

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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Lewis Central Community School District

Officials

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

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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 third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 23, 2014 on our consideration of Lewis Central Community School District's internal control over financial reporting and on 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 in considering Lewis Central Community School District's internal control over financial reporting and compliance.


NOLTE, CORNMAN & JOHNSON, P.C.

January 23, 2014
Newton, Iowa

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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$28,908,540 in fiscal 2012 to \$29,321,551 in fiscal 2013, while General Fund expenditures and transfers out increased from \$27,423,989 in fiscal 2012 to \$28,413,142 in fiscal 2013. This resulted in an increase in the District's General Fund balance from \$6,777,802 in fiscal 2012 to a balance of \$7,686,211 in fiscal 2013, a 13.40% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in state and local sources in fiscal 2013. 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 Position 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.

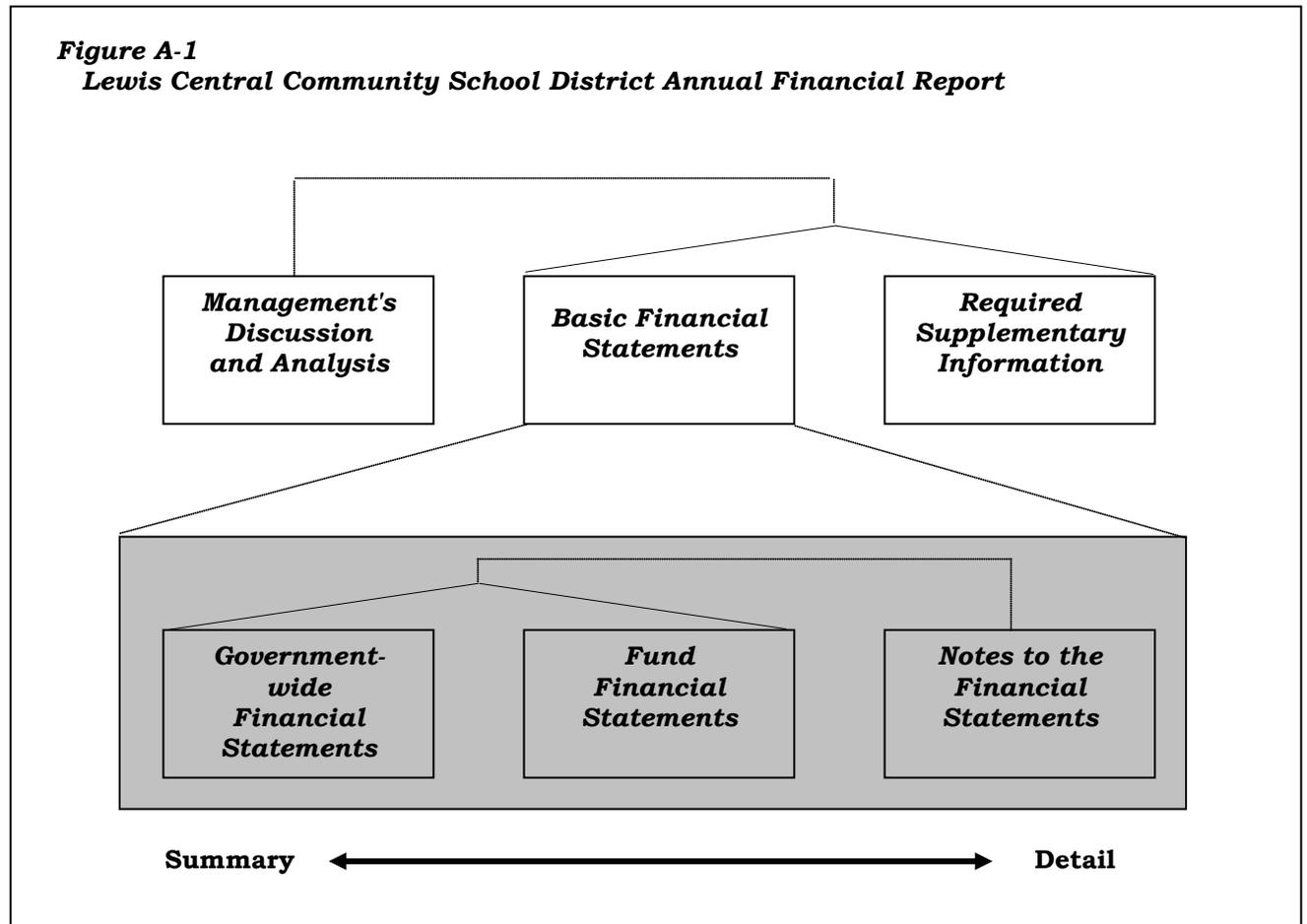


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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 position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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 Position 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 position and how they have changed. Net position – 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 position is 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 Net Position, Statement of Revenues, Expenses and Changes in Net Position 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 Position and a Statement of Changes in Fiduciary Net Position.

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 position at June 30, 2013 compared to June 30, 2012.

Figure A-3
Condensed Statement of Net Position

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 31,091,269	30,546,935	345,393	475,540	31,436,662	31,022,475	1.34%
Capital assets	32,658,425	32,421,634	156,291	215,393	32,814,716	32,637,027	0.54%
Total assets	63,749,694	62,968,569	501,684	690,933	64,251,378	63,659,502	0.93%
Long-term obligations	14,017,268	16,615,885	10,789	7,999	14,028,057	16,623,884	-15.62%
Other liabilities	16,441,069	16,708,586	97,974	97,235	16,539,043	16,805,821	-1.59%
Total liabilities	30,458,337	33,324,471	108,763	105,234	30,567,100	33,429,705	-8.56%
Net position:							
Invested in capital assets, net of related debt	19,045,979	17,695,800	156,291	215,393	19,202,270	17,911,193	7.21%
Restricted	7,832,413	6,995,677	-	-	7,832,413	6,995,677	11.96%
Unrestricted	6,412,965	4,952,621	236,630	370,306	6,649,595	5,322,927	24.92%
Total net position	\$ 33,291,357	29,644,098	392,921	585,699	33,684,278	30,229,797	11.43%

The District's combined net position increased by 11.43%, or \$3,454,481, over the prior year. The largest portion of the District's net position 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 position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$836,736, or 11.96% over the prior year. The increase was a result of the increase in the Management and Student Activity Funds.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$1,326,668, or 24.92%.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to June 30, 2012.

