,687	1,314,020	1,234,994
2,437,330	1,943,172	1,874,668	1,983,347	1,870,437	1,732,121
1,190,886	588,283	907,846	521,840	846,675	578,663
-	-	-	33,673	58,599	30,016
-	84,200	74,274	19,300	16,384	12,601
-	2,500	22,103	25,922	17,441	81,067
673,836	1,486,759	4,447,789	3,944,926	4,196,057	7,579,085
837,926	789,871	765,068	671,903	595,000	550,000
921,368	731,160	749,588	779,714	793,674	668,360
716,983	678,959	685,810	734,742	734,795	758,522
23,970,913	22,380,668	24,911,602	24,327,945	24,636,241	27,170,117

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

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	\$ 572,927 *
SCHOOL BREAKFAST PROGRAM	10.553	FY 09	<u>133,008</u>
			<u>705,935</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I, PART A CLUSTER:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	3465-G	291,202
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 09	<u>86,968</u>
			<u>378,170</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 09	<u>7,413</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 09	<u>89,994</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI A)	84.369	FY 09	<u>19,208</u>
AREA EDUCATION AGENCY: VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 09	<u>23,688</u>
SPECIAL EDUCATION CLUSTER (IDEA):			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 09	152,033
SPECIAL EDUCATION - GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 09	<u>382,013</u>
			<u>534,046</u>
STATE FISCAL STABILIZATION FUND(SFSF) EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 10	<u>1,355,203</u>
TOTAL			<u>\$ 3,113,657</u>

* - Includes \$75,056 of non cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 26, 2011. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned costs as items II-B-10 and II-C-10 to be a significant deficiencies.

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. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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.

January 26, 2011

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, 2010. 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, 2010.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance we considered to be material weaknesses.

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

A significant deficiency is deficiency, or combination of deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-A-10 to be a significant deficiency.

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


NOLTE, CORNMAN & JOHNSON, P.C.

January 26, 2011

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose 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:
 - CFDA Number 84.394 - State Fiscal Stabilization Fund (SFSF) - Grants to States, Recovery Act
 - Clustered Programs:
 - Nutrition Cluster
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.556 - School Breakfast Program
 - Title I Cluster
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 - ARRA - Title I Grants to Local Educational Agencies
 - Special Education Cluster
 - CFDA Number 84.027 - Special Education - Grants to States (Part B)
 - CFDA Number 84.391 - ARRA - Special Education - Grants to States (Part B), Recovery Act
- (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, 2010

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-10 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. The District may need to consider adding additional staff. There does not seem to be enough staff in the office to perform all the accountings functions effectively.

Response - The District will continue to send their accounting staff to end-of-year training in an effort to provide more reliable financial statements. The District is also preparing to submit a request to the Board of Education for permission to hire additional help for the Business Office.

Conclusion - Response accepted.

II-B-10 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 will continue to work toward reconciling bank statement balances to financial bank balances on a monthly basis.

Conclusion - Response accepted.

II-C-10 Grant Coding - 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 the revenues to the expenditures.

Conclusion - Response accepted.

II-D-10 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-E-10 Student Activity Fund - Support for Checks Written - We noted that the District did not have support for payment of an invoice in our sample.

Recommendation - The District should always have documentation to support a check written. The District should develop procedures to ensure that all checks written are supported by proper supporting documents.

Response - The District will review current procedures to ensure that all checks written are supported by proper supporting documentation.

Conclusion - Response accepted.

II-F-10 Transfers Between Funds - We noted that transfers from the Student Activity Fund to the General Fund were not completed. These transfers include registration and textbook fees that were deposited into the Student Activity Fund.

Recommendation - The District should make sure the transfers from the Student Activity Fund to the General Fund are completed by year end.

Response - The Accounting staff has implemented procedures for monthly transfers between funds.

Conclusion - Response accepted.

OTHER MATTERS:

II-G-10 Intangible Asset Policy - Although the District implemented Governmental Accounting Standards Board Statement No. 51 with regard to intangible assets, the District does not have a board policy addressing capitalization of intangible assets.

Recommendation - The District's Board of Directors should adopt an intangible asset policy addressing the capitalization of intangible assets.

Response - The District will adopt an intangible asset policy that addresses the capitalization of intangible assets.

Conclusion - Response accepted.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 84.010 - Title I Grants to Local Educational Agencies
CFDA Number 84.389 - ARRA - Title I Grants to Local Educational Agencies
Federal Award Year: 2010
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.027 - Special Education - Grants to States (Part B)
CFDA Number 84.391 - ARRA - Special Education - Grants to States (Part B), Recovery Act
Federal Award Year: 2010
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.394 - State Fiscal Stabilization Fund (SFSF) - Grants to States, Recovery Act
Federal Award Year: 2010
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-10 Grant Coding - 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 research the Uniform Financial Accounting for Iowa LEA's to ensure that all bills for a specific grant or project are properly coded.

Conclusion - Response accepted.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - District disbursements for the year ended June 30, 2010 exceeded the amount budgeted in the non-instructional and the other expenditures functional area.

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

Response - The District will review Chapter 24.9 of the Code of Iowa and take appropriate action in the future.

Conclusion - Response accepted.

IV-B-10 Questionable Disbursements - We noted during our audit that the District purchased personalized shirts from the Student Activity Fund on January 18, 2010 to Big Inc Graphics with check number 61256 in the amount of \$1,596. We also noted shirts for coaches were purchased for the Student Activity Fund on February 15, 2010 to Something Unique, Inc with check number 61384 in the amount of \$824.52. We also noted that food which included bagels, laffy taffy candy and other items was purchased for the Student Activity Fund on December 21, 2009 from Wal-Mart with check number 61215 in the amount of \$169.39. These items 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 these type of items.

Response - The District will review the Attorney General's opinion dated April 25, 1979 and review procedures to make the necessary adjustments to refrain from making these types of purchases.

Conclusion - Response accepted.

IV-C-10 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-10 Business Transactions - No business transactions between the District and District officials were noted.

IV-E-10 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-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-10 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-10 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-10 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-K-10 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, 2010, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$ 471,733
Statewide sales and services tax	2,187,937
Expenditures/transfers out:	
Debt service for school infrastructure:	
Revenue debt	<u>2,086,028</u>
Ending balance	<u><u>\$ 573,642</u></u>

As a result of the statewide sales, services and use tax revenue received during the year ended June 30, 2010 the District reduced the following levies:

	Per \$1000 of Taxable Valuation	Property Tax Dollars
	<u> </u>	<u> </u>
Physical plant and equipment levy	\$ 0.84000	\$ 739,334

IV-L-10 Financial Condition - The District had fourteen deficit student account balances in the Special Revenue, Student Activity Fund at year end totaling \$68,624. The District had deficit unreserved fund balances in the Capital Projects Fund, Construction Projects of \$1,486,845. The District had deficit unrestricted net assets in the Enterprise, Swimming Pool Fund of \$1,078.

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.