

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

JUNE 30, 2011

## TABLE OF CONTENTS

		<u>Page</u>
Officials		4
Independent Auditor’s Report		5-6
Management Discussion and Analysis (MD&A)		7-16
<b>Basic Financial Statements:</b>	<b><u>Exhibit</u></b>	
<b>Government-wide Financial Statements:</b>		
Statement of Net Assets	A	18
Statement of Activities	B	19
<b>Governmental Fund Financial Statements:</b>		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
<b>Proprietary Fund Financial Statements:</b>		
Statement of Net Assets	G	24
Statement of Revenues, Expenses and Changes in Net Assets	H	25
Statement of Cash Flows	I	26
<b>Fiduciary Fund Financial Statements:</b>		
Statement of Fiduciary Net Assets	J	27
Statement of Changes in Fiduciary Net Assets	K	28
Notes to Financial Statements		29-41
<b>Required Supplementary Information:</b>		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		44
Notes to Required Supplementary Information - Budgetary Reporting		45
Schedule of Funding Progress for the Retiree Health Plan		46
<b>Other Supplementary Information:</b>	<b><u>Schedule</u></b>	
<b>Nonmajor Special Revenue Funds:</b>		
Combining Balance Sheet	1	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	49
<b>Capital Projects Funds:</b>		
Combining Balance Sheet	3	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	51
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	53-54
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	6	55
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7	56-57
Schedule of Expenditures of Federal Awards	8	58

TABLE OF CONTENTS  
(CONTINUED)

	<u>Page</u>
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	56-60
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 According with OMB Circular A-133	61-62
Schedule of Findings and Questioned Costs	63-68

Lewis Central Community School District

Officials

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

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

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

**INDEPENDENT AUDITOR'S REPORT**

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Lewis Central Community School District at June 30, 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 February 28, 2012 on our consideration of the Lewis Central Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 46 are not

**Members American Institute & Iowa Society of Certified Public Accountants**

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Lewis Central Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for nine years ended June 30, 2010 (which none are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

February 28, 2012

---

---

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

---

---

Lewis Central Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$26,732,543 in fiscal 2010 to \$27,469,262 in fiscal 2011, while General Fund expenditures and transfers out increased from \$25,761,847 in fiscal 2010 to \$26,933,845 in fiscal 2011. This resulted in an increase in the District's General Fund balance from \$4,757,834 in fiscal 2010 to a balance of \$5,293,251 in fiscal 2011, an 11.25% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local and state sources in fiscal 2011. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.

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

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

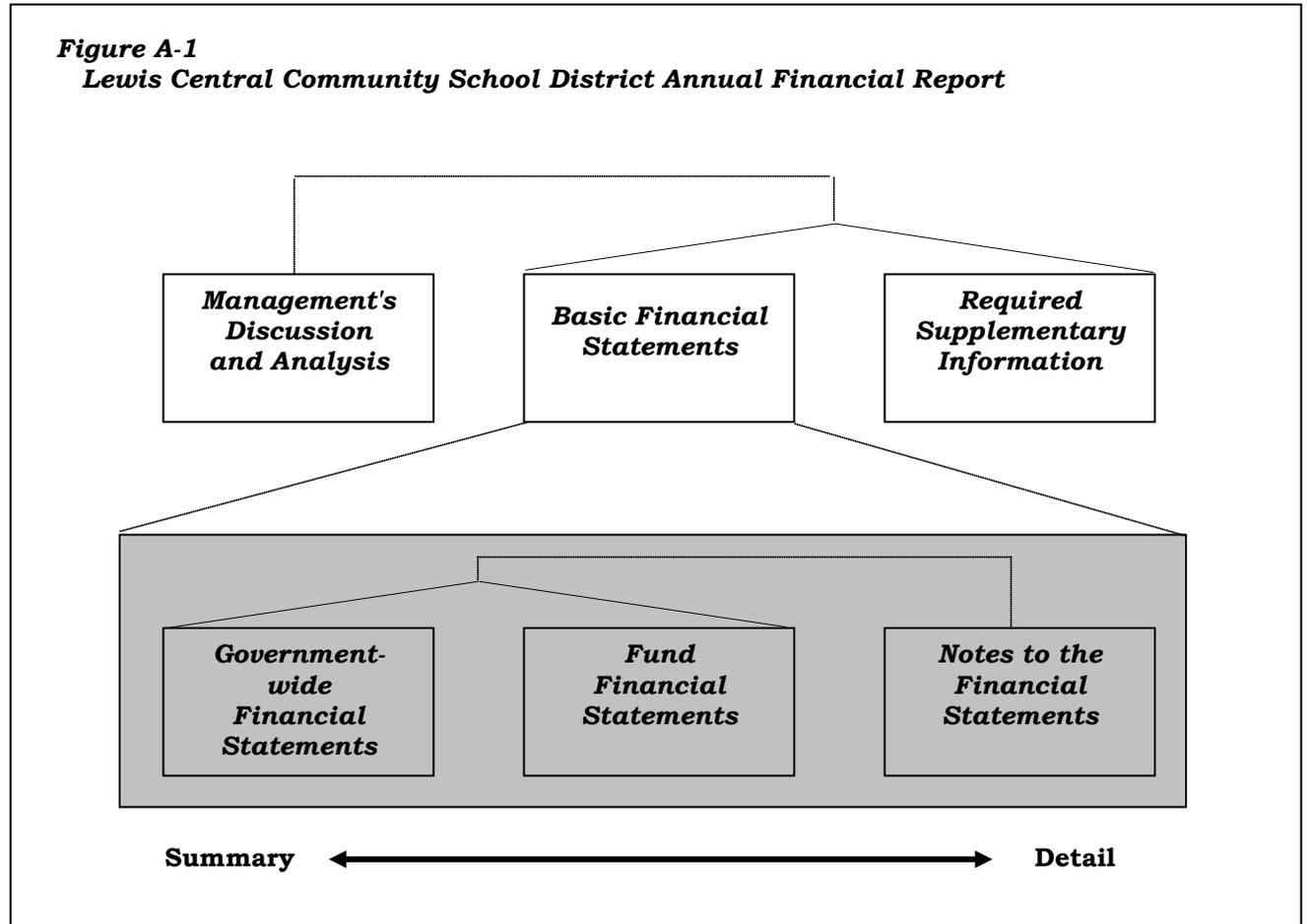


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

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

---

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private Purpose Trust and Agency funds.

- Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund – These are funds through which the District administers and accounts for certain revenue collected for District employee purchases pop and related expenditures.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3  
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 29,820,133	23,822,716	487,832	422,667	30,307,965	24,245,383	25.01%
Capital assets	30,498,304	30,962,756	249,034	286,675	30,747,338	31,249,431	-1.61%
Total assets	60,318,437	54,785,472	736,866	709,342	61,055,303	55,494,814	10.02%
Long-term obligations	17,652,708	16,744,231	6,261	4,511	17,658,969	16,748,742	5.43%
Other liabilities	16,343,655	15,260,811	74,176	96,299	16,417,831	15,357,110	6.91%
Total liabilities	33,996,363	32,005,042	80,437	100,810	34,076,800	32,105,852	6.14%
Net assets:							
Invested in capital assets, net of related debt	17,646,536	14,452,314	249,034	286,675	17,895,570	14,738,989	21.42%
Restricted	4,119,779	4,246,637	-	-	4,119,779	4,246,637	-2.99%
Unrestricted	4,555,759	4,081,479	407,395	321,857	4,963,154	4,403,336	12.71%
Total net assets	\$ 26,322,074	22,780,430	656,429	608,532	26,978,503	23,388,962	15.35%

The District's combined net assets increased by 15.35%, or \$3,589,541, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$126,858, or 2.99% over the prior year. The decrease was a result of the decrease in the Debt Service Fund.

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 \$559,818, or 12.71%. This increase in unrestricted net assets was primarily a result the District’s increase in the General fund balance.

