

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

JUNE 30, 2011

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Central Lee Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Robert Bryant	President	2011
Larry Engler	Vice President	2011
John Johnson	Board Member	2013
Robert Galle	Board Member	2011
Verna Brunstein	Board Member	2013
School Officials		
John Henriksen	Superintendent	2011
Sandra Meierotto	Board Secretary	2011
Rose Bergman	Board Treasurer	2011
Gruhn Law Firm	Attorney	2011
James Miller	Attorney	2011

CENTRAL LEE COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Central Lee Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Central Lee Community School District, Donnellson, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Central Lee Community School District at June 30, 2011, 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 27, 2012 on our consideration of the Central Lee Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for 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

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limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central Lee Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

January 27, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,960,627 in fiscal 2010 to \$9,336,689 in fiscal 2011, while General Fund expenditures also increased from \$8,553,243 in fiscal 2010 to \$8,826,012 in fiscal 2011. As result, the District's General Fund balance increased from \$860,781 in fiscal 2010 to \$1,371,458 in fiscal 2011, representing an increase of 59.33%.
- The increase in General Fund revenues was mainly attributable to increases in state revenues in fiscal 2011. The increase in expenditures was distributed rather evenly among the various functional areas.
- The District's solvency ratio (unassigned fund balance/general fund revenues) increased from 7.59% for fiscal 2010 to 12.59% for fiscal 2011. The State School Budget Review Committee recommends a solvency ratio between 5%-10%.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

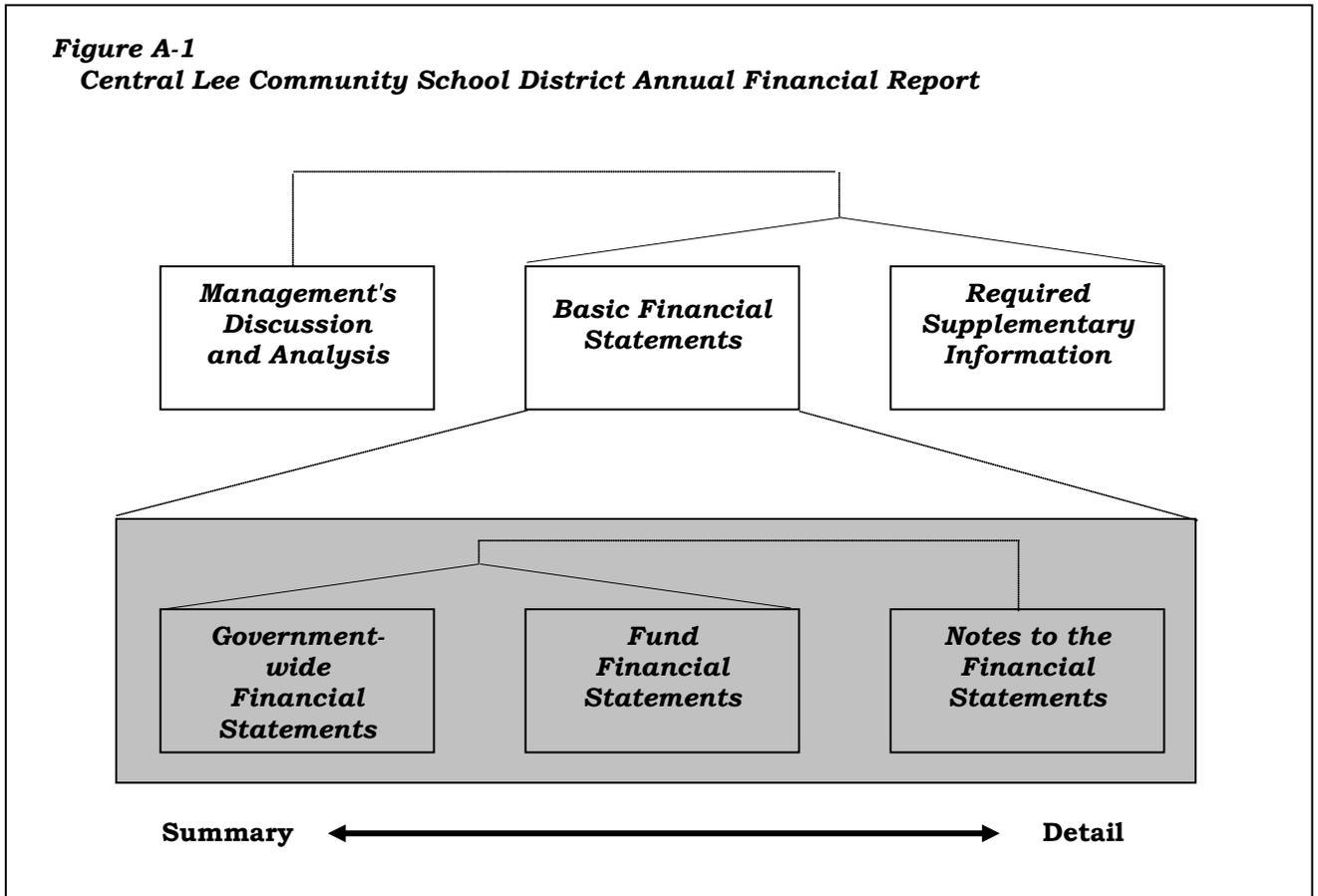


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • 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 Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 6,644,684	6,417,589	26,317	31,060	6,671,001	6,448,649	3.45%
Capital assets	7,244,883	7,083,942	38,047	44,015	7,282,930	7,127,957	2.17%
Total assets	<u>13,889,567</u>	<u>13,501,531</u>	<u>64,364</u>	<u>75,075</u>	<u>13,953,931</u>	<u>13,576,606</u>	<u>2.78%</u>
Long-term liabilities	1,467,590	1,961,167	-	-	1,467,590	1,961,167	-25.17%
Other liabilities	3,866,174	3,820,848	2,897	4,733	3,869,071	3,825,581	1.14%
Total liabilities	<u>5,333,764</u>	<u>5,782,015</u>	<u>2,897</u>	<u>4,733</u>	<u>5,336,661</u>	<u>5,786,748</u>	<u>-7.78%</u>
Net assets:							
Invested in capital assets, net of related debt	5,940,629	5,623,037	38,047	44,015	5,978,676	5,667,052	5.50%
Restricted	1,210,800	1,334,214	-	-	1,210,800	1,334,214	-9.25%
Unrestricted	1,404,374	762,265	23,420	26,327	1,427,794	788,592	81.06%
Total net assets	<u>\$ 8,555,803</u>	<u>7,719,516</u>	<u>61,467</u>	<u>70,342</u>	<u>8,617,270</u>	<u>7,789,858</u>	<u>10.62%</u>

The District's combined net assets increased by \$827,412 or 10.62% from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$123,414 or 9.25% from the prior year.

