

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Lewis Central Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
Dorene Scheffel	President	2013
Robert Hendrix	Vice President	2013
Tracy Bruun	Board Member	2015
Eric Davis	Board Member	2013
Rob Livingston	Board Member	2013
Daryl Weilage	Board Member	2013
Ron Stazzoni	Board Member	2015
(After September 2013 Election)		
Dorene Scheffel	President	2017
Robert Hendrix	Vice President	2017
Tracy Bruun	Board Member	2015
Larry Matiyow	Board Member	2017
Rob Livingston	Board Member	2017
Daryl Weilage	Board Member	2017
Ron Stazzoni	Board Member	2015
School Officials		
Mark Schweer	Superintendent	2014
Dale Kreher	District Secretary/Treasurer and Business Manager	2014
Lynch, Dallas P.C.	Attorney	2014

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

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, 2014, 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, 2014, 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 44 through 46 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, 2013 (which are not presented herein) and expressed unmodified 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 February 4, 2015 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.

February 4, 2015
Newton, Iowa

Lewis
Central

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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$29,321,551 in fiscal 2013 to \$28,778,422 in fiscal 2014, while General Fund expenditures increased from \$28,413,142 in fiscal 2013 to \$29,408,352 in fiscal 2014. This resulted in a decrease in the District's General Fund balance from \$7,686,211 at June 30, 2013 to a balance of \$7,056,281 June 30, 2014, an 8.20% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in property tax revenues in fiscal 2014. The increase in General Fund expenditures was due in part to an increase in negotiated salaries and benefits paid to District employees as well as the District purchasing 2,000 Chromebooks for all Middle School and High School students.

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.