Figure A-4
Changes of Net Position

	Governmental Activities		Business Type Activities		Total		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for services	\$ 4,764,997	4,411,001	1,056,514	1,132,742	5,821,511	5,543,743	5.01%
Operating grants and contributions and restricted interest	3,092,229	2,778,829	797,109	787,555	3,889,338	3,566,384	9.06%
General revenues:							
Local taxes	12,638,730	12,304,205	-	-	12,638,730	12,304,205	2.72%
Income surtax	716,489	352,457	-	-	716,489	352,457	103.28%
Statewide sales, services and use tax	2,375,901	2,345,094	-	-	2,375,901	2,345,094	1.31%
Nonspecific program federal revenues	-	392,814	-	-	-	392,814	-100.00%
Unrestricted state grants	11,238,110	10,913,184	-	-	11,238,110	10,913,184	2.98%
Unrestricted investment earnings	1,326	4,829	-	25	1,326	4,854	-72.68%
Other	597,201	137,690	-	-	597,201	137,690	333.73%
Total revenues	35,424,983	33,640,103	1,853,623	1,920,322	37,278,606	35,560,425	4.83%
Program expenses:							
Governmental activities:							
Instructional	20,522,272	19,406,530	24,439	22,884	20,546,711	19,429,414	5.75%
Support services	8,276,238	8,609,149	24,248	31,477	8,300,486	8,640,626	-3.94%
Non-instructional programs	-	-	1,997,714	1,936,691	1,997,714	1,936,691	3.15%
Other expenses	2,979,214	2,302,400	-	-	2,979,214	2,302,400	29.40%
Total expenses	31,777,724	30,318,079	2,046,401	1,991,052	33,824,125	32,309,131	4.69%
Change in net position	3,647,259	3,322,024	(192,778)	(70,730)	3,454,481	3,251,294	6.25%
Beginning net position	29,644,098	26,322,074	585,699	656,429	30,229,797	26,978,503	12.05%
Ending net position	\$ 33,291,357	29,644,098	392,921	585,699	33,684,278	30,229,797	11.43%

In fiscal 2013, local tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 76.13% 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 \$37.3 million of which \$35.4 million was for governmental activities and less than \$1.9 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 4.83% increase in revenues and a 4.69% increase in expenses. The increase in expenses is related to increase in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$35,424,983 and expenses were \$31,777,724.

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		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 20,522,272	19,406,530	5.75%	13,696,364	12,239,450	11.90%
Support services	8,276,238	8,609,149	-3.87%	8,241,411	8,572,130	-3.86%
Other expenses	2,979,214	2,302,400	29.40%	1,982,723	1,316,669	50.59%
Totals	\$ 31,777,724	30,318,079	4.81%	23,920,498	22,128,249	8.10%

- The cost financed by users of the District's programs was \$4,764,997.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$3,092,229.
- The net cost of governmental activities was financed with \$12,638,730 in local tax, \$716,489 in income surtax, \$2,375,901 in statewide sales, services and use tax, \$11,238,110 in unrestricted state grants, \$1,326 in unrestricted investment earnings, and \$597,201 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$1,853,623 and expenses were \$2,046,401. 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 \$14,095,681, above last year's ending fund balances of \$13,310,539. The primary reason for the increase in combined fund balances in fiscal 2013 is due to the increase in the General Fund.

Governmental Fund Highlights

- Overall, District revenues in the General Fund for fiscal 2013 increased 1.43% or \$413,011, to \$29,321,551 compared to \$28,908,540 in fiscal 2012. The expenses increased by 3.61% or \$989,153, to \$28,413,142 compared to \$27,423,989 in fiscal 2012. The General Fund balance increased \$908,409.
- The Capital Projects Fund balance decreased from \$3,125,950 in fiscal 2012 to \$2,887,976 in fiscal 2012. The decrease was due to the construction costs incurred during the year.
- The Debt Service Fund balance decreased from \$2,632,597 in fiscal 2012 to \$2,628,603 in fiscal 2013. The decrease is due to normal debt transactions through the year.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$410,083 at June 30, 2012 to \$225,431 at June 30, 2013, representing a decrease of 45.03%. The Lucky Children Day Care Fund net position decreased from \$179,906 at June 30, 2012 to \$176,642 at June 30, 2013, representing a decrease of 1.81%. The Swimming Pool Fund net position decreased from a deficit \$4,290 at June 30, 2012 to deficit \$9,152 at June 30, 2013, representing a decrease of 113.33%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$603,615 more than budgeted revenues, a variance of 1.65%. The most significant variance resulted from the District receiving more 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. In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional and other expenditures functional areas and in total.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$32,814,716, 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 \$1,995,665.

The original cost of the District's capital assets was \$58.9 million. Governmental funds account for \$58.0 million with the remainder of \$0.9 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$0 at June 30, 2013, compared to \$2,704,384 reported at June 30, 2012. This decrease resulted from the construction projects that were completed during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business Type		Total		Total Change
	Activities		Activities		District		
	June 30,		June 30,		June 30,		
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 500,000	500,000	-	-	500,000	500,000	0.00%
Construction in progress	-	2,704,384	-	-	-	2,704,384	-100.00%
Buildings and improvements	31,270,118	28,375,144	-	-	31,270,118	28,375,144	10.20%
Machinery and equipment	888,307	842,106	156,291	215,393	1,044,598	1,057,499	-1.22%
Total	\$ 32,658,425	32,421,634	156,291	215,393	32,814,716	32,637,027	0.54%

Long-Term Debt

At June 30, 2013, the District had \$14,028,057 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of 15.62% 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 \$9,055,000 at June 30, 2013.

The District had total outstanding revenue bonded indebtedness of \$4,600,000 at June 30, 2013.

The District had total outstanding compensated absences payable from the General Fund of \$116,787 at June 30, 2013.

The District had total outstanding other postemployment benefits payable of \$256,270 at June 30, 2013.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
General obligation bonds	\$ 9,055,000	10,060,000	-	-	9,055,000	10,060,000	-9.99%
Revenue bonds	4,600,000	6,245,000	-	-	4,600,000	6,245,000	-26.34%
Compensated absences	116,787	120,541	-	-	116,787	120,541	-3.11%
Net OPEB liability	245,481	190,344	10,789	7,999	256,270	198,343	29.21%
Totals	\$ 14,017,268	16,615,885	10,789	7,999	14,028,057	16,623,884	-15.62%

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 continues to experience a slight decrease in enrollment. Extra care will need to be taken to control expenses due to the Iowa school funding formula based upon student enrollment.
- The upcoming Iowa Legislative session could again prove to be challenging in respect to the state budget.

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, 4121 Harry Langdon Blvd, Council Bluffs, Iowa, 51503.

Lewis
Central

BASIC FINANCIAL STATEMENTS

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 15,792,906	299,066	16,091,972
Receivables:			
Property tax:			
Delinquent	62,513	-	62,513
Succeeding year	13,028,016	-	13,028,016
Income surtax	672,926	-	672,926
Accounts	6,188	20,644	26,832
Due from other governments	1,489,959	-	1,489,959
Inventories	-	25,683	25,683
Prepaid items	38,761	-	38,761
Capital assets, net of accumulated depreciation	32,658,425	156,291	32,814,716
TOTAL ASSETS	63,749,694	501,684	64,251,378
LIABILITIES			
Accounts payable	412,525	11,926	424,451
Salaries and benefits payable	2,881,546	57,910	2,939,456
Interest payable	118,407	-	118,407
Deferred revenue:			
Succeeding year property tax	13,028,016	-	13,028,016
Other	575	-	575
Unearned revenue	-	28,138	28,138
Long-term liabilities:			
Portion due within one year:			
G.O. bonds payable	1,045,000	-	1,045,000
Revenue bonds payable	1,600,000	-	1,600,000
Compensated absences payable	116,787	-	116,787
Portion due after one year:			
G.O. bonds payable	8,010,000	-	8,010,000
Revenue bonds payable	3,000,000	-	3,000,000
Net OPEB liability	245,481	10,789	256,270
TOTAL LIABILITIES	30,458,337	108,763	30,567,100
NET POSITION			
Invested in capital assets, net of related debt	19,045,979	156,291	19,202,270
Restricted for:			
Categorical funding	1,622,665	-	1,622,665
Debt service	2,510,196	-	2,510,196
Management levy purposes	799,538	-	799,538
Student activities	54,592	-	54,592
School infrastructure	1,159,038	-	1,159,038
Physical plant and equipment	1,686,384	-	1,686,384
Unrestricted	6,412,965	236,630	6,649,595
TOTAL NET POSITION	\$ 33,291,357	392,921	33,684,278

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 13,389,449	3,554,251	440,368	(9,394,830)	-	(9,394,830)
Special	3,793,528	728,327	371,375	(2,693,826)	-	(2,693,826)
Other	3,339,295	482,419	1,249,168	(1,607,708)	-	(1,607,708)
	<u>20,522,272</u>	<u>4,764,997</u>	<u>2,060,911</u>	<u>(13,696,364)</u>	<u>-</u>	<u>(13,696,364)</u>
Support services:						
Student	491,566	-	-	(491,566)	-	(491,566)
Instructional staff	1,632,597	-	-	(1,632,597)	-	(1,632,597)
Administration	2,195,945	-	-	(2,195,945)	-	(2,195,945)
Operation and maintenance of plant	2,702,578	-	528	(2,702,050)	-	(2,702,050)
Transportation	1,253,552	-	34,299	(1,219,253)	-	(1,219,253)
	<u>8,276,238</u>	<u>-</u>	<u>34,827</u>	<u>(8,241,411)</u>	<u>-</u>	<u>(8,241,411)</u>
Other expenses:						
Long-term debt interest	456,624	-	-	(456,624)	-	(456,624)
AEA flowthrough	996,491	-	996,491	-	-	-
Depreciation(unallocated)*	1,526,099	-	-	(1,526,099)	-	(1,526,099)
	<u>2,979,214</u>	<u>-</u>	<u>996,491</u>	<u>(1,982,723)</u>	<u>-</u>	<u>(1,982,723)</u>
Total governmental activities	31,777,724	4,764,997	3,092,229	(23,920,498)	-	(23,920,498)
Business Type activities:						
Instruction:						
Other	24,439	19,577	-	-	(4,862)	(4,862)
Support services:						
Administration	8	-	-	-	(8)	(8)
Operation and maintenance of plant	21,545	-	-	-	(21,545)	(21,545)
Transportation	2,695	-	-	-	(2,695)	(2,695)
Non-instructional programs:						
Nutrition services	1,712,482	747,466	797,109	-	(167,907)	(167,907)
Day care services	285,232	289,471	-	-	4,239	4,239
	<u>2,046,401</u>	<u>1,056,514</u>	<u>797,109</u>	<u>-</u>	<u>(192,778)</u>	<u>(192,778)</u>
Total	\$ 33,824,125	5,821,511	3,889,338	(23,920,498)	(192,778)	(24,113,276)
General Revenues:						
Property tax levied for:						
General purposes				\$ 10,471,947	-	10,471,947
Debt service				1,326,631	-	1,326,631
Capital outlay				840,152	-	840,152
Income surtax				716,489	-	716,489
Statewide sales and services tax				2,375,901	-	2,375,901
Unrestricted state grants				11,238,110	-	11,238,110
Unrestricted investment earnings				1,326	-	1,326
Other general revenues				597,201	-	597,201
Total general revenues				<u>27,567,757</u>	<u>-</u>	<u>27,567,757</u>
Changes in net position				3,647,259	(192,778)	3,454,481
Net position beginning of year				<u>29,644,098</u>	<u>585,699</u>	<u>30,229,797</u>
Net position end of year				<u>\$ 33,291,357</u>	<u>392,921</u>	<u>33,684,278</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, 2013

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
ASSETS					
Cash and pooled investments	\$ 9,702,635	2,609,222	2,622,408	858,641	15,792,906
Receivables:					
Property tax:					
Delinquent	49,861	3,923	6,195	2,534	62,513
Succeeding year	8,881,445	868,846	2,767,726	509,999	13,028,016
Income surtax	672,926	-	-	-	672,926
Accounts	1,425	-	-	4,763	6,188
Due from other governments	1,130,658	359,301	-	-	1,489,959
Prepaid items	-	-	-	38,761	38,761
TOTAL ASSETS	\$ 20,438,950	3,841,292	5,396,329	1,414,698	31,091,269
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 319,127	84,470	-	8,928	412,525
Salaries and benefits payable	2,878,666	-	-	2,880	2,881,546
Deferred revenue:					
Succeeding year property tax	8,881,445	868,846	2,767,726	509,999	13,028,016
Income surtax	672,926	-	-	-	672,926
Other	575	-	-	-	575
Total liabilities	12,752,739	953,316	2,767,726	521,807	16,995,588
Fund balances:					
Nonspendable	-	-	-	38,761	38,761
Restricted for:					
Categorical funding	1,622,665	-	-	-	1,622,665
Debt service	-	-	2,628,603	-	2,628,603
Management levy purposes	-	-	-	799,538	799,538
Student activities	-	-	-	54,592	54,592
School infrastructure	-	1,201,592	-	-	1,201,592
Physical plant and equipment	-	1,686,384	-	-	1,686,384
Unassigned	6,063,546	-	-	-	6,063,546
Total fund balances	7,686,211	2,887,976	2,628,603	892,891	14,095,681
TOTAL LIABILITIES AND FUND BALANCES	\$ 20,438,950	3,841,292	5,396,329	1,414,698	31,091,269

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Total fund balances of governmental funds(page 20)	\$	14,095,681
 <i>Amounts reported for governmental activities in the statement of net position 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.		32,658,425
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.		(118,407)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		672,926
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>(14,017,268)</u>
Net position of governmental activities(page 18)	\$	<u><u>33,291,357</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, 2013

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 10,676,597	3,216,053	1,326,631	506,370	15,725,651
Tuition	4,183,952	-	-	-	4,183,952
Other	272,516	380,283	816	684,813	1,338,428
Intermediate sources	272,520	-	-	-	272,520
State sources	13,012,870	306	483	197	13,013,856
Federal sources	885,107	-	-	-	885,107
Total revenues	<u>29,303,562</u>	<u>3,596,642</u>	<u>1,327,930</u>	<u>1,191,380</u>	<u>35,419,514</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	13,281,170	-	-	105,248	13,386,418
Special	3,765,874	-	-	-	3,765,874
Other	2,684,101	-	-	620,232	3,304,333
	<u>19,731,145</u>	<u>-</u>	<u>-</u>	<u>725,480</u>	<u>20,456,625</u>
Support services:					
Student	490,628	-	-	-	490,628
Instructional staff	1,601,913	-	-	-	1,601,913
Administration	2,198,030	-	4,500	9,732	2,212,262
Operation and maintenance of plant	2,439,880	-	-	260,847	2,700,727
Transportation	955,055	372,253	-	76,620	1,403,928
	<u>7,685,506</u>	<u>372,253</u>	<u>4,500</u>	<u>347,199</u>	<u>8,409,458</u>
Capital outlay	-	1,726,939	-	-	1,726,939
Long-term debt:					
Principal	-	-	2,650,000	-	2,650,000
Interest and fiscal charges	-	-	477,864	-	477,864
	<u>-</u>	<u>-</u>	<u>3,127,864</u>	<u>-</u>	<u>3,127,864</u>
Other expenditures:					
AEA flowthrough	996,491	-	-	-	996,491
	<u>996,491</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,124,355</u>
Total expenditures	<u>28,413,142</u>	<u>2,099,192</u>	<u>3,132,364</u>	<u>1,072,679</u>	<u>34,717,377</u>
Excess(deficiency) of revenues over(under) expenditures	890,420	1,497,450	(1,804,434)	118,701	702,137
Other financing sources(uses):					
Transfers in	-	1,638,627	1,800,440	-	3,439,067
Transfers out	-	(3,439,067)	-	-	(3,439,067)
Issuance reimbursement	17,631	-	-	-	17,631
Sale of equipment	358	-	-	-	358
Compensation for loss of capital assets	-	65,016	-	-	65,016
Total other financing sources(uses)	<u>17,989</u>	<u>(1,735,424)</u>	<u>1,800,440</u>	<u>-</u>	<u>83,005</u>
Change in fund balances	908,409	(237,974)	(3,994)	118,701	785,142
Fund balances beginning 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>
Fund balances end of year	<u>\$ 7,686,211</u>	<u>2,887,976</u>	<u>2,628,603</u>	<u>892,891</u>	<u>14,095,681</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, 2013

Net change in fund balances - total governmental funds(page 22) \$ 785,142

*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	\$ 2,160,649	
Depreciation expense	<u>(1,923,857)</u>	236,792

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

Current year repayments exceeded issues, as follows:

Repaid	2,650,000
--------	-----------

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.

21,240

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

5,469

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

Compensated absences	\$ 3,754	
Other postemployment benefits	<u>(55,138)</u>	<u>(51,384)</u>

Changes in net position of governmental activities(page 19) \$ 3,647,259

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	School Nutrition	Lucky Children Day Care	Swimming Pool	Total
<u>ASSETS</u>				
Current assets:				
Cash and pooled investments	\$ 93,934	207,780	(2,648)	299,066
Receivables:				
Accounts	5,993	11,834	2,817	20,644
Inventories	25,683	-	-	25,683
Total current assets	125,610	219,614	169	345,393
Non-current assets:				
Capital assets:				
Machinery and equipment, net of accumulated depreciation	156,291	-	-	156,291
Total non-current assets	156,291	-	-	156,291
TOTAL ASSETS	281,901	219,614	169	501,684
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	3,116	8,810	-	11,926
Salaries and benefits payable	15,529	33,060	9,321	57,910
Unearned revenue	28,138	-	-	28,138
Total current liabilities	46,783	41,870	9,321	97,974
Long-term liabilities:				
Net OPEB liability	9,687	1,102	-	10,789
Total long-term liabilities	9,687	1,102	-	10,789
TOTAL LIABILITIES	56,470	42,972	9,321	108,763
<u>NET POSITION</u>				
Invested in capital assets	156,291	-	-	156,291
Unrestricted	69,140	176,642	(9,152)	236,630
Total net position	\$ 225,431	176,642	(9,152)	392,921

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2013

	School Nutrition	Lucky Children Day Care	Swimming Pool	Total
OPERATING REVENUE:				
Local sources:				
Charges for service	\$ 747,466	289,471	19,577	1,056,514
OPERATING EXPENSES:				
Instruction:				
Other:				
Salaries	-	-	19,277	19,277
Benefits	-	-	1,850	1,850
Services	-	-	165	165
Supplies	-	-	3,147	3,147
Support services:				
Administration				
Services	-	8	-	8
Operation and maintenance of plant				
Services	16,745	4,800	-	21,545
Transportation				
Salaries	-	2,304	-	2,304
Benefits	-	391	-	391
Non-instructional programs:				
Salaries	607,026	195,322	-	802,348
Benefits	202,222	39,349	-	241,571
Services	11,613	2,254	-	13,867
Supplies	819,813	48,307	-	868,120
Depreciation	71,808	-	-	71,808
TOTAL OPERATING EXPENSES	1,729,227	292,735	24,439	2,046,401
OPERATING LOSS	(981,761)	(3,264)	(4,862)	(989,887)
NON-OPERATING REVENUES:				
State sources	12,479	-	-	12,479
Federal sources	784,630	-	-	784,630
TOTAL NON-OPERATING REVENUES	797,109	-	-	797,109
Changes in net position	(184,652)	(3,264)	(4,862)	(192,778)
Net position beginning of year	410,083	179,906	(4,290)	585,699
Net position end of year	\$ 225,431	176,642	(9,152)	392,921

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2013

	School Nutrition	Lucky Children Day Care	Swimming Pool	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 720,392	-	-	720,392
Cash received from miscellaneous sources	34,766	277,637	19,640	332,043
Cash payments to employees for services	(807,534)	(228,487)	(20,223)	(1,056,244)
Cash payments to suppliers for goods or services	(777,927)	(50,473)	(3,312)	(831,712)
Net cash used in operating activities	<u>(830,303)</u>	<u>(1,323)</u>	<u>(3,895)</u>	<u>(835,521)</u>
Cash flows from non-capital financing activities:				
Transfer from general fund	-	-	-	-
State grants received	12,479	-	-	12,479
Federal grants received	706,349	-	-	706,349
Net cash provided by non-capital financing activities	<u>718,828</u>	<u>-</u>	<u>-</u>	<u>718,828</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(12,706)	-	-	(12,706)
Net decrease in cash and cash equivalents	(124,181)	(1,323)	(3,895)	(129,399)
Cash and cash equivalents at beginning of year	218,115	209,103	1,247	428,465
Cash and cash equivalents at end of year	<u>\$ 93,934</u>	<u>207,780</u>	<u>(2,648)</u>	<u>299,066</u>
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	\$ (981,761)	(3,264)	(4,862)	(989,887)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Commodities used	78,281	-	-	78,281
Depreciation	71,808	-	-	71,808
Decrease in inventories	11,652	-	-	11,652
Decrease(Increase) in accounts receivable	867	(11,834)	63	(10,904)
(Decrease) Increase in accounts payable	(19,689)	4,896	-	(14,793)
(Decrease)Increase in salaries and benefits payable	(565)	8,368	904	8,707
Increase in unearned revenue	6,825	-	-	6,825
Increase in other postemployment benefits	2,279	511	-	2,790
Net cash used in operating activities	<u>\$ (830,303)</u>	<u>(1,323)</u>	<u>(3,895)</u>	<u>(835,521)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2013, the District received Federal commodities valued at \$78,281.

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2013

	Private Purpose Trust Scholarship Fund	Agency Fund
ASSETS		
Cash and pooled investments	\$ 1,747	3,130
Due from other groups	-	2,201
Total assets	<u>1,747</u>	<u>5,331</u>
LIABILITIES		
Due to other groups	<u>-</u>	<u>5,331</u>
NET POSITION		
Restricted for scholarships	<u>\$ 1,747</u>	<u>-</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2013

	<u>Private Purpose Trust Scholarship Fund</u>
Additions:	
Local sources:	
Gifts and contributions	\$ <u>5,575</u>
Deductions:	
Regular instruction:	
Scholarships awarded	<u>4,275</u>
Change in net position	1,300
Net position beginning of year	<u>447</u>
Net position end of year	<u>\$ 1,747</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

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 position (previously referred to as 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 position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is 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 position result when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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 position and changes in net position. 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 position 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.

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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

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 2013 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 position. 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 2013, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2013.

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 Position 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 position. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013.

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 position.

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 Position - In the government-wide statement of net position, net position is reported as restricted when constraints placed on net position 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, 2013 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, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$12,624,097 pursuant to Rule 2a-7 under the Investment Company Act of 1940. 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, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Physical Plant and Equipment Levy	\$ 1,800,440
Capital Projects: Statewide sales, services and use tax	Capital Projects: Construction	1,638,627
Total		<u>\$ 3,439,067</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	2,704,384	1,716,689	4,421,073	-
Total capital assets not being depreciated	<u>3,204,384</u>	<u>1,716,689</u>	<u>4,421,073</u>	<u>500,000</u>
Capital assets being depreciated:				
Buildings and improvements	47,972,356	4,421,073	-	52,393,429
Machinery and equipment	4,691,898	443,959	59,467	5,076,390
Total capital assets being depreciated	<u>52,664,254</u>	<u>4,865,032</u>	<u>59,467</u>	<u>57,469,819</u>
Less accumulated depreciation for:				
Buildings and improvements	19,597,212	1,526,099	-	21,123,311
Machinery and equipment	3,849,792	397,758	59,467	4,188,083
Total accumulated depreciation	<u>23,447,004</u>	<u>1,923,857</u>	<u>59,467</u>	<u>25,311,394</u>
Total capital assets being depreciated, net	<u>29,217,250</u>	<u>2,941,175</u>	<u>-</u>	<u>32,158,425</u>
Governmental activities capital assets, net	<u>\$ 32,421,634</u>	<u>4,657,864</u>	<u>4,421,073</u>	<u>32,658,425</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business Type activities:				
Machinery and equipment	\$ 926,736	12,706	-	939,442
Less accumulated depreciation	711,343	71,808	-	783,151
Business-type activities capital assets, net	<u>\$ 215,393</u>	<u>(59,102)</u>	<u>-</u>	<u>156,291</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular			\$	19,254
Other				9,882

Support services:

Instructional staff				18,040
Administration				60,716
Operation and maintenance of plant				103,136
Transportation				186,730
				<u>397,758</u>

Unallocated depreciation				<u>1,526,099</u>
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Total governmental activities depreciation expense			\$	<u>1,923,857</u>
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Business Type activities:

Food services			\$	<u>71,808</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, 2013 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 10,060,000	-	1,005,000	9,055,000	1,045,000
Revenue Bonds	6,245,000	-	1,645,000	4,600,000	1,600,000
Compensated Absences	120,541	116,787	120,541	116,787	116,787
Net OPEB liability	190,344	55,137	-	245,481	-
Total	<u>\$ 16,615,885</u>	<u>171,924</u>	<u>2,770,541</u>	<u>14,017,268</u>	<u>2,761,787</u>
<u>Business Type Activities:</u>					
Net OPEB liability	\$ 7,999	2,790	-	10,789	-

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, 2013 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
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
2018	3.57	1,040,000	37,128	2.40	185,000	105,840	1,225,000	142,968	1,367,968
2019-2021		-	-	3.00	3,380,000	189,300	3,380,000	189,300	3,569,300
Total		\$ 4,690,000	519,436		\$ 4,365,000	759,300	\$ 9,055,000	1,278,736	10,333,736

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, 2013 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	
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	2.40	140,000	95,972	235,972	
2018	2.60	140,000	92,473	232,473	
2019-2023	2.60-3.40	765,000	393,218	1,158,218	
2024-2028	3.60-4.10	915,000	235,100	1,150,100	
2029-2030	4.15-4.45	625,000	36,842	661,842	
Total		\$ 4,600,000	1,180,844	5,780,844	

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 73 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$5,780,844. For the current year, \$1,645,000 in principal and \$155,440 in interest was paid on the bonds and total statewide sales and services tax revenues were \$2,375,901.

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 health plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 414 active and 36 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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 136,630
Interest on net OPEB obligation	8,925
Adjustment to annual required contribution	<u>(12,176)</u>
Annual OPEB cost	133,379
Contributions made	<u>(75,452)</u>
Increase in net OPEB obligation	57,927
Net OPEB obligation beginning of year	<u>198,343</u>
Net OPEB obligation end of year	<u>\$ 256,270</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$75,452 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, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 141,753	69.2%	\$ 154,950
2012	141,447	69.3%	198,343
2013	133,379	56.6%	256,270

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1,135,088, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,135,088. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$15,584,870, and the ratio of the UAAL to covered payroll was 7.3%. As of June 30, 2013, 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, 2012 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 \$1,002 per month and \$1000 deductible plan is \$926 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 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$1,557,718, \$1,419,130, and \$1,183,339 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 \$996,491 for the year ended June 30, 2013 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 refunded bonds dated May 3, 2006 and August 14, 2009. The new refunding bonds have been added to the appropriate financial statements and schedules. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunding 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, 2013, \$0 of the bonds dated May 3, 2006 and \$0 of the bonds dated August 14, 2009 are outstanding. Defeasement of principal was \$601,493 and interest was \$19,456 for these bonds.

Note 11. Deficit Balances

The District had deficit unrestricted net position in the Enterprise, Swimming Pool Fund of \$9,152.

Note 12. Budget Over Expenditure

During the year ended June 30, 2013, expenditures in the non-instructional and other expenditures functional area and in total exceeded the amounts budgeted.

Note 13. Categorical Funding

The District's ending restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
At-risk supplemental weighting	\$ 279,710
Gifted and talented	160,050
Dropout and dropout prevention	373,898
Educator quality, professional development	120,373
Salary improvement program	130,394
Nonpublic textbooks	845
Beginning teacher mentoring	13,665
Child development	340
Educator quality, model core curriculum	87,483
Beginning administrator mentoring	2,250
Market factor	7,546
Iowa early intervention	44,654
Innovative at-risk	1,001
Four-year-old preschool	400,456
Total restricted for cateforical funding	<u>\$ 1,622,665</u>

Note 14. Detailed Reconciliation of Governmental Fund Balances to Net Position

The following is the detailed reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position:

	Invested in Capital Assets	Debt Service	School Infrastructure	Unassigned/ Restricted Balances
Fund Balance (Exhibit C)	\$ -	2,628,603	1,201,592	6,063,546
Capital assets	32,658,425	-	-	-
General obligation bond capitalized indebtedness	(9,055,000)	-	-	-
Revenue bond capitalized indebtedness	(4,557,446)	-	-	-
Revenue bond proceeds not expended	-	-	(42,554)	-
Income surtax	-	-	-	672,926
Accrued interest payable	-	(118,407)	-	-
Nonspendable adjustment	-	-	-	38,761
Compensated absences payable	-	-	-	(116,787)
Net OPEB liability	-	-	-	(245,481)
Net position (Exhibit A)	<u>\$ 19,045,979</u>	<u>2,510,196</u>	<u>1,159,038</u>	<u>6,412,965</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, 2013

	Governmental Fund Types - Actual	Proprietary Fund Types - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 21,248,031	1,056,514	22,304,545	21,353,815	21,353,815	950,730
Intermediate sources	272,520	-	272,520	363,000	363,000	(90,480)
State appropriations	13,013,856	12,479	13,026,335	13,177,707	13,177,707	(151,372)
Federal appropriations	885,107	784,630	1,669,737	1,775,000	1,775,000	(105,263)
Total revenues	35,419,514	1,853,623	37,273,137	36,669,522	36,669,522	603,615
Expenditures/expenses:						
Instruction	20,456,625	24,439	20,481,064	21,762,000	21,762,000	1,280,936
Support services	8,409,458	24,248	8,433,706	8,914,960	8,914,960	481,254
Non-instructional programs	-	1,997,714	1,997,714	1,825,000	1,825,000	(172,714)
Other expenditures/expenses	5,851,294	-	5,851,294	2,664,091	2,664,091	(3,187,203)
Total expenditures/expenses	34,717,377	2,046,401	36,763,778	35,166,051	35,166,051	(1,597,727)
Excess(deficiency) of revenues over(under) expenditures/expenses	702,137	(192,778)	509,359	1,503,471	1,503,471	(994,112)
Other financing sources, net	83,005	-	83,005	(1,862,088)	(1,862,088)	1,945,093
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	785,142	(192,778)	592,364	(358,617)	(358,617)	950,981
Balance beginning of year	13,310,539	585,699	13,896,238	11,033,174	11,033,174	2,863,064
Balance end of year	\$ 14,095,681	392,921	14,488,602	10,674,557	10,674,557	3,814,045

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2013

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

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

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

During the year ended June 30, 2013, expenditures in the non-instructional and other expenditures functional areas and in total exceeded the amounts budgeted.

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

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 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%
2013	July 1, 2012	-	1,135,088	1,135,088	0.0%	15,584,870	7.3%

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, 2013

	Nonmajor Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 800,984	57,657	858,641
Receivables:			
Property tax:			
Delinquent	2,534	-	2,534
Succeeding year	509,999	-	509,999
Accounts	-	4,763	4,763
Prepaid items	38,761	-	38,761
TOTAL ASSETS	\$ 1,352,278	62,420	1,414,698
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,980	4,948	8,928
Salaries and benefits payable	-	2,880	2,880
Deferred revenue:			
Succeeding year property tax	509,999	-	509,999
Total liabilities	513,979	7,828	521,807
Fund balances:			
Nonspendable	38,761	-	38,761
Restricted for:			
Management levy purposes	799,538	-	799,538
Student activities	-	54,592	54,592
Total fund balances	838,299	54,592	892,891
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,352,278	62,420	1,414,698

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, 2013

	Nonmajor Special Revenue Funds		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 506,370	-	506,370
Other	23,218	661,595	684,813
State sources	197	-	197
Total revenues	<u>529,785</u>	<u>661,595</u>	<u>1,191,380</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	105,248	-	105,248
Other	-	620,232	620,232
Support services:			
Administration	9,732	-	9,732
Operation and maintenance of plant	260,614	233	260,847
Transportation	76,620	-	76,620
Total expenditures	<u>452,214</u>	<u>620,465</u>	<u>1,072,679</u>
Change in fund balances	77,571	41,130	118,701
Fund balances beginning of year	<u>760,728</u>	<u>13,462</u>	<u>774,190</u>
Fund balances end of year	<u>\$ 838,299</u>	<u>54,592</u>	<u>892,891</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2013

	Capital Projects			
	Statewide Sales, Services and Use Tax	Capital Projects Construction	Physical Plant and Equipment Levy	Total
ASSETS				
Cash and pooled investments	\$ 799,737	42,554	1,766,931	2,609,222
Receivables:				
Property tax:				
Delinquent	-	-	3,923	3,923
Succeeding year	-	-	868,846	868,846
Due from other governments	359,301	-	-	359,301
TOTAL ASSETS	\$ 1,159,038	42,554	2,639,700	3,841,292
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	-	84,470	84,470
Succeeding year property tax	-	-	868,846	868,846
Total liabilities	-	-	953,316	953,316
Fund balances:				
Restricted for:				
School infrastructure	1,159,038	42,554	-	1,201,592
Physical plant and equipment levy	-	-	1,686,384	1,686,384
Total fund balances	1,159,038	42,554	1,686,384	2,887,976
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,159,038	42,554	2,639,700	3,841,292

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, 2013

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Capital Projects Construction	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ 2,375,901	-	840,152	3,216,053
Other	61	380,222	-	380,283
State sources	-	-	306	306
Total revenues	<u>2,375,962</u>	<u>380,222</u>	<u>840,458</u>	<u>3,596,642</u>
EXPENDITURES:				
Current:				
Support services:				
Transportation	-	-	372,253	372,253
Capital outlay	-	1,375,121	351,818	1,726,939
Total expenditures	<u>-</u>	<u>1,375,121</u>	<u>724,071</u>	<u>2,099,192</u>
Excess(deficiency)of revenues over(under) expenditures	2,375,962	(994,899)	116,387	1,497,450
Other financing sources(uses):				
Transfers in	-	1,638,627	-	1,638,627
Transfers out	(3,439,067)	-	-	(3,439,067)
Compensation for loss of capital assets	-	-	65,016	65,016
Total other financing sources(uses)	<u>(3,439,067)</u>	<u>1,638,627</u>	<u>65,016</u>	<u>(1,735,424)</u>
Change in fund balances	(1,063,105)	643,728	181,403	(237,974)
Fund balance beginning of year	<u>2,222,143</u>	<u>(601,174)</u>	<u>1,504,981</u>	<u>3,125,950</u>
Fund balance end of year	<u>\$ 1,159,038</u>	<u>42,554</u>	<u>1,686,384</u>	<u>2,887,976</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, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
GENERAL ACTIVITIES	\$ 2	95,634	95,406	230
HAWKEYE 10 CONFERENCE	5,131	3,601	5,572	3,160
DRAMA	(1,234)	10,150	8,916	-
SPEECH	-	3,399	3,399	-
VOCAL MUSIC	4,733	97,316	96,846	5,203
BAND	(2,945)	27,877	23,184	1,748
BOYS/GIRLS CROSS COUNTY	-	9,183	9,183	-
BOYS BASKETBALL	-	35,260	32,598	2,662
FOOTBALL	-	46,571	46,571	-
BOYS SOCCER	-	6,474	6,474	-
BASEBALL	-	16,392	15,831	561
BOYS TRACK	(3,438)	9,461	6,023	-
BOYS TENNIS	-	681	681	-
BOYS GOLF	-	2,526	2,526	-
BOYS SWIM	-	3,243	3,243	-
WRESTLING	(5,186)	12,376	7,190	-
GIRLS BASKETBALL	-	14,613	14,175	438
VOLLEYBALL	-	16,753	15,683	1,070
GIRLS SOCCER	2,184	8,809	9,515	1,478
SOFTBALL	(3,648)	11,904	8,256	-
GIRLS TRACK	-	5,968	5,968	-
GIRLS TENNIS	-	1,184	1,184	-
GIRLS GOLF	-	1,945	1,945	-
GIRLS SWIM	-	5,561	5,561	-
GIRLS BOWLING	-	4	4	-
FUTURE BUSINESS LEADERS	531	15,495	14,853	1,173
ART CLUB	708	2,135	931	1,912
DRAMA CLUB	997	325	230	1,092
COOKING FOR A CAUSE	247	100	109	238
SKILLS USA	(279)	3,005	2,549	177
ECOLOGY	-	1,175	832	343
SPANISH CLUB	-	780	600	180
BOYS BOWLING	-	6	6	-
SPECIAL OLYMPICS	324	1,100	1,043	381
CLASS OF 2013	157	1,050	730	477
CLASS OF 2014	75	8,870	8,448	497
CLASS OF 2015	65	-	-	65
STUDENT COUNCIL	97	24,552	21,623	3,026
NATIONAL HONOR SOCIETY	247	920	1,142	25
CHEERLEADERS	(5,311)	32,655	27,344	-
DANCE TEAM	(7,362)	47,530	40,168	-
YEARBOOK	5,178	29,421	28,698	5,901
TITAN HILL STUDENT COUNCIL	1,251	2,813	1,989	2,075
MS BETTERMENT	-	285	285	-
MS VOCAL	889	16,603	17,492	-
MS BAND	9,049	11,723	12,199	8,573
MS STUDENT COUNCIL	2,382	927	1,656	1,653
MS LEADERSHIP	296	5,322	5,590	28
MS YEARBOOK	3,473	4,370	4,466	3,377
MS SCHOLASTICS	4,849	3,548	1,548	6,849
TOTAL	\$ 13,462	661,595	620,465	54,592

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, 2013

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>KREFT POP TEACHERS' LOUNGE</u>				
ASSETS				
Cash and pooled investments	\$ (2,201)	1,766	1,766	(2,201)
Accounts receivable	2,201	-	-	2,201
	<u>\$ -</u>	<u>1,766</u>	<u>1,766</u>	<u>-</u>
LIABILITIES				
Due to other groups	\$ -	1,766	1,766	-
<u>TITAN HILL TEACHERS</u>				
ASSETS				
Cash and pooled investments	\$ 3,893	1,049	2,161	2,781
LIABILITIES				
Due to other groups	\$ 3,893	1,049	2,161	2,781
<u>ADMINISTRATION POP</u>				
ASSETS				
Cash and pooled investments	\$ 194	186	250	130
LIABILITIES				
Accounts payable	\$ 85	-	85	-
Due to other groups	109	186	165	130
	<u>\$ 194</u>	<u>186</u>	<u>250</u>	<u>130</u>
<u>MS POP - TEACHERS' LOUNGE</u>				
ASSETS				
Cash and pooled investments	\$ 504	1,148	1,043	609
LIABILITIES				
Due to other groups	\$ 504	1,148	1,043	609
<u>HS POP TEACHERS' LOUNGE</u>				
ASSETS				
Cash and pooled investments	\$ 2,272	812	1,273	1,811
LIABILITIES				
Due to other groups	\$ 2,272	812	1,273	1,811
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and pooled investments	\$ 4,662	4,961	6,493	3,130
Accounts receivable	2,201	-	-	2,201
	<u>\$ 6,863</u>	<u>4,961</u>	<u>6,493</u>	<u>5,331</u>
LIABILITIES				
Accounts payable	\$ 85	-	85	-
Due to other groups	6,778	4,961	6,408	5,331
	<u>\$ 6,863</u>	<u>4,961</u>	<u>6,493</u>	<u>5,331</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,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:										
Local sources:										
Local tax	\$ 15,725,651	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
Tuition	4,183,952	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
Other	1,338,428	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
Intermediate sources	272,520	80,569	240,387	88,783	166,974	155,608	239,875	229,093	29,414	-
State sources	13,013,856	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
Federal sources	885,107	1,212,296	1,246,019	2,593,764	912,784	664,848	740,545	653,052	1,102,874	969,969
Total	\$ 35,419,514	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
Expenditures:										
Instruction:										
Regular	\$ 13,386,418	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
Special	3,765,874	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
Other	3,304,333	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
Support services:										
Student	490,628	477,009	464,990	463,517	460,292	435,588	486,726	393,108	526,486	450,984
Instructional staff	1,601,913	1,615,935	1,279,064	1,114,783	1,005,186	974,157	1,023,152	893,911	525,140	701,737
Administration	2,212,262	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
Operation and maintenance of plant	2,700,727	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
Transportation	1,403,928	1,246,838	1,176,629	971,402	1,151,551	996,484	802,189	1,190,886	588,283	907,846
Other	-	-	-	-	-	-	-	-	84,200	74,274
Non-instructional programs	-	-	-	-	-	-	-	-	2,500	22,103
Other expenditures:										
Capital outlays	1,726,939	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
Long-term debt:										
Principal	2,650,000	960,000	2,875,303	2,733,202	2,544,629	10,774,622	2,385,183	837,926	789,871	765,068
Interest and other charges	477,864	466,307	714,329	708,903	811,659	941,840	1,044,697	921,368	731,160	749,588
AEA flow-through	996,491	985,731	1,076,998	1,030,352	911,024	826,825	801,445	716,983	678,959	685,810
Total	\$ 34,717,377	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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

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 13	\$ 642,782 *
SCHOOL BREAKFAST PROGRAM	10.553	FY 13	141,848
			<u>784,630</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I, PART A CLUSTER:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 13	393,627
TITLE I GRANTS - SCHOOLS IN NEED OF ASSISTANCE (SINA)	84.010	FY 12	4,164
			<u>397,791</u>
IMPROVING TEACHER QUALITY			
STATE GRANTS (TITLE IIA)	84.367	FY 13	<u>82,303</u>
GRANTS FOR STATE ASSESSMENTS AND			
RELATED ACTIVITIES (TITLE VI A)	84.369	FY 13	<u>19,988</u>
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 13	<u>17,852</u>
SPECIAL EDUCATION CLUSTER (IDEA):			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 13	<u>149,831</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
PUBLIC HEALTH EMERGENCY PREPAREDNESS	93.069	FY 13	<u>528</u>
TOTAL			<u>\$ 1,452,923</u>

* -Includes \$78,281 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
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(a professional corporation)
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Telephone (641) 792-1910

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the 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, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lewis Central Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Lewis Central Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be significant deficiencies.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which 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-13 through II-C-13 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lewis Central Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters 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, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Lewis Central Community School District's Responses to Findings

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. Lewis Central Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 23, 2014
Newton, Iowa

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**Independent Auditor's Report on Compliance for Each Major Federal Program,
on Internal Control over Compliance and on the Schedule of Expenditures
of Federal Awards Required by OMB Circular A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Lewis Central Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Lewis Central Community School District's major federal programs for the year ended June 30, 2013. Lewis Central Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lewis Central Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Lewis Central Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Lewis Central Community School District complied, in all material respects, with the types of compliance 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, 2013.

Report on Internal Control Over Compliance

The management of Lewis Central Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lewis Central Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sample Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance we considered to be material weaknesses.

Lewis Central Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Lewis Central Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

January 23, 2014
Newton, Iowa

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified 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 unmodified 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 84.010 - Title I Grants - Schools in Need of Assistance (SINA)

- (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-13 Purchase Orders - We noted during our audit that several purchase orders in the Student Activity Fund 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 will continue to monitor the new purchase order program and will pay closer attention to approval order.

Conclusion - Response accepted.

II-B-13 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 by Nolte, Cornman & Johnson and will continue the implantation of the procedures for all sports.

Conclusion - Response accepted.

II-C-13 Checks made payable to cash - We noted during our audit instances of checks for start-up money for gates in the Activity Fund made payable only to "American National Bank".

Recommendation - Checks made out to the bank only are considered bearer paper and in the event the check would be lost or stolen anyone could cash the check. In the future, the District should write the check to the custodian/sponsor of the event and the District.

Response - In the future the District will write checks to the custodian/sponsor of the event and the District.

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-13 Certified Budget - Expenditures for the year ended June 30, 2013 exceeded the certified budget amounts in the non-instructional and other expenditures functional areas and in total.

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

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

Conclusion - Response accepted.

IV-B-13 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-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-13 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
William Lundstad, Bus Driver	purchased services	\$ 1,150
Liz Hytrek, Cheerleader Sponsor Sales Rep Varsity Spirit Fashions	purchase of apparel	11,145

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with 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 accepted.

IV-E-13 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-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-13 Certified Enrollment - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-13 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-13 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-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-13 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, 2013, the District reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR:

Beginning balance		\$	2,222,143
Revenues:			
Sales tax revenues	\$	2,375,901	
Other local revenue		61	2,375,962
			<u>4,598,105</u>
Expenditures/transfers out:			
Transfers to other funds:			
Debt service fund	\$	1,800,440	
Other transfers		1,638,627	3,439,067
			<u>3,439,067</u>
Ending balance		\$	<u><u>1,159,038</u></u>

For the year ended June 30, 2013, 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-13 Financial Condition - The District had deficit unrestricted net position in the Enterprise: Swimming Pool Fund of \$9,152.

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

Response - The District will continue to monitor the deficit accounts and investigate any available option to eliminate the deficit.

Conclusion - Response accepted.

IV-N-13 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students.

Scholarship Awards: We noted that a Student Council Scholarship and a Dance Team Scholarship were paid from the Student Activity Fund.

Recommendation - Scholarships are most appropriately paid from the Private Purpose Trust Fund; therefore, proceeds from scholarship fundraising should be placed and expended from the Private Purpose Trust Fund.

Response - In the future Scholarship awards will be placed and expended from the Private Purpose Trust Fund.

Conclusion - Response accepted.