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 \$639,202 or 81.06%.

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

	Figure A-4						
	Changes of Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
2011	2010	2011	2010	2011	2010	2010-11	
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 1,534,285	1,478,485	176,126	200,013	1,710,411	1,678,498	1.90%
Operating grants and contributions and restricted interest	1,325,013	1,736,016	208,690	201,659	1,533,703	1,937,675	-20.85%
Capital grants and contributions and restricted interest	-	13,300	-	-	-	13,300	-100.00%
General revenues:							
Property tax	2,635,883	2,526,253	-	-	2,635,883	2,526,253	4.34%
Income surtax	353,182	360,554	-	-	353,182	360,554	-2.04%
Statewide sales, service and use tax	657,899	710,143	-	-	657,899	710,143	-7.36%
Unrestricted state grants	3,675,827	3,247,784	-	-	3,675,827	3,247,784	13.18%
Nonspecific program federal revenues	258,402	-	-	-	258,402	-	100.00%
Unrestricted investment earnings	13,606	42,628	151	177	13,757	42,805	-67.86%
Other	54,968	55,668	3,627	695	58,595	56,363	3.96%
Transfers	-	(2,000)	-	2,000	-	-	0.00%
Total revenues and transfers	<u>10,509,065</u>	<u>10,168,831</u>	<u>388,594</u>	<u>404,544</u>	<u>10,897,659</u>	<u>10,573,375</u>	<u>3.07%</u>
Program expenses:							
Governmental activities:							
Instructional	6,280,031	6,519,992	-	-	6,280,031	6,519,992	-3.68%
Support services	2,676,155	2,659,165	1,760	1,217	2,677,915	2,660,382	0.66%
Non-instructional programs	-	-	395,709	406,728	395,709	406,728	-2.71%
Other expenses	716,592	836,409	-	-	716,592	836,409	-14.33%
Total expenses	<u>9,672,778</u>	<u>10,015,566</u>	<u>397,469</u>	<u>407,945</u>	<u>10,070,247</u>	<u>10,423,511</u>	<u>-3.39%</u>
Change in net assets	836,287	153,265	(8,875)	(3,401)	827,412	149,864	452.11%
Net assets beginning of year	<u>7,719,516</u>	<u>7,566,251</u>	<u>70,342</u>	<u>73,743</u>	<u>7,789,858</u>	<u>7,639,994</u>	<u>1.96%</u>
Net assets end of year	<u>\$ 8,555,803</u>	<u>7,719,516</u>	<u>61,467</u>	<u>70,342</u>	<u>8,617,270</u>	<u>7,789,858</u>	<u>10.62%</u>

In fiscal 2011, property tax, income surtax, statewide sales, service and use tax and unrestricted state grants account for 69.68% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.03% of the revenue from business type activities.

The District's total revenues were approximately \$10.90 million, of which approximately \$10.51 million was for governmental activities and approximately \$0.39 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 3.07% in revenues and a decrease of 3.39% in expenses. Property tax increased \$109,630 and unrestricted state grants increased \$428,043 to help fund expenditures.

Governmental Activities

Revenues for governmental activities were \$10,509,065 and expenses were \$9,672,778 for the year ended June 30, 2011.

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

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 6,280,031	6,519,992	-3.68%	3,859,999	3,659,652	5.47%
Support services	2,676,155	2,659,165	0.64%	2,587,893	2,652,805	-2.45%
Other expenses	716,592	836,409	-14.33%	365,588	475,308	-23.08%
Totals	\$ 9,672,778	10,015,566	-3.42%	6,813,480	6,787,765	0.38%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$1,534,285.
- Federal and state governments as well as residents of the District subsidized certain programs with grants and contributions totaling \$1,325,013.
- The net cost of governmental activities was financed with \$2,635,883 in property tax, \$353,182 in income surtax, \$657,899 in statewide sales, services and use tax, \$3,675,827 in unrestricted state grants, \$258,402 in nonspecific program federal revenues, \$13,606 in investment interest and \$54,968 in other revenue.

Business Type Activities

Revenues of the District's business type activities were \$388,594 and expenses were \$397,469. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,435,649, above last year's ending fund balances of a \$2,245,000. The primary reasons for the increase in combined fund balances is the increase in fund balance for the General Fund.

Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. When compared to the previous year, the current year increase in revenues outpaced the increase in expenditures augmenting the improvement to fund balance.

-
- The General Fund balance increased from \$860,781 to \$1,371,458, due in part to an increase in revenue from state sources.
 - The Capital Projects Fund balance decreased from a restated balance of \$801,146 at the beginning of fiscal year 2011 to \$493,400 at the end of fiscal year 2011. The beginning balance was restated as a result of the Physical Plant and Equipment Levy Fund reclassification as a Capital Projects Fund account in accordance with GASB Statement No. 54. The decline in fund balance was due in part to costs associated with the geothermal project.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$70,342 at June 30, 2010 to \$61,467 at June 30, 2011, representing a decrease of approximately 12.62%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$488,986 less than budgeted revenues, a variance of approximately 4.29%. The most significant dollar variance resulted from the District receiving less in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$7,282,930, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 2.17% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$435,272.

The original cost of the District's capital assets was \$14,210,718. Governmental funds account for \$13,958,252, with the remainder of \$252,466 in the Proprietary, School Nutrition Fund.

The largest percentage 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, 2011, compared to \$1,025,069 at June 30, 2010. The decrease in construction in progress is due to the completion and reclassification of the District's geothermal project that was finished during the year.