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

Figure A-4  
Changes of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities				Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues:							
Program revenues:							
Charges for services	\$ 4,291,527	3,901,635	1,071,123	1,091,130	5,362,650	4,992,765	7.41%
Operating grants and contributions and restricted interest	3,079,717	5,685,947	757,573	719,903	3,837,290	6,405,850	-40.10%
General revenues:							
Local taxes	12,107,649	11,541,028	-	-	12,107,649	11,541,028	4.91%
Income surtax	923,423	1,077,766	-	-	923,423	1,077,766	-14.32%
Statewide sales, services and use tax	2,337,314	2,187,937	-	-	2,337,314	2,187,937	6.83%
Nonspecific program federal revenues	385,298	-	-	-	385,298	-	100.00%
Unrestricted state grants	10,019,002	7,478,038	-	-	10,019,002	7,478,038	33.98%
Other	221,027	425,949	20,684	12,866	241,711	438,815	-44.92%
Transfers	-	(60,779)	-	60,779	-	-	0.00%
Total revenues	33,364,957	32,237,521	1,849,380	1,884,678	35,214,337	34,122,199	3.20%
Program expenses:							
Governmental activities:							
Instructional	19,602,361	18,324,339	23,654	22,349	19,626,015	18,346,688	6.97%
Support services	7,600,099	7,047,036	1,285	1,184	7,601,384	7,048,220	7.85%
Non-instructional programs	-	-	1,776,544	1,775,405	1,776,544	1,775,405	0.06%
Other expenses	2,620,853	3,534,901	-	-	2,620,853	3,534,901	-25.86%
Total expenses	29,823,313	28,906,276	1,801,483	1,798,938	31,624,796	30,705,214	2.99%
Change in net assets	3,541,644	3,331,245	47,897	85,740	3,589,541	3,416,985	5.05%
Beginning net assets	22,780,430	19,449,185	608,532	522,792	23,388,962	19,971,977	17.11%
Ending net assets	\$ 26,322,074	22,780,430	656,429	608,532	26,978,503	23,388,962	15.35%

In fiscal 2011, local tax, income surtax, statewide sales, services and use tax, nonspecific program federal revenue and unrestricted state grants account for 77.24% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 98.89% of the revenue from business type activities.

The District’s total revenues were approximately \$35.2 million of which \$33.4 million was for governmental activities and less than \$1.8 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.20% increase in revenues and a 2.99% increase in expenses. The increase in expenses related to increase in the negotiated salary and benefits.

## Governmental Activities

Revenues for governmental activities were \$33,364,957 and expenses were \$29,823,313.

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

Figure A-7  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change	2011	2010	Change
			2010-11			2010-11
Instruction	\$ 19,602,361	18,324,339	6.97%	13,346,475	9,806,530	36.10%
Support services	7,600,099	7,047,036	7.85%	7,561,739	7,007,615	7.91%
Other expenses	2,620,853	3,534,901	-25.86%	1,543,855	2,504,549	-38.36%
Totals	\$ 29,823,313	28,906,276	3.17%	22,452,069	19,318,694	16.22%

- The cost financed by users of the District's programs was \$4,291,527.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$3,079,717.
- The net cost of governmental activities was financed with \$12,107,649 in local tax, \$923,423 in income surtax, \$2,337,314 in statewide sales, services and use tax, \$10,019,002 in unrestricted state grants, \$385,298 in nonspecific program federal revenues, \$46,101 in unrestricted investment earnings, \$174,926 in other general revenues.

## Business Type Activities

Revenues of the District's business type activities were \$1,849,380 and expenses were \$1,801,483. The District's business type activities include the School Nutrition Fund, Lucky Children Day Care Fund and Swimming Pool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$12,555,644, above last year's ending fund balances of \$7,911,597. The primary reason for the increase in combined fund balances in fiscal 2011 is due to the increase in the Capital Projects Fund.

## Governmental Fund Highlights

- Overall, District revenues in the General Fund for fiscal 2011 increased 2.76% or \$736,719, to \$27,469,262 compared to \$26,732,543 in fiscal 2010. The expenses and transfers increased by 4.94% or \$1,271,998, to \$27,033,845 compared to \$25,761,847 in fiscal 2010. The General Fund balance increased \$535,417.
- The Capital Projects Fund balance increased from \$1,395,687 in fiscal 2010 to \$5,915,362 in fiscal 2011. The increase was due to the issuance of bonds in June 2011. With the

---

implementation of GASB Statement No. 54, the Physical Plant and Equipment Levy Fund was reclassified as a Capital Projects Fund as of July 1, 2010.

- The Debt Service Fund balance decreased from \$1,162,507 in fiscal 2010 to \$656,923 in fiscal 2011. The increase is due to normal debt transactions through the year.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets increased from \$428,048 at June 30, 2010 to \$483,212 at June 30, 2011, representing an increase of 12.89%. The Lucky Children Day Care Fund net assets decreased from \$181,562 at June 30, 2010 to \$175,377 at June 30, 2011, representing a decrease of 3.41%. The Swimming Pool Fund net assets decreased from a deficit \$1,078 at June 30, 2010 to deficit \$2,160 at June 30, 2011, representing a decrease of 100.37%.

### **BUDGETARY HIGHLIGHTS**

The District's revenues were \$366,019 less than budgeted revenues, a variance of 1.04%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

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

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

#### **Capital Assets**

At June 30, 2011, the District had invested \$30,747,338, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,300,345.

The original cost of the District's capital assets was \$53.7 million. Governmental funds account for \$52.8 million with the remainder of \$0.9 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$81,699 at June 30, 2011, compared to \$0 reported at June 30, 2010. This increase resulted from the construction projects that were started, but completed during the year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 500,000	500,000	-	-	500,000	500,000	0.00%
Construction in progress	81,699	-	-	-	81,699	-	100.00%
Buildings and improvements	28,941,712	29,470,750	-	-	28,941,712	29,470,750	-1.80%
Machinery and equipment	974,893	992,006	249,034	286,675	1,223,927	1,278,681	-4.28%
Total	\$ 30,498,304	30,962,756	249,034	286,675	30,747,338	31,249,431	-1.61%

### Long-Term Debt

At June 30, 2011, the District had \$17,658,969 in general obligation, revenue and other long-term debt outstanding. This represents an increase of 5.45% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonded indebtedness of \$11,020,000 at June 30, 2011.

The District had total outstanding revenue bonded indebtedness of \$6,245,000 at June 30, 2011.

The District had total outstanding compensated absences payable from the General Fund of \$109,839 at June 30, 2011.

The District had total early retirement payable of \$129,180 at June 30, 2011.

The District had total outstanding other postemployment benefits payable of \$154,950 at June 30, 2011.

Figure A-6  
Outstanding Long-Term Obligations

	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
General obligation bonds	\$ 11,020,000	11,900,000	-	-	11,020,000	11,900,000	-7.39%
Revenue bonds	6,245,000	4,541,252	-	-	6,245,000	4,541,252	37.52%
School bus lease	-	69,190	-	-	-	69,190	-100.00%
Early retirement	129,180	-	-	-	129,180	-	100.00%
Compensated absences	109,839	124,049	-	-	109,839	124,049	-11.46%
Net OPEB liability	148,689	106,740	6,261	4,511	154,950	111,251	39.28%
Totals	\$ 17,652,708	16,741,231	6,261	4,511	17,658,969	16,745,742	5.45%