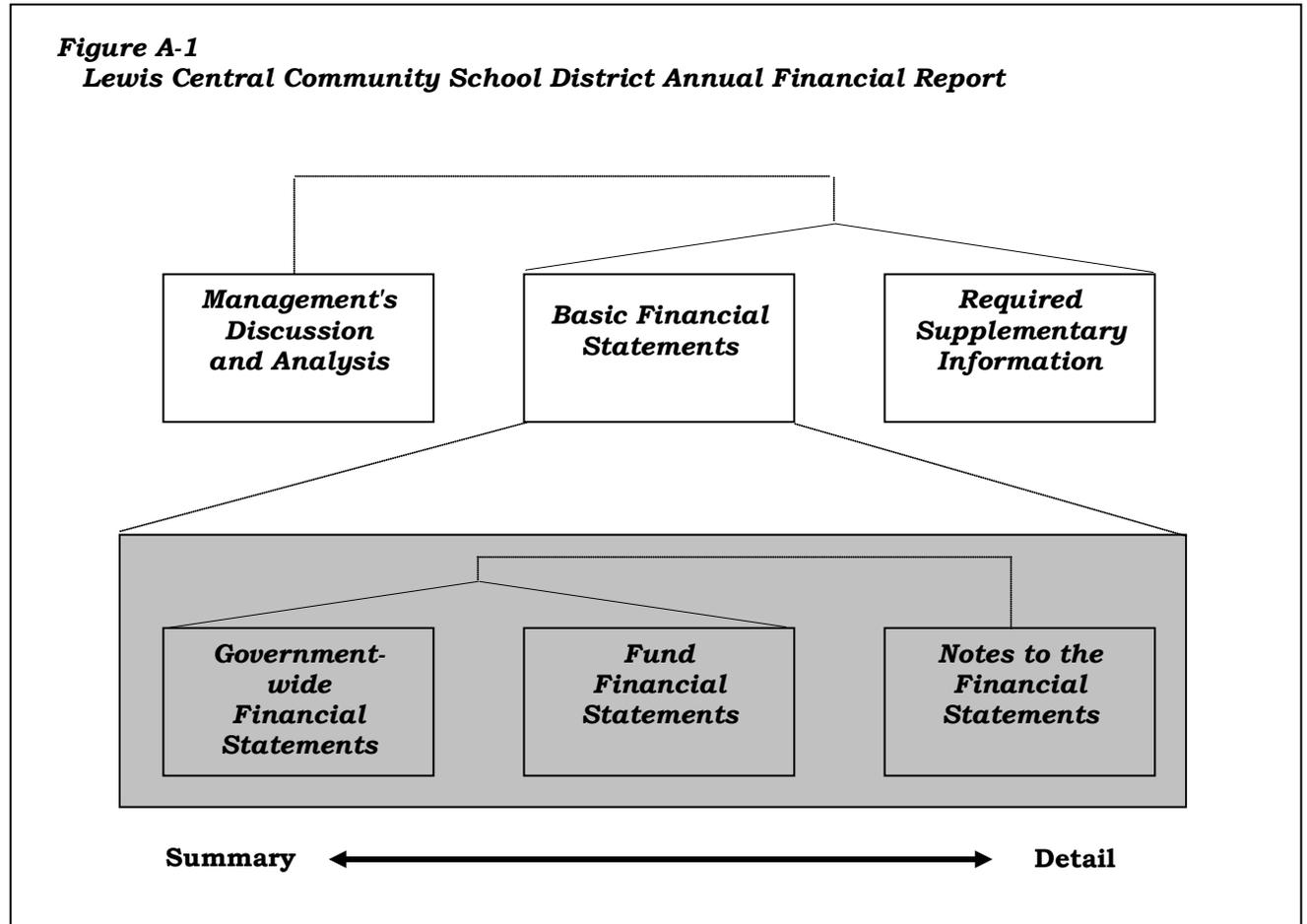


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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
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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. 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 is 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 Fund 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 governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 31,409,855	31,091,269	260,436	345,393	31,670,291	31,436,662	0.74%
Capital assets	31,329,907	32,658,425	110,193	156,291	31,440,100	32,814,716	-4.19%
Total assets	62,739,762	63,749,694	370,629	501,684	63,110,391	64,251,378	-1.78%
Long-term liabilities	9,982,772	14,017,268	12,611	10,789	9,995,383	14,028,057	-28.75%
Other liabilities	3,499,945	3,413,053	127,468	97,974	3,627,413	3,511,027	3.31%
Total liabilities	13,482,717	17,430,321	140,079	108,763	13,622,796	17,539,084	-22.33%
Deferred inflows of resources	13,319,832	13,028,016	-	-	13,319,832	13,028,016	2.24%
Net position:							
Net investment in capital assets	21,776,418	19,045,979	110,193	156,291	21,886,611	19,202,270	13.98%
Restricted	8,129,677	7,832,413	-	-	8,129,677	7,832,413	3.80%
Unrestricted	6,031,118	6,412,965	120,357	236,630	6,151,475	6,649,595	-7.49%
Total net position	\$ 35,937,213	33,291,357	230,550	392,921	36,167,763	33,684,278	7.37%

The District's combined net position increased by 7.37%, or \$2,483,485, 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 \$297,264, or 3.80% over the prior year. The increase was due in part to the improvement in the Capital Projects Fund balances.

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 - decreased \$498,120, or 7.49%. The decrease is attributed to the decrease in fund balance of the General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to June 30, 2013.

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-14
Revenues:							
Program revenues:							
Charges for service	\$ 4,923,848	4,764,997	998,349	1,056,514	5,922,197	5,821,511	1.73%
Operating grants, contributions and restricted interest	2,335,261	3,092,229	897,119	797,109	3,232,380	3,889,338	-16.89%
General revenues:							
Property tax	13,172,964	12,638,730	-	-	13,172,964	12,638,730	4.23%
Income surtax	837,688	716,489	-	-	837,688	716,489	16.92%
Statewide sales, services and use tax	2,257,716	2,375,901	-	-	2,257,716	2,375,901	-4.97%
Unrestricted state grants	12,160,545	11,238,110	-	-	12,160,545	11,238,110	8.21%
Unrestricted investment earnings	1,229	1,326	-	-	1,229	1,326	-7.32%
Other	216,268	597,201	25,562	-	241,830	597,201	-59.51%
Total revenues	35,905,519	35,424,983	1,921,030	1,853,623	37,826,549	37,278,606	1.47%
Program expenses:							
Governmental activities:							
Instructional	21,421,159	20,522,272	17,918	24,439	21,439,077	20,546,711	4.34%
Support services	8,843,674	8,276,238	16,872	24,248	8,860,546	8,300,486	6.75%
Non-instructional programs	-	-	2,048,611	1,997,714	2,048,611	1,997,714	2.55%
Other expenses	2,994,830	2,979,214	-	-	2,994,830	2,979,214	0.52%
Total expenses	33,259,663	31,777,724	2,083,401	2,046,401	35,343,064	33,824,125	4.49%
Change in net position	2,645,856	3,647,259	(162,371)	(192,778)	2,483,485	3,454,481	-28.11%
Net position beginning of year	33,291,357	29,644,098	392,921	585,699	33,684,278	30,229,797	11.43%
Net position end of year	\$ 35,937,213	33,291,357	230,550	392,921	36,167,763	33,684,278	7.37%

In fiscal 2014, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 79.18% of the revenue from governmental activities while charges for service and operating grants, contributions and restricted interest account for 98.67% of the revenue from business type activities.

The District's total revenues were approximately \$37.8 million, of which approximately \$35.9 million was for governmental activities and approximately \$1.9 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.47% increase in revenues and a 4.49% increase in expenses. The increase in expenses is related to increase in the negotiated salaries and benefits paid to District employees.

Governmental Activities

Revenues for governmental activities were \$35,905,519 and expenses were \$33,259,663.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 21,421,159	20,522,272	4.38%	15,252,112	13,696,364	11.36%
Support services	8,843,674	8,276,238	6.86%	8,804,733	8,241,411	6.84%
Other expenses	2,994,830	2,979,214	0.52%	1,943,709	1,982,723	-1.97%
Totals	\$ 33,259,663	31,777,724	4.66%	26,000,554	23,920,498	8.70%

The cost financed by users of the District's programs was \$4,923,848.

- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,335,261.
- The net cost of governmental activities was financed with \$13,172,964 in property tax, \$837,688 in income surtax, \$2,257,716 in statewide sales, services and use tax, \$12,160,545 in unrestricted state grants, \$1,229 in unrestricted investment earnings, and \$216,268 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$1,921,030 and expenses were \$2,083,401. 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, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$13,975,672, below last year's ending fund balances of \$14,095,681. The primary reason for the decrease in combined fund balances in fiscal 2014 is due to the decrease in the General Fund balance.

Governmental Fund Highlights

- Overall, District revenues in the General Fund for fiscal 2014 decreased 1.85% or \$543,129, to \$28,778,442 compared to \$29,321,551 in fiscal 2013. Expenses increased by 3.50% or \$995,210, to \$29,408,352 compared to \$28,413,142 in fiscal 2013. The General Fund balance decreased \$629,930.
- The Capital Projects Fund balance increased from \$2,887,976 at June 30, 2013 to \$3,298,104 at June 30, 2014. The increase was due to reduced expenditures for equipment and school infrastructure when compared to the prior year.