Figure A-6							
Capital Assets, Net of Depreciation							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 203,592	203,592	-	-	203,592	203,592	0.00%
Construction in progress	-	1,025,069	-	-	-	1,025,069	-100.00%
Buildings	5,948,442	4,781,326	-	-	5,948,442	4,781,326	24.41%
Improvements other than buildings	434,572	496,785	-	-	434,572	496,785	-12.52%
Machinery and equipment	658,277	577,170	38,047	44,015	696,324	621,185	12.10%
Total	<u>\$ 7,244,883</u>	<u>7,083,942</u>	<u>38,047</u>	<u>44,015</u>	<u>7,282,930</u>	<u>7,127,957</u>	<u>2.17%</u>

Long-Term Debt

At June 30, 2011, the District had long-term debt outstanding of \$1,467,590 in total long-term debt outstanding. This was a 25.17% decrease from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

At June 30, 2011, the District had outstanding revenue bonds of \$1,130,000 of revenue bonds issued in the prior year for the geothermal project. The District's first principal and interest payment for these bonds was paid July 1, 2010.

The District has a bus lease payable of \$79,845 that will be paid from the Capital Projects: Statewide Sales, Services and Use Tax Fund through 2012.

At June 30, 2011, the District had a computer lease payable of \$49,197 that will be paid from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had a land contract payable of \$45,212 that is also payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had total outstanding Early Retirement payable from the Special Revenue, Management Levy Fund of \$163,336 at June 30, 2010.

Figure A-7			
Outstanding Long-Term Obligations			
	Total		Total
	District		Change
	June 30,		June 30,
	2011	2010	2010-11
Revenue Bonds	\$ 1,130,000	1,355,000	-16.61%
Bus Lease	79,845	156,178	-48.88%
Computer Lease	49,197	73,629	-33.18%
Land Contract	45,212	58,107	-22.19%
Early Retirement	163,336	311,320	-47.53%
Compensated Absences	-	6,933	-100.00%
Totals	<u>\$ 1,467,590</u>	<u>1,961,167</u>	<u>-25.17%</u>

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:

- Challenging economic times combined with rising costs for goods and services has forced the District to explore all opportunities to reduce expenditures and/or increase revenues.
- The District also continues to make fiscal adjustments in order to match declining enrollment and uncertain allowable growth.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sandra Meierotto, District Secretary, Central Lee Community School District, 2642 Highway 218, Donnellson, Iowa, 52625.

BASIC FINANCIAL STATEMENTS

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,024,300	17,438	3,041,738
Receivables:			
Property tax:			
Delinquent	45,340	-	45,340
Succeeding year	2,735,042	-	2,735,042
Income surtax	331,698	-	331,698
Accounts	-	113	113
Due from other governments	468,175	-	468,175
Inventories	-	8,766	8,766
Capital assets, net of accumulated depreciation	7,244,883	38,047	7,282,930
Net OPEB asset	40,129	-	40,129
Total assets	13,889,567	64,364	13,953,931
Liabilities			
Accounts payable	78,388	-	78,388
Interest payable	28,966	-	28,966
Salaries and benefits payable	1,023,778	-	1,023,778
Deferred revenue:			
Succeeding year property tax	2,735,042	-	2,735,042
Unearned revenue	-	2,897	2,897
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	205,000	-	205,000
Bus lease payable	79,845	-	79,845
Computer lease payable	24,543	-	24,543
Land contract payable	13,927	-	13,927
Early retirement payable	54,445	-	54,445
Portion due after one year:			
Revenue bonds payable	925,000	-	925,000
Computer lease payable	24,654	-	24,654
Land contract payable	31,285	-	31,285
Early retirement payable	108,891	-	108,891
Total liabilities	5,333,764	2,897	5,336,661
Net Assets			
Invested in capital assets, net of related debt	5,940,629	38,047	5,978,676
Restricted for:			
Catergorical funding	195,566	-	195,566
Debt service	368,801	-	368,801
Student activities	153,033	-	153,033
School infrastructure	493,400	-	493,400
Unreserved	1,404,374	23,420	1,427,794
Total net assets	\$ 8,555,803	61,467	8,617,270

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating Grants,		Govern- mental Activities	Business Type Activities	Total
		Charges for Services	Contributions and Restricted Interest			
Functions/Programs						
Governmental activities:						
Instruction:						
Regular	\$ 4,088,558	1,090,300	520,085	(2,478,173)	-	(2,478,173)
Special	1,176,426	143,681	175,830	(856,915)	-	(856,915)
Other	1,015,047	300,304	189,832	(524,911)	-	(524,911)
	<u>6,280,031</u>	<u>1,534,285</u>	<u>885,747</u>	<u>(3,859,999)</u>	<u>-</u>	<u>(3,859,999)</u>
Support services:						
Student	244,660	-	74,559	(170,101)	-	(170,101)
Instructional staff	134,432	-	9,211	(125,221)	-	(125,221)
Administration	893,039	-	-	(893,039)	-	(893,039)
Operation and maintenance of plant	848,813	-	-	(848,813)	-	(848,813)
Transportation	555,211	-	4,492	(550,719)	-	(550,719)
	<u>2,676,155</u>	<u>-</u>	<u>88,262</u>	<u>(2,587,893)</u>	<u>-</u>	<u>(2,587,893)</u>
Other expenditures:						
Long-term debt interest	75,414	-	-	(75,414)	-	(75,414)
AEA flowthrough	351,004	-	351,004	-	-	-
Depreciation(unallocated)*	290,174	-	-	(290,174)	-	(290,174)
	<u>716,592</u>	<u>-</u>	<u>351,004</u>	<u>(365,588)</u>	<u>-</u>	<u>(365,588)</u>
Total governmental activities	9,672,778	1,534,285	1,325,013	(6,813,480)	-	(6,813,480)
Business Type activities:						
Support services:						
Operation and maintenance of plant	1,760	-	-	-	(1,760)	(1,760)
Non-instructional programs:						
Food service operations	395,709	176,126	208,690	-	(10,893)	(10,893)
Total business type activities	<u>397,469</u>	<u>176,126</u>	<u>208,690</u>	<u>-</u>	<u>(12,653)</u>	<u>(12,653)</u>
Total	\$ <u>10,070,247</u>	<u>1,710,411</u>	<u>1,533,703</u>	<u>(6,813,480)</u>	<u>(12,653)</u>	<u>(6,826,133)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 2,635,883	-	2,635,883
Income surtax				353,182	-	353,182
Statewide sales, services and use tax				657,899	-	657,899
Unrestricted state grants				3,675,827	-	3,675,827
Nonspecific program federal revenues				258,402	-	258,402
Unrestricted investment earnings				13,606	151	13,757
Other				54,968	3,627	58,595
Total general revenues				<u>7,649,767</u>	<u>3,778</u>	<u>7,653,545</u>
Changes in net assets				836,287	(8,875)	827,412
Net assets beginning of year				<u>7,719,516</u>	<u>70,342</u>	<u>7,789,858</u>
Net assets end of year				<u>\$ 8,555,803</u>	<u>61,467</u>	<u>8,617,270</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	Capital			Total
	General	Projects	Nonmajor	
Assets				
Cash and cash equivalents	\$ 2,084,214	373,489	566,597	3,024,300
Receivables:				
Property tax:				
Delinquent	41,115	-	4,225	45,340
Succeeding year	2,490,042	-	245,000	2,735,042
Income surtax	331,698	-	-	331,698
Due from other governments	348,264	119,911	-	468,175
Total assets	\$ 5,295,333	493,400	815,822	6,604,555
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 78,388	-	-	78,388
Salaries and benefits payable	1,023,747	-	31	1,023,778
Deferred revenue:				
Succeeding year property tax	2,490,042	-	245,000	2,735,042
Income surtax	331,698	-	-	331,698
Total liabilities	3,923,875	-	245,031	4,168,906
Fund balances:				
Restricted for:				
Categorical funding	195,566	-	-	195,566
Debt service	-	-	368,801	368,801
Management levy purposes	-	-	48,957	48,957
Student activities	-	-	153,033	153,033
School infrastructure	-	493,400	-	493,400
Unassigned	1,175,892	-	-	1,175,892
Total fund balances	1,371,458	493,400	570,791	2,435,649
Total liabilities and fund balances	\$ 5,295,333	493,400	815,822	6,604,555