---

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

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

- The District expects a slight decrease in enrollment over the next several years. Extra care will need to be taken to control expenses due to the Iowa school funding formula based in part upon student enrollment.
- Continued IPERS increases of the employer's contribution each year over the last 4 years has increased Lewis Central's employer benefits significantly.
- The upcoming Iowa Legislative session could again prove to be most challenging in respect to the state budget and projected allowable growth for future years.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dale Kreher, Board Secretary/Business Manager, Lewis Central Community School District, 1600 East South Omaha Bridge Road, Council Bluffs, Iowa, 51503.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 15,116,178	455,844	15,572,022
Receivables:			
Property tax:			
Delinquent	80,596	-	80,596
Succeeding year	12,524,317	-	12,524,317
Income surtax	988,068	-	988,068
Accounts	2,200	7,781	9,981
Due from other funds	11,821	(11,821)	-
Due from other governments	1,061,989	-	1,061,989
Inventories	-	36,028	36,028
Prepaid items	34,964	-	34,964
Capital assets, net of accumulated depreciation	30,498,304	249,034	30,747,338
<b>TOTAL ASSETS</b>	<b>60,318,437</b>	<b>736,866</b>	<b>61,055,303</b>
<b>LIABILITIES</b>			
Excess of warrants issued over bank balance	166,446	-	166,446
Accounts payable	378,301	4,818	383,119
Salaries and benefits payable	2,822,157	48,952	2,871,109
Interest payable	67,234	-	67,234
Deferred revenue:			
Succeeding year property tax	12,524,317	-	12,524,317
Other	385,200	-	385,200
Unearned revenue	-	20,406	20,406
Long-term liabilities:			
Portion due within one year:			
G.O. bonds payable	960,000	-	960,000
Compensated absences payable	109,839	-	109,839
Early retirement payable	129,180	-	129,180
Portion due after one year:			
G.O. bonds payable	10,060,000	-	10,060,000
Revenue bonds payable	6,245,000	-	6,245,000
Net OPEB liability	148,689	6,261	154,950
<b>TOTAL LIABILITIES</b>	<b>33,996,363</b>	<b>80,437</b>	<b>34,076,800</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	17,646,536	249,034	17,895,570
Restricted for:			
Categorical funding	1,218,955	-	1,218,955
Debt service	656,923	-	656,923
Management levy purposes	518,200	-	518,200
Student activities	44,446	-	44,446
School infrastructure	746,401	-	746,401
Physical plant and equipment	934,854	-	934,854
Unrestricted	4,555,759	407,395	4,963,154
<b>TOTAL NET ASSETS</b>	<b>\$ 26,322,074</b>	<b>656,429</b>	<b>26,978,503</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 12,951,816	3,091,042	692,881	(9,167,893)	-	(9,167,893)
Special	3,536,580	677,948	354,017	(2,504,615)	-	(2,504,615)
Other	3,113,965	522,537	917,461	(1,673,967)	-	(1,673,967)
	<u>19,602,361</u>	<u>4,291,527</u>	<u>1,964,359</u>	<u>(13,346,475)</u>	<u>-</u>	<u>(13,346,475)</u>
Support services:						
Student	466,082	-	-	(466,082)	-	(466,082)
Instructional staff	1,267,858	-	-	(1,267,858)	-	(1,267,858)
Administration	1,928,212	-	-	(1,928,212)	-	(1,928,212)
Operation and maintenance of plant	2,738,636	-	2,449	(2,736,187)	-	(2,736,187)
Transportation	1,199,311	-	35,911	(1,163,400)	-	(1,163,400)
	<u>7,600,099</u>	<u>-</u>	<u>38,360</u>	<u>(7,561,739)</u>	<u>-</u>	<u>(7,561,739)</u>
Other expenses:						
Facilities acquisitions	-	-	-	-	-	-
Long-term debt interest	770,130	-	-	(770,130)	-	(770,130)
AEA flowthrough	1,076,998	-	1,076,998	-	-	-
Depreciation(unallocated)*	773,725	-	-	(773,725)	-	(773,725)
	<u>2,620,853</u>	<u>-</u>	<u>1,076,998</u>	<u>(1,543,855)</u>	<u>-</u>	<u>(1,543,855)</u>
Total governmental activities	29,823,313	4,291,527	3,079,717	(22,452,069)	-	(22,452,069)
Business Type activities:						
Instruction:						
Other	23,654	22,572	-	-	(1,082)	(1,082)
Support services:						
Transportation	1,285	-	-	-	(1,285)	(1,285)
Non-instructional programs:						
Nutrition services	1,537,354	814,261	757,573	-	34,480	34,480
Day care services	239,190	234,290	-	-	(4,900)	(4,900)
	<u>1,801,483</u>	<u>1,071,123</u>	<u>757,573</u>	<u>-</u>	<u>27,213</u>	<u>27,213</u>
Total	\$ 31,624,796	5,362,650	3,837,290	(22,452,069)	27,213	(22,424,856)
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 9,918,956	-	9,918,956
Debt service				1,395,529	-	1,395,529
Capital outlay				793,164	-	793,164
Income surtax				923,423	-	923,423
Statewide sales and services tax				2,337,314	-	2,337,314
Unrestricted state grants				10,019,002	-	10,019,002
Nonspecific program federal revenue				385,298	-	385,298
Unrestricted investment earnings				46,101	497	46,598
Other general revenues				174,926	20,187	195,113
Total general revenues				<u>25,993,713</u>	<u>20,684</u>	<u>26,014,397</u>
Changes in net assets				3,541,644	47,897	3,589,541
Net assets beginning of year				<u>22,780,430</u>	<u>608,532</u>	<u>23,388,962</u>
Net assets end of year				<u>\$ 26,322,074</u>	<u>656,429</u>	<u>26,978,503</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 8,065,604	5,814,336	575,535	660,703	15,116,178
Receivables:					
Property tax:					
Delinquent	63,674	5,034	8,856	3,032	80,596
Succeeding year	9,915,296	819,401	1,324,320	465,300	12,524,317
Income surtax	988,068	-	-	-	988,068
Accounts	-	-	-	2,200	2,200
Due from other funds	15,916	-	72,532	-	88,448
Due from other governments	720,398	341,591	-	-	1,061,989
Prepaid items	-	-	-	34,964	34,964
<b>TOTAL ASSETS</b>	<b>\$ 19,768,956</b>	<b>6,980,362</b>	<b>1,981,243</b>	<b>1,166,199</b>	<b>29,896,760</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Excess of warrants issued over bank balance	\$ -	166,446	-	-	166,446
Due to other funds	12,415	60,117	-	4,095	76,627
Accounts payable	352,569	19,036	-	6,696	378,301
Salaries and benefits payable	2,822,157	-	-	-	2,822,157
Deferred revenue:					
Succeeding year property tax	9,915,296	819,401	1,324,320	465,300	12,524,317
Income surtax	988,068	-	-	-	988,068
Other	385,200	-	-	-	385,200
Total liabilities	14,475,705	1,065,000	1,324,320	476,091	17,341,116
Fund balances:					
Nonspendable	-	-	-	34,964	34,964
Restricted for:					
Categorical funding	1,218,955	-	-	-	1,218,955
Debt service	-	-	656,923	-	656,923
Management levy purposes	-	-	-	647,380	647,380
Student activities	-	-	-	44,446	44,446
School infrastructure	-	746,401	-	-	746,401
Construction	-	4,413,232	-	-	4,413,232
Physical plant and equipment	-	934,854	-	-	934,854
Unassigned:					
General fund	4,074,296	-	-	-	4,074,296
School infrastructure	-	(179,125)	-	-	(179,125)
Student activities	-	-	-	(36,682)	(36,682)
Total fund balances	5,293,251	5,915,362	656,923	690,108	12,555,644
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 19,768,956</b>	<b>6,980,362</b>	<b>1,981,243</b>	<b>1,166,199</b>	<b>29,896,760</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds(page 20)</b>	\$	12,555,644
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.		30,498,304
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.		(67,234)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		988,068
Long-term liabilities, including bonds payable, early retirement payable, compensated absences payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(17,652,708)</u>
<b>Net assets of governmental activities(page 18)</b>	<b>\$</b>	<b><u><u>26,322,074</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 10,135,844	3,130,478	1,395,529	450,797	15,112,648
Tuition	3,656,997	-	-	-	3,656,997
Other	329,516	1,398	-	668,233	999,147
Intermediate sources	240,387	-	-	-	240,387
State sources	11,852,971	312	550	188	11,854,021
Federal sources	1,246,019	-	-	-	1,246,019
Total revenues	<u>27,461,734</u>	<u>3,132,188</u>	<u>1,396,079</u>	<u>1,119,218</u>	<u>33,109,219</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	12,714,979	-	-	87,718	12,802,697
Special	3,534,639	-	-	-	3,534,639
Other	2,452,198	-	-	661,921	3,114,119
	<u>18,701,816</u>	<u>-</u>	<u>-</u>	<u>749,639</u>	<u>19,451,455</u>
Support services:					
Student	464,990	-	-	-	464,990
Instructional staff	1,279,064	-	-	-	1,279,064
Administration	2,008,399	-	-	6,681	2,015,080
Operation and maintenance of plant	2,443,978	-	-	208,295	2,652,273
Transportation	946,185	170,380	-	60,064	1,176,629
	<u>7,142,616</u>	<u>170,380</u>	<u>-</u>	<u>275,040</u>	<u>7,588,036</u>
Other expenditures:					
Facilities acquisitions	-	416,573	-	-	416,573
Long-term debt:					
Principal	-	-	2,875,303	-	2,875,303
Interest and fiscal charges	-	-	714,329	-	714,329
AEA flowthrough	1,076,998	-	-	-	1,076,998
	<u>1,076,998</u>	<u>416,573</u>	<u>3,589,632</u>	<u>-</u>	<u>5,083,203</u>
Total expenditures	<u>26,921,430</u>	<u>586,953</u>	<u>3,589,632</u>	<u>1,024,679</u>	<u>32,122,694</u>
Excess(deficiency) of revenues over(under) expenditures	540,304	2,545,235	(2,193,553)	94,539	986,525
Other financing sources(uses):					
Transfers in	-	1,486,845	4,292,439	-	5,779,284
Transfers out	(12,415)	(5,766,869)	-	-	(5,779,284)
Sale of equipment	7,528	-	-	-	7,528
General obligation bond issuance	-	-	4,755,000	-	4,755,000
Premium on general obligation bond issuance	-	-	81,258	-	81,258
Revenue bond issuance	-	6,245,000	-	-	6,245,000
Premium on revenue bond issuance	-	44,612	-	-	44,612
Discount on revenue bond issuance	-	(35,148)	-	-	(35,148)
Payment to escrow	-	-	(7,440,728)	-	(7,440,728)
Total other financing sources(uses)	<u>(4,887)</u>	<u>1,974,440</u>	<u>1,687,969</u>	<u>-</u>	<u>3,657,522</u>
Net change in fund balances	535,417	4,519,675	(505,584)	94,539	4,644,047
Fund balances beginning of year, as restated	<u>4,757,834</u>	<u>1,395,687</u>	<u>1,162,507</u>	<u>595,569</u>	<u>7,911,597</u>
Fund balances end of year	<u>\$ 5,293,251</u>	<u>5,915,362</u>	<u>656,923</u>	<u>690,108</u>	<u>12,555,644</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

**Net change in fund balances - total governmental funds(page 22)** \$ 4,644,047

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 773,901	
Depreciation expense	(1,238,353)	(464,452)

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

Current year repayments exceeded issues, as follows:

Issued	\$ (11,000,000)	
Repaid	10,245,442	(754,558)

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.