- The Debt Service Fund balance increased from \$2,628,603 at June 30, 2013 to \$2,655,934 at June 30, 2014. The increase is due to an increase in property tax revenues received during fiscal 2014.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$225,431 at June 30, 2013 to \$95,744 at June 30, 2014, representing a decrease of 57.53%. The Lucky Children Day Care Fund net position decreased from \$176,642 at June 30, 2013 to \$141,945 at June 30, 2014, representing a decrease of 19.64%. The Swimming Pool Fund net position increased from a deficit \$9,152 at June 30, 2013 to deficit \$7,139 at June 30, 2014, representing an increase of 22.98%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$239,758 more than budgeted revenues, a variance of 0.64%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs and other expenditures functional areas and in total.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$31,440,100, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,973,585.

The original cost of the District's capital assets was \$59,508,230. Governmental funds account for \$58,568,788 with the remainder of \$939,442 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 \$339,416 reported at June 30, 2014. This increase was a result of beginning roofing and office remodel projects during fiscal year 2014.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 500,000	500,000	-	-	500,000	500,000	0.00%
Construction in progress	339,416	-	-	-	339,416	-	100.00%
Buildings and improvements	29,899,121	31,270,118	-	-	29,899,121	31,270,118	-4.38%
Machinery and equipment	591,370	888,307	110,193	156,291	701,563	1,044,598	-32.84%
Total	\$ 31,329,907	32,658,425	110,193	156,291	31,440,100	32,814,716	-4.19%

Long-Term Debt

At June 30, 2014, the District had \$9,995,383 in general obligation bonds payable, revenue bonds payable and other long-term debt outstanding. This represents a decrease of 28.75% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

- The District had total outstanding general obligation bonded indebtedness of \$6,580,000 at June 30, 2014 payable from the Debt Service Fund.
- The District had total outstanding revenue bonded indebtedness of \$3,000,000 at June 30, 2014 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District had total outstanding compensated absences payable from the General Fund of \$115,827 at June 30, 2014.
- The District had total outstanding other postemployment benefits payable of \$299,556 at June 30, 2014, \$286,945 of this is attributed to governmental activities and the remaining \$12,611 is attributed to business type activities.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
General obligation bonds	\$ 6,580,000	9,055,000	-	-	6,580,000	9,055,000	-27.33%
Revenue bonds	3,000,000	4,600,000	-	-	3,000,000	4,600,000	-34.78%
Compensated absences	115,827	116,787	-	-	115,827	116,787	-0.82%
Net OPEB liability	286,945	245,481	12,611	10,789	299,556	256,270	16.89%
Totals	\$ 9,982,772	14,017,268	12,611	10,789	9,995,383	14,028,057	-28.75%

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 requirements of the Affordable Health Care Act could potentially impact the District's future employee benefit costs. Health care reform mandates are being monitored very closely by the District.
- 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, 2014

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 15,848,945	389,307	16,238,252
Receivables:			
Property tax:			
Delinquent	45,813	-	45,813
Succeeding year	13,319,832	-	13,319,832
Income surtax	710,452	-	710,452
Accounts	1,208	1,476	2,684
Internal balances	157,184	(157,184)	-
Due from other governments	1,278,118	-	1,278,118
Inventories	-	26,837	26,837
Prepaid items	48,303	-	48,303
Capital assets, net of accumulated depreciation	31,329,907	110,193	31,440,100
TOTAL ASSETS	62,739,762	370,629	63,110,391
LIABILITIES			
Accounts payable	363,445	20,705	384,150
Salaries and benefits payable	3,040,454	60,335	3,100,789
Interest payable	96,046	-	96,046
Unearned revenue	-	46,428	46,428
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	1,090,000	-	1,090,000
Revenue bonds	225,000	-	225,000
Compensated absences	115,827	-	115,827
Portion due after one year:			
General obligation bonds	5,490,000	-	5,490,000
Revenue bonds	2,775,000	-	2,775,000
Net OPEB liability	286,945	12,611	299,556
TOTAL LIABILITIES	13,482,717	140,079	13,622,796
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenues	13,319,832	-	13,319,832
NET POSITION			
Net investment in capital assets	21,776,418	110,193	21,886,611
Restricted for:			
Categorical funding	1,381,146	-	1,381,146
Debt service	2,559,888	-	2,559,888
Management levy purposes	810,776	-	810,776
Student activities	106,274	-	106,274
School infrastructure	1,293,800	-	1,293,800
Physical plant and equipment	1,977,793	-	1,977,793
Unrestricted	6,031,118	120,357	6,151,475
TOTAL NET POSITION	\$ 35,937,213	230,550	36,167,763