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)		\$ 2,435,649
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		7,244,883
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.		(28,966)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		331,698
Other postemployment benefit assets, are not yet available to finance expenditures of the current fiscal period.		40,129
Long-term liabilities, including revenue bonds payable, bus lease payable, computer lease payable, land contract payable, and early retirement payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(1,467,590)</u>
Net assets of governmental activities(page 18)		<u><u>\$ 8,555,803</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	Capital			Total
	General	Projects	Nonmajor	
Revenues:				
Local sources:				
Local tax	\$ 2,751,939	657,899	245,628	3,655,466
Tuition	1,209,348	-	-	1,209,348
Other	133,096	2,857	280,369	416,322
State sources	4,647,013	-	-	4,647,013
Federal sources	589,418	-	-	589,418
Total revenues	<u>9,330,814</u>	<u>660,756</u>	<u>525,997</u>	<u>10,517,567</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,119,821	-	152,467	4,272,288
Special	1,171,499	-	-	1,171,499
Other	760,406	-	276,344	1,036,750
	<u>6,051,726</u>	<u>-</u>	<u>428,811</u>	<u>6,480,537</u>
Support services:				
Student	254,559	-	-	254,559
Instructional staff	141,463	-	-	141,463
Administration	896,827	-	-	896,827
Operation and maintenance of plant	630,076	-	86,312	716,388
Transportation	486,156	113,593	-	599,749
	<u>2,409,081</u>	<u>113,593</u>	<u>86,312</u>	<u>2,608,986</u>
Other expenditures:				
Facilities acquisitions	-	492,895	-	492,895
Long-term debt:				
Principal	-	-	338,660	338,660
Interest and fiscal charges	-	-	61,211	61,211
AEA flowthrough	351,004	-	-	351,004
	<u>351,004</u>	<u>492,895</u>	<u>399,871</u>	<u>1,243,770</u>
Total expenditures	<u>8,811,811</u>	<u>606,488</u>	<u>914,994</u>	<u>10,333,293</u>
Excess(deficiency)of revenues over(under)expenditures	519,003	54,268	(388,997)	184,274
Other financing sources(uses):				
Transfers in	-	100,840	376,215	477,055
Transfers out	(14,201)	(462,854)	-	(477,055)
Sale of equipment	5,875	-	-	5,875
Total other financing sources(uses)	<u>(8,326)</u>	<u>(362,014)</u>	<u>376,215</u>	<u>5,875</u>
Net change in fund balances	510,677	(307,746)	(12,782)	190,149
Fund balances beginning of year, as restated	860,781	801,146	583,573	2,245,500
Fund balances end of year	<u>\$ 1,371,458</u>	<u>493,400</u>	<u>570,791</u>	<u>2,435,649</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds(page 22) \$ 190,149

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

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

Expenditures for capital assets	\$ 590,245	
Depreciation expense	<u>(429,304)</u>	160,941

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. 338,660

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. (14,203)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (8,502)

Other postemployment benefit assets are not available to finance expenditures of the current year period in the governmental funds. 14,325

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

Early retirement	147,984	
Compensated absences	<u>6,933</u>	<u>154,917</u>

Change in net assets of governmental activities(page 19) \$ 836,287

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	School Nutrition
Assets	
Cash and cash equivalents	\$ 17,438
Due from other governments	113
Inventories	8,766
Capital assets, net of accumulated depreciation	38,047
Total assets	64,364
 Liabilities	
Unearned revenue	2,897
 Net Assets	
Invested in capital assets	38,047
Unrestricted	23,420
Total net assets	\$ 61,467

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 176,126
Miscellaneous	3,627
Total operating revenues	179,753
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Services	1,760
Non-instructional programs:	
Food service operations:	
Salaries	137,715
Benefits	19,476
Services	19,250
Supplies	213,300
Depreciation	5,968
Total operating expenses	395,709
Total operating expenses	397,469
Operating loss	(217,716)
Non-operating revenues:	
State sources	4,058
Federal sources	204,632
Interest income	151
Total non-operating revenues	208,841
Change in net assets	(8,875)
Net assets beginning of year	70,342
Net assets end of year	\$ 61,467

