

CENTRAL LEE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis		7-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenditures and Changes in Fund Net Assets	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	27
Statement of Changes in Fiduciary Net Assets	K	28-34
Notes to Financial Statements		27-39
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		42
Notes to Required Supplementary Information - Budgetary Reporting		43
Schedule of Funding Progress for the Retiree Health Plan		44
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	46
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	47
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	48-49
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	50
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>		51-52
Schedule of Findings		53-56

Central Lee Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education**

**(Before September 2011 Election)**

Robert Bryant	President	2011
Larry Engler	Vice President	2011
John Johnson	Board Member (Resigned December 2010)	2013
Kim Miller	Board Member (Appointed January 2011)	2011
Robert Galle	Board Member	2011
Verna Brunstein	Board Member	2013

**(After September 2011 Election)**

Robert Bryant	President	2015
Verna Brunstein	Vice President	2013
Kim Miller	Board Member	2013
Robert Galle	Board Member	2015
Larry Engler	Board Member	2015

**School Officials**

John Henriksen	Superintendent	2012
Sandra Meierotto	Board Secretary	2012
Rose Bergman	Board Treasurer	2012
Gruhn Law Firm	Attorney	2012
James Miller	Attorney	2012

CENTRAL LEE COMMUNITY SCHOOL DISTRICT

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

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Central Lee Community School District, Donnellson, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Central Lee Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2013 on our consideration of the Central Lee Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the

basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central Lee Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

January 31, 2013

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

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Central Lee Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$9,336,689 in fiscal 2011 to \$9,451,919 in fiscal 2012, while General Fund expenditures also increased from \$8,826,012 in fiscal 2011 to \$9,155,029 in fiscal 2012. As result, the District's General Fund balance increased from \$1,371,458 in fiscal 2011 to \$1,668,348 in fiscal 2012, representing an increase of 21.65%.
- The increase in General Fund revenues was mainly attributable to increases in local revenues in fiscal 2012. The increase in expenditures was distributed rather evenly among the various functional areas.
- The District's solvency ratio (unassigned fund balance/general fund revenues) increased from 12.59% in fiscal year 2011 to 15.41% for fiscal 2012. The State School Budget Review Committee recommends a solvency ratio between 5% - 10%.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

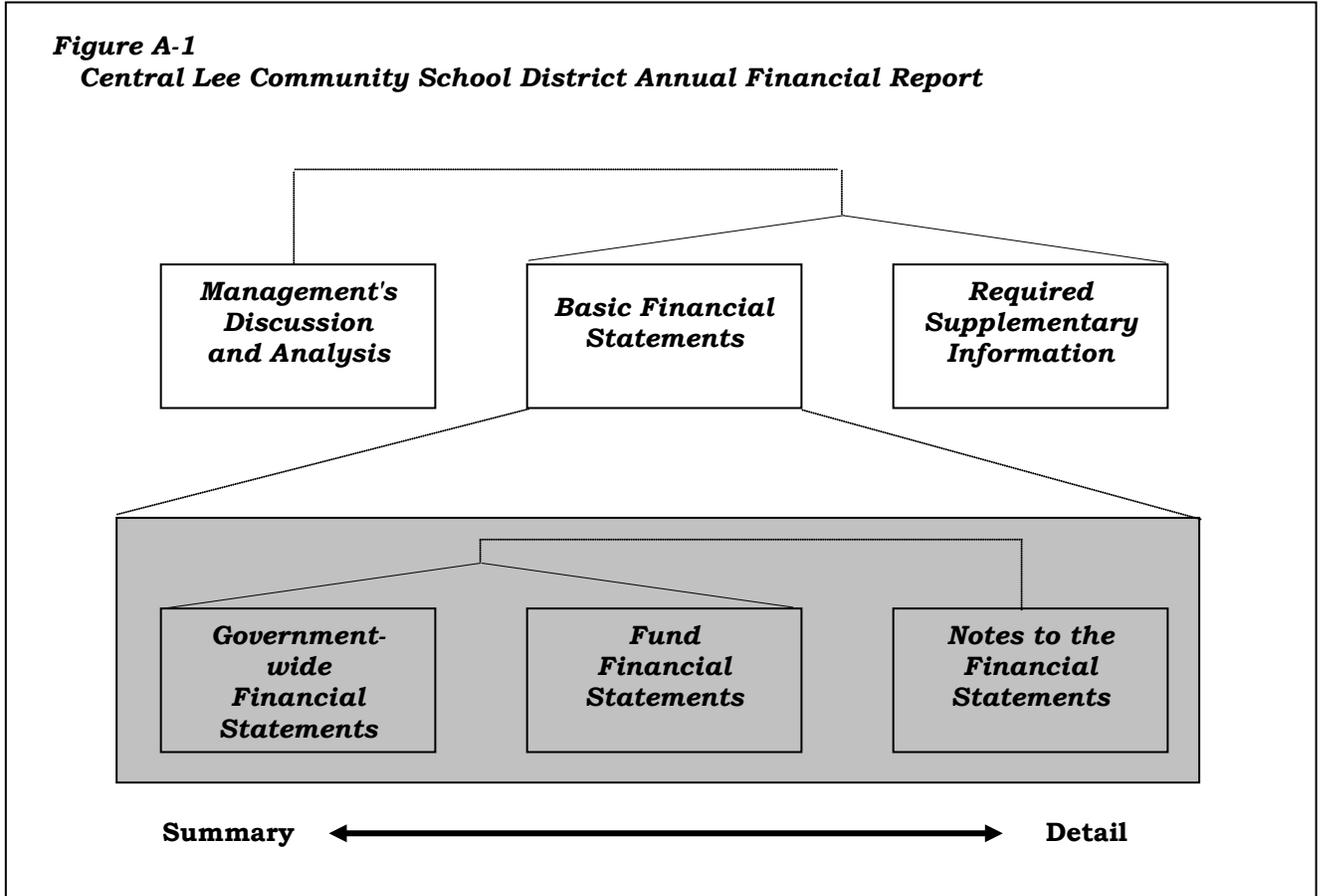


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

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

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

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

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

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

### **Fund Financial Statements**

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

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

The District has two kinds of funds:

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's total net assets at June 30, 2012 compared to June 30, 2011.

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 6,839,476	6,644,684	21,936	26,317	6,861,412	6,671,001	2.85%
Capital assets	7,059,771	7,244,883	34,648	38,047	7,094,419	7,282,930	-2.59%
Total assets	<u>13,899,247</u>	<u>13,889,567</u>	<u>56,584</u>	<u>64,364</u>	<u>13,955,831</u>	<u>13,953,931</u>	<u>0.01%</u>
Long-term liabilities	1,026,096	1,467,590	-	-	1,026,096	1,467,590	-30.08%
Other liabilities	4,090,703	3,866,174	4,857	2,897	4,095,560	3,869,071	5.85%
Total liabilities	<u>5,116,799</u>	<u>5,333,764</u>	<u>4,857</u>	<u>2,897</u>	<u>5,121,656</u>	<u>5,336,661</u>	<u>-4.03%</u>
Net assets:							
Invested in capital assets, net of related debt	6,079,790	5,940,629	34,648	38,047	6,114,438	5,978,676	2.27%
Restricted	863,932	1,210,800	-	-	863,932	1,210,800	-28.65%
Unrestricted	1,838,726	1,404,374	17,079	23,420	1,855,805	1,427,794	29.98%
Total net assets	<u>\$ 8,782,448</u>	<u>8,555,803</u>	<u>51,727</u>	<u>61,467</u>	<u>8,834,175</u>	<u>8,617,270</u>	<u>2.52%</u>

The District's combined net assets increased by \$216,905 or 2.52% from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$346,868 or 28.65% from the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$428,011 or 29.98%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 2,001,267	1,534,285	173,120	176,126	2,174,387	1,710,411	27.13%
Operating grants and contributions and restricted interest	594,637	1,325,013	222,982	208,690	817,619	1,533,703	-46.69%
Capital grants and contributions and restricted interest	-	-	5,403	-	5,403	-	100.00%
General revenues:							
Property tax	2,733,095	2,635,883	-	-	2,733,095	2,635,883	3.69%
Income surtax	327,109	353,182	-	-	327,109	353,182	-7.38%
Statewide sales, service and use tax	720,008	657,899	-	-	720,008	657,899	9.44%
Unrestricted state grants	4,265,234	3,675,827	-	-	4,265,234	3,675,827	16.03%
Nonspecific program federal revenues	2,553	258,402	-	-	2,553	258,402	-99.01%
Unrestricted investment earnings	10,312	13,606	133	151	10,445	13,757	-24.08%
Other	37,047	54,968	242	3,627	37,289	58,595	-36.36%
Total revenues and transfers	10,691,262	10,509,065	401,880	388,594	11,093,142	10,897,659	1.79%
Program expenses:							
Governmental activities:							
Instructional	6,872,882	6,280,031	-	-	6,872,882	6,280,031	9.44%
Support services	2,916,499	2,676,155	1,853	1,760	2,918,352	2,677,915	8.98%
Non-instructional programs	4,398	-	409,767	395,709	414,165	395,709	4.66%
Other expenses	670,838	716,592	-	-	670,838	716,592	-6.38%
Total expenses	10,464,617	9,672,778	411,620	397,469	10,876,237	10,070,247	8.00%
Change in net assets	226,645	836,287	(9,740)	(8,875)	216,905	827,412	-73.79%
Net assets beginning of year	8,555,803	7,719,516	61,467	70,342	8,617,270	7,789,858	10.62%
Net assets end of year	\$ 8,782,448	8,555,803	51,727	61,467	8,834,175	8,617,270	2.52%

In fiscal 2012, property tax, income surtax, statewide sales, service and use tax and unrestricted state grants account for 75.25% of the revenue from governmental activities while charges for services and operating grants and contributions account for 98.56% of the revenue from business type activities.

The District's total revenues were approximately \$11.09 million, of which approximately \$10.69 million was for governmental activities and approximately \$0.40 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 1.79% in revenues and an increase of 8.00% in expenses. Property tax increased \$97,212 and unrestricted state grants increased \$589,407 to help fund expenditures.

## Governmental Activities

Revenues for governmental activities were \$10,691,262 and expenses were \$10,464,617 for the year ended June 30, 2012.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2012 compared to the year ended June 30, 2011.

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-12	2012	2011	Change 2011-12
Instruction	\$ 6,872,882	6,280,031	9.44%	4,594,156	3,859,999	19.02%
Support services	2,916,499	2,676,155	8.98%	2,910,580	2,587,893	12.47%
Non-instructional	4,398	-	100.00%	4,398	-	100.00%
Other expenses	670,838	716,592	-6.38%	359,579	365,588	-1.64%
Totals	\$ 10,464,617	9,672,778	8.19%	7,868,713	6,813,480	15.49%

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$2,001,267.
- Federal and state governments as well as residents of the District subsidized certain programs with grants and contributions totaling \$594,637.
- The net cost of governmental activities was financed with \$2,733,095 in property tax, \$327,109 in income surtax, \$720,008 in statewide sales, services and use tax, \$4,265,234 in unrestricted state grants, \$2,553 in nonspecific program federal revenues, \$10,312 in investment interest and \$37,047 in other revenue.

## Business Type Activities

Revenues of the District's business type activities were \$401,880 and expenses were \$411,620. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$2,366,881, below last year's ending fund balances of a \$2,435,649. The primary reasons for the decrease in combined fund balances is the decrease in fund balance for the Capital Projects Fund and Debt Service Fund.

## Governmental Fund Highlights

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

- 
- The General Fund balance increased from \$1,371,458 to \$1,668,348, due in part to an increase in revenue from local sources.
  - The Capital Projects Fund balance decreased from a balance of \$493,400 at the beginning of fiscal year 2012 to \$320,961 at the end of fiscal year 2012. The decline in fund balance was due in part to an increase in capital outlay expenditures.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$61,467 at June 30, 2011 to \$51,727 at June 30, 2012, representing a decrease of approximately 15.85%.

### **BUDGETARY HIGHLIGHTS**

The District's revenues were \$250,460 less than budgeted revenues, a variance of approximately 2.21%. The most significant dollar variance resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs and other expenditures functional areas.

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

#### **Capital Assets**

At June 30, 2012, the District had invested \$7,094,419, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2.59% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$549,206.

The original cost of the District's capital assets was \$14,449,363. Governmental funds account for \$14,221,372, with the remainder of \$227,991 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$870,688 at June 30, 2012, compared to \$696,324 at June 30, 2011. The increase in machinery and equipment is due to the addition of computers, computer equipment, a new scoreboard, and a new bus.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 203,592	203,592	-	-	203,592	203,592	0.00%
Buildings	5,558,704	5,948,442	-	-	5,558,704	5,948,442	-6.55%
Improvements other than buildings	461,435	434,572	-	-	461,435	434,572	6.18%
Machinery and equipment	836,040	658,277	34,648	38,047	870,688	696,324	25.04%
Total	\$ 7,059,771	7,244,883	34,648	38,047	7,094,419	7,282,930	-2.59%

### Long-Term Debt

At June 30, 2012, the District had long-term debt outstanding of \$1,026,096 in total long-term debt outstanding. This was a 30.08% decrease from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

At June 30, 2012, the District had outstanding revenue bonds of \$705,000 of revenue bonds issued in the fiscal 2009 year for the geothermal project.

At June 30, 2012, the District had a computer lease payable of \$243,696 that will be paid from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had a land contract payable of \$31,285 that is also payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had total outstanding Early Retirement payable from the Special Revenue, Management Levy Fund of \$46,115 at June 30, 2012.

Figure A-7  
Outstanding Long-Term Obligations

	Total District		Total Change
	June 30,		June 30,
	2012	2011	2011-12
Revenue Bonds	\$ 705,000	1,130,000	-37.61%
Bus Lease	-	79,845	-100.00%
Computer Lease	243,696	49,197	395.35%
Land Contract	31,285	45,212	-30.80%
Early Retirement	46,115	163,336	-71.77%
Totals	\$ 1,026,096	1,467,590	-30.08%

### FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Challenging economic times combined with rising costs for goods and services has forced the District to explore all opportunities to reduce expenditures and/or increase revenues.

- 
- The District also continues to make fiscal adjustments in order to match enrollment and uncertain allowable growth.

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

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

BASIC FINANCIAL STATEMENTS

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 3,030,234	13,383	3,043,617
Receivables:			
Property tax:			
Delinquent	38,746	-	38,746
Succeeding year	2,848,152	-	2,848,152
Income surtax	329,049	-	329,049
Accounts	1,250	-	1,250
Due from other governments	536,915	-	536,915
Inventories	-	8,553	8,553
Capital assets, net of accumulated depreciation	7,059,771	34,648	7,094,419
Net OPEB asset	55,130	-	55,130
<b>Total assets</b>	<b>13,899,247</b>	<b>56,584</b>	<b>13,955,831</b>
<b>Liabilities</b>			
Accounts payable	344,660	-	344,660
Interest payable	2,287	-	2,287
Salaries and benefits payable	895,604	-	895,604
Deferred revenue:			
Succeeding year property tax	2,848,152	-	2,848,152
Unearned revenue	-	4,857	4,857
Long-term liabilities:			
Portion due within one year:			
Computer lease payable	39,764	-	39,764
Land contract payable	15,041	-	15,041
Early retirement payable	46,115	-	46,115
Portion due after one year:			
Revenue bonds payable	705,000	-	705,000
Computer lease payable	203,932	-	203,932
Land contract payable	16,244	-	16,244
<b>Total liabilities</b>	<b>5,116,799</b>	<b>4,857</b>	<b>5,121,656</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	6,079,790	34,648	6,114,438
Restricted for:			
Catergorical funding	211,514	-	211,514
Debt service	145,634	-	145,634
Management levy purposes	70,080	-	70,080
Student activities	161,858	-	161,858
School infrastructure	320,961	-	320,961
Unreserved	1,792,611	17,079	1,809,690
<b>Total net assets</b>	<b>\$ 8,782,448</b>	<b>51,727</b>	<b>8,834,175</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges	Contributions	Capital Grants,	Govern- mental Activities	Business Type Activities	Total
		for Services	and Restricted Interest	and Restricted Interest			
Functions/Programs							
Governmental activities:							
Instruction:							
Regular	\$ 4,444,726	1,409,171	65,459	-	(2,970,096)	-	(2,970,096)
Special	1,377,642	279,278	81,692	-	(1,016,672)	-	(1,016,672)
Other	1,050,514	312,818	130,308	-	(607,388)	-	(607,388)
	<u>6,872,882</u>	<u>2,001,267</u>	<u>277,459</u>	<u>-</u>	<u>(4,594,156)</u>	<u>-</u>	<u>(4,594,156)</u>
Support services:							
Student	283,752	-	-	-	(283,752)	-	(283,752)
Instructional staff	180,374	-	-	-	(180,374)	-	(180,374)
Administration	1,035,568	-	-	-	(1,035,568)	-	(1,035,568)
Operation and maintenance of plant	730,922	-	-	-	(730,922)	-	(730,922)
Transportation	685,883	-	5,919	-	(679,964)	-	(679,964)
	<u>2,916,499</u>	<u>-</u>	<u>5,919</u>	<u>-</u>	<u>(2,910,580)</u>	<u>-</u>	<u>(2,910,580)</u>
Non-instructional programs	4,398	-	-	-	(4,398)	-	(4,398)
Long-term debt interest	46,905	-	-	-	(46,905)	-	(46,905)
Other expenditures:							
AEA flowthrough	311,259	-	311,259	-	-	-	-
Depreciation(unallocated)*	312,674	-	-	-	(312,674)	-	(312,674)
	<u>623,933</u>	<u>-</u>	<u>311,259</u>	<u>-</u>	<u>(312,674)</u>	<u>-</u>	<u>(312,674)</u>
Total governmental activities	10,464,617	2,001,267	594,637	-	(7,868,713)	-	(7,868,713)
Business Type activities:							
Support services:							
Operation and maintenance of plant	1,853	-	-	-	-	(1,853)	(1,853)
Non-instructional programs:							
Food service operations	409,767	173,120	222,982	5,403	-	(8,262)	(8,262)
Total business type activities	<u>411,620</u>	<u>173,120</u>	<u>222,982</u>	<u>5,403</u>	<u>-</u>	<u>(10,115)</u>	<u>(10,115)</u>
Total	<u>\$ 10,876,237</u>	<u>2,174,387</u>	<u>817,619</u>	<u>5,403</u>	<u>(7,868,713)</u>	<u>(10,115)</u>	<u>(7,878,828)</u>
<b>General Revenues:</b>							
Property tax levied for:							
General purposes				\$ 2,733,095	-	2,733,095	
Income surtax				327,109	-	327,109	
Statewide sales, services and use tax				720,008	-	720,008	
Unrestricted state grants				4,265,234	-	4,265,234	
Nonspecific program federal revenues				2,553	-	2,553	
Unrestricted investment earnings				10,312	133	10,445	
Other				37,047	242	37,289	
Total general revenues				<u>8,095,358</u>	<u>375</u>	<u>8,095,733</u>	
Changes in net assets				226,645	(9,740)	216,905	
Net assets beginning of year				8,555,803	61,467	8,617,270	
Net assets end of year				<u>\$ 8,782,448</u>	<u>51,727</u>	<u>8,834,175</u>	

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

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	Capital			Total
	General	Projects	Nonmajor	
<b>Assets</b>				
Cash and cash equivalents	\$ 2,210,304	207,982	611,948	3,030,234
Receivables:				
Property tax:				
Delinquent	35,266	-	3,480	38,746
Succeeding year	2,603,152	-	245,000	2,848,152
Income surtax	329,049	-	-	329,049
Accounts	-	-	1,250	1,250
Due from other governments	423,936	112,979	-	536,915
<b>Total assets</b>	<b>\$ 5,601,707</b>	<b>320,961</b>	<b>861,678</b>	<b>6,784,346</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 105,554	-	239,106	344,660
Salaries and benefits payable	895,604	-	-	895,604
Deferred revenue:				
Succeeding year property tax	2,603,152	-	245,000	2,848,152
Income surtax	329,049	-	-	329,049
Total liabilities	<b>3,933,359</b>	<b>-</b>	<b>484,106</b>	<b>4,417,465</b>
Fund balances:				
Restricted for:				
Categorical funding	211,514	-	-	211,514
Debt service	-	-	145,634	145,634
Management levy purposes	-	-	70,080	70,080
Student activities	-	-	161,858	161,858
School infrastructure	-	320,961	-	320,961
Unassigned	1,456,834	-	-	1,456,834
Total fund balances	<b>1,668,348</b>	<b>320,961</b>	<b>377,572</b>	<b>2,366,881</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,601,707</b>	<b>320,961</b>	<b>861,678</b>	<b>6,784,346</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2012

**Total fund balances of governmental funds(page 20)** \$ 2,366,881

***Amounts reported for governmental activities in the  
 Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds. 7,059,771

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. (2,287)

Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period. 329,049

Other postemployment benefit assets, are not yet available to finance expenditures of the current fiscal period. 55,130

Long-term liabilities, including revenue bonds payable, computer lease payable, land contract payable, and early retirement payable are not due and payable in the current period and, therefore, are not reported in the governmental funds. (1,026,096)

**Net assets of governmental activities(page 18)** \$ 8,782,448

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,817,376	720,008	245,477	3,782,861
Tuition	1,658,995	-	-	1,658,995
Other	129,177	658	278,779	408,614
State sources	4,596,338	-	-	4,596,338
Federal sources	247,103	-	-	247,103
Total revenues	9,448,989	720,666	524,256	10,693,911
Expenditures:				
Current:				
Instruction:				
Regular	4,294,527	-	147,691	4,442,218
Special	1,286,346	-	-	1,286,346
Other	751,978	-	264,357	1,016,335
	6,332,851	-	412,048	6,744,899
Support services:				
Student	279,703	-	-	279,703
Instructional staff	167,681	-	-	167,681
Administration	924,802	-	-	924,802
Operation and maintenance of plant	608,937	-	78,236	687,173
Transportation	529,796	110,858	2,310	642,964
	2,510,919	110,858	80,546	2,702,323
Non-instructional programs	-	4,398	-	4,398
Capital outlay	-	607,686	-	607,686
Long-term debt:				
Principal	-	-	634,543	634,543
Interest and fiscal charges	-	-	73,584	73,584
	-	-	708,127	708,127
Other expenditures:				
AEA flowthrough	311,259	-	-	311,259
Total expenditures	9,155,029	722,942	1,200,721	11,078,692
Excess(deficiency)of revenues over(under)expenditures	293,960	(2,276)	(676,465)	(384,781)
Other financing sources(uses):				
Transfers in	-	-	480,433	480,433
Transfers out	-	(480,433)	-	(480,433)
Lease proceeds	-	310,270	-	310,270
Sale of equipment	2,930	-	2,813	5,743
Total other financing sources(uses)	2,930	(170,163)	483,246	316,013
Net change in fund balances	296,890	(172,439)	(193,219)	(68,768)
Fund balances beginning of year	1,371,458	493,400	570,791	2,435,649
Fund balances end of year	\$ 1,668,348	320,961	377,572	2,366,881

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds(page 22) \$ (68,768)

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

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

Expenditures for capital assets	\$ 531,039	
Depreciation expense	(545,352)	
Loss on disposal of assets	(170,799)	(185,112)

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. 324,273

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. 26,679

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (2,649)

Other postemployment benefit assets are not available to finance expenditures of the current year period in the governmental funds. 15,001

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

Early retirement		117,221
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**Change in net assets of governmental activities(page 19) \$ 226,645**

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2012

	School Nutrition
<b>Assets</b>	
Cash and cash equivalents	\$ 13,383
Inventories	8,553
Capital assets, net of accumulated depreciation	34,648
<b>Total assets</b>	<b>56,584</b>
 <b>Liabilities</b>	
Unearned revenue	4,857
 <b>Net Assets</b>	
Invested in capital assets	34,648
Unrestricted	17,079
<b>Total net assets</b>	<b>\$ 51,727</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2012

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 173,120
Miscellaneous	242
Total operating revenues	173,362
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Services	1,853
Non-instructional programs:	
Food service operations:	
Salaries	142,908
Benefits	21,632
Services	16,516
Supplies	219,909
Depreciation	3,854
Total operating expenses	404,819
Total operating expenses	406,672
Operating loss	(233,310)
Non-operating revenues(expenses):	
State sources	4,299
Federal sources	218,683
Interest income	133
Loss on disposal of assets	(4,948)
Total non-operating revenues	218,167
Net loss before other financing sources	(15,143)
OTHER FINANCING SOURCES:	
Capital contributions	5,403
Change in net assets	(9,740)
Net assets beginning of year	61,467
Net assets end of year	\$ 51,727

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2012

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 175,193
Cash received from miscellaneous operating activities	242
Cash payments to employees for services	(164,540)
Cash payments to suppliers for goods or services	(213,790)
Net cash used in operating activities	(202,895)
Cash flows from non-capital financing activities:	
State grants received	4,299
Federal grants received	194,408
Net cash provided by non-capital financing activities	198,707
Cash flows from investing activities:	
Interest on investments	133
Net decrease in cash and cash equivalents	(4,055)
Cash and cash equivalents at beginning of year	17,438
Cash and cash equivalents at end of year	\$ 13,383
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (233,310)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	24,275
Depreciation	3,854
Decrease in inventories	213
Decrease in accounts receivable	113
Increase in unearned revenue	1,960
Net cash used in operating activities	\$ (202,895)

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2012, the District received \$24,275 of federal commodities.

During the year ended June 30, 2012, the District received capital contributions from the General Fund valued at \$2,003.

During the year ended June 30, 2012, the District received capital contributions from the Capital Projects: Statewide Sales, Services and Use Tax Fund valued at \$3,400.

SEE NOTES TO FINANCIAL STATEMENTS.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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

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

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

**A. Reporting Entity**

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

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

**B. Basis of Presentation**

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

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

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

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

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

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

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

The District reports the following major governmental 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 used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following proprietary fund:

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

C. Measurement Focus and Basis of Accounting

The government-wide and the proprietary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded

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

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Unassigned - All amounts not included in other spendable classes.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures exceeded the amounts budgeted in the non-instructional programs and other expenditures functional areas.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2012, the District had no investments.

**(3) Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 480,433</u>

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

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

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

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The Series 2011-2012A included taxable and tax-exempt warrants. The District participated in the issuance of the taxable warrants. The interest rates on the taxable Series 2011-2012A and taxable Series 2011-2012B warrants are variable rates, calculated daily, based on the one-month LIBOR rate plus 100 basis points. A summary of the District's ISCAP activity for the year ended June 30, 2012 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2011-12A	6/30/11	6/23/12	\$ 0	30,001	30,001	0

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 203,592	-	-	203,592
Total capital assets not being depreciated	<u>203,592</u>	<u>-</u>	<u>-</u>	<u>203,592</u>
Capital assets being depreciated:				
Buildings	9,687,933	20,689	201,598	9,507,024
Improvements other than buildings	1,397,546	99,909	-	1,497,455
Machinery and equipment	2,669,181	410,441	66,321	3,013,301
Total capital assets being depreciated	<u>13,754,660</u>	<u>531,039</u>	<u>267,919</u>	<u>14,017,780</u>
Less accumulated depreciation for:				
Buildings	3,739,491	239,628	30,799	3,948,320
Improvements other than buildings	962,974	73,046	-	1,036,020
Machinery and equipment	2,010,904	232,678	66,321	2,177,261
Total accumulated depreciation	<u>6,713,369</u>	<u>545,352</u>	<u>97,120</u>	<u>7,161,601</u>
Total capital assets being depreciated, net	<u>7,041,291</u>	<u>(14,313)</u>	<u>170,799</u>	<u>6,856,179</u>
Governmental activities capital assets, net	<u>\$ 7,244,883</u>	<u>(14,313)</u>	<u>170,799</u>	<u>7,059,771</u>
<b>Business type activities:</b>				
Machinery and equipment	\$ 252,466	5,403	29,878	227,991
Less accumulated depreciation	214,419	3,854	24,930	193,343
Business type activities capital assets, net	<u>\$ 38,047</u>	<u>1,549</u>	<u>4,948</u>	<u>34,648</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 62,976
Special	3,653
Other	2,946
Support services:	
Student	488
Instructional staff	808
Administration	55,454
Operation and maintenance of plant	20,541
Transportation	85,812
	<u>232,678</u>
Unallocated depreciation	<u>312,674</u>
Total depreciation expense - governmental activities	<u>\$ 545,352</u>
Business type activities:	
Food service operations	<u>\$ 3,854</u>

(6) **Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue Bonds	\$ 1,130,000	-	425,000	705,000	-
Bus Lease	79,845	-	79,845	-	-
Computer Lease	49,197	310,270	115,771	243,696	39,764
Land Contract	45,212	-	13,927	31,285	15,041
Early Retirement	163,336	23,021	140,242	46,115	46,115
Total	\$ 1,467,590	333,291	774,785	1,026,096	100,920

#### Revenue Bonds

Details of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 9, 2009			
	Interest Rates	Principal	Interest	Total
2013	3.75%	\$ -	14,981	14,981
2014	4.00%	235,000	25,262	260,262
2015	4.25%	235,000	15,569	250,569
2016	4.50%	235,000	5,288	240,288
Total		\$ 705,000	61,100	766,100

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,355,000 of bonds issued July 2009. The bonds were issued for the purpose of financing the costs of a geothermal project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2016. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 37 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$766,100. For the year ended June 30, 2012, principal of \$425,000 and interest of \$60,906 was paid on the bonds and total statewide sales, services and use tax revenues were \$720,008.

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

- a) \$135,500 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.

- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Computer Lease

Details of the District's June 30, 2012 computer lease indebtedness, which is paid from the Statewide Sales, Services and Use Tax Fund is as follows:

Year Ending June 30,	Computer Lease dated April 14, 2010			Computer Lease dated May 1, 2012		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2013	5.70%	\$ 24,654	113	7.49%	\$ 15,110	2,348
2014	-	-	-	7.49%	16,241	1,217
2015	-	-	-	-	-	-
		<u>\$ 24,654</u>	<u>113</u>		<u>\$ 31,351</u>	<u>3,565</u>

Year Ending June 30,	Computer Lease dated July 15, 2011			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2013	1.90%	\$ -	-	39,764	2,461	42,225
2014	1.90%	92,962	3,566	109,203	4,783	113,986
2015	1.90%	94,729	1,800	94,729	1,800	96,529
Total		<u>\$ 187,691</u>	<u>5,366</u>	<u>243,696</u>	<u>9,044</u>	<u>252,740</u>

Land Contract

Details of the District's June 30, 2012 land contract indebtedness, which is paid from the Statewide Sales, Services and Use Tax Fund is as follows:

Year Ending June 30,	Land purchase dated October 1, 2001			
	Interest Rates	Principal	Interest	Total
2013	8.00%	\$ 15,041	2,503	17,544
2014	8.00%	16,244	1,300	17,544
Total		<u>\$ 31,285</u>	<u>3,803</u>	<u>35,088</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified and classified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees complete an application which is required to be approved by the Board of Education. Early retirement benefits paid during the year ended June 30, 2012, totaled \$140,242.

**(7) Pension and Retirement Benefits**

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$467,115, \$375,793, \$383,672, respectively, equal to the required contributions for each year.

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

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

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

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 25 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 9,735
Interest on net OPEB obligation	(1,204)
Adjustment to annual required contribution	2,018
Annual OPEB cost	<u>10,549</u>
Contributions made	<u>(25,550)</u>
Increase in net OPEB obligation	(15,001)
Net OPEB obligation beginning of year	<u>(40,129)</u>
Net OPEB obligation end of year	<u><u>\$ (55,130)</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$25,550 to the plan. Plan members eligible for benefits contributed \$56,440 or 68.84% 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, 2012 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/10	\$ 9,735	365.06%	\$ (25,804)
06/30/11	10,258	239.65%	(40,129)
06/30/12	10,549	242.20%	(55,130)

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$153,711, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$153,711. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2.58 million and the ratio of the UAAL to covered payroll was 5.95%. As of June 30, 2012 there were no trust fund assets.

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

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

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

The ultimate medical trend rate is 5%. The medical trend is reduced by a percentage each year until reaching the 5% ultimate trend rate.

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

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

**(9) Risk Management**

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

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$311,259 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Categorical Funding**

The District's ending balances for categorical funding by project as of June 30, 2012 are as follows:

Program	Amount
Returning Dropouts and Dropout Prevention	\$ 65,147
Teacher Salary Supplement	44,585
Iowa Early Intervention Block Grant	10,700
Professional Development for Model Core Curriculum	41,823
Professional Development	43,259
Total	<u>\$ 205,514</u>

**(12) Budget Overexpenditure**

During the year ended June 30, 2012, expenditures in the non-instructional programs and other expenditures functional areas exceeded the amounts budgeted.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES  
 AND CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2012

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 5,850,470	173,495	6,023,965	5,596,942	5,596,942	427,023
Intermediate sources	-	-	-	400,000	400,000	(400,000)
State sources	4,596,338	4,299	4,600,637	4,707,906	4,707,906	(107,269)
Federal sources	247,103	218,683	465,786	636,000	636,000	(170,214)
Total revenues	10,693,911	396,477	11,090,388	11,340,848	11,340,848	(250,460)
Expenditures/Expenses:						
Instruction	6,744,899	-	6,744,899	8,808,924	8,808,924	2,064,025
Support services	2,702,323	1,853	2,704,176	2,868,200	2,868,200	164,024
Non-instructional programs	4,398	409,767	414,165	-	-	(414,165)
Other expenditures	1,627,072	-	1,627,072	982,437	982,437	(644,635)
Total expenditures/expenses	11,078,692	411,620	11,490,312	12,659,561	12,659,561	1,169,249
Excess(deficiency) of revenues over(under) expenditures/expenses	(384,781)	(15,143)	(399,924)	(1,318,713)	(1,318,713)	918,789
Other financing sources, net	316,013	5,403	321,416	632,000	632,000	(310,584)
Excess(deficiency)of revenues and other financing sources over(under) expenditures/expenses and other financing uses	(68,768)	(9,740)	(78,508)	(686,713)	(686,713)	608,205
Balances beginning of year	2,435,649	61,467	2,497,116	1,240,861	1,240,861	1,256,255
Balances end of year	\$ 2,366,881	51,727	2,418,608	554,148	554,148	1,864,460

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2012

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

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

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

During the year ended June 30, 2012, expenditures in the non-instructional programs and other expenditures functional areas exceeded the amounts budgeted.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	-	\$ 153,771	153,771	0.0%	\$ 4,883,551	3.15%
2011	July 1, 2009	-	153,771	153,771	0.0%	4,650,437	3.31%
2012	July 1, 2009	-	153,771	153,771	0.0%	2,583,006	5.95%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2012

	Special Revenue				
	Manage- ment Levy	Student Activity	Total Special Revenue	Debt Service	Total Nonmajor
<b>Assets</b>					
Cash and pooled investments	\$ 66,600	161,858	228,458	383,490	611,948
Receivables:					
Property tax:					
Delinquent	3,480	-	3,480	-	3,480
Succeeding year	245,000	-	245,000	-	245,000
Accounts	-	-	-	1,250	1,250
<b>Total assets</b>	<b>\$ 315,080</b>	<b>161,858</b>	<b>476,938</b>	<b>384,740</b>	<b>861,678</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ -	-	-	239,106	239,106
Deferred revenue:					
Succeeding year property tax	245,000	-	245,000	-	245,000
<b>Total liabilities</b>	<b>245,000</b>	<b>-</b>	<b>245,000</b>	<b>239,106</b>	<b>484,106</b>
Fund balances:					
Restricted for:					
Debt service	-	-	-	145,634	145,634
Management levy purposes	70,080	-	70,080	-	70,080
Student activities	-	161,858	161,858	-	161,858
<b>Total fund balances</b>	<b>70,080</b>	<b>161,858</b>	<b>231,938</b>	<b>145,634</b>	<b>377,572</b>
<b>Total liabilities and fund balances</b>	<b>\$ 315,080</b>	<b>161,858</b>	<b>476,938</b>	<b>384,740</b>	<b>861,678</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2012

	Special Revenue				
	Manage-				Total
	ment Levy	Student Activity	Special Revenue	Debt Service	Total Nonmajor
Revenues:					
Local sources:					
Local tax	\$ 245,477	-	245,477	-	245,477
Other	1,070	273,182	274,252	4,527	278,779
Total revenues	246,547	273,182	519,729	4,527	524,256
Expenditures:					
Current:					
Instruction:					
Regular	147,691	-	147,691	-	147,691
Other	-	264,357	264,357	-	264,357
Support services:					
Operation and maintenance of plant	78,236	-	78,236	-	78,236
Student transportation	2,310	-	2,310	-	2,310
Long-term debt:					
Principal	-	-	-	634,543	634,543
Interest	-	-	-	73,584	73,584
Total expenditures	228,237	264,357	492,594	708,127	1,200,721
Excess(deficiency) of revenues over(under) expenditures	18,310	8,825	27,135	(703,600)	(676,465)
Other financing sources:					
Transfers in	-	-	-	480,433	480,433
Sale of equipment	2,813	-	2,813	-	2,813
Total other financing sources	2,813	-	2,813	480,433	483,246
Net change in fund balances	21,123	8,825	29,948	(223,167)	(193,219)
Fund balances beginning of year	48,957	153,033	201,990	368,801	570,791
Fund balances end of year	\$ 70,080	161,858	231,938	145,634	377,572

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
All School Play	\$ 3,512	914	989	-	3,437
Drama Club	1,155	929	918	294	1,460
Quiz Bowl	15	-	-	-	15
Yearbook	2,728	4,085	6,672	-	141
Milk Machine	3,462	4,338	4,260	-	3,540
Art Club	874	1,873	1,447	(294)	1,006
Pep Club	99	-	-	-	99
AFS Club	14,501	4,409	5,408	-	13,502
Student Council	8,633	5,706	6,546	-	7,793
Spanish Club	1,332	2,189	2,707	-	814
Science Club	365	83	13	-	435
Computer Club	163	-	-	-	163
FFA	29,509	42,446	42,926	-	29,029
FCCLA Group	27	-	-	-	27
National Honor Society	142	1,434	993	-	583
Class of 2012	644	596	612	-	628
Class of 2013	-	3,663	3,196	-	467
Class of 2015	381	-	-	(381)	-
Post Prom Activities	328	44	44	-	328
SAEP-Entrepreneurship	31,919	19,195	12,253	-	38,861
Athletics	122	2,130	4,316	2,500	436
Athletic Activities	180	8,596	6,157	-	2,619
Concessions	1,593	29,544	19,050	(8,600)	3,487
Golf	758	822	1,746	200	34
Cross Country	24	475	493	200	206
Soccer	274	2,417	3,757	1,300	234
Boys Basketball	1	9,497	6,841	-	2,657
Football	10,614	18,326	18,515	(4,100)	6,325
Baseball	246	9,815	11,265	2,700	1,496
Boys Track	695	2,463	4,706	2,000	452
Girls Basketball	1,727	8,095	4,778	-	5,044
Volleyball	1,378	6,012	5,553	-	1,837
Softball	947	3,529	5,476	1,700	700
Girls Track	28	765	2,844	2,100	49
Cheerleaders	885	2,529	2,676	-	738
Dance Team	115	8,665	6,161	-	2,619

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
HS Student Activities	1,887	1,995	2,032	780	2,630
Renaissance Program	4,300	15,778	16,138	381	4,321
S.A.D.D	239	-	-	-	239
MS Student Council	3,317	4,062	4,941	-	2,438
MS Student Activities	10,659	21,592	21,037	(4,110)	7,104
Athletic Resale	330	1,045	986	(300)	89
MS Football	795	3,200	7,259	4,000	736
MS Volleyball	72	726	2,211	1,600	187
MS Girls Basketball	93	2,171	1,924	(200)	140
MS Boys Basketball	142	1,236	930	(300)	148
MS Girls Track	26	3,342	3,077	(200)	91
MS Boys Track	91	367	348	-	110
MS Softball	605	1,194	1,232	(100)	467
MS Baseball	533	964	1,216	-	281
MS Cross Country	23	-	-	-	23
Academic Booster Club	60	458	308	-	210
Future Problem Solvers	10	-	-	-	10
Special Olympics	65	-	-	-	65
Special Needs Field Trips	2,828	-	-	-	2,828
Art Club K8	709	7,730	5,481	-	2,958
T.A.G. Club	230	-	-	-	230
Elementary Resale Account	339	-	321	-	18
Elementary Student Activities	5,269	457	1,335	130	4,521
Interest Account	1,035	1,281	263	(1,300)	753
Total	\$ 153,033	273,182	264,357	-	161,858

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 3,782,861	3,655,466	3,601,261	3,493,382	3,372,263	3,348,880	3,136,981	3,189,323	3,497,010
Tuition	1,658,995	1,209,348	1,213,743	1,197,429	1,113,423	981,596	803,065	724,243	595,298
Other	408,614	416,322	390,494	473,312	533,582	529,619	482,003	390,920	383,090
Intermediate sources	-	-	-	-	-	-	-	-	2,834
State sources	4,596,338	4,647,013	4,207,309	4,928,448	5,027,800	4,861,274	4,531,530	4,466,282	4,003,832
Federal sources	247,103	589,418	762,335	357,020	259,263	296,527	268,240	376,006	292,168
<b>Total</b>	<b>\$ 10,693,911</b>	<b>10,517,567</b>	<b>10,175,142</b>	<b>10,449,591</b>	<b>10,306,331</b>	<b>10,017,896</b>	<b>9,221,819</b>	<b>9,146,774</b>	<b>8,774,232</b>
Expenditures:									
Current:									
Instruction:									
Regular	\$ 4,442,218	4,272,288	4,070,484	4,149,685	4,393,908	4,261,021	4,175,716	3,792,917	3,777,269
Special	1,286,346	1,171,499	1,160,356	1,315,008	1,197,589	1,108,147	988,254	1,210,190	1,094,013
Other	1,016,335	1,036,750	1,138,440	1,110,044	1,110,902	1,089,480	912,535	942,480	802,322
Support services:									
Student	279,703	254,559	265,913	201,708	299,344	280,908	289,636	276,961	221,495
Instructional staff	167,681	141,463	234,609	141,679	123,247	235,853	135,997	151,639	109,362
Administration	924,802	896,827	805,339	857,584	961,251	886,861	885,935	776,587	762,246
Operation and maintenance									
of plant	687,173	716,388	692,453	683,814	690,085	679,850	686,548	639,309	592,371
Transportation	642,964	599,749	457,566	470,114	468,759	778,867	324,288	438,627	349,528
Non-instructional programs	4,398	-	-	-	-	-	-	-	-
Capital outlay	607,686	492,895	1,216,428	222,563	166,044	204,456	202,602	332,966	173,956
Long-term debt:									
Principal	643,543	338,660	109,696	930,281	490,092	441,118	392,590	369,686	346,127
Interest	73,584	61,211	66,490	63,698	46,625	79,567	97,312	117,521	139,702
Other expenditures:									
AEA flow-through	311,259	351,004	347,801	321,260	316,552	310,819	289,512	281,037	282,203
<b>Total</b>	<b>\$ 11,087,692</b>	<b>10,333,293</b>	<b>10,565,575</b>	<b>10,467,438</b>	<b>10,264,398</b>	<b>10,356,947</b>	<b>9,380,925</b>	<b>9,329,920</b>	<b>8,650,594</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Central Lee Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 31, 2013. 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

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-12 to be a material weakness.

### Compliance and Other Matters

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

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

Handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson PC".

NOLTE, CORNMAN & JOHNSON, P.C.

January 31, 2013

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2012

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

I-A-12 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

CENTRAL LEE COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2012

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-12 Certified Budget - Expenditures for the year ended June 30, 2012 exceeded the certified budget amounts in the non-instructional programs and other expenditures functional area.

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

Response - We will amend the budget, if necessary, in the future.

Conclusion - Response accepted.

II-B-12 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-12 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-12 Business Transactions - Business transactions between the District and District officials or employees are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Larry Engler, Board Member Owner, Engler Sharpening	Supplies	<u>\$ 82</u>

In accordance with Chapter 279.7A of the Code of Iowa, the above transaction with the board member does not appear to represent a conflict of interest.

II-E-12 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-12 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was overstated by one student and understated by one student for a net effect of zero.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve.

Response - Our auditors will be contacting the Iowa Department of Education and the Department of Management to resolve this issue.

Conclusion - Response accepted.

- II-H-12 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-12 Deposits and Investments - We noted no instances of non-compliance with the deposits and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-12 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-12 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-12 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	493,400
Revenues:			
Sales tax revenues	\$	720,008	
Other local revenues		658	
Sale of long-term debt		310,270	
		<u>          </u>	<u>1,030,936</u>
			1,524,336
Expenditures/transfers out:			
School infrastructure construction	\$	131,551	
Land purchased		278,920	
Equipment		296,022	
Other		16,449	
Transferred to other funds:			
Debt service fund		480,433	
		<u>          </u>	<u>1,203,375</u>
Ending Balance		<u>\$</u>	<u>320,961</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- II-M-12 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended. The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). More specific examples of these instances of questioned items and recommendations are as follows:

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

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

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

Conclusion - Response accepted.