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 14,490,699	3,750,525	230,985	(10,509,189)	-	(10,509,189)
Special	3,496,056	692,364	359,680	(2,444,012)	-	(2,444,012)
Other	3,434,404	480,959	654,534	(2,298,911)	-	(2,298,911)
	<u>21,421,159</u>	<u>4,923,848</u>	<u>1,245,199</u>	<u>(15,252,112)</u>	<u>-</u>	<u>(15,252,112)</u>
Support services:						
Student	681,680	-	-	(681,680)	-	(681,680)
Instructional staff	1,440,228	-	-	(1,440,228)	-	(1,440,228)
Administration	2,362,959	-	-	(2,362,959)	-	(2,362,959)
Operation and maintenance of plant	3,006,665	-	-	(3,006,665)	-	(3,006,665)
Transportation	1,352,142	-	38,941	(1,313,201)	-	(1,313,201)
	<u>8,843,674</u>	<u>-</u>	<u>38,941</u>	<u>(8,804,733)</u>	<u>-</u>	<u>(8,804,733)</u>
Long-term debt interest	392,852	-	-	(392,852)	-	(392,852)
Other expenses:						
AEA flowthrough	1,051,121	-	1,051,121	-	-	-
Depreciation(unallocated)*	1,550,857	-	-	(1,550,857)	-	(1,550,857)
	<u>2,601,978</u>	<u>-</u>	<u>1,051,121</u>	<u>(1,550,857)</u>	<u>-</u>	<u>(1,550,857)</u>
Total governmental activities	33,259,663	4,923,848	2,335,261	(26,000,554)	-	(26,000,554)
Business Type activities:						
Instruction:						
Other	17,918	19,931	-	-	2,013	2,013
Support services:						
Administration	155	-	-	-	(155)	(155)
Operation and maintenance of plant	16,289	-	-	-	(16,289)	(16,289)
Transportation	428	-	-	-	(428)	(428)
Non-instructional programs:						
Food service operations	1,752,041	726,116	860,298	-	(165,627)	(165,627)
Other enterprise operations	296,570	252,302	36,821	-	(7,447)	(7,447)
Total business type activities	<u>2,083,401</u>	<u>998,349</u>	<u>897,119</u>	<u>-</u>	<u>(187,933)</u>	<u>(187,933)</u>
Total	\$ 35,343,064	5,922,197	3,232,380	(26,000,554)	(187,933)	(26,188,487)
General Revenues:						
Property tax levied for:						
General purposes				\$ 9,497,628	-	9,497,628
Debt service				2,797,318	-	2,797,318
Capital outlay				878,018	-	878,018
Income surtax				837,688	-	837,688
Statewide sales, services and use tax				2,257,716	-	2,257,716
Unrestricted state grants				12,160,545	-	12,160,545
Unrestricted investment earnings				1,229	-	1,229
Other general revenues				216,268	25,562	241,830
Total general revenues				<u>28,646,410</u>	<u>25,562</u>	<u>28,671,972</u>
Changes in net position				2,645,856	(162,371)	2,483,485
Net position beginning of year				<u>33,291,357</u>	<u>392,921</u>	<u>33,684,278</u>
Net position end of year				\$ 35,937,213	230,550	36,167,763

* 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, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 9,245,137	3,037,049	2,646,700	920,059	15,848,945
Receivables:					
Property tax:					
Delinquent	31,843	2,899	9,234	1,837	45,813
Succeeding year	8,898,937	913,682	2,972,218	534,995	13,319,832
Income surtax	710,452	-	-	-	710,452
Accounts	746	-	-	462	1,208
Due from other funds	154,869	-	-	2,315	157,184
Due from other governments	917,121	360,997	-	-	1,278,118
Prepaid items	-	-	-	48,303	48,303
TOTAL ASSETS	\$ 19,959,105	4,314,627	5,628,152	1,507,971	31,409,855
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 254,084	102,841	-	6,520	363,445
Salaries and benefits payable	3,039,351	-	-	1,103	3,040,454
Total liabilities	3,293,435	102,841	-	7,623	3,403,899
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	8,898,937	913,682	2,972,218	534,995	13,319,832
Income surtax	710,452	-	-	-	710,452
Total deferred inflows of resources	9,609,389	913,682	2,972,218	534,995	14,030,284
Fund balances:					
Nonspendable	-	-	-	48,303	48,303
Restricted for:					
Categorical funding	1,381,146	-	-	-	1,381,146
Debt service	-	-	2,655,934	-	2,655,934
Management levy purposes	-	-	-	810,776	810,776
Student activities	-	-	-	106,274	106,274
School infrastructure	-	1,320,311	-	-	1,320,311
Physical plant and equipment	-	1,977,793	-	-	1,977,793
Unassigned	5,675,135	-	-	-	5,675,135
Total fund balances	7,056,281	3,298,104	2,655,934	965,353	13,975,672
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 19,959,105	4,314,627	5,628,152	1,507,971	31,409,855

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, 2014

Total fund balances of governmental funds(page 20)	\$	13,975,672
 <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.		31,329,907
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.		(96,046)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		710,452
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>(9,982,772)</u>
Net position of governmental activities(page 18)	\$	<u><u>35,937,213</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, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 9,781,979	878,018	2,797,318	515,811	13,973,126
Tuition	4,322,923	-	-	-	4,322,923
Other	260,735	36	787	645,134	906,692
Intermediate sources	117,508	-	-	-	117,508
State sources	13,472,583	2,258,014	949	189	15,731,735
Federal sources	816,009	-	-	-	816,009
Total revenues	<u>28,771,737</u>	<u>3,136,068</u>	<u>2,799,054</u>	<u>1,161,134</u>	<u>35,867,993</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular	14,142,830	-	-	117,963	14,260,793
Special	3,446,399	-	-	-	3,446,399
Other	2,774,935	-	-	584,532	3,359,467
	<u>20,364,164</u>	<u>-</u>	<u>-</u>	<u>702,495</u>	<u>21,066,659</u>
Support services:					
Student	671,867	-	-	-	671,867
Instructional staff	1,421,925	-	-	-	1,421,925
Administration	2,259,907	59,207	4,500	18,484	2,342,098
Operation and maintenance of plant	2,583,026	18,300	-	279,607	2,880,933
Transportation	1,056,342	44,700	-	88,086	1,189,128
	<u>7,993,067</u>	<u>122,207</u>	<u>4,500</u>	<u>386,177</u>	<u>8,505,951</u>
Capital outlay	-	880,743	-	-	880,743
Long-term debt:					
Principal	-	-	4,075,000	-	4,075,000
Interest and fiscal charges	-	-	415,213	-	415,213
	<u>-</u>	<u>-</u>	<u>4,490,213</u>	<u>-</u>	<u>4,490,213</u>
Other expenditures:					
AEA flowthrough	1,051,121	-	-	-	1,051,121
	<u>1,051,121</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,541,334</u>
Total expenditures	<u>29,408,352</u>	<u>1,002,950</u>	<u>4,494,713</u>	<u>1,088,672</u>	<u>35,994,687</u>
Excess(deficiency) of revenues over(under) expenditures	(636,615)	2,133,118	(1,695,659)	72,462	(126,694)
Other financing sources(uses):					
Transfers in	-	400,000	1,722,990	-	2,122,990
Transfers out	-	(2,122,990)	-	-	(2,122,990)
Sale of equipment	450	-	-	-	450
Compensation for loss of capital assets	6,235	-	-	-	6,235
Total other financing sources(uses)	<u>6,685</u>	<u>(1,722,990)</u>	<u>1,722,990</u>	<u>-</u>	<u>6,685</u>
Change in fund balances	(629,930)	410,128	27,331	72,462	(120,009)
Fund balances beginning 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>
Fund balances end of year	<u>\$ 7,056,281</u>	<u>3,298,104</u>	<u>2,655,934</u>	<u>965,353</u>	<u>13,975,672</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, 2014