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2011

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 175,028
Cash received from miscellaneous operating activities	3,627
Cash payments to employees for services	(157,253)
Cash payments to suppliers for goods or services	(204,874)
Net cash used in operating activities	(183,472)
Cash flows from non-capital financing activities:	
State grants received	4,058
Federal grants received	177,185
Net cash provided by non-capital financing activities	181,243
Cash flows from investing activities:	
Interest on investments	151
Net increase in cash and cash equivalents	(2,078)
Cash and cash equivalents at beginning of year	19,516
Cash and cash equivalents at end of year	\$ 17,438
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (217,716)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	27,334
Depreciation	5,968
Decrease in inventories	2,778
Decrease in accounts payable	(676)
Decrease in salaries and benefits payable	(62)
Decrease in unearned revenue	(1,098)
Net cash used in operating activities	\$ (183,472)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2011, the District received \$27,334 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

For financial reporting purposes, Central Lee Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Central Lee Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Lee County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for 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 and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, 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 clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other 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 used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

The government-wide and the proprietary financial statements are reported using the economic resources measurement focus

and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's

principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

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

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

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

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

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

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

Unassigned - All amounts not included in other spendable classes.

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 regulation of other governments or are imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

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

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

At June 30, 2011, the District had no investments.

(3) Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 376,215
Capital Projects: Construction Projects	Capital Projects: Statewide Sales, Services and Use Tax	86,639
Capital Projects: Statewide Sales, Services and Use Tax	General Fund	<u>14,201</u>
Total		<u>\$ 477,055</u>

The transfer from the Capital Projects, Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was to make the normal repayments on the revenue bonds dated July 9, 2009, the land contract, the computer lease and the bus lease.

The transfer from the Statewide Sales, Services and Use Tax Fund to the Construction Projects Fund was to move proceeds from the revenue bonds dated July 9, 2009 to a fund that was used to track expenditures for the District's geothermal project.

The transfer from the General Fund to the Capital Projects, Statewide Sales, Services and Use Tax Fund was a corrective transfer from the prior year.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The

interest rate on the Series 2010-11A warrants is 1.20% plus the one-month LIBOR rate, adjusted daily. The interest rate on the Series 2010-11B warrants is a variable rate, calculated daily based upon the LLIBOR rate plus 120 basis points. For the year ended June 30, 2011, the District had no ISCAP activity.

(5) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 203,592	-	-	203,592
Construction in progress	1,025,069	361,642	1,386,711	-
Total capital assets not being depreciated	<u>1,228,661</u>	<u>361,642</u>	<u>1,386,711</u>	<u>203,592</u>
Capital assets being depreciated:				
Buildings	8,301,222	1,386,711	-	9,687,933
Improvements other than buildings	1,397,546	-	-	1,397,546
Machinery and equipment	2,522,614	228,603	82,036	2,669,181
Total capital assets being depreciated	<u>12,221,382</u>	<u>1,615,314</u>	<u>82,036</u>	<u>13,754,660</u>
Less accumulated depreciation for:				
Buildings	3,519,896	219,595	-	3,739,491
Improvements other than buildings	900,761	62,213	-	962,974
Machinery and equipment	1,945,444	147,496	82,036	2,010,904
Total accumulated depreciation	<u>6,366,101</u>	<u>429,304</u>	<u>82,036</u>	<u>6,713,369</u>
Total capital assets being depreciated, net	<u>5,855,281</u>	<u>1,186,010</u>	<u>-</u>	<u>7,041,291</u>
Governmental activities capital assets, net	<u>\$ 7,083,942</u>	<u>1,547,652</u>	<u>1,386,711</u>	<u>7,244,883</u>
Business type activities:				
Machinery and equipment	\$ 256,515	-	4,049	252,466
Less accumulated depreciation	212,500	5,968	4,049	214,419
Business type activities capital assets, net	<u>\$ 44,015</u>	<u>(5,968)</u>	<u>-</u>	<u>38,047</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 49,641
Special		4,927
Other		1,821
Support services:		
Student		587
Instructional staff		414
Administration		4,664
Operation and maintenance of plant		12,745
Transportation		64,331
		<u>139,130</u>
Unallocated depreciation		<u>290,174</u>
Total depreciation expense - governmental activities		<u>\$ 429,304</u>
Business type activities:		
Food service operations		<u>\$ 5,968</u>

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue Bonds	\$ 1,355,000	-	225,000	1,130,000	205,000
Bus Lease	156,178	-	76,333	79,845	79,845
Computer Lease	73,629	-	24,432	49,197	24,543
Land Contract	58,107	-	12,895	45,212	13,927
Early Retirement	311,320	-	147,984	163,336	54,445
Compensated Absences	6,933	-	6,933	-	-
Total	\$ 1,961,167	-	493,577	1,467,590	377,760

Revenue Bonds

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

Year Ending June 30,	Interest Rates	Bond Issue of July 9, 2009		
		Principal	Interest	Total
2012	3.50%	\$ 205,000	41,800	246,800
2013	3.75%	220,000	34,087	254,087
2014	4.00%	235,000	25,262	260,262
2015	4.25%	235,000	15,569	250,569
2016	4.50%	235,000	5,288	240,288
Total		\$ 1,130,000	122,006	1,252,006

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,355,000 of bonds issued July 2009. The bonds were issued for the purpose of financing the costs of a geothermal project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2016. 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 39 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$1,252,006. For the year ended June 30, 2011, principal of \$225,000 and interest of \$49,044 was paid on the bonds and total statewide sales, services and use tax revenues were \$657,899.

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

- a) \$135,500 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking

account. The balance of the proceeds shall be deposited to the project account.

- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Bus Lease

Details of the District's June 30, 2011 bus lease indebtedness, which is paid from the Statewide Sales, Services and Use Tax Fund is as follows:

Year Ending June 30,	Bus Lease dated October 11, 2006			
	Interest Rates	Principal	Interest	Total
2012	4.60%	\$ 79,845	3,673	83,518

Computer Lease

Details of the District's June 30, 2011 computer lease indebtedness, which is paid from the Statewide Sales, Services and Use Tax Fund is as follows:

Year Ending June 30,	Computer Lease dated April 14, 2010			
	Interest Rates	Principal	Interest	Total
2012	5.70%	\$ 24,543	224	24,767
2013	5.70%	24,654	113	24,767
Total		\$ 49,197	337	49,534

Land Contract

Details of the District's June 30, 2011 land contract indebtedness, which is paid from the Statewide Sales, Services and Use Tax Fund is as follows:

Year Ending June 30,	Land purchase dated October 1, 2001			
	Interest Rates	Principal	Interest	Total
2012	8.00%	\$ 13,927	3,617	17,544
2013	8.00%	15,041	2,503	17,544
2014	8.00%	16,244	1,300	17,544
Total		\$ 45,212	7,420	52,632

Early Retirement

The District offers a voluntary early retirement plan to its certified and classified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees complete an application which is required to be approved by the Board of Education. Early retirement benefits paid during the year ended June 30, 2011, totaled \$147,984.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$375,793, \$383,672, \$355,169, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits(OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 59 active and 16 retired members in the plan. Participants must be age 55 or older at retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical benefit as active employees, which results in an implicit rate 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 which, 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 25 years.

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

Annual required contribution	\$ 9,735
Interest on net OPEB obligation	(774)
Adjustment to annual required contribution	1,297
Annual OPEB cost	<u>10,258</u>
Contributions made	<u>(24,583)</u>
Increase in net OPEB obligation	(14,325)
Net OPEB obligation beginning of year	<u>(25,804)</u>
Net OPEB obligation end of year	<u><u>\$ (40,129)</u></u>

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

For the year ended June 30, 2011, the District contributed \$24,583 to the plan. Plan members eligible for benefits contributed \$58,283 or 70.33% of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/10	\$ 9,735	365.06%	\$ (25,804)
06/30/11	10,258	239.65%	(40,129)

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$153,711, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$153,711. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4.65 million and the ratio of the UAAL to covered payroll was 3.31%. As of June 30, 2011 there were no trust fund assets.

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

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each

valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 3% discount rate based on the District's funding policy. The projected annual medical trend rate is 9%. The ultimate medical trend rate is 5%. The medical trend is reduced by a percentage each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the Central Lee Community School District.

Projected claim costs of the medical plan are \$1,002 per month for retirees who have family coverage and \$649 per month for retirees who have single coverage. The UAAL is being amortized as a level percentage of the projected payroll expense on an open basis over 25 years.

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$351,004 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Categorical Funding

The District's ending balances for categorical funding by project as of June 30, 2011 are as follows:

Program	Amount
Returning Dropouts and Dropout Prevention	\$ 65,147
Teacher Salary Supplement	44,585
Iowa Early Intervention Block Grant	16,701
Professional Development for Model Core Curriculum	35,569
Professional Development	33,564
Total	\$ 195,566

(12) Accounting Change/Restatement

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

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously stated	\$ 785,377	15,769
Change in fund type classification per implementation of GASB Statement No. 54	<u>15,769</u>	<u>(15,769)</u>
Balances July 1, 2010, as restated	<u>\$ 801,146</u>	<u>-</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 5,281,136	179,904	5,461,040	5,413,774	5,413,774	47,266
Intermediate sources	-	-	-	350,000	350,000	(350,000)
State sources	4,647,013	4,058	4,651,071	5,091,373	5,091,373	(440,302)
Federal sources	589,418	204,632	794,050	540,000	540,000	254,050
Total revenues	10,517,567	388,594	10,906,161	11,395,147	11,395,147	(488,986)
Expenditures/Expenses:						
Instruction	6,480,537	-	6,480,537	8,118,717	8,118,717	1,638,180
Support services	2,608,986	1,760	2,610,746	2,800,000	2,800,000	189,254
Non-instructional programs	-	395,709	395,709	529,393	529,393	133,684
Other expenditures	1,243,770	-	1,243,770	2,465,554	2,465,554	1,221,784
Total expenditures/expenses	10,333,293	397,469	10,730,762	13,913,664	13,913,664	3,182,902
Excess(deficiency) of revenues over(under) expenditures/expenses	184,274	(8,875)	175,399	(2,518,517)	(2,518,517)	2,693,916
Other financing sources, net	5,875	-	5,875	501,500	501,500	(495,625)
Excess(deficiency)of revenues and other financing sources over(under) expenditures/expenses and other financing uses	190,149	(8,875)	181,274	(2,017,017)	(2,017,017)	2,198,291
Balances beginning of year	2,245,500	70,342	2,315,842	2,467,044	2,467,044	(151,202)
Balances end of year	\$ 2,435,649	61,467	2,497,116	450,027	450,027	2,047,089

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

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

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	-	\$ 153,771	153,771	0.0%	\$ 4,883,551	3.15%
2011	July 1, 2009	-	153,771	153,771	0.0%	4,650,437	3.31%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OTHER SUPPLEMENTARY INFORMATION

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

	Special Revenue				
	Manage- ment Levy	Student Activity	Total Special Revenue	Debt Service	Total Nonmajor
Assets					
Cash and pooled investments	\$ 44,763	153,033	197,796	368,801	566,597
Receivables:					
Property tax:					
Delinquent	4,225	-	4,225	-	4,225
Succeeding year	245,000	-	245,000	-	245,000
Total assets	\$ 293,988	153,033	447,021	368,801	815,822
Liabilities and Fund Balances					
Liabilities:					
Salaries and benefits payable	\$ 31	-	31	-	31
Deferred revenue:					
Succeeding year property tax	245,000	-	245,000	-	245,000
Total liabilities	245,031	-	245,031	-	245,031
Fund balances:					
Restricted for:					
Debt service	-	-	-	368,801	368,801
Management levy purposes	48,957	-	48,957	-	48,957
Student activities	-	153,033	153,033	-	153,033
Total fund balances	48,957	153,033	201,990	368,801	570,791
Total liabilities and fund balances	\$ 293,988	153,033	447,021	368,801	815,822