14,788

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

255,738

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

Early retirement	\$ (129,180)	
Compensated absences	17,210	
Other postemployment benefits	(41,949)	(153,919)

**Changes in net assets of governmental activities(page 19)** \$ 3,541,644

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2011

	School Nutrition	Lucky Children Day Care	Swimming Pool	Total
<u>ASSETS</u>				
Current assets:				
Cash and pooled investments	\$ 252,025	197,183	6,636	455,844
Receivables:				
Accounts	-	7,781	-	7,781
Inventories	36,028	-	-	36,028
Total current assets	<u>288,053</u>	<u>204,964</u>	<u>6,636</u>	<u>499,653</u>
Non-current assets:				
Capital assets:				
Machinery and equipment, net of accumulated depreciation	249,034	-	-	249,034
Total non-current assets	<u>249,034</u>	<u>-</u>	<u>-</u>	<u>249,034</u>
<b>TOTAL ASSETS</b>	<u>537,087</u>	<u>204,964</u>	<u>6,636</u>	<u>748,687</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	-	4,818	-	4,818
Salaries and benefits payable	15,851	24,305	8,796	48,952
Due to other funds	11,821	-	-	11,821
Unearned revenue	20,406	-	-	20,406
Total current liabilities	<u>48,078</u>	<u>29,123</u>	<u>8,796</u>	<u>85,997</u>
Long-term liabilities:				
Net OPEB liability	5,797	464	-	6,261
Total long-term liabilities	<u>5,797</u>	<u>464</u>	<u>-</u>	<u>6,261</u>
<b>TOTAL LIABILITIES</b>	<u>53,875</u>	<u>29,587</u>	<u>8,796</u>	<u>92,258</u>
<u>NET ASSETS</u>				
Invested in capital assets	249,034	-	-	249,034
Unrestricted	234,178	175,377	(2,160)	407,395
Total net assets	<u>\$ 483,212</u>	<u>175,377</u>	<u>(2,160)</u>	<u>656,429</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition	Lucky Children Day Care	Swimming Pool	Total
<b>OPERATING REVENUE:</b>				
Local sources:				
Charges for service	\$ 814,261	234,290	22,572	1,071,123
Miscellaneous	20,187	-	-	20,187
	<u>834,448</u>	<u>234,290</u>	<u>22,572</u>	<u>1,091,310</u>
<b>OPERATING EXPENSES:</b>				
Instruction:				
Other:				
Salaries	-	-	19,947	19,947
Benefits	-	-	1,537	1,537
Supplies	-	-	2,170	2,170
Support services:				
Transportation				
Salaries	-	1,117	-	1,117
Benefits	-	168	-	168
Non-instructional programs:				
Salaries	528,439	173,721	-	702,160
Benefits	178,314	28,569	-	206,883
Services	25,878	5,572	-	31,450
Supplies	742,731	31,328	-	774,059
Depreciation	61,992	-	-	61,992
<b>TOTAL OPERATING EXPENSES</b>	<u>1,537,354</u>	<u>240,475</u>	<u>23,654</u>	<u>1,801,483</u>
<b>OPERATING LOSS</b>	<u>(702,906)</u>	<u>(6,185)</u>	<u>(1,082)</u>	<u>(710,173)</u>
<b>NON-OPERATING REVENUES:</b>				
State sources	12,496	-	-	12,496
Federal sources	745,077	-	-	745,077
Interest on investments	497	-	-	497
<b>TOTAL NON-OPERATING REVENUES</b>	<u>758,070</u>	<u>-</u>	<u>-</u>	<u>758,070</u>
Changes in net assets	55,164	(6,185)	(1,082)	47,897
Net assets beginning of year	428,048	181,562	(1,078)	608,532
Net assets end of year	<u>\$ 483,212</u>	<u>175,377</u>	<u>(2,160)</u>	<u>656,429</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition	Lucky Children Day Care	Swimming Pool	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 814,629	-	-	814,629
Cash received from miscellaneous sources	20,187	229,156	24,158	273,501
Cash payments to employees for services	(713,112)	(204,967)	(21,252)	(939,331)
Cash payments to suppliers for goods or services	(704,703)	(37,679)	(2,170)	(744,552)
Net cash provided by(used in) operating activities	(582,999)	(13,490)	736	(595,753)
Cash flows from non-capital financing activities:				
State grants received	12,496	-	-	12,496
Federal grants received	678,978	-	-	678,978
Net cash provided by non-capital financing activities	691,474	-	-	691,474
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(24,351)	-	-	(24,351)
Cash flows from investing activities:				
Interest on investments	497	-	-	497
Net increase(decrease) in cash and cash equivalents	84,621	(13,490)	736	71,867
Cash and cash equivalents at beginning of year	167,404	210,673	5,900	383,977
Cash and cash equivalents at end of year	\$ 252,025	197,183	6,636	455,844
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	\$ (702,906)	(6,185)	(1,082)	(710,173)
Adjustments to reconcile operating loss to net used in operating activities:				
Commodities used	66,099	-	-	66,099
Depreciation	61,992	-	-	61,992
Increase in inventories	(1,571)	-	-	(1,571)
Decrease(Increase) in accounts receivable	-	(5,134)	1,586	(3,548)
Decrease in accounts payable	(622)	(779)	-	(1,401)
(Decrease)Increase in salaries and benefits payable	(7,981)	(1,520)	232	(9,269)
Increase in unearned revenue	368	-	-	368
Increase in other postemployment benefits	1,622	128	-	1,750
Net cash provided by(used in) operating activities	\$ (582,999)	(13,490)	736	(595,753)

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$66,099.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust Scholarship Fund</u>	<u>Agency Fund</u>
<b>ASSETS</b>		
Cash and pooled investments	\$ 5,572	5,007
Total assets	<u>5,572</u>	<u>5,007</u>
<b>LIABILITIES</b>		
Due to other groups	<u>-</u>	<u>5,007</u>
<b>NET ASSETS</b>		
Reserved for scholarships	<u>\$ 5,572</u>	<u>-</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
YEAR ENDED JUNE 30, 2011

	<u>Private Purpose Trust Scholarship Fund</u>
Additions:	
Local sources:	
Gifts and contributions	<u>\$          3,100</u>
Deductions:	
Regular instruction:	
Scholarships awarded	<u>                  -</u>
Change in net assets	3,100
Net assets beginning of year	<u>          2,472</u>
Net assets end of year	<u><u>\$          5,572</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

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

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

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

**A. Reporting Entity**

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

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

**B. Basis of Presentation**

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

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

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation plus unspent bond proceeds and reduced by outstanding principal balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

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

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

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

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

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

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

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

### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources

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

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

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

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

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 then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before October 12, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

#### D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 - The Enterprise Fund inventories are accounted for using the consumption method by which inventory acquisitions are recorded in inventory accounts when purchased or received by other means and are charged to operations when consumed or sold. The enterprise fund inventory consists primarily of food, with purchased food recorded at the lower cost (first-in, first-out method) or market and food commodities which were received from the federal government recorded at the contributed value as of the date received.

Prepaid Items - The District prepaid insurance expense for July 2011 from the Special Revenue, Management Levy.

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

Asset Class	Amount
Land	\$ 2,500
Buildings and improvements	2,500
Intangibles	100,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,500

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

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

Salaries and Benefits Payable - Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, but which have balances payable in July and August 2011, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2011.

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. The cost of vacation payments expected to be liquidated currently is recorded as a liability in the government-wide statement of net assets. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011.

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 classifications.

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

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures in the other expenditures functional areas exceeded the amounts budgeted.

#### **Note 2. Deposits 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 high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$11,935,933 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

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

**Note 3. Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 12,415
Debt Service	Capital Projects: Physical Plant and Equipment Levy	60,117
Capital Projects: Statewide sales, services and use tax	Capital Projects: Construction	341,845
Capital Projects: Construction	Capital Projects: Statewide sales, services and use tax	1,145,000
Debt Service	Capital Projects	<u>4,219,907</u>
Total		<u>\$ 5,779,284</u>

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

**Note 4. Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Debt Service	Physical Plant and Equipment Levy	\$ 60,117
Debt Service	General Fund	12,415
General Fund	Management Levy	4,095
General Fund	Nutrition Fund	<u>11,821</u>
Total		<u>\$ 88,448</u>

The Physical Plant and Equipment Levy owes Debt Service for a bus payment which was made by the Debt Service Fund. The bus lease is to be paid from the PPEL Fund but the money was not transferred for the payment.

The General Fund owes Debt Service for a bus lease payment. The bus lease is to be paid by the General Fund. The money was not transferred to Debt Service for the payment paid by Debt Service.

The Management Levy Fund owes the General Fund for money that was improperly received into the Management Levy Fund.

The Nutrition Fund owes the General Fund \$11,821. The balance will be repaid by June 30, 2012.

**Note 5. Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 500,000	-	-	500,000
Construction in progress	-	81,699	-	81,699
Total capital assets not being depreciated	500,000	81,699	-	581,699
Capital assets being depreciated:				
Buildings and improvements	47,516,288	244,687	-	47,760,975
Machinery and equipment	4,001,003	447,515	-	4,448,518
Total capital assets being depreciated	51,517,291	692,202	-	52,209,493
Less accumulated depreciation for:				
Buildings and improvements	18,045,538	773,725	-	18,819,263
Machinery and equipment	3,008,997	464,628	-	3,473,625
Total accumulated depreciation	21,054,535	1,238,353	-	22,292,888
Total capital assets being depreciated, net	30,462,756	(546,151)	-	29,916,605
Governmental activities capital assets, net	\$ 30,962,756	(464,452)	-	30,498,304
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business Type activities:				
Machinery and equipment	\$ 875,510	24,351	-	899,861
Less accumulated depreciation	588,835	61,992	-	650,827
Business-type activities capital assets, net	\$ 286,675	(37,641)	-	249,034

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 15,532
Other	14,956

Support services:

Instructional staff	3,780
Administration	58,972
Operation and maintenance of plant	88,173
Transportation	283,215
	<u>464,628</u>
Unallocated depreciation	<u>773,725</u>

Total governmental activities depreciation expense \$ 1,238,353

Business Type activities:

Food services	<u>\$ 61,992</u>
---------------	------------------

**Note 6. Long-Term Debt**

All Long-Term Debt listed is related to governmental activities. A summary of changes in long-term debt for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 11,900,000	4,755,000	5,635,000	11,020,000	960,000
Revenue Bonds	4,541,252	6,245,000	4,541,252	6,245,000	-
School Bus Lease	69,190	-	69,190	-	-
Early Retirement	-	129,180	-	129,180	129,180
Compensated Absences	124,049	109,839	124,049	109,839	109,839
Net OPEB liability	106,740	41,949	-	148,689	-
Total	<u>\$ 16,741,231</u>	<u>11,280,968</u>	<u>10,369,491</u>	<u>17,652,708</u>	<u>1,199,019</u>
<u>Business Type Activities:</u>					
Net OPEB liability	\$ 4,511	1,750	-	6,261	-

General Obligation Bonds Payable

On April 1, 2011, the District issued general obligation bonds of \$4,755,000 to advance refund the October 1, 2005 issue which were issued to advance refund May 1, 1999 and May 1, 2001 issues. On April 1, 2008, the District issued general obligation bonds of \$8,380,000 to advance refund the October 21, 1998 issue, which were issued for capital facility construction. Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2008			Bond Issue of April 1, 2011			Total		
	Interest Rate	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2012	3.57 %	\$ 770,000	223,660	2.00 %	\$ 190,000	140,660	\$ 960,000	364,320	1,324,320
2013	3.57	805,000	196,171	2.00	200,000	126,040	1,005,000	322,211	1,327,211
2014	3.57	845,000	167,433	2.00	200,000	122,040	1,045,000	289,473	1,334,473
2015	3.57	890,000	137,267	2.00	200,000	118,040	1,090,000	255,307	1,345,307
2016	3.57	935,000	105,494	2.00	200,000	114,040	1,135,000	219,534	1,354,534
2017-2021	3.57	2,020,000	109,242	2.10-3.00	3,765,000	405,180	5,785,000	514,422	6,299,422
Total		\$ 6,265,000	939,267		\$ 4,755,000	1,026,000	\$ 11,020,000	1,965,267	12,985,267

### Revenue Bonds Payable

On June 1, 2011, the District issued statewide sales and service tax revenue bonds of \$6,245,000 for an addition on Titan Hills Elementary and to defease the revenue bonds dated May 3, 2006 and August 14, 2009. Details of the District's June 30, 2011 statewide sales and service tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 1, 2011			
	Interest Rate	Principal	Interest	Total
2012	2.00	-	100,269	100,269
2013	2.00 %	\$ 1,645,000	155,440	1,800,440
2014	2.00	1,600,000	122,990	1,722,990
2015	2.25	225,000	104,459	329,459
2016	2.25	190,000	99,790	289,790
2017-2021	2.60-3.40	730,000	440,169	1,170,169
2022-2026	3.60-4.10	840,000	305,107	1,145,107
2027-2030	4.15-4.45	1,015,000	108,329	1,123,329
Total		\$ 6,245,000	1,436,553	7,681,553

The District has pledged future statewide sales and services tax revenues to repay the \$6,245,000 bonds issued June 1, 2011. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2031. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$7,681,553. For the current year, no principal and interest was paid on the bonds and total statewide sales and services tax revenues were \$2,337,314.

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

- a) The bonds will only be redeemed from the future earnings of the statewide sales and services tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- b) Principal and interest payments are required each month from the Statewide Sales and Service Tax revenues.
- c) A separate bond reserve fund will be maintained in the amount of \$546,696 to be used solely for the purpose of paying principal and interest in the event the revenue fund does not have sufficient funds for that purpose. This fund is called the Statewide Sales and Services Tax Reserve Fund.

**Note 7. Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 403 active and 24 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$ 143,577
Interest on net OPEB obligation	5,006
Adjustment to annual required contribution	<u>(6,830)</u>
Annual OPEB cost	141,753
Contributions made	<u>(98,054)</u>
Increase in net OPEB obligation	43,699
Net OPEB obligation beginning of year	<u>111,251</u>
Net OPEB obligation end of year	<u>\$ 154,950</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. 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 \$98,054 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% 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 June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 158,024	53.0%	\$ 74,272
2010	157,003	76.4%	111,251
2011	141,753	69.2%	154,950

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$1,236,411, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,236,411. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$16,839,711,

and the ratio of the UAAL to covered payroll was 7.3%. 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, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2010 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10.0%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by 1% each year until reaching the 5% ultimate trend rate.

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

Projected claim costs of the medical plan are for the \$500 deductible plan is \$1,085 per month and \$1000 deductible plan is \$1,008 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

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

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

Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$1,183,339, \$1,102,686, and \$893,051 respectively, equal to the required contributions for each year.

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

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

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

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,076,998 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.

#### **Note 11. Bond Defeasement**

On June 1, 2011, the District issued \$6,245,000 in revenue bonds, of which \$4,485,467 is being used by the District to finance capital construction projects. The remaining \$1,759,533 of the June 1, 2011 bond issuance along with the \$1,000,000 bond reserve from the revenue bonds dated May 3, 2006 and the \$100,000 from the bond reserve from the revenue bonds dated August 14, 2009 along with \$173,806 in cash were placed in an irrevocable escrow account.

The proceeds in the irrevocable escrow account have been invested in U.S Government obligations which have been certified to be sufficient to pay all principal and interest on the revenue bonds dated May 3, 2006 and August 14, 2009 until the year 2013 when the bonds will be called. The District remains contingently liable in the remote possibility the account is insufficient to pay the bonds. After the principal and interest on all of the outstanding bonds has been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the District.

The new bonds have been added to the appropriate financial statements and schedules. The present value of the savings for the bonds refinancing is \$158,038.

At June 30, 2011, \$1,966,117 of the bonds dated May 3, 2006 and \$649,022 of the bonds dated August 14, 2009 are outstanding. Defeasement of both principal and interest for these bonds is \$0.

#### **Note 12. Refunding General Obligation Bonds**

On April 1, 2011 the District issued \$4,755,000 in general obligation bonds, with interest rates ranging from 2.00% to 3.00%, to call \$4,755,000 of outstanding general obligation bonds dated October 1, 2005. The amount of the refunded general obligation bonds that was considered extinguished and, therefore, excluded from the long-term debt. The new refunding bonds have been added to the appropriate financial statement and schedules. This refunding was undertaken to reduce total debt service payments over the next ten years by \$423,429 and resulted in a net present value savings of \$320,600.

#### **Note 13. Deficit Balances**

The District had deficit unreserved fund balances in the Capital Projects Fund, Construction Projects of \$179,125. The District had deficit unrestricted net assets in the Enterprise, Swimming Pool Fund of \$2,160. We also noted eight accounts in the Special Revenue, Student Activity Fund with a deficit balances totaling \$36,682.

#### **Note 14. Budget Over expenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2011, expenditures in the other expenditures function exceeded the amounts budgeted.

#### **Note 15. Construction Commitments**

The District has entered into various construction projects totaling \$4,107,660. The projects included construction of an addition to Titan Elementary, new ERC, and replacement of bleachers at the High School, demolition of part of Central Elementary and remodel the remainder, a new roof on part of the Middle School, turf for the football field, and site improvements at the Middle School. As of June 30, 2011, costs of \$81,699 had been incurred against the contracts. The balance of \$4,025,961 will be paid as

work progresses. The total cost of the improvements will be added to the District's capital asset listing upon completion.

**Note 16. Categorical Funding**

The District's ending restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

Program	Amount
At-risk supplemental weighting	\$ 210,956
Gifted and talented	82,979
Dropout and dropout prevention	298,119
Educator quality, professional development	65,295
Salary improvement program	131,708
Nonpublic textbooks	878
Nonpublic transportation	1,406
Iowa early intervention	10,820
Child development	2,381
Educator quality, model core curriculum	92,333
Beginning administrator mentoring	2,250
Market factor	17,294
Four-year-old preschool	302,536
Total restricted for categorical funding	\$ 1,218,955

**Note 17. 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:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ (357,998)	1,753,685
Changes in fund type classification per implementation of GASB Statement No. 54	1,753,685	(1,753,685)
Balances July 1, 2010, as restated	\$ 1,395,687	-

Lewis  
Central

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental Fund Types - Actual	Proprietary Fund Types - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 19,768,792	1,091,807	20,860,599	20,256,007	20,256,007	604,592
Intermediate sources	240,387	-	240,387	166,000	166,000	74,387
State appropriations	11,854,021	12,496	11,866,517	13,272,611	13,272,611	(1,406,094)
Federal appropriations	1,246,019	745,077	1,991,096	1,630,000	1,630,000	361,096
<b>Total revenues</b>	<b>33,109,219</b>	<b>1,849,380</b>	<b>34,958,599</b>	<b>35,324,618</b>	<b>35,324,618</b>	<b>(366,019)</b>
Expenditures/expenses:						
Instruction	19,451,455	23,654	19,475,109	21,283,216	21,283,216	1,808,107
Support services	7,588,036	1,285	7,589,321	11,215,000	11,215,000	3,625,679
Non-instructional programs	-	1,776,544	1,776,544	1,998,000	1,998,000	221,456
Other expenditures/expenses	5,083,203	-	5,083,203	4,819,577	4,819,577	(263,626)
<b>Total expenditures/expenses</b>	<b>32,122,694</b>	<b>1,801,483</b>	<b>33,924,177</b>	<b>39,315,793</b>	<b>39,315,793</b>	<b>5,391,616</b>
Excess(deficiency) of revenues over(under) expenditures/expenses	986,525	47,897	1,034,422	(3,991,175)	(3,991,175)	5,025,597
Other financing sources, net	3,657,522	-	3,657,522	-	-	3,657,522
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	4,644,047	47,897	4,691,944	(3,991,175)	(3,991,175)	8,683,119
Balance beginning of year	7,911,597	608,532	8,520,129	7,840,515	7,840,515	679,614
Balance end of year	\$ 12,555,644	656,429	13,212,073	3,849,340	3,849,340	9,362,733

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL 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 Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

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

During the year ended June 30, 2011, expenditures in the other expenditure function exceeded the amount budgeted.

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

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	\$ -	\$1,349,054	\$1,349,054	0.0%	\$13,252,651	10.2%
2010	July 1, 2008	-	1,349,054	1,349,054	0.0%	13,507,340	10.0%
2011	July 1, 2010		1,236,411	1,236,411	0.0%	16,839,711	7.3%

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

OTHER SUPPLEMENTARY INFORMATION

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

	Nonmajor Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 652,648	8,055	660,703
Receivables:			
Property tax:			
Current year delinquent	3,032	-	3,032
Succeeding year	465,300	-	465,300
Accounts	-	2,200	2,200
Prepaid items	34,964	-	34,964
<b>TOTAL ASSETS</b>	<b>\$ 1,155,944</b>	<b>10,255</b>	<b>1,166,199</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Interfund payable	\$ 4,095	-	4,095
Accounts payable	4,205	2,491	6,696
Deferred revenue:			
Succeeding year property tax	465,300	-	465,300
Total liabilities	473,600	2,491	476,091
Fund balances:			
Nonspendable	34,964	-	34,964
Restricted for:			
Management levy purposes	647,380	-	647,380
Student activities	-	44,446	44,446
Unassigned	-	(36,682)	(36,682)
Total fund balances	682,344	7,764	690,108
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,155,944</b>	<b>10,255</b>	<b>1,166,199</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Nonmajor Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 450,797	-	450,797
Other	14,395	653,838	668,233
State sources	188	-	188
Total revenues	465,380	653,838	1,119,218
EXPENDITURES:			
Current:			
Instruction:			
Regular	87,718	-	87,718
Other	-	661,921	661,921
Support services:			
Administration	6,681	-	6,681
Operation and maintenance of plant	207,324	971	208,295
Transportation	60,064	-	60,064
Total expenditures	361,787	662,892	1,024,679
Net change in fund balances	103,593	(9,054)	94,539
Fund balances beginning of year, as restated	578,751	16,818	595,569
Fund balances end of year	\$ 682,344	7,764	690,108

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUNDS  
 JUNE 30, 2011

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Capital Projects Construction	Physical Plant and Equipment Levy	
<b>ASSETS</b>				
Cash and pooled investments	\$ 4,818,042	-	996,294	5,814,336
Receivables:				
Property tax:				
Delinquent	-	-	5,034	5,034
Succeeding year	-	-	819,401	819,401
Due from other governments	341,591	-	-	341,591
<b>TOTAL ASSETS</b>	<b>\$ 5,159,633</b>	<b>-</b>	<b>1,820,729</b>	<b>6,980,362</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Excess warrants over bank balance	\$ -	166,446	-	166,446
Interfund payable	-	-	60,117	60,117
Accounts payable	-	12,679	6,357	19,036
Succeeding year property tax	-	-	819,401	819,401
<b>Total liabilities</b>	<b>-</b>	<b>179,125</b>	<b>885,875</b>	<b>1,065,000</b>
Fund balances:				
Restricted for:				
School infrastructure	746,401	-	-	746,401
Construction	4,413,232	-	-	4,413,232
Physical plant and equipment levy	-	-	934,854	934,854
Unassigned	-	(179,125)	-	(179,125)
<b>Total fund balances</b>	<b>5,159,633</b>	<b>(179,125)</b>	<b>934,854</b>	<b>5,915,362</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,159,633</b>	<b>-</b>	<b>1,820,729</b>	<b>6,980,362</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Capital Projects Construction	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ 2,337,314	-	793,164	3,130,478
Other	760	638	-	1,398
State sources	-	-	312	312
Total revenues	<u>2,338,074</u>	<u>638</u>	<u>793,476</u>	<u>3,132,188</u>
EXPENDITURES:				
Current:				
Support services:				
Transportation	-	-	170,380	170,380
Other expenditures:				
Facilities acquisitions	-	179,763	236,810	416,573
Total expenditures	<u>-</u>	<u>179,763</u>	<u>407,190</u>	<u>586,953</u>
Excess(deficiency)of revenues over(under) expenditures	2,338,074	(179,125)	386,286	2,545,235
Other financing sources(uses):				
Transfers in	-	1,486,845	-	1,486,845
Transfers out	(4,561,752)	-	(1,205,117)	(5,766,869)
Proceeds sale of revenue bonds	6,245,000	-	-	6,245,000
Premium on sale of revenue bonds	44,612	-	-	44,612
Discount on sale of revenue bonds	(35,148)	-	-	(35,148)
Total other financing uses	<u>1,692,712</u>	<u>1,486,845</u>	<u>(1,205,117) -</u>	<u>1,974,440</u>
Net change in fund balances	4,030,786	1,307,720	(818,831)	4,519,675
Fund balance beginning of year, as restated	<u>1,128,847</u>	<u>(1,486,845)</u>	<u>1,753,685</u>	<u>1,395,687</u>
Fund balance end of year	<u>\$ 5,159,633</u>	<u>(179,125)</u>	<u>934,854</u>	<u>5,915,362</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Lewis  
Central

LEWIS CENTRAL 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	Balance End of Year
GENERAL ACTIVITIES	\$ (698)	62,425	61,627	100
INTEREST	-	-	97	(97)
HAWKEYE 10 CONFERENCE	4,565	6,211	5,734	5,042
DRAMA	(1,504)	23,974	23,562	(1,092)
SPEECH	-	4,093	4,093	-
VOCAL MUSIC	7,905	46,813	51,475	3,243
BAND	38,111	152,373	193,112	(2,628)
BOYS/GIRLS CROSS COUNTY	(151)	5,511	5,360	-
BOYS BASKETBALL	(1,347)	17,714	14,893	1,474
FOOTBALL	-	24,408	24,408	-
BOYS SOCCER	(1,320)	3,891	2,525	46
BASEBALL	(3,340)	13,141	9,315	486
BOYS TRACK	(6,776)	5,889	4,676	(5,563)
BOYS TENNIS	-	707	707	-
BOYS GOLF	-	2,992	2,672	320
BOYS SWIM	-	6,417	6,267	150
WRESTLING	(12,099)	21,201	21,464	(12,362)
GIRLS BASKETBALL	(3,715)	18,046	14,331	-
VOLLEYBALL	-	15,906	15,906	-
GIRLS SOCCER	446	8,002	5,458	2,990
SOFTBALL	(7,069)	12,264	5,367	(172)
GIRLS TRACK	(1,307)	10,172	8,865	-
GIRLS TENNIS	-	2,019	2,019	-
GIRLS GOLF	-	1,780	1,780	-
GIRLS SWIM	-	7,639	7,639	-
GIRLS BOWLING	-	160	160	-
FUTURE BUSINESS LEADERS	753	14,193	14,946	-
ART CLUB	1,985	365	945	1,405
DRAMA CLUB	1,892	120	273	1,739
COOKING FOR A CAUSE	116	88	31	173
SKILLS USA	220	4,005	4,225	-
BOYS BOWLING	-	57	57	-
SPECIAL OLYMPICS	72	1,100	996	176
CLASS OF 2010	(360)	360	-	-
CLASS OF 2011	368	295	566	97
CLASS OF 2012	20	5,818	5,838	-
CLASS OF 2013	-	88	-	88
CLASS OF 2014	-	25	-	25
STUDENT COUNCIL	1,587	6,888	6,479	1,996
NATIONAL HONOR SOCIETY	645	1,369	1,894	120
CHEERLEADERS	(2,594)	25,528	27,397	(4,463)
DANCE TEAM	(26,344)	51,243	35,204	(10,305)
YEARBOOK	(3,264)	29,950	26,393	293

LEWIS CENTRAL 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	Balance End of Year
HS SCHOLASTICS	-	775	775	-
TITAN HILL STUDENT COUNCIL	775	3,275	1,701	2,349
MS VOCAL	4,017	6,797	8,715	2,099
MS BAND	12,032	12,046	14,749	9,329
MS STUDENT COUNCIL	2,831	2,021	2,036	2,816
MS LEADERSHIP	63	4,687	4,521	229
MS YEARBOOK	2,646	3,192	2,724	3,114
MS SCHOLASTICS	7,657	5,805	8,915	4,547
TOTAL	\$ 16,818	653,838	662,892	7,764

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2011

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b><u>KREFT POP TEACHERS' LOUNGE</u></b>				
<b>ASSETS</b>				
Cash and pooled investments	\$ 152	736	1,030	(142)
<b>LIABILITIES</b>				
Due to other groups	\$ 152	736	1,030	(142)
<b><u>TITAN HILL TEACHERS</u></b>				
<b>ASSETS</b>				
Cash and pooled investments	\$ 4,811	1,717	1,950	4,578
<b>LIABILITIES</b>				
Due to other groups	\$ 4,811	1,717	1,950	4,578
<b><u>ADMINISTRATION POP</u></b>				
<b>ASSETS</b>				
Cash and pooled investments	\$ 183	463	377	269
<b>LIABILITIES</b>				
Due to other groups	\$ 183	463	377	269
<b><u>MS POP - TEACHERS' LOUNGE</u></b>				
<b>ASSETS</b>				
Cash and pooled investments	\$ (1,066)	1,524	1,790	(1,332)
Due from other groups	1,066	-	1,066	-
	\$ -	1,524	2,856	(1,332)
<b>LIABILITIES</b>				
Due to other groups	\$ -	1,524	2,856	(1,332)
<b><u>HS POP TEACHERS' LOUNGE</u></b>				
<b>ASSETS</b>				
Cash and pooled investments	\$ 1,206	2,568	2,140	1,634
<b>LIABILITIES</b>				
Due to other groups	\$ 1,206	2,568	2,140	1,634
<b><u>TOTALS - ALL AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Cash and pooled investments	\$ 5,286	7,008	7,287	5,007
Due from other groups	1,066	-	1,066	-
	\$ 6,352	7,008	8,353	5,007
<b>LIABILITIES</b>				
Due to other groups	\$ 6,352	7,008	8,353	5,007

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis			
	Years Ended June 30,			
	2011	2010	2009	2008
Revenues:				
Local sources:				
Local tax	\$ 15,112,648	14,716,951	13,802,617	12,012,734
Tuition	3,656,997	3,152,468	2,819,686	2,567,375
Other	999,147	1,208,945	1,317,317	1,192,676
Intermediate sources	240,387	88,783	166,974	155,608
State sources	11,854,021	10,434,266	12,117,377	11,714,131
Federal sources	1,246,019	2,593,764	912,784	664,848
<b>Total</b>	<b>\$ 33,109,219</b>	<b>32,195,177</b>	<b>31,136,755</b>	<b>28,307,372</b>
Expenditures:				
Instruction:				
Regular	\$ 12,802,697	11,981,129	11,913,549	10,939,785
Special	3,534,639	3,311,190	3,086,613	2,596,845
Other	3,114,119	3,063,055	2,792,197	2,661,627
Support services:				
Student	464,990	463,517	460,292	435,588
Instructional staff	1,279,064	1,114,783	1,005,186	974,157
Administration	2,015,080	2,024,289	1,993,944	1,927,754
Operation and maintenance of plant	2,652,273	2,695,102	2,769,184	2,666,353
Transportation	1,176,629	971,402	1,151,551	996,484
Central support	-	-	-	-
Other	-	-	-	-
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisitions	416,573	1,455,493	3,887,700	1,554,747
Long-term debt:				
Principal	2,875,303	2,733,202	2,544,629	10,774,622
Interest and other charges	714,329	708,903	811,659	941,840
AEA flow-through	1,076,998	1,030,352	911,024	826,825
<b>Total</b>	<b>\$ 32,122,694</b>	<b>31,552,417</b>	<b>33,327,528</b>	<b>37,296,627</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Modified Accrual Basis					
Years Ended June 30,					
2007	2006	2005	2004	2003	2002
11,416,213	10,665,011	9,892,986	9,932,264	8,976,353	7,127,180
2,302,170	1,938,746	1,667,730	1,548,902	1,706,042	1,478,100
1,420,977	1,110,593	1,118,611	1,153,242	1,014,990	1,435,641
239,875	229,093	29,414	-	-	-
11,333,633	10,367,675	9,871,889	9,457,349	10,036,094	10,230,093
740,545	653,052	1,102,874	969,969	573,316	474,531
27,453,413	24,964,170	23,683,504	23,061,726	22,306,795	20,745,545
10,366,844	9,156,257	8,487,424	8,424,639	8,670,491	8,716,492
2,635,120	2,700,906	3,281,264	3,116,389	3,401,001	3,131,051
2,486,610	2,468,092	1,738,843	1,338,342	1,250,653	1,433,126
486,726	393,108	526,486	450,984	386,518	343,937
1,023,152	893,911	525,140	701,737	565,228	568,553
1,717,968	1,580,310	1,516,607	1,352,365	1,338,687	1,314,020
2,741,455	2,437,330	1,943,172	1,874,668	1,983,347	1,870,437
802,189	1,190,886	588,283	907,846	521,840	846,675
-	-	-	-	33,673	58,599
-	-	84,200	74,274	19,300	16,384
-	-	2,500	22,103	25,922	17,441
4,874,272	673,836	1,486,759	4,447,789	3,944,926	4,196,057
2,385,183	837,926	789,871	765,068	671,903	595,000
1,044,697	921,368	731,160	749,588	779,714	793,674
801,445	716,983	678,959	685,810	734,742	734,795
31,365,661	23,970,913	22,380,668	24,911,602	24,327,945	24,636,241

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

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 11	\$ 613,900 *
SCHOOL BREAKFAST PROGRAM	10.553	FY 11	<u>131,177</u>
			<u>745,077</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I, PART A CLUSTER:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	3465-G	303,209
TITLE I SCHOOLS IN NEED OF IMPROVEMENT	84.010	FY 11	5,750
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	<u>64,545</u>
			<u>373,504</u>
IMPROVING TEACHER QUALITY STATE GRANTS (TITLE IIA)	84.367	FY 11	<u>90,804</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI A)	84.369	FY 11	<u>19,754</u>
ARRA STABILIZATION CLUSTER:			
STATE FISCAL STABILIZATION FUND(SFSF)			
EDUCATION STATE GRANTS, RECOVERY ACT	84.394	FY 11	135,372
STATE FISCAL STABILIZATION FUND(SFSF)	84.397	FY 11	<u>120,746</u>
EDUCATION STATE GRANTS, RECOVERY ACT			<u>256,118</u>
EDUCATION JOBS FUND	84.410	FY 11	<u>129,180</u>
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC			
GRANTS TO STATES	84.048	FY 11	<u>20,193</u>
SPECIAL EDUCATION CLUSTER (IDEA):			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 11	153,774
SPECIAL EDUCATION - GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 11	<u>19,618</u>
			<u>173,392</u>
DEPARTMENT OF HOMELAND SECURITY:			
IOWA HOMELAND SECURITY AND EMERGENCY MANAGEMENT			
DISASTER GRANTS - PUBLIC ASSISTANCE (PRESIDENTALLY DECLARED DISASTERS)	97.036	FY 11	<u>2,449</u>
TOTAL			<u>\$ 1,810,471</u>

\* -Includes \$66,099 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lewis Central Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 28, 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 Lewis Central Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Lewis Central Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lewis Central Community School District's internal control over financial reporting.

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

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

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned costs as items II-B-11 and II-C-11 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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.

Lewis Central Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Lewis Central Community School District's responses and, accordingly, we express no opinion on them.

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 28, 2012

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
**(a professional corporation)**  
117 West 3rd Street North, Newton, Iowa 50208-3050  
Telephone (641) 792-1910

Independent Auditor's Report on Compliance  
with Requirements 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  
Lewis Central Community School District

Compliance

We have audited the compliance of Lewis Central Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2011. Lewis Central Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Lewis Central Community School District's management. Our responsibility is to express an opinion on Lewis Central Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lewis Central Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lewis Central Community School District's compliance with those requirements.

In our opinion, Lewis Central Community School District complied, in all material respects, with the requirements referred to above that 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 Lewis Central Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Lewis Central Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lewis Central Community School District's internal control over compliance.

Members American Institute & Iowa Society of Certified Public Accountants

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

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

Lewis Central Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Lewis Central Community School District's responses and, accordingly, we express no opinion on them.

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 28, 2012

LEWIS CENTRAL 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) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weaknesses in internal control over the major programs was noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:

Clustered Programs:

Nutrition Cluster

CFDA Number 10.555 - National School Lunch Program

CFDA Number 10.556 - School Breakfast Program

Title I Cluster

CFDA Number 84.010 - Title I Grants to Local Educational Agencies

CFDA Number 84.389 - ARRA - Title I Grants to Local Educational Agencies

- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Lewis Central Community School District did not qualified as a low-risk auditee.

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and deprecation of capital assets are all pieces which the accounting personnel are expected to complete. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Data Team, which helps in providing instruction as well as promotes networking of other accounting personnel. The District's records required numerous end of year adjustments. There were no end of year adjustments made to the Nutrition Fund to convert the financial statements to GAAP basis.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every district. The necessity of the numerous adjustments for the financial statements may indicate that additional training is necessary for the accounting personnel. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements. The District may need to consider adding additional staff. There does not seem to be enough staff in the office to perform all the accountings functions effectively.

Response - The District will continue to send their accounting staff to end-of-year training in an effort to provide more reliable financial statements. The District hired a bookkeeper with Iowa School Finance experience to assist with accounting tasks in the Business Office.

Conclusion - Response accepted.

II-B-11 Gate Receipts - We noted that the District does not have ticket takers at athletic events reconcile the tickets sold to cash collected prior to handing the money over to administrators to be deposited.

Recommendation -The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to the individuals involved. The Board would of course, approve any policies that the District's business office should be involved in developing the detailed procedures. At a minimum the procedures should be:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number, times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the "accounting" function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The District will implement procedures as outlined by Nolte, Cornman & Johnson.

Conclusion - Response accepted.

II-C-11 Inappropriate Revenue Coding - We noted that the District receipted FEMA and bus insurance proceeds into the Management Fund. The corresponding expenses were paid out of the General Fund.

Recommendation -The revenue should be recorded in the fund that will be paying for the repair or damages. The bus insurance proceeds of \$1,428.62 and the FEMA claims of \$2,666.45 are being adjusted to the general fund. The deductible for the claims may also be transferred from management to the appropriate fund.

Response - The District will continue to become more familiar with accounts for proper coding.

Conclusion - Response accepted.

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 84.010: Title I Grants to Local Educational Agencies  
CFDA Number 84.389: ARRA - Title I Grants to Local Educational Agencies  
Federal Award Year: 2011  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-11 Reliable Financial Statements - Iowa School Districts are required to record the financial records on a GAAP Basis of Accounting. The financial records are normally converted at year end, after a year of cash based records. The recognition of receivables, payables, inventory, long-term debt recognition and depreciation of capital assets are all pieces which the accounting personnel are expected to complete. The individuals performing the accounting function needs to be well trained in all areas to be effective in completing the Certified Annual Report. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Data Team, which helps in providing instruction as well as promotes networking of other accounting personnel. The District's records required numerous end of year adjustments. There were no end of year adjustments made to the Nutrition Fund to convert the financial statements to GAAP basis.

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

training in an effort to provide more reliable financial statements. The District may need to consider adding additional staff. There does not seem to be enough staff in the office to perform all the accountings functions effectively.

Response - The District will continue to send their accounting staff to end-of-year training in an effort to provide more reliable financial statements. The District hired a bookkeeper with Iowa School Finance experience to assist with accounting tasks in the Business Office.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget - District disbursements for the year ended June 30, 2011 exceeded the amount budgeted in the other expenditures functional area.

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

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

Conclusion - Response accepted.

IV-B-11 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-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 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 deposit 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 and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. 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		\$	1,128,847
Revenues:			
Sales tax revenues	\$	2,337,314	
Other local revenue		760	
Sale of Longterm debt		6,254,464	
			<u>8,592,538</u>
			9,721,385
Expenditures/transfers out:			
Transfers to other funds:			
Debt service fund	\$	4,219,907	
Other transfers		341,845	
			<u>4,561,752</u>
Ending balance		\$	<u>5,159,633</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 Financial Condition - The District had eight deficit student account balances in the Special Revenue, Student Activity Fund at year end totaling \$36,682. The District had deficit unassigned fund balance in the Capital Projects: Construction Projects Fund of \$179,125. The District had deficit unrestricted net assets in the Enterprise: Swimming Pool Fund of \$2,160.

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

Response - The Business Manager for the District will continue to work with the staff of the Activities Department to ensure continued monitoring of the deficit accounts as well as options to eliminate the deficit.

Conclusion - Response accepted.

IV-N-11 Interfund Loans - We noted during our audit that the District has interfund loans which were on the balance sheets in the prior year and still on the current year balance sheets. As of June 30, 2011, the Enterprise, School Nutrition Fund owes the General fund \$11,821.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's yearend financial statements must be repaid to their respective funds on or before October 1<sup>st</sup> of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District should seek external borrowing to repay the loan.

Recommendation - The District should repay the loan or comply with the declaratory ruling and issue anticipatory warrants to repay the interfund loans.

Response - The Enterprise, School Nutrition Fund will repay the loan to the General Fund.

Conclusion - Response accepted.