Change in fund balances - total governmental funds(page 22) \$ (120,009)

*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	\$ 598,969	
Depreciation expense	<u>(1,927,487)</u>	(1,328,518)

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. 4,075,000

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. 22,361

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 37,526

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	960	
Other postemployment benefits	<u>(41,464)</u>	<u>(40,504)</u>

Change in net position of governmental activities(page 19) \$ 2,645,856

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business Type Activities - Enterprise Funds			
	School Nutrition	Lucky Children Day Care	Swimming Pool	Total
ASSETS				
Current assets:				
Cash and pooled investments	\$ 207,281	182,026	-	389,307
Accounts receivable	-	-	1,476	1,476
Inventories	26,837	-	-	26,837
Total current assets	<u>234,118</u>	<u>182,026</u>	<u>1,476</u>	<u>417,620</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation	110,193	-	-	110,193
TOTAL ASSETS	<u>344,311</u>	<u>182,026</u>	<u>1,476</u>	<u>527,813</u>
LIABILITIES				
Current liabilities:				
Due to other funds	154,869	-	2,315	157,184
Accounts payable	7,987	12,718	-	20,705
Salaries and benefits payable	27,960	26,075	6,300	60,335
Unearned revenue	46,428	-	-	46,428
Total current liabilities	<u>237,244</u>	<u>38,793</u>	<u>8,615</u>	<u>284,652</u>
Long-term liabilities:				
Net OPEB liability	11,323	1,288	-	12,611
TOTAL LIABILITIES	<u>248,567</u>	<u>40,081</u>	<u>8,615</u>	<u>297,263</u>
NET POSITION				
Net investment in capital assets	110,193	-	-	110,193
Unrestricted	(14,449)	141,945	(7,139)	120,357
TOTAL NET POSITION	<u>\$ 95,744</u>	<u>141,945</u>	<u>(7,139)</u>	<u>230,550</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business Type Activities - Enterprise Funds			
	School Nutrition	Lucky Children Day Care	Swimming Pool	Total
OPERATING REVENUE:				
Local sources:				
Charges for service	\$ 726,116	252,302	19,931	998,349
Miscellaneous	25,562	-	-	25,562
	<u>751,678</u>	<u>252,302</u>	<u>19,931</u>	<u>1,023,911</u>
OPERATING EXPENSES:				
Instruction:				
Other:				
Salaries	-	-	14,944	14,944
Benefits	-	-	1,185	1,185
Supplies	-	-	1,789	1,789
Total instruction	<u>-</u>	<u>-</u>	<u>17,918</u>	<u>17,918</u>
Support services:				
Administration:				
Services	-	155	-	155
Operation and maintenance of plant:				
Services	11,489	4,800	-	16,289
Transportation:				
Salaries	-	367	-	367
Benefits	-	61	-	61
Total support services	<u>11,489</u>	<u>5,383</u>	<u>-</u>	<u>16,872</u>
Non-instructional programs:				
Food service operations:				
Salaries	593,673	14,996	-	608,669
Benefits	216,751	6,871	-	223,622
Services	4,571	-	-	4,571
Supplies	869,081	-	-	869,081
Depreciation	46,098	-	-	46,098
	<u>1,730,174</u>	<u>21,867</u>	<u>-</u>	<u>1,752,041</u>
Other enterprise operations:				
Salaries	-	208,820	-	208,820
Benefits	-	40,276	-	40,276
Services	-	2,091	-	2,091
Supplies	-	45,383	-	45,383
	<u>-</u>	<u>296,570</u>	<u>-</u>	<u>296,570</u>
Total non-instructional programs	<u>1,730,174</u>	<u>318,437</u>	<u>-</u>	<u>2,048,611</u>
TOTAL OPERATING EXPENSES	<u>1,741,663</u>	<u>323,820</u>	<u>17,918</u>	<u>2,083,401</u>
OPERATING INCOME(LOSS)	<u>(989,985)</u>	<u>(71,518)</u>	<u>2,013</u>	<u>(1,059,490)</u>
NON-OPERATING REVENUES:				
State sources	12,088	36,821	-	48,909
Federal sources	848,210	-	-	848,210
TOTAL NON-OPERATING REVENUES	<u>860,298</u>	<u>36,821</u>	<u>-</u>	<u>897,119</u>
Change in net position	(129,687)	(34,697)	2,013	(162,371)
Net position beginning of year	225,431	176,642	(9,152)	392,921
Net position end of year	<u>\$ 95,744</u>	<u>141,945</u>	<u>(7,139)</u>	<u>230,550</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business Type Activities - Enterprise Funds			
	School Nutrition	Lucky Children Day Care	Swimming Pool	Total
Cash flows from operating activities:				
Cash received from operating activities	\$ 750,399	264,136	21,272	1,035,807
Cash received from miscellaneous	25,562	-	-	25,562
Cash payments to employees for services	(796,357)	(278,190)	(19,150)	(1,093,697)
Cash payments to suppliers for goods or services	(757,293)	(48,521)	(1,789)	(807,603)
Net cash provided by(used in) operating activities	<u>(777,689)</u>	<u>(62,575)</u>	<u>333</u>	<u>(839,931)</u>
Cash flows from non-capital financing activities:				
State grants received	12,088	36,821	-	48,909
Federal grants received	724,079	-	-	724,079
Borrowings from other funds	154,869	-	2,315	157,184
Net cash provided by non-capital financing activities	<u>891,036</u>	<u>36,821</u>	<u>2,315</u>	<u>930,172</u>
Net increase(decrease) in cash and cash equivalents	113,347	(25,754)	2,648	90,241
Cash and cash equivalents beginning of year	<u>93,934</u>	<u>207,780</u>	<u>(2,648)</u>	<u>299,066</u>
Cash and cash equivalents end of year	<u>\$ 207,281</u>	<u>182,026</u>	<u>-</u>	<u>389,307</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (989,985)	(71,518)	2,013	(1,059,490)
Adjustments to reconcile operating income(loss) to net provided by(used in) operating activities:				
Commodities used	124,131	-	-	124,131
Depreciation	46,098	-	-	46,098
Increase in inventories	(1,154)	-	-	(1,154)
Decrease in accounts receivable	5,993	11,834	1,341	19,168
Increase in accounts payable	4,871	3,908	-	8,779
Increase(Decrease) in salaries and benefits payable	12,431	(6,985)	(3,021)	2,425
Increase in unearned revenue	18,290	-	-	18,290
Increase in other postemployment benefits	1,636	186	-	1,822
Net cash provided by(used in) operating activities	<u>\$ (777,689)</u>	<u>(62,575)</u>	<u>333</u>	<u>(839,931)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$124,131.

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2014

	<u>Private Purpose Trust Scholarship Fund</u>	<u>Agency Fund</u>
ASSETS		
Cash and pooled investments	\$ 747	3,220
LIABILITIES		
Due to other groups	-	3,220
NET POSITION		
Restricted for scholarships	\$ 747	-

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2014

	<u>Private Purpose Trust Scholarship Fund</u>
Additions:	
Local sources:	
Gifts and contributions	\$ <u>2,200</u>
Deductions:	
Regular instruction:	
Scholarships awarded	<u>3,200</u>
Change in net position	(1,000)
Net position beginning of year	<u>1,747</u>
Net position end of year	<u>\$ 747</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets 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. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is subject to constraints on resources imposed by management which 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 Fund and Swimming Pool Fund. 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, Deferred Inflows of Resources and Fund Balances

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.

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 in both the government-wide and fund financial statements 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

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 2014 from the Special Revenue, Management Levy Fund.

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
Intangibles	5-12
Machinery and equipment	5-12

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 2014, have been accrued as a liability as it is applicable to the fiscal year ended June 30, 2014.

Deferred Inflows of Resources - 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 inflows of resources in the governmental fund financial statements represent 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 inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is collected.

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, 2014.

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

Nonspendable - Amounts which cannot be spent because they are not expected to be converted to cash. These items include prepaid insurance.

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 the preceding classifications.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the non-instructional programs and other expenditures functional areas as well as in total.

Note 2. Deposits and Pooled Investments

The District's deposits in banks at June 30, 2014 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, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$12,874,701 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

Note 3. Due From and Due to Other Funds

The detail of interfund receivable and payables at June 30, 2014 is as follows:

Special Revenue:			
Student Activity	Enterprise: Swimming Pool	\$	2,314
General	Enterprise: School Nutrition		154,869
Total		\$	<u>157,183</u>

The Enterprise: Swimming Pool Fund is repaying the Special Revenue: Student Activity Fund for salaries and benefits paid during fiscal year 2014.

The Enterprise: School Nutrition Fund is repaying the General Fund for salaries and benefits paid during fiscal year 2014.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 1,722,990
Capital Projects: Construction	Capital Projects: Statewide Sales, Services and Use Tax	400,000
Total		<u>\$ 2,122,990</u>

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was to pay the principal and interest on the District’s revenue bond indebtedness.

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Capital Projects: Construction was to pay for construction costs incurred by the District.

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End</u>
	<u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
Business type activities:				
Machinery and equipment	\$ 939,442	-	-	939,442
Less accumulated depreciation	783,151	46,098	-	829,249
Business type activities capital assets, net	<u>\$ 156,291</u>	<u>(46,098)</u>	-	<u>110,193</u>

	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	-	339,416	-	339,416
Total capital assets not being depreciated	500,000	339,416	-	839,416
Capital assets being depreciated:				
Buildings and improvements	52,393,429	149,883	-	52,543,312
Machinery and equipment	5,076,390	109,670	-	5,186,060
Total capital assets being depreciated	57,469,819	259,553	-	57,729,372
Less accumulated depreciation for:				
Buildings and improvements	21,123,311	1,520,880	-	22,644,191
Machinery and equipment	4,188,083	406,607	-	4,594,690
Total accumulated depreciation	25,311,394	1,927,487	-	27,238,881
Total capital assets being depreciated, net	32,158,425	(1,667,934)	-	30,490,491
Governmental activities capital assets, net	\$ 32,658,425	(1,328,518)	-	31,329,907

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 59,317
Other		26,885
Support services:		
Administration		11,026
Operation and maintenance of plant		89,350
Transportation		190,052
		376,630
Unallocated depreciation		1,550,857
Total governmental activities depreciation expense		\$ 1,927,487
Business type activities:		
Food service operations		\$ 46,098

Note 6. Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 9,055,000	-	2,475,000	6,580,000	1,090,000
Revenue bonds	4,600,000	-	1,600,000	3,000,000	225,000
Compensated absences	116,787	115,827	116,787	115,827	115,827
Net OPEB liability	245,481	41,464	-	286,945	-
Total	\$ 14,017,268	157,291	4,191,787	9,982,772	1,430,827
Business type activities:					
Net OPEB liability	\$ 10,789	1,822	-	12,611	-

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, 2014 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
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	-	-	-	3.00	1,265,000	58,500	1,265,000	58,500	1,323,500
2020	-	-	-	3.00	685,000	20,550	685,000	20,550	705,550
Total		<u>\$ 3,845,000</u>	<u>352,003</u>		<u>\$ 2,735,000</u>	<u>527,010</u>	<u>6,580,000</u>	<u>879,013</u>	<u>7,459,013</u>

Revenue Bonds Payable

On June 1, 2011, the District issued statewide sales, services and use 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, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 1, 2011			
	Interest Rate	Principal	Interest	Total
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	2.60	145,000	88,551	233,551
2019-2023	2.60-3.40	790,000	366,145	1,156,145
2024-2028	3.60-4.10	950,000	196,612	1,146,612
2029-2030	4.15-4.45	420,000	13,852	433,852
Total		<u>\$ 3,000,000</u>	<u>1,057,854</u>	<u>4,057,854</u>

The District has pledged future statewide sales, services and use 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, services and use 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 15 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$4,057,854. For the current year, \$1,600,000 in principal and \$122,990 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$2,257,716.

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

- a) The bonds will only be redeemed from the future earnings of the statewide sales, services and use 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, services and use tax revenues.

- c) A separate bond reserve fund will be maintained in the amount of \$516,696 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.

Note 7. 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, 2014, \$0 of the bonds dated May 3, 2006 and \$18,570 of the bonds dated August 14, 2009 are outstanding. Defeasement of principal was \$218,279 and interest was \$5,294 for these bonds.

Note 8. Advance Refunding

On April 8, 2013, as part of the District's budgeting process, the District's Board of Directors approved an additional debt service levy tax to advance refund \$3,055,000 in principal of the April 1, 2011 general obligation bond issuance. The District levied an additional \$1.36869 per \$1,000 taxable valuation for fiscal year 2014.

During the year ended June 30, 2014, the additional amount of debt service levy tax totaled \$1,432,750. This amount was used to advance refund \$1,430,000 of outstanding general obligation bonds dated April 1, 2011. The property tax proceeds have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which have been certified to be sufficient to pay \$815,000 in principal of the May 1, 2021 bond payment, \$615,000 in principal of the May 1, 2020 bond payment and corresponding interest when the bonds become callable on May 1, 2018. The \$1,430,000 in principal has been removed from the appropriate financial statements and schedules. The District remains contingently liable in the remote possibility the account is insufficient to pay the refunding bonds. At June 30, 2014, \$1,430,000 of such bonds are outstanding. Defeasement of principal and interest for the year was \$0 and \$0 respectively. The economic savings from this bond refunding is \$110,250.

On March 17, 2014, as part of the District's fiscal year 2015 budgeting process, the District's Board of Directors approved an additional debt service levy tax to advance refund \$1,625,000 in principal of the April 1, 2011 general obligation bond issuance. The District will levy an additional \$1.47745 per \$1,000 taxable valuation for fiscal year 2015. During fiscal year 2015, the additional debt service levy tax amount collected will be \$1,626,412. The \$1,625,000 in principal will be removed from the appropriate financial statements and schedules in fiscal year 2015.

Note 9. 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. Retired 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, 2014, 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	11,532
Adjustment to annual required contribution	(15,055)
Annual OPEB cost	<u>133,107</u>
Contributions made	<u>(89,821)</u>
Increase in net OPEB obligation	43,286
Net OPEB obligation beginning of year	256,270
Net OPEB obligation end of year	<u><u>\$ 299,556</u></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, 2014.

For the year ended June 30, 2014, the District contributed \$89,821 to the medical plan.

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, 2014 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 141,447	69.3%	\$ 198,343
2013	133,379	56.6%	256,270
2014	133,107	67.5%	299,556

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, 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 \$14,405,563, and the ratio of the UAAL to covered payroll was 7.9%. As of June 30, 2014, 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 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. 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 for retirees less than age 65 are \$1,002 per month for the \$500 deductible plan and \$926 per month for the \$1000 deductible plan. 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 10. 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 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$1,634,496, \$1,557,718, and \$1,419,130 respectively, equal to the required contributions for each year.

Note 11. 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 12. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,051,121 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 13. Deficit Balances

The District had deficit unrestricted net position in the Enterprise: School Nutrition Fund of \$14,449 and in the Enterprise: Swimming Pool Fund of \$7,139 at June 30, 2014.

Note 14. Budget Over Expenditure

During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the non-instructional programs and other expenditures functional areas, as well as in total.

Note 15. Categorical Funding

The District's ending restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

Program	Amount
Weighted at-risk programs	\$ 225,742
Gifted and talented programs	194,223
Returning dropouts and dropout prevention programs	132,266
Professional development	108,728
Teacher salary supplement	105,584
Textbook aid for nonpublic students	1,937
Beginning teacher mentoring and induction program	5,141
Child development	124
Professional development for model core curriculum	110,259
Beginning administrator mentoring and induction program	2,250
Market factor	4,445
Iowa early intervention block grant	51,841
Innovative at-risk	1,001
Four-year-old preschool state aid	422,612
Successful progression for early readers	4,269
Teacher leadership grants	10,724
Total	\$ 1,381,146

Note 16. Construction Commitment

The District has entered into various contracts totaling \$587,356 for building improvements and the middle school office remodeling. As of June 30, 2014, construction and architecture and design costs of \$339,416 have been incurred against the contracts and the balance of \$247,940 will be paid as work on the projects progresses.

Note 17. 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/ Unrestricted
Fund Balance (Exhibit C)	\$ -	2,655,934	1,320,311	5,675,135
Capital assets	31,329,907	-	-	-
General obligation bond capitalized indebtedness	(6,580,000)	-	-	-
Revenue bond capitalized indebtedness	(2,973,489)	-	-	-
Revenue bond proceeds not expended	-	-	(26,511)	-
Income surtax	-	-	-	710,452
Accrued interest payable	-	(96,046)	-	-
Nonspendable balance	-	-	-	48,303
Compensated absences payable	-	-	-	(115,827)
Net OPEB liability	-	-	-	(286,945)
Net position (Exhibit A)	\$ 21,776,418	2,559,888	1,293,800	6,031,118

Note 18. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Lewis
Central

REQUIRED SUPPLEMENTARY INFORMATION

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES
 AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2014

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 19,202,741	1,023,911	20,226,652	22,218,376	22,218,376	(1,991,724)
Intermediate sources	117,508	-	117,508	95,000	95,000	22,508
State sources	15,731,735	48,909	15,780,644	13,637,889	13,637,889	2,142,755
Federal sources	816,009	848,210	1,664,219	1,598,000	1,598,000	66,219
Total revenues	35,867,993	1,921,030	37,789,023	37,549,265	37,549,265	239,758
Expenditures/expenses:						
Instruction	21,066,659	17,918	21,084,577	21,719,000	21,719,000	634,423
Support services	8,505,951	16,872	8,522,823	9,010,200	9,010,200	487,377
Non-instructional programs	-	2,048,611	2,048,611	1,952,683	1,952,683	(95,928)
Other expenditures	6,422,077	-	6,422,077	4,155,103	4,155,103	(2,266,974)
Total expenditures/expenses	35,994,687	2,083,401	38,078,088	36,836,986	36,836,986	(1,241,102)
Excess(deficiency) of revenues over(under) expenditures/expenses	(126,694)	(162,371)	(289,065)	712,279	712,279	(1,001,344)
Other financing sources, net	6,685	-	6,685	(1,722,990)	(1,722,990)	1,729,675
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	(120,009)	(162,371)	(282,380)	(1,010,711)	(1,010,711)	728,331
Balances beginning of year	14,095,681	392,921	14,488,602	14,591,465	14,591,465	(102,863)
Balances end of year	\$ 13,975,672	230,550	14,206,222	13,580,754	13,580,754	625,468

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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, 2014, expenditures exceeded the amounts budgeted in the non-instructional programs and other expenditures functional areas as well as in total.

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

For Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	\$ 1,349,054	\$ 1,349,054	0.0%	\$ 13,252,651	10.2%
2010	July 1, 2008	-	1,349,054	1,349,054	0.0%	13,507,340	10.0%
2011	July 1, 2010	-	1,236,411	1,236,411	0.0%	16,839,711	7.3%
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%
2014	July 1, 2012	-	1,135,088	1,135,088	0.0%	14,405,563	7.9%

See Note 9 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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 808,939	111,120	920,059
Receivables:			
Property tax:			
Delinquent	1,837	-	1,837
Succeeding year	534,995	-	534,995
Accounts	-	462	462
Due from other funds	-	2,315	2,315
Prepaid items	48,303	-	48,303
TOTAL ASSETS	\$ 1,394,074	113,897	1,507,971
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Excess of warrants issued over			
Accounts payable	\$ -	6,520	6,520
Salaries and benefits payable	-	1,103	1,103
Total liabilities	-	7,623	7,623
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	534,995	-	534,995
Fund balances:			
Nonspendable	48,303	-	48,303
Restricted for:			
Management levy purposes	810,776	-	810,776
Student activities	-	106,274	106,274
Total fund balances	859,079	106,274	965,353
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 1,394,074	113,897	1,507,971

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, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 515,811	-	515,811
Other	8,920	636,214	645,134
State sources	189	-	189
Total revenues	<u>524,920</u>	<u>636,214</u>	<u>1,161,134</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	117,963	-	117,963
Other	-	584,532	584,532
Support services:			
Administration	18,484	-	18,484
Operation and maintenance of plant	279,607	-	279,607
Transportation	88,086	-	88,086
Total expenditures	<u>504,140</u>	<u>584,532</u>	<u>1,088,672</u>
Change in fund balances	20,780	51,682	72,462
Fund balances beginning of year	<u>838,299</u>	<u>54,592</u>	<u>892,891</u>
Fund balances end of year	<u>\$ 859,079</u>	<u>106,274</u>	<u>965,353</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2014

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Capital Projects Construction	Physical Plant and Equipment Levy	
ASSETS				
Cash and pooled investments	\$ 932,803	71,733	2,032,513	3,037,049
Receivables:				
Property tax:				
Delinquent	-	-	2,899	2,899
Succeeding year	-	-	913,682	913,682
Due from other governments	360,997	-	-	360,997
TOTAL ASSETS	\$ 1,293,800	71,733	2,949,094	4,314,627
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	-	45,222	57,619	102,841
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	913,682	913,682
Fund balances:				
Restricted for:				
School infrastructure	1,293,800	26,511	-	1,320,311
Physical plant and equipment levy	-	-	