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2011

	Special Revenue				
	Manage-	Total			Total
	ment Levy	Student Activity	Special Revenue	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 245,628	-	245,628	-	245,628
Other	-	276,595	276,595	3,774	280,369
Total revenues	245,628	276,595	522,223	3,774	525,997
Expenditures:					
Current:					
Instruction:					
Regular	152,467	-	152,467	-	152,467
Other	-	276,344	276,344	-	276,344
Support services:					
Operation and maintenance of plant	86,312	-	86,312	-	86,312
Other expenditures:					
Long-term debt:					
Principal	-	-	-	338,660	338,660
Interest	-	-	-	61,211	61,211
Total expenditures	238,779	276,344	515,123	399,871	914,994
Excess(deficiency) of revenues over(under) expenditures	6,849	251	7,100	(396,097)	(388,997)
Other financing sources:					
Transfers in	-	-	-	376,215	376,215
Net change in fund balances	6,849	251	7,100	(19,882)	(12,782)
Fund balances beginning of year	42,108	152,782	194,890	388,683	583,573
Fund balances end of year	\$ 48,957	153,033	201,990	368,801	570,791

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
All School Play	\$ 4,594	773	1,855	-	3,512
Drama Club	2,221	750	1,916	100	1,155
Quiz Bowl	15	-	-	-	15
Yearbook	2,009	6,055	5,336	-	2,728
Milk Machine	3,573	8,049	8,160	-	3,462
Art Club	1,361	960	1,322	(125)	874
Pep Club	99	-	-	-	99
AFS Club	13,708	7,088	6,260	(35)	14,501
Student Council	9,255	2,734	3,356	-	8,633
Spanish Club	1,256	2,645	2,569	-	1,332
Science Club	595	120	350	-	365
Computer Club	163	-	-	-	163
FFA	31,369	45,705	47,565	-	29,509
FCCLA Group	27	-	-	-	27
National Honor Society	-	652	510	-	142
Class of 2011	425	244	288	-	381
Class of 2010	124	-	-	(124)	-
Class of 2012	-	3,539	2,895	-	644
Post Prom Activities	354	44	70	-	328
SAEP-Entrepreneurship	35,294	17,991	21,366	-	31,919
Athletics	27	4,672	10,928	6,351	122
Athletic Activities	484	13,079	12,002	(1,381)	180
Concessions	1,226	33,593	20,976	(12,250)	1,593
Golf	85	1,232	2,659	2,100	758
Cross Country	44	533	1,053	500	24
Soccer	132	1,867	1,725	-	274
Boys Basketball	2,156	9,702	12,807	950	1
Football	3,248	16,425	7,559	(1,500)	10,614
Baseball	1,001	6,519	7,774	500	246
Boys Track	39	1,274	2,407	1,789	695
Girls Basketball	1,593	9,828	9,694	-	1,727
Volleyball	1,858	6,641	7,121	-	1,378
Softball	175	3,413	3,866	1,225	947
Girls Track	294	559	1,875	1,050	28
Cheerleaders	97	1,013	225	-	885
Dance Team	1,230	10,770	12,885	1,000	115

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
HS Student Activities	2,330	2,751	3,194	-	1,887
Renaissance Program	2,386	12,447	10,657	124	4,300
S.A.D.D	239	-	-	-	239
MS Student Council	3,598	6,069	6,099	(251)	3,317
MS Student Activities	7,584	23,289	19,691	(523)	10,659
Athletic Resale	247	1,071	988	-	330
MS Football	51	1,284	540	-	795
MS Volleyball	834	1,014	826	(950)	72
MS Girls Basketball	521	1,120	1,548	-	93
MS Boys Basketball	751	1,314	1,923	-	142
MS Girls Track	385	1,005	1,714	350	26
MS Boys Track	239	296	544	100	91
MS Softball	676	1,034	1,105	-	605
MS Baseball	143	1,092	1,502	800	533
MS Cross Country	-	-	177	200	23
Academic Booster Club	200	50	190	-	60
Future Problem Solvers	10	-	-	-	10
Special Olympics	40	25	-	-	65
Special Needs Field Trips	2,828	-	-	-	2,828
Art Club K8	1,203	798	1,292	-	709
T.A.G. Club	530	-	300	-	230
Elementary Resale Account	1,226	1,259	2,146	-	339
Elementary Student Activities	6,261	879	1,871	-	5,269
Interest Account	369	1,329	663	-	1,035
Total	\$ 152,782	276,595	276,344	-	153,033

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects			
	Statewide Sales, Services and Use Tax	Construction Projects	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$ 657,899	-	-	657,899
Other	2,715	131	11	2,857
Total revenues	660,614	131	11	660,756
Expenditures:				
Support services:				
Transportation	98,499	-	15,094	113,593
Other expenditures:				
Facilities acquisitions	223,430	268,779	686	492,895
Total expenditures	321,929	268,779	15,780	606,488
Excess(deficiency) of revenues over(under) expenditures	338,685	(268,648)	(15,769)	54,268
Other financing sources(uses):				
Transfer in	14,201	86,639	-	100,840
Transfer out	(462,854)	-	-	(462,854)
Total other financing sources(uses)	(448,653)	86,639	-	(362,014)
Deficiency of revenues and other financing sources under expenditures and other financing uses	(109,968)	(182,009)	(15,769)	(307,746)
Fund balances beginning of year, as restated	603,368	182,009	15,769	801,146
Fund balances end of year	\$ 493,400	-	-	493,400

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 3,655,466	3,601,261	3,493,382	3,372,263	3,348,880	3,136,981	3,189,323	3,497,010
Tuition	1,209,348	1,213,743	1,197,429	1,113,423	981,596	803,065	724,243	595,298
Other	416,322	390,494	473,312	533,582	529,619	482,003	390,920	383,090
Intermediate sources	-	-	-	-	-	-	-	2,834
State sources	4,647,013	4,207,309	4,928,448	5,027,800	4,861,274	4,531,530	4,466,282	4,003,832
Federal sources	589,418	762,335	357,020	259,263	296,527	268,240	376,006	292,168
Total	\$ 10,517,567	10,175,142	10,449,591	10,306,331	10,017,896	9,221,819	9,146,774	8,774,232
Expenditures:								
Current:								
Instruction:								
Regular	\$ 4,272,288	4,070,484	4,149,685	4,393,908	4,261,021	4,175,716	3,792,917	3,777,269
Special	1,171,499	1,160,356	1,315,008	1,197,589	1,108,147	988,254	1,210,190	1,094,013
Other	1,036,750	1,138,440	1,110,044	1,110,902	1,089,480	912,535	942,480	802,322
Support services:								
Student	254,559	265,913	201,708	299,344	280,908	289,636	276,961	221,495
Instructional staff	141,463	234,609	141,679	123,247	235,853	135,997	151,639	109,362
Administration	896,827	805,339	857,584	961,251	886,861	885,935	776,587	762,246
Operation and maintenance								
of plant	716,388	692,453	683,814	690,085	679,850	686,548	639,309	592,371
Transportation	599,749	457,566	470,114	468,759	778,867	324,288	438,627	349,528
Other expenditures:								
Facilities acquisitions	492,895	1,216,428	222,563	166,044	204,456	202,602	332,966	173,956
Long-term debt:								
Principal	338,660	109,696	930,281	490,092	441,118	392,590	369,686	346,127
Interest	61,211	66,490	63,698	46,625	79,567	97,312	117,521	139,702
AEA flow-through	351,004	347,801	321,260	316,552	310,819	289,512	281,037	282,203
Total	\$ 10,333,293	10,565,575	10,467,438	10,264,398	10,356,947	9,380,925	9,329,920	8,650,594

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Grantor/ Program	CFDA Number	Grant Number	Expendi- tures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY11	\$ 22,530
National School Lunch Program	10.555	FY11	182,102 *
			<u>204,632</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	FY11	103,844
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY11	32,163
			<u>136,007</u>
Advanced Placement Program	84.330	FY11	114
Improving Teacher Quality State Grants	84.367	FY11	34,669
Grants for State Assessment and Related Activities	84.369	FY11	6,585
State Fiscal Stabilization Fund Cluster:			
ARRA - State Fiscal Stabilization Fund (SFSF)- Education State Grants, Recovery Act	84.394	FY11	45,400
ARRA - State Fiscal Stabilization Fund (SFSF)- Government Services, Recovery Act	84.397	FY11	40,494
			<u>85,894</u>
Education Jobs Fund	84.410	FY11	172,508
Area Education Agency:			
Special Education Cluster Programs:			
Special Education - Grants to States	84.027	FY11	46,107
Career and Technical Education - Basic Grants to State	84.048	FY11	29,446
Total			<u>\$ 715,962</u>

* - Includes \$27,334 of non-cash awards

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

Telephone (641) 792-1910

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

To the Board of Education of the
Central Lee Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Central Lee Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 27, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Central Lee Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Central Lee Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Central Lee Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a significant deficiency.

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 deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-11 to be a material weakness.

Compliance and Other Matters

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

that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Central Lee 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 Central Lee Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Central Lee Community School District and other parties to whom Central Lee Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Central Lee Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Handwritten signature in black ink, reading "Nolte, Cornman & Johnson PC".

NOLTE, CORNMAN & JOHNSON, P.C.

January 27, 2012

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

To the Board of Education of the
Central Lee Community School District:

Compliance

We have audited Central Lee Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Central Lee Community School District's major federal programs for the year ended June 30, 2011. Central Lee 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 Central Lee Community School District's management. Our responsibility is to express an opinion on Central Lee 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 Central Lee 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 Central Lee Community School District's compliance with those requirements.

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

Internal Control Over Compliance

The management of Central Lee 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 Central Lee Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Central Lee Community School District's internal control over compliance.

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

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

Central Lee 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 Central Lee Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Central Lee Community School District and other parties to whom Central Lee Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



NOLTE, CORNMAN & JOHNSON, P.C.

January 27, 2012

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

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was 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 disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - Individual
 - CFDA Number 84.410 - Education Jobs Fund
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Central Lee Community School District did not qualify as a low-risk auditee.

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

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

OTHER MATTERS:

II-B-11 Commodity Pricing - We noted during our audit of the Enterprise, School Nutrition Fund that the District did not price out the commodity inventory using the correct values at the end of the year.

Recommendation - The District should review procedures in place for calculation of commodity inventory prices. The State of Iowa provides a price guide listing of values to be used in the calculation. The District needs to use the correct price values in calculating the inventory value at year end.

Response - The District will review procedures for calculating commodity inventory and use the appropriate pricing when determining ending inventory values.

Conclusion - Response accepted.

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

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2011
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.410: Education Jobs Fund
Federal Award Year: 2011
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-11 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

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

Part IV: Other Findings Related to Required Statutory Reporting:

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

IV-B-11 Questionable Disbursements - We noted during our audit expenditures for awards/rewards, including cash cards to be given to students as incentives for reading or performing well on tests. Cash cards/gift certificates do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should refrain from giving prizes to individual students as performance incentives, for being top sellers in fund raisers or for good behavior. Additionally, the District should refrain from purchasing cash cards/gift certificates as the Board cannot audit the final purchase.

Response -The District will refrain from purchasing cash cards/gift certificates to reward student performance.

Conclusion - Response accepted.

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

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

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

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

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

IV-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-11 Deposits and Investments - We noted no instances of non-compliance with the deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

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

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

IV-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	603,368
Revenues:			
Sales tax revenues	\$	657,899	
Other local revenues		2,715	
Transfers from other funds		14,201	674,815
			<u>1,278,183</u>
Expenditures/transfers out:			
School infrastructure construction	\$	186,903	
Equipment		116,665	
Other		18,361	
Transferred to other funds:			
Debt service fund		376,215	
Other transfers		86,639	784,783
			<u>784,783</u>
Ending Balance		\$	<u>493,400</u>

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

IV-M-11 Appropriate Signatures- We noted during our audit that the District entered into a contract with a company for appraisal of the District's capital assets and that the contract was not signed by the Board President. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts that bind the District financially.

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

Response -The Board President will sign all future contracts entered into by the District.

Conclusion - Response accepted.

IV-N-11 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended. The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

Lifetouch Commissions: We noted Lifetouch picture commissions receipted into the Student Activity Fund. The General Fund is the only allowable fund for commission revenue recognition.

Recommendation - In the future, Lifetouch picture commissions should be recorded in the General Fund.

Response - The Lifetouch picture commissions will be recorded into the General Fund.

Conclusion - Response accepted.

Administratively Maintained Accounts: We noted during our audit the District had an elementary resale account in the Student Activity Fund. This account is not a student run organization and does not appear to be extracurricular in nature and should therefore, be run through the General Fund.

Recommendation - The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended.

Response - The District will review the composition and functions of the entities/clubs/organizations in the Student Activity Fund so as to comply with the recommendation.

Conclusion - Response accepted.