

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

JUNE 30, 2012

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Lewis Central Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2011 Election)		
Dorene Scheffel	President	2013
Daryl Weilage	Vice President	2013
Daniel Feller	Board Member	2011
Amie Adkins-Studer	Board Member	2011
Rob Livingston	Board Member	2013
Robert Hendrix	Board Member	2013
Ron Stazzoni	Board Member	2011
Board of Education (After September 2011 Election)		
Dorene Scheffel	President	2013
Daryl Weilage	Vice President	2013
Tracy Bruun	Board Member	2015
Amie Adkins-Studer	Board Member	2015
Rob Livingston	Board Member	2013
Robert Hendrix	Board Member	2013
Ron Stazzoni	Board Member	2015
School Officials		
Mark Schweer	Superintendent	2012
Dale Kreher	District Secretary/Treasurer and Business Manager	2012
Brian Gruhn	Attorney	2012

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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
Lewis Central Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lewis Central Community School District, Council Bluffs, 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 Lewis Central Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 14, 2013 on our consideration of Lewis Central Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 15 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 Lewis Central Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

January 14, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lewis Central Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$27,469,262 in fiscal 2011 to \$28,908,540 in fiscal 2012, while General Fund expenditures and transfers out increased from \$26,933,845 in fiscal 2011 to \$27,423,989 in fiscal 2012. This resulted in an increase in the District's General Fund balance from \$5,293,251 in fiscal 2011 to a balance of \$6,777,802 in fiscal 2012, a 28.05% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local and state sources in fiscal 2012. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

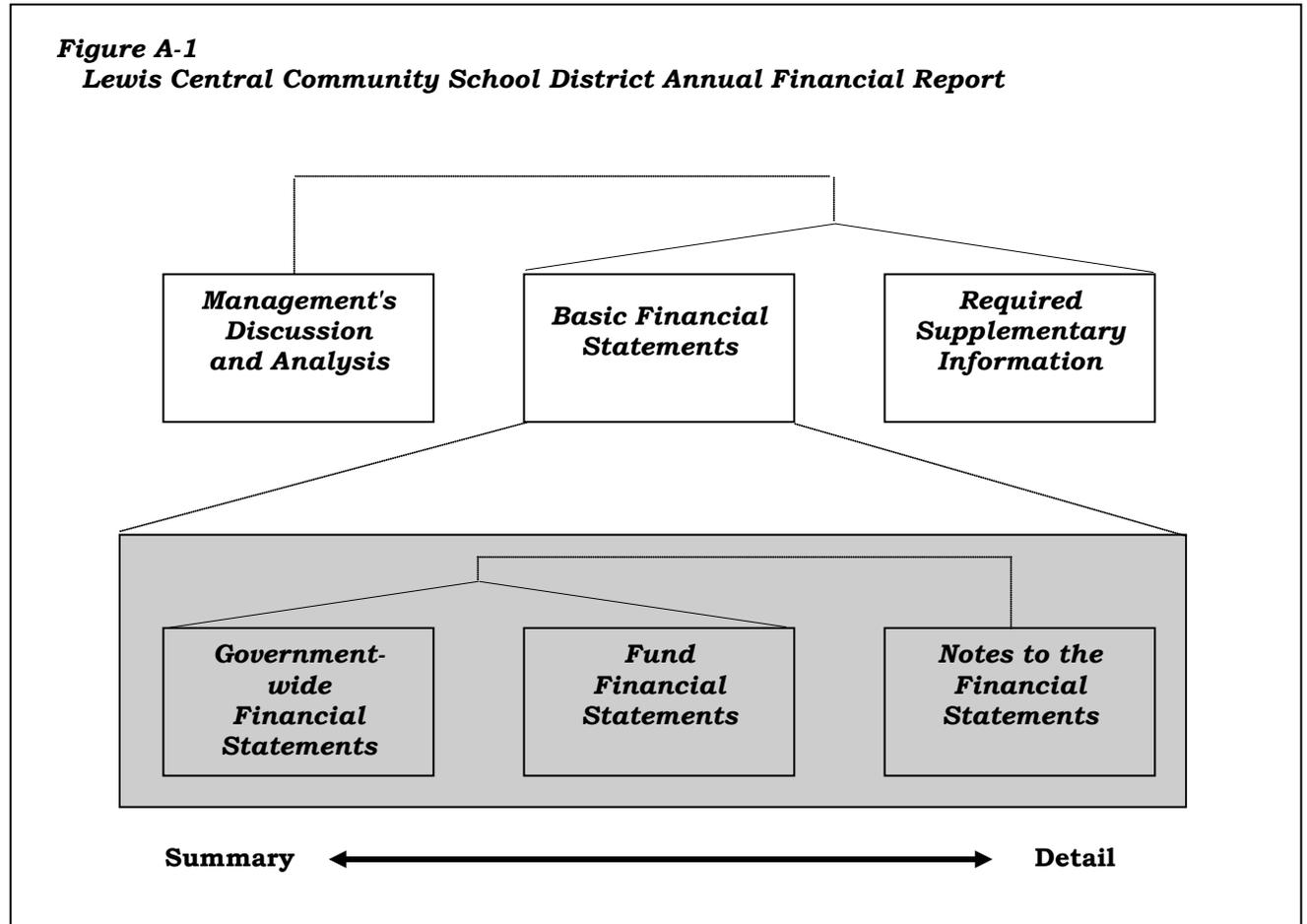


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 30,546,935	29,820,133	475,540	487,832	31,022,475	30,307,965	2.36%
Capital assets	32,421,634	30,498,304	215,393	249,034	32,637,027	30,747,338	6.15%
Total assets	62,968,569	60,318,437	690,933	736,866	63,659,502	61,055,303	4.27%
Long-term obligations	16,615,885	17,652,708	7,999	6,261	16,623,884	17,658,969	-5.86%
Other liabilities	16,708,586	16,343,655	97,235	74,176	16,805,821	16,417,831	2.36%
Total liabilities	33,324,471	33,996,363	105,234	80,437	33,429,705	34,076,800	-1.90%
Net assets:							
Invested in capital assets, net of related debt	17,695,800	17,646,536	215,393	249,034	17,911,193	17,895,570	0.09%
Restricted	6,995,677	4,119,779	-	-	6,995,677	4,119,779	69.81%
Unrestricted	4,952,621	4,555,759	370,306	407,395	5,322,927	4,963,154	7.25%
Total net assets	\$ 29,644,098	26,322,074	585,699	656,429	30,229,797	26,978,503	12.05%

The District’s combined net assets increased by 12.05%, or \$3,251,294, over the prior year. The largest portion of the District’s net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net assets increased \$2,875,898, or 69.81% over the prior year. The increase was a result of the increase in the Debt Service Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other

legal requirements – increased \$359,773, or 7.25%. This increase in unrestricted net assets was primarily a result the District’s increase in the General fund balance.

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

Figure A-4
Changes of Net Assets

	Governmental Activities		Business Type Activities		Total		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues:							
Program revenues:							
Charges for services	\$ 4,411,001	4,291,527	1,132,742	1,071,123	5,543,743	5,362,650	3.38%
Operating grants and contributions and restricted interest	2,778,829	3,079,717	787,555	757,573	3,566,384	3,837,290	-7.06%
General revenues:							
Local taxes	12,304,205	12,107,649	-	-	12,304,205	12,107,649	1.62%
Income surtax	352,457	923,423	-	-	352,457	923,423	-61.83%
Statewide sales, services and use tax	2,345,094	2,337,314	-	-	2,345,094	2,337,314	0.33%
Nonspecific program federal revenues	392,814	385,298	-	-	392,814	385,298	100.00%
Unrestricted state grants	10,913,184	10,019,002	-	-	10,913,184	10,019,002	8.92%
Other	142,519	221,027	25	20,684	142,544	241,711	-41.03%
Total revenues	33,640,103	33,364,957	1,920,322	1,849,380	35,560,425	35,214,337	0.98%
Program expenses:							
Governmental activities:							
Instructional	19,406,530	19,602,361	22,884	23,654	19,429,414	19,626,015	-1.00%
Support services	8,609,149	7,600,099	31,477	1,285	8,640,626	7,601,384	13.67%
Non-instructional programs	-	-	1,936,691	1,776,544	1,936,691	1,776,544	9.01%
Other expenses	2,302,400	2,620,853	-	-	2,302,400	2,620,853	-12.15%
Total expenses	30,318,079	29,823,313	1,991,052	1,801,483	32,309,131	31,624,796	2.16%
Change in net assets	3,322,024	3,541,644	(70,730)	47,897	3,251,294	3,589,541	-9.42%
Beginning net assets	26,322,074	22,780,430	656,429	608,532	26,978,503	23,388,962	15.35%
Ending net assets	\$ 29,644,098	26,322,074	585,699	656,429	30,229,797	26,978,503	12.05%

In fiscal 2012, local tax, income surtax, statewide sales, services and use tax, nonspecific program federal revenue and unrestricted state grants account for 78.20% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for nearly 100.00% of the revenue from business type activities.

The District’s total revenues were approximately \$35.6 million of which \$33.6 million was for governmental activities and less than \$2.0 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a .98% increase in revenues and a 2.16% increase in expenses. The increase in expenses related to increase in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$33,640,103 and expenses were \$30,318,079.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
			Change			Change
	2012	2011	2011-12	2012	2011	2011-12
Instruction	\$ 19,406,530	19,602,361	-1.00%	12,239,450	13,346,475	-8.29%
Support services	8,609,149	7,600,099	13.28%	8,572,130	7,561,739	13.36%
Other expenses	2,302,400	2,620,853	-12.15%	1,316,669	1,543,855	-14.72%
Totals	<u>\$ 30,318,079</u>	<u>29,823,313</u>	<u>1.66%</u>	<u>22,128,249</u>	<u>22,452,069</u>	<u>-1.44%</u>

- The cost financed by users of the District’s programs was \$4,411,001.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,778,829.
- The net cost of governmental activities was financed with \$12,304,205 in local tax, \$352,457 in income surtax, \$2,345,094 in statewide sales, services and use tax, \$10,913,184 in unrestricted state grants, \$392,814 in nonspecific program federal revenues, \$4,829 in unrestricted investment earnings, and \$137,690 in other general revenues.

Business Type Activities

Revenues of the District’s business type activities were \$1,920,322 and expenses were \$1,991,052. The District’s business type activities include the School Nutrition Fund, Lucky Children Day Care Fund and Swimming Pool Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$13,310,539, above last year’s ending fund balances of \$12,555,644. The primary reason for the increase in combined fund balances in fiscal 2012 is due to the increase in the Debt Service Fund.

Governmental Fund Highlights

- Overall, District revenues in the General Fund for fiscal 2012 increased 5.24% or \$1,439,278, to \$28,908,540 compared to \$27,469,262 in fiscal 2011. The expenses and transfers increased by 1.82% or \$490,144, to \$27,423,989 compared to \$26,933,845 in fiscal 2011. The General Fund balance increased \$1,484,551.
- The Capital Projects Fund balance decreased from \$5,915,362 in fiscal 2011 to \$3,125,950 in fiscal 2012. The decrease was due to the construction costs incurred during the year.
- The Debt Service Fund balance increased from \$656,923 in fiscal 2011 to \$2,632,597 in fiscal 2012. The increase is due to normal debt transactions through the year.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$483,212 at June 30, 2011 to \$410,083 at June 30, 2012, representing a decrease of 15.13%. The Lucky Children Day Care Fund net assets increased from \$175,377 at June 30, 2011 to \$179,906 at June 30, 2012, representing

an increase of 2.58%. The Swimming Pool Fund net assets decreased from a deficit \$2,160 at June 30, 2011 to deficit \$4,290 at June 30, 2012, representing a decrease of 98.61%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$3,068,500 less than budgeted revenues, a variance of 7.88%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$32,637,027, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$1,214,632.

The original cost of the District's capital assets was \$56.8 million. Governmental funds account for \$55.9 million with the remainder of \$0.9 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$2,704,384 at June 30, 2012, compared to \$81,699 reported at June 30, 2011. This increase resulted from the construction projects that were started, but not completed during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 500,000	500,000	-	-	500,000	500,000	0.00%
Construction in progress	2,704,384	81,699	-	-	2,704,384	81,699	3210.18%
Buildings and improvements	28,375,144	28,941,712	-	-	28,375,144	28,941,712	-1.96%
Machinery and equipment	842,106	974,893	215,393	249,034	1,057,499	1,223,927	-13.60%
Total	\$ 32,421,634	30,498,304	215,393	249,034	32,637,027	30,747,338	6.15%

Long-Term Debt

At June 30, 2012, the District had \$16,623,884 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of 5.86% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding general obligation bonded indebtedness of \$10,060,000 at June 30, 2012.

The District had total outstanding revenue bonded indebtedness of \$6,245,000 at June 30, 2012.

The District had total early retirement payable of \$0 at June 30, 2012.

The District had total outstanding compensated absences payable from the General Fund of \$120,541 at June 30, 2012.

The District had total outstanding other postemployment benefits payable of \$198,343 at June 30, 2012.

Figure A-7
Outstanding Long-Term Obligations

	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
General obligation bonds	\$ 10,060,000	11,020,000	-	-	10,060,000	11,020,000	-8.71%
Revenue bonds	6,245,000	6,245,000	-	-	6,245,000	6,245,000	0.00%
Early retirement	-	129,180	-	-	-	129,180	100.00%
Compensated absences	120,541	109,839	-	-	120,541	109,839	9.74%
Net OPEB liability	190,344	148,689	7,999	6,261	198,343	154,950	28.00%
Totals	\$ 16,615,885	17,652,708	7,999	6,261	16,623,884	17,658,969	-5.86%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District expects a slight decrease in enrollment over the next several years. Extra care will need to be taken to control expenses due to the Iowa school funding formula based in part upon student enrollment.
- On July 1, 2012 the IPERS rate increased to 8.67% which will have a negative impact on the District's financials. The IPERS rate is expected to increase to 8.93% for fiscal year 2014.
- The upcoming Iowa Legislative session could again prove to be most challenging in respect to the state budget and projected allowable growth for future years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Lewis
Central

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 15,955,871	428,465	16,384,336
Receivables:			
Property tax:			
Delinquent	49,871	-	49,871
Succeeding year	12,642,905	-	12,642,905
Income surtax	667,457	-	667,457
Accounts	643	9,740	10,383
Due from other governments	1,193,546	-	1,193,546
Inventories	-	37,335	37,335
Prepaid items	36,642	-	36,642
Capital assets, net of accumulated depreciation	32,421,634	215,393	32,637,027
TOTAL ASSETS	62,968,569	690,933	63,659,502
LIABILITIES			
Accounts payable	1,225,182	26,719	1,251,901
Salaries and benefits payable	2,700,852	49,203	2,750,055
Interest payable	139,647	-	139,647
Deferred revenue:			
Succeeding year property tax	12,642,905	-	12,642,905
Other	-	-	-
Unearned revenue	-	21,313	21,313
Long-term liabilities:			
Portion due within one year:			
G.O. bonds payable	1,005,000	-	1,005,000
Revenue bonds payable	1,645,000	-	1,645,000
Compensated absences payable	120,541	-	120,541
Portion due after one year:			
G.O. bonds payable	9,055,000	-	9,055,000
Revenue bonds payable	4,600,000	-	4,600,000
Net OPEB liability	190,344	7,999	198,343
TOTAL LIABILITIES	33,324,471	105,234	33,429,705
NET ASSETS			
Invested in capital assets, net of related debt	17,695,800	215,393	17,911,193
Restricted for:			
Categorical funding	1,448,171	-	1,448,171
Debt service	2,632,597	-	2,632,597
Management levy purposes	724,086	-	724,086
Student activities	42,865	-	42,865
School infrastructure	642,977	-	642,977
Physical plant and equipment	1,504,981	-	1,504,981
Unrestricted	4,952,621	370,306	5,322,927
TOTAL NET ASSETS	\$ 29,644,098	585,699	30,229,797

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 12,653,568	3,252,241	501,155	(8,900,172)	-	(8,900,172)
Special	3,655,973	635,973	359,796	(2,660,204)	-	(2,660,204)
Other	3,096,989	522,787	895,128	(1,679,074)	-	(1,679,074)
	<u>19,406,530</u>	<u>4,411,001</u>	<u>1,756,079</u>	<u>(13,239,450)</u>	<u>-</u>	<u>(13,239,450)</u>
Support services:						
Student	478,093	-	-	(478,093)	-	(478,093)
Instructional staff	1,559,132	-	-	(1,559,132)	-	(1,559,132)
Administration	2,224,335	-	-	(2,224,335)	-	(2,224,335)
Operation and maintenance of plant	3,058,856	-	4,070	(3,054,786)	-	(3,054,786)
Transportation	1,288,733	-	32,949	(1,255,784)	-	(1,255,784)
	<u>8,609,149</u>	<u>-</u>	<u>37,019</u>	<u>(8,572,130)</u>	<u>-</u>	<u>(8,572,130)</u>
Other expenses:						
Long-term debt interest	538,720	-	-	(538,720)	-	(538,720)
AEA flowthrough	985,731	-	985,731	-	-	-
Depreciation(unallocated)*	777,949	-	-	(777,949)	-	(777,949)
	<u>2,302,400</u>	<u>-</u>	<u>985,731</u>	<u>(1,316,669)</u>	<u>-</u>	<u>(1,316,669)</u>
Total governmental activities	30,318,079	4,411,001	2,778,829	(23,128,249)	-	(23,128,249)
Business Type activities:						
Instruction:						
Other	22,884	20,754	-	-	(2,130)	(2,130)
Support services:						
Operation and maintenance of plant	28,956	-	-	-	(28,956)	(28,956)
Transportation	2,521	-	-	-	(2,521)	(2,521)
Non-instructional programs:						
Nutrition services	1,669,286	837,533	787,555	-	(44,198)	(44,198)
Day care services	267,405	274,455	-	-	7,050	7,050
	<u>1,991,052</u>	<u>1,132,742</u>	<u>787,555</u>	<u>-</u>	<u>(70,755)</u>	<u>(70,755)</u>
Total	\$ 32,309,131	5,543,743	3,566,384	(23,128,249)	(70,755)	(23,199,004)
General Revenues:						
Property tax levied for:						
General purposes				\$ 10,174,247	-	10,174,247
Debt service				1,315,819	-	1,315,819
Capital outlay				814,139	-	814,139
Income surtax				352,457	-	352,457
Statewide sales and services tax				2,345,094	-	2,345,094
Unrestricted state grants				10,913,184	-	10,913,184
Nonspecific program federal revenue				392,814	-	392,814
Unrestricted investment earnings				4,829	25	4,854
Other general revenues				137,690	-	137,690
Total general revenues				<u>26,450,273</u>	<u>25</u>	<u>26,450,298</u>
Changes in net assets				3,322,024	(70,730)	3,251,294
Net assets beginning of year				<u>26,322,074</u>	<u>656,429</u>	<u>26,978,503</u>
Net assets end of year				<u>\$ 29,644,098</u>	<u>585,699</u>	<u>30,229,797</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
ASSETS					
Cash and pooled investments	\$ 9,197,557	3,386,994	2,627,309	744,011	15,955,871
Receivables:					
Property tax:					
Delinquent	39,806	3,064	5,100	1,901	49,871
Succeeding year	9,967,828	840,837	1,327,712	506,528	12,642,905
Income surtax	667,457	-	-	-	667,457
Accounts	-	92	188	363	643
Due from other governments	816,377	377,099	-	70	1,193,546
Prepaid items	-	-	-	36,642	36,642
TOTAL ASSETS	\$ 20,689,025	4,608,086	3,960,309	1,289,515	30,546,935
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 577,418	641,299	-	6,465	1,225,182
Salaries and benefits payable	2,698,520	-	-	2,332	2,700,852
Deferred revenue:					
Succeeding year property tax	9,967,828	840,837	1,327,712	506,528	12,642,905
Income surtax	667,457	-	-	-	667,457
Total liabilities	13,911,223	1,482,136	1,327,712	515,325	17,236,396
Fund balances:					
Nonspendable	-	-	-	36,642	36,642
Restricted for:					
Categorical funding	1,448,171	-	-	-	1,448,171
Debt service	-	-	2,632,597	-	2,632,597
Management levy purposes	-	-	-	724,086	724,086
Student activities	-	-	-	42,865	42,865
School infrastructure	-	642,977	-	-	642,977
Construction	-	1,579,166	-	-	1,579,166
Physical plant and equipment	-	1,504,981	-	-	1,504,981
Unassigned:					
General fund	5,329,631	-	-	-	5,329,631
School infrastructure	-	(601,174)	-	-	(601,174)
Student activities	-	-	-	(29,403)	(29,403)
Total fund balances	6,777,802	3,125,950	2,632,597	774,190	13,310,539
TOTAL LIABILITIES AND FUND BALANCES	\$ 20,689,025	4,608,086	3,960,309	1,289,515	30,546,935

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)	\$	13,310,539
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.		32,421,634
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.		(139,647)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		667,457
Long-term liabilities, including bonds payable, compensated absences payable and other post employment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(16,615,885)</u>
Net assets of governmental activities(page 18)	\$	<u><u>29,644,098</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 10,383,597	3,159,233	1,315,819	463,718	15,322,367
Tuition	3,781,884	-	-	-	3,781,884
Other	348,056	3,076	-	606,527	957,659
Intermediate sources	80,569	-	-	-	80,569
State sources	12,604,940	310	502	187	12,605,939
Federal sources	1,208,226	4,070	-	-	1,212,296
Total revenues	<u>28,407,272</u>	<u>3,166,689</u>	<u>1,316,321</u>	<u>1,070,432</u>	<u>33,960,714</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	12,639,159	-	-	96,354	12,735,513
Special	3,655,438	-	-	-	3,655,438
Other	2,501,715	-	-	585,418	3,087,133
	<u>18,796,312</u>	<u>-</u>	<u>-</u>	<u>681,772</u>	<u>19,478,084</u>
Support services:					
Student	477,009	-	-	-	477,009
Instructional staff	1,615,935	-	-	-	1,615,935
Administration	2,165,452	-	-	13,686	2,179,138
Operation and maintenance of plant	2,327,344	-	-	227,298	2,554,642
Transportation	1,056,206	127,038	-	63,594	1,246,838
	<u>7,641,946</u>	<u>127,038</u>	<u>-</u>	<u>304,578</u>	<u>8,073,562</u>
Capital outlay	-	3,743,403	-	-	3,743,403
Long-term debt:					
Principal	-	-	960,000	-	960,000
Interest and fiscal charges	-	-	466,307	-	466,307
	<u>-</u>	<u>-</u>	<u>1,426,307</u>	<u>-</u>	<u>1,426,307</u>
Other expenditures:					
AEA flowthrough	985,731	-	-	-	985,731
	<u>985,731</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,412,038</u>
Total expenditures	<u>27,423,989</u>	<u>3,870,441</u>	<u>1,426,307</u>	<u>986,350</u>	<u>33,707,087</u>
Excess(deficiency) of revenues over(under) expenditures	983,283	(703,752)	(109,986)	84,082	253,627
Other financing sources(uses):					
Transfers in	-	3,200,000	2,085,660	-	5,285,660
Transfers out	-	(5,285,660)	-	-	(5,285,660)
Issuance reimbursement	501,067	-	-	-	501,067
Sale of equipment	201	-	-	-	201
Total other financing sources(uses)	<u>501,268</u>	<u>(2,085,660)</u>	<u>2,085,660</u>	<u>-</u>	<u>501,268</u>
Net change in fund balances	1,484,551	(2,789,412)	1,975,674	84,082	754,895
Fund balances beginning of year, as restated	<u>5,293,251</u>	<u>5,915,362</u>	<u>656,923</u>	<u>690,108</u>	<u>12,555,644</u>
Fund balances end of year	<u>\$ 6,777,802</u>	<u>3,125,950</u>	<u>2,632,597</u>	<u>774,190</u>	<u>13,310,539</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Net change in fund balances - total governmental funds(page 22) \$ 754,895

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 and depreciation expense in the year are as follows:

Capital outlays	\$ 3,077,445	
Depreciation expense	(1,154,116)	1,923,329

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

Current year repayments exceeded issues, as follows:

Repaid		960,000
--------	--	---------

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.

(72,413)

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

(320,611)

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

Early retirement	\$ 129,180	
Compensated absences	(10,702)	
Other postemployment benefits	(41,654)	76,824

Changes in net assets of governmental activities(page 19) \$ 3,322,024

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	School Nutrition	Lucky Children Day Care	Swimming Pool	Total
<u>ASSETS</u>				
Current assets:				
Cash and pooled investments	\$ 218,115	209,103	1,247	428,465
Receivables:				
Accounts	6,860	-	2,880	9,740
Inventories	37,335	-	-	37,335
Total current assets	<u>262,310</u>	<u>209,103</u>	<u>4,127</u>	<u>475,540</u>
Non-current assets:				
Capital assets:				
Machinery and equipment, net of accumulated depreciation	215,393	-	-	215,393
Total non-current assets	<u>215,393</u>	<u>-</u>	<u>-</u>	<u>215,393</u>
TOTAL ASSETS	<u>477,703</u>	<u>209,103</u>	<u>4,127</u>	<u>690,933</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	22,805	3,914	-	26,719
Salaries and benefits payable	16,094	24,692	8,417	49,203
Unearned revenue	21,313	-	-	21,313
Total current liabilities	<u>60,212</u>	<u>28,606</u>	<u>8,417</u>	<u>97,235</u>
Long-term liabilities:				
Net OPEB liability	7,408	591	-	7,999
Total long-term liabilities	<u>7,408</u>	<u>591</u>	<u>-</u>	<u>7,999</u>
TOTAL LIABILITIES	<u>67,620</u>	<u>29,197</u>	<u>8,417</u>	<u>105,234</u>
<u>NET ASSETS</u>				
Invested in capital assets	215,393	-	-	215,393
Unrestricted	194,690	179,906	(4,290)	370,306
Total net assets	<u>\$ 410,083</u>	<u>179,906</u>	<u>(4,290)</u>	<u>585,699</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition	Lucky Children Day Care	Swimming Pool	Total
OPERATING REVENUE:				
Local sources:				
Charges for service	\$ 837,533	274,455	20,754	1,132,742
OPERATING EXPENSES:				
Instruction:				
Other:				
Salaries	-	-	19,153	19,153
Benefits	-	-	1,547	1,547
Supplies	-	-	2,184	2,184
Support services:				
Operation and maintenance of plant				
Services	28,956	-	-	28,956
Transportation				
Salaries	-	2,171	-	2,171
Benefits	-	350	-	350
Non-instructional programs:				
Salaries	564,174	187,344	-	751,518
Benefits	193,981	41,345	-	235,326
Services	7,357	6,586	-	13,943
Supplies	843,258	32,130	-	875,388
Depreciation	60,516	-	-	60,516
TOTAL OPERATING EXPENSES	1,698,242	269,926	22,884	1,991,052
OPERATING LOSS	(860,709)	4,529	(2,130)	(858,310)
NON-OPERATING REVENUES:				
State sources	13,334	-	-	13,334
Federal sources	774,221	-	-	774,221
Interest on investments	25	-	-	25
TOTAL NON-OPERATING REVENUES	787,580	-	-	787,580
Changes in net assets	(73,129)	4,529	(2,130)	(70,730)
Net assets beginning of year	483,212	175,377	(2,160)	656,429
Net assets end of year	\$ 410,083	179,906	(4,290)	585,699

SEE NOTES TO FINANCIAL STATEMENTS.

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

	School Nutrition	Lucky Children Day Care	Swimming Pool	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 804,420	-	-	804,420
Cash received from miscellaneous sources	27,160	282,236	17,874	327,270
Cash payments to employees for services	(756,301)	(230,696)	(21,079)	(1,008,076)
Cash payments to suppliers for goods or services	(787,652)	(39,620)	(2,184)	(829,456)
Net cash provided by(used in) operating activities	<u>(712,373)</u>	<u>11,920</u>	<u>(5,389)</u>	<u>(705,842)</u>
Cash flows from non-capital financing activities:				
Transfer from general fund	(11,821)	-	-	(11,821)
State grants received	13,334	-	-	13,334
Federal grants received	703,800	-	-	703,800
Net cash provided by non-capital financing activities	<u>705,313</u>	<u>-</u>	<u>-</u>	<u>705,313</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(26,875)	-	-	(26,875)
Cash flows from investing activities:				
Interest on investments	25	-	-	25
Net increase(decrease) in cash and cash equivalents	(33,910)	11,920	(5,389)	(27,379)
Cash and cash equivalents at beginning of year	252,025	197,183	6,636	455,844
Cash and cash equivalents at end of year	<u>\$ 218,115</u>	<u>209,103</u>	<u>1,247</u>	<u>428,465</u>
Reconciliation of operating loss to net cash used in operating activities:				
Operating income(loss)	\$ (860,709)	4,529	(2,130)	(858,310)
Adjustments to reconcile operating loss to net used in operating activities:				
Commodities used	70,421	-	-	70,421
Depreciation	60,516	-	-	60,516
Increase in inventories	(1,307)	-	-	(1,307)
Decrease(Increase) in accounts receivable	(6,860)	7,781	(2,880)	(1,959)
(Decrease) Increase in accounts payable	22,805	(904)	-	21,901
(Decrease)Increase in salaries and benefits payable	243	387	(379)	251
Increase in unearned revenue	907	-	-	907
Increase in other postemployment benefits	1,611	127	-	1,738
Net cash provided by(used in) operating activities	<u>\$ (712,373)</u>	<u>11,920</u>	<u>(5,389)</u>	<u>(705,842)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2012, the District received Federal commodities valued at \$70,421.

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Private Purpose Trust Scholarship Fund	Agency Fund
ASSETS		
Cash and pooled investments	\$ 447	4,662
Due from other groups	-	2,201
Total assets	<u>447</u>	<u>6,863</u>
LIABILITIES		
Accounts payable		85
Due to other groups	-	6,778
Total liabilities	<u>-</u>	<u>6,863</u>
NET ASSETS		
Restricted for scholarships	<u>\$ 447</u>	<u>-</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2012

	<u>Private Purpose Trust Scholarship Fund</u>
Additions:	
Local sources:	
Gifts and contributions	\$ <u>2,225</u>
Deductions:	
Regular instruction:	
Scholarships awarded	<u>7,350</u>
Change in net assets	(5,125)
Net assets beginning of year	<u>5,572</u>
Net assets end of year	<u>\$ 447</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, 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 Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District also reports the following nonmajor proprietary funds:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

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

Prepaid Items - The District prepaid insurance expense for July 2012 from the Special Revenue, Management Levy.

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

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

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

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

Salaries and Benefits Payable - Payroll and related payroll taxes and benefits for teachers with annual contracts corresponding to the school year, but which have balances payable in July and August 2012, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2012.

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. The cost of vacation payments expected to be liquidated currently is recorded as a liability in the government-wide statement of net assets. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012.

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

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

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

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Control

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

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

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$12,123,588 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. There is no material difference from fair value. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

Note 3. Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Physical Plant and Equipment Levy	\$ 2,085,660
Capital Projects: Statewide sales, services and use tax	Capital Projects: Construction	3,200,000
Total		<u>\$ 5,285,660</u>

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

Note 4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 500,000	-	-	500,000
Construction in progress	81,699	2,834,066	211,381	2,704,384
Total capital assets not being depreciated	<u>581,699</u>	<u>2,834,066</u>	<u>211,381</u>	<u>3,204,384</u>
Capital assets being depreciated:				
Buildings and improvements	47,760,975	211,381	-	47,972,356
Machinery and equipment	4,448,518	243,380	-	4,691,898
Total capital assets being depreciated	<u>52,209,493</u>	<u>454,761</u>	<u>-</u>	<u>52,664,254</u>
Less accumulated depreciation for:				
Buildings and improvements	18,819,263	777,949	-	19,597,212
Machinery and equipment	3,473,625	376,167	-	3,849,792
Total accumulated depreciation	<u>22,292,888</u>	<u>1,154,116</u>	<u>-</u>	<u>23,447,004</u>
Total capital assets being depreciated, net	<u>29,916,605</u>	<u>(699,355)</u>	<u>-</u>	<u>29,217,250</u>
Governmental activities capital assets, net	<u>\$ 30,498,304</u>	<u>2,134,711</u>	<u>211,381</u>	<u>32,421,634</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business Type activities:				
Machinery and equipment	\$ 899,861	26,875	-	926,736
Less accumulated depreciation	650,827	60,516	-	711,343
Business-type activities capital assets, net	<u>\$ 249,034</u>	<u>(33,641)</u>	<u>-</u>	<u>215,393</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 19,254
Other	16,227

Support services:

Instructional staff	18,040
Administration	60,167
Operation and maintenance of plant	90,643
Transportation	171,836
	<u>376,167</u>

Unallocated depreciation

777,949

Total governmental activities depreciation expense

\$ 1,154,116

Business Type activities:

Food services	<u>\$ 60,516</u>
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Note 5. Long-Term Debt

All Long-Term Debt listed is related to governmental activities. A summary of changes in long-term debt for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 11,020,000	-	960,000	10,060,000	1,005,000
Revenue Bonds	6,245,000	-	-	6,245,000	1,645,000
Early Retirement	129,180		129,180	-	-
Compensated Absences	109,839	120,541	109,839	120,541	120,541
Net OPEB liability	148,689	41,655	-	190,344	-
Total	<u>\$ 17,652,708</u>	<u>162,196</u>	<u>1,199,019</u>	<u>16,615,885</u>	<u>2,770,541</u>
	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<u>Business Type Activities:</u>					
Net OPEB liability	\$ 6,261	1,738	-	7,999	-

General Obligation Bonds Payable

On April 1, 2011, the District issued general obligation bonds of \$4,755,000 to advance refund the October 1, 2005 issue which were issued to advance refund May 1, 1999 and May 1, 2001 issues. On April 1, 2008, the District issued general obligation bonds of \$8,380,000 to advance refund the October 21, 1998 issue, which were issued for capital facility construction. Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2008			Bond Issue of April 1, 2011			Total		
	Interest Rate	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2013	3.57 %	\$ 805,000	196,171	2.00 %	\$ 200,000	126,040	1,005,000	322,211	1,327,211
2014	3.57	845,000	167,433	2.00	200,000	122,040	1,045,000	289,473	1,334,473
2015	3.57	890,000	137,267	2.00	200,000	118,040	1,090,000	255,307	1,345,307
2016	3.57	935,000	105,494	2.00	200,000	114,040	1,135,000	219,534	1,354,534
2017	3.57	980,000	72,114	2.10	200,000	110,040	1,180,000	182,154	1,362,154
2017-2021	3.57	1,040,000	37,128	2.10-3.00	3,565,000	295,140	4,605,000	332,268	4,937,268
Total		\$ 5,495,000	715,607		\$ 4,565,000	885,340	\$ 10,060,000	1,600,947	11,660,947

Revenue Bonds Payable

On June 1, 2011, the District issued statewide sales and service tax revenue bonds of \$6,245,000 for an addition on Titan Hills Elementary and to defease the revenue bonds dated May 3, 2006 and August 14, 2009. Details of the District's June 30, 2012 statewide sales and service tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 1, 2011				
	Interest Rate	Principal	Interest	Total	
2013	2.00 %	\$ 1,645,000	155,440	1,800,440	
2014	2.00	1,600,000	122,990	1,722,990	
2015	2.25	225,000	104,459	329,459	
2016	2.25	190,000	99,790	289,790	
2017	2.60	140,000	95,972	235,972	
2018-2022	2.60-3.40	745,000	417,859	1,162,859	
2023-2027	3.60-4.10	875,000	271,285	1,146,285	
2028-2030	4.15-4.45	825,000	68,489	893,489	
Total		\$ 6,245,000	1,336,284	7,581,284	

The District has pledged future statewide sales and services tax revenues to repay the \$6,245,000 bonds issued June 1, 2011. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2030. 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 80 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$7,581,284. For the current year, \$100,269 in interest was paid on the bonds and total statewide sales and services tax revenues were \$2,345,094.

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

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

Note 6. Other Postemployment Benefits (OPEB)

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

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

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

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

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

Annual required contribution	\$ 143,577
Interest on net OPEB obligation	6,973
Adjustment to annual required contribution	<u>(9,103)</u>
Annual OPEB cost	141,447
Contributions made	<u>(98,054)</u>
Increase in net OPEB obligation	43,393
Net OPEB obligation beginning of year	<u>154,950</u>
Net OPEB obligation end of year	<u>\$ 198,343</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$98,054 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 157,003	76.4%	\$ 111,251
2011	141,753	69.2%	154,950
2012	141,447	69.3%	198,343

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2012, the actuarial accrued liability was \$1,236,411, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,236,411. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$17,448,896, and the ratio of the UAAL to covered payroll was 7.1%. 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, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

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

Note 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 salary and the District is required to contribute 8.07% of annual covered. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$1,419,130, \$1,183,339, and \$1,102,686 respectively, equal to the required contributions for each year.

Note 8. Risk Management

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$985,731 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.

Note 10. Bond Defeasement

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

The proceeds in the irrevocable escrow account have been invested in U.S Government obligations which have been certified to be sufficient to pay all principal and interest on the revenue bonds dated May 3, 2006 and August 14, 2009 until the year 2014 when the bonds will be called. The District remains contingently liable in the remote possibility the account is insufficient to pay the bonds. After the principal and interest on all of the outstanding bonds has been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the District.

At June 30, 2012, \$154,597 of the bonds dated May 3, 2006 and \$446,896 of the bonds dated August 14, 2009 are outstanding. Defeasement of principal was \$2,012,646 and interest was \$72,616 for these bonds.

Note 11. Deficit Balances

The District had deficit unreserved fund balances in the Capital Projects Fund, Construction Projects of \$601,174. The District had deficit unrestricted net assets in the Enterprise, Swimming Pool Fund of \$4,290. We also noted eight accounts in the Special Revenue, Student Activity Fund with a deficit balances totaling \$29,403.

Note 12. Construction Commitments

The District has entered into various construction projects totaling \$3,758,517. The projects included construction of an addition to Titan Elementary, new ERC, and replacement of bleachers at the High School, demolition of part of Central Elementary and remodel the remainder, a new roof on part of the Middle School, turf for the football field, and site improvements at the Middle School. As of June 30, 2012, costs of \$2,419,749 had been incurred against the contracts. The balance of \$1,338,769 will be paid as work progresses. The total cost of the improvements will be added to the District's capital asset listing upon completion.

Note 13. Categorical Funding

The District's ending restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
At-risk supplemental weighting	\$ 261,282
Gifted and talented	125,750
Dropout and dropout prevention	328,962
Educator quality, professional development	119,989
Salary improvement program	123,515
Nonpublic textbooks	1,736
Beginning teacher mentoring	13,535
Child development	125
Educator quality, model core curriculum	112,319
Beginning administrator mentoring	2,250
Market factor	17,294
Four-year-old preschool	341,414
	<hr/>
Total restricted for cateforical funding	<u>\$ 1,448,171</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental Fund Types - Actual	Proprietary Fund Types - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 20,061,910	1,132,767	21,194,677	23,985,602	23,985,602	(2,790,925)
Intermediate sources	80,569	-	80,569	166,000	166,000	(85,431)
State appropriations	12,605,939	13,334	12,619,273	13,174,134	13,174,134	(554,861)
Federal appropriations	1,212,296	774,221	1,986,517	1,623,800	1,623,800	362,717
Total revenues	33,960,714	1,920,322	35,881,036	38,949,536	38,949,536	(3,068,500)
Expenditures/expenses:						
Instruction	19,478,084	22,884	19,500,968	21,710,000	21,710,000	2,209,032
Support services	8,073,562	31,477	8,105,039	8,468,200	8,468,200	363,161
Non-instructional programs	-	1,936,691	1,936,691	2,251,000	2,251,000	314,309
Other expenditures/expenses	6,155,441	-	6,155,441	7,520,479	7,520,479	1,365,038
Total expenditures/expenses	33,707,087	1,991,052	35,698,139	39,949,679	39,949,679	4,251,540
Excess(deficiency) of revenues over(under) expenditures/expenses	253,627	(70,730)	182,897	(1,000,143)	(1,000,143)	1,183,040
Other financing sources, net	501,268	-	501,268	-	-	501,268
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	754,895	(70,730)	684,165	(1,000,143)	(1,000,143)	1,684,308
Balance beginning of year	12,555,644	656,429	13,212,073	9,602,959	9,602,959	3,609,114
Balance end of year	\$ 13,310,539	585,699	13,896,238	8,602,816	8,602,816	5,293,422

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

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

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	\$ -	\$1,349,054	1,349,054	0.0%	\$13,507,340	10.0%
2011	July 1, 2010		1,236,411	1,236,411	0.0%	16,839,711	7.3%
2012	July 1, 2010		1,236,411	1,236,411	0.0%	17,448,896	7.1%

See Note 6 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

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

	Nonmajor Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 721,752	22,259	744,011
Receivables:			
Property tax:			
Delinquent	1,901	-	1,901
Succeeding year	506,528	-	506,528
Accounts	363	-	363
Due from other governments	70	-	70
Prepaid items	36,642	-	36,642
TOTAL ASSETS	\$ 1,267,256	22,259	1,289,515
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	-	6,465	6,465
Salaries and benefits payable	-	2,332	2,332
Deferred revenue:			
Succeeding year property tax	506,528	-	506,528
Total liabilities	506,528	8,797	515,325
Fund balances:			
Nonspendable	36,642	-	36,642
Restricted for:			
Management levy purposes	724,086	-	724,086
Student activities	-	42,865	42,865
Unassigned	-	(29,403)	(29,403)
Total fund balances	760,728	13,462	774,190
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,267,256	22,259	1,289,515

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Nonmajor Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 463,718	-	463,718
Other	14,905	591,622	606,527
State sources	187	-	187
Total revenues	478,810	591,622	1,070,432
EXPENDITURES:			
Current:			
Instruction:			
Regular	96,354	-	96,354
Other	-	585,418	585,418
Support services:			
Administration	13,686	-	13,686
Operation and maintenance of plant	226,792	506	227,298
Transportation	63,594	-	63,594
Total expenditures	400,426	585,924	986,350
Net change in fund balances	78,384	5,698	84,082
Fund balances beginning of year, as restated	682,344	7,764	690,108
Fund balances end of year	\$ 760,728	13,462	774,190

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2012

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Capital Projects Construction	Physical Plant and Equipment Levy	
ASSETS				
Cash and pooled investments	\$ 1,845,160	12,006	1,529,828	3,386,994
Receivables:				
Property tax:				
Delinquent	-	-	3,064	3,064
Succeeding year	-	-	840,837	840,837
Accounts	-	-	92	92
Due from other governments	376,983	-	116	377,099
TOTAL ASSETS	\$ 2,222,143	12,006	2,373,937	4,608,086
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	-	613,180	28,119	641,299
Succeeding year property tax	\$ -	-	840,837	840,837
Total liabilities	-	613,180	868,956	1,482,136
Fund balances:				
Restricted for:				
School infrastructure	642,977	-	-	642,977
Construction	1,579,166	-	-	1,579,166
Physical plant and equipment levy	-	-	1,504,981	1,504,981
Unassigned	-	(601,174)	-	(601,174)
Total fund balances	2,222,143	(601,174)	1,504,981	3,125,950
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,222,143	12,006	2,373,937	4,608,086

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2012

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Capital Projects Construction	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ 2,345,094	-	814,139	3,159,233
Other	3,076	-	-	3,076
State sources	-	-	310	310
Federal sources	-	-	4,070	4,070
Total revenues	<u>2,348,170</u>	<u>-</u>	<u>818,519</u>	<u>3,166,689</u>
EXPENDITURES:				
Current:				
Support services:				
Transportation	-	-	127,038	127,038
Capital outlay	-	3,622,049	121,354	3,743,403
Total expenditures	<u>-</u>	<u>3,622,049</u>	<u>248,392</u>	<u>3,870,441</u>
Excess(deficiency)of revenues over(under) expenditures	2,348,170	(3,622,049)	570,127	(703,752)
Other financing sources(uses):				
Transfers in	-	3,200,000	-	3,200,000
Transfers out	(5,285,660)	-	-	(5,285,660)
Total other financing uses	<u>(5,285,660)</u>	<u>3,200,000</u>	<u>- -</u>	<u>(2,085,660)</u>
Net change in fund balances	(2,937,490)	(422,049)	570,127	(2,789,412)
Fund balance beginning of year	<u>5,159,633</u>	<u>(179,125)</u>	<u>934,854</u>	<u>5,915,362</u>
Fund balance end of year	<u>\$ 2,222,143</u>	<u>(601,174)</u>	<u>1,504,981</u>	<u>3,125,950</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
GENERAL ACTIVITIES	\$ 100	108,078	108,176	2
INTEREST	(97)	-	(97)	-
HAWKEYE 10 CONFERENCE	5,042	5,985	5,896	5,131
DRAMA	(1,092)	13,300	13,442	(1,234)
SPEECH	-	6,219	6,219	-
VOCAL MUSIC	3,243	64,707	63,217	4,733
BAND	(2,628)	26,524	26,841	(2,945)
BOYS/GIRLS CROSS COUNTY	-	4,296	4,296	-
BOYS BASKETBALL	1,474	18,157	19,631	-
FOOTBALL	-	46,047	46,047	-
BOYS SOCCER	46	3,978	4,024	-
BASEBALL	486	13,437	13,923	-
BOYS TRACK	(5,563)	7,649	5,524	(3,438)
BOYS TENNIS	-	338	338	-
BOYS GOLF	320	1,831	2,151	-
BOYS SWIM	150	5,621	5,771	-
WRESTLING	(12,362)	16,224	9,048	(5,186)
GIRLS BASKETBALL	-	11,642	11,642	-
VOLLEYBALL	-	15,887	15,887	-
GIRLS SOCCER	2,990	7,199	8,005	2,184
SOFTBALL	(172)	4,860	8,336	(3,648)
GIRLS TRACK	-	7,825	7,825	-
GIRLS TENNIS	-	1,493	1,493	-
GIRLS GOLF	-	900	900	-
GIRLS SWIM	-	3,812	3,812	-
GIRLS BOWLING	-	108	108	-
FUTURE BUSINESS LEADERS	-	10,083	9,552	531
ART CLUB	1,405	643	1,340	708
DRAMA CLUB	1,739	679	1,421	997
COOKING FOR A CAUSE	173	145	71	247
SKILLS USA	-	5,565	5,844	(279)
BOYS BOWLING	-	108	108	-
SPECIAL OLYMPICS	176	1,100	952	324
CLASS OF 2011	97	20	117	-
CLASS OF 2012	-	1,000	1,000	-
CLASS OF 2013	88	7,570	7,501	157
CLASS OF 2014	25	50	-	75
CLASS OF 2015	-	65	-	65
STUDENT COUNCIL	1,996	15,420	17,319	97
NATIONAL HONOR SOCIETY	120	2,320	2,193	247
CHEERLEADERS	(4,463)	27,211	28,059	(5,311)
DANCE TEAM	(10,305)	45,036	42,093	(7,362)
YEARBOOK	293	33,475	28,590	5,178
TITAN HILL STUDENT COUNCIL	2,349	1,040	2,138	1,251
MS VOCAL	2,099	11,974	13,184	889
MS BAND	9,329	17,174	17,454	9,049
MS STUDENT COUNCIL	2,816	1,020	1,454	2,382
MS LEADERSHIP	229	3,747	3,680	296
MS YEARBOOK	3,114	5,110	4,751	3,473
MS SCHOLASTICS	4,547	4,950	4,648	4,849
TOTAL	\$ 7,764	591,622	585,924	13,462

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2012

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>KREFT POP TEACHERS' LOUNGE</u>				
ASSETS				
Cash and pooled investments	\$ (142)	810	2,869	(2,201)
Accounts receivable	-	2,201	-	2,201
	<u>\$ (142)</u>	<u>3,011</u>	<u>2,869</u>	<u>-</u>
LIABILITIES				
Due to other groups	\$ (142)	3,011	2,869	-
<u>TITAN HILL TEACHERS</u>				
ASSETS				
Cash and pooled investments	\$ 4,578	-	685	3,893
LIABILITIES				
Due to other groups	\$ 4,578	-	685	3,893
<u>ADMINISTRATION POP</u>				
ASSETS				
Cash and pooled investments	\$ 269	172	247	194
LIABILITIES				
Accounts payable	\$ -	85	-	85
Due to other groups	269	-	247	109
	<u>269</u>	<u>85</u>	<u>247</u>	<u>194</u>
<u>MS POP - TEACHERS' LOUNGE</u>				
ASSETS				
Cash and pooled investments	\$ (1,332)	608	(1,228)	504
Due from other groups	-	-	-	-
	<u>\$ (1,332)</u>	<u>608</u>	<u>(1,228)</u>	<u>504</u>
LIABILITIES				
Due to other groups	\$ (1,332)	608	(1,228)	504
<u>HS POP TEACHERS' LOUNGE</u>				
ASSETS				
Cash and pooled investments	\$ 1,634	190	(448)	2,272
LIABILITIES				
Due to other groups	\$ 1,634	190	(448)	2,272
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and pooled investments	\$ 5,007	1,780	2,125	4,662
Accounts receivable	-	2,201	-	2,201
Due from other groups	-	2,201	2,201	-
	<u>\$ 5,007</u>	<u>6,182</u>	<u>4,326</u>	<u>6,863</u>
LIABILITIES				
Accounts payable	\$ -	85	-	85
Due to other groups	5,007	3,809	2,125	6,778
	<u>\$ 5,007</u>	<u>3,894</u>	<u>2,125</u>	<u>6,863</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:										
Local sources:										
Local tax	\$ 15,322,367	15,112,648	14,716,951	13,802,617	12,012,734	11,416,213	10,665,011	9,892,986	9,932,264	8,976,353
Tuition	3,781,884	3,656,997	3,152,468	2,819,686	2,567,375	2,302,170	1,938,746	1,667,730	1,548,902	1,706,042
Other	957,659	999,147	1,208,945	1,317,317	1,192,676	1,420,977	1,110,593	1,118,611	1,153,242	1,014,990
Intermediate sources	80,569	240,387	88,783	166,974	155,608	239,875	229,093	29,414	-	-
State sources	12,605,939	11,854,021	10,434,266	12,117,377	11,714,131	11,333,633	10,367,675	9,871,889	9,457,349	10,036,094
Federal sources	1,212,296	1,246,019	2,593,764	912,784	664,848	740,545	653,052	1,102,874	969,969	573,316
Total	\$ 33,960,714	33,109,219	32,195,177	31,136,755	28,307,372	27,453,413	24,964,170	23,683,504	23,061,726	22,306,795
Expenditures:										
Instruction:										
Regular	\$ 12,735,513	12,802,697	11,981,129	11,913,549	10,939,785	10,366,844	9,156,257	8,487,424	8,424,639	8,670,491
Special	3,655,438	3,534,639	3,311,190	3,086,613	2,596,845	2,635,120	2,700,906	3,281,264	3,116,389	3,401,001
Other	3,087,133	3,114,119	3,063,055	2,792,197	2,661,627	2,486,610	2,468,092	1,738,843	1,338,342	1,250,653
Support services:										
Student	477,009	464,990	463,517	460,292	435,588	486,726	393,108	526,486	450,984	386,518
Instructional staff	1,615,935	1,279,064	1,114,783	1,005,186	974,157	1,023,152	893,911	525,140	701,737	565,228
Administration	2,179,138	2,015,080	2,024,289	1,993,944	1,927,754	1,717,968	1,580,310	1,516,607	1,352,365	1,338,687
Operation and maintenance of plant	2,554,642	2,652,273	2,695,102	2,769,184	2,666,353	2,741,455	2,437,330	1,943,172	1,874,668	1,983,347
Transportation	1,246,838	1,176,629	971,402	1,151,551	996,484	802,189	1,190,886	588,283	907,846	521,840
Central support	-	-	-	-	-	-	-	-	-	33,673
Other	-	-	-	-	-	-	-	84,200	74,274	19,300
Non-instructional programs	-	-	-	-	-	-	-	2,500	22,103	25,922
Other expenditures:										
Capital outlays	3,743,403	416,573	1,455,493	3,887,700	1,554,747	4,874,272	673,836	1,486,759	4,447,789	3,944,926
Long-term debt:										
Principal	960,000	2,875,303	2,733,202	2,544,629	10,774,622	2,385,183	837,926	789,871	765,068	671,903
Interest and other charges	466,307	714,329	708,903	811,659	941,840	1,044,697	921,368	731,160	749,588	779,714
AEA flow-through	985,731	1,076,998	1,030,352	911,024	826,825	801,445	716,983	678,959	685,810	734,742
Total	\$ 33,707,087	32,122,694	31,552,417	33,327,528	37,296,627	31,365,661	23,970,913	22,380,668	24,911,602	24,327,945

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 12	\$ 632,335 *
SCHOOL BREAKFAST PROGRAM	10.553	FY 12	141,886
			<u>774,221</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I, PART A CLUSTER:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	3465-G	322,545
AARA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 12	20,938
			<u>343,483</u>
IMPROVING TEACHER QUALITY			
STATE GRANTS (TITLE IIA)	84.367	FY 12	74,590
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI A)			
	84.369	FY 12	19,942
EDUCATION JOBS FUND			
EDUCATION JOBS FUND	84.410	FY 12	7,614
EDUCATION JOBS FUND	84.410	FY 11	385,200
			<u>392,814</u>
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC			
GRANTS TO STATES	84.048	FY 12	17,601
SPECIAL EDUCATION CLUSTER (IDEA):			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 12	150,974
DEPARTMENT OF HOMELAND SECURITY:			
IOWA HOMELAND SECURITY AND EMERGENCY MANAGEMENT			
DISASTER GRANTS - PUBLIC ASSISTANCE (PRESIDENTALLY DECLARED DISASTERS)	97.036	FY 12	4,070
TOTAL			<u>\$ 1,777,695</u>

* -Includes \$70,421 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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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
Lewis Central Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lewis Central Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 14, 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 Lewis Central Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Lewis Central Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lewis Central Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lewis Central Community School District's internal control over financial reporting.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-12 and II-B-12 to be significant deficiencies.

Compliance and Other Matters

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

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certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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 Lewis Central s, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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



NOLTE, CORMAN & JOHNSON, P.C.

January 14, 2013

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Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control Over Compliance in Accordance
with OMB Circular A-133

To the Board of Education of
Lewis Central Community School District

Compliance

We have audited the compliance of Lewis Central Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2012. Lewis Central Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Lewis Central Community School District's management. Our responsibility is to express an opinion on Lewis Central Community School District's compliance based on our audit.

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

In our opinion, Lewis Central Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 14, 2013

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs was noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:

Clustered Programs:

Nutrition Cluster

CFDA Number 10.555 - National School Lunch Program

CFDA Number 10.556 - School Breakfast Program

Title I Cluster

CFDA Number 84.010 - Title I Grants to Local Educational Agencies

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

CFDA Number 84.410 - Education Jobs Fund

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

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-12 Purchase Orders - We noted during our audit that several purchase orders were dated after the invoice date.

Recommendation - Better internal control is achieved when pre-numbered purchase orders are used and the sequence is monitored. The District should review the purchase order system in place. Purchase orders provide approval to order, therefore, pre-numbered purchase orders should be approved by the administrator before the ordering of supplies takes place.

Response - The District has implemented a new purchase order program through a new accounting software program. The District will pay close attention to the approval process.

Conclusion - Response accepted.

II-B-12 Gate Receipts - We noted that the District does not have ticket takers at athletic events and performances reconcile the tickets sold to cash collected prior to handing the money over to administrators to be deposited.

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

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

Response - Beginning with the 12/13 Basketball Season, The District has begun implementing the procedures as outlined above.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-12 Certified Budget - District expenditures/expenses for the year ended June 30, 2012, did not exceed the amount budgeted.

IV-B-12 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-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. However, we noted that the Business Manager was reimbursed at \$.55 per mile which does not appear to align with the board policy rate of \$.45 per mile.

Recommendation - The District should reimburse mileage at the same rate stated in the District Board Policies.

Response - The Business Manager has reimbursed the District for the over payment. Further mileage reimbursement will be at the same rate as stated in the District Board Policies.

Conclusion - Response accepted.

IV-D-12 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jewell Tweedt, Teacher owner Jewell Tweedt Enterprises	purchased product	\$ 280
William Lundstad, Bus Driver	purchased services	375
Liz Hytrek, Cheerleader Sponsor Sales Rep Varsity Spirit Fashions	purchase of product	20,672

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with Jewell Tweedt and William Lundstad do not appear to represent a conflict of interest.

The above transactions between the District and Liz Hytrek appear to create a conflict of interest. Chapter 301.28 of the Code of Iowa states in part, "A school director, officer or teacher shall not act as agent for the purchase of school textbooks or school supplies, including sports apparel or equipment, in any transaction..." The purchase of sports

apparel from the paraprofessional's business appears to be in violation of this code section.

Recommendation - The District should contact its attorney regarding this matter to determine the legality of these transactions and if any corrective action is required.

Response - The District is no longer doing business with Varsity Spirit Fashions.

Conclusion - Response acknowledged. The District should also contact its attorney to determine the legality and if any corrective action is required.

IV-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.

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

IV-G-12 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education of .22 for a student who should have been funded for year 4 of ELL funding.

Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter.

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

IV-H-12 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

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

IV-J-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.

IV-K-12 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-12 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$	5,159,633
Revenues:			
Sales tax revenues	\$	2,345,094	
Other local revenue		3,076	2,348,170
			<u>7,507,803</u>
Expenditures/transfers out:			
Transfers to other funds:			
Debt service fund	\$	2,085,660	
Other transfers		3,200,000	5,285,660
			<u>5,285,660</u>
Ending balance		\$	<u><u>2,222,143</u></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.

IV-M-12Financial Condition - The District had eight deficit student account balances in the Special Revenue, Student Activity Fund at year end totaling \$29,403. The District had deficit unassigned fund balance in the Capital Projects: Construction Projects Fund of \$601,174. The District had deficit unrestricted net assets in the Enterprise: Swimming Pool Fund of \$4,290.

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

Response - The District will continue to monitor these funds and investigate alternatives to eliminate the deficit.

Conclusion - Response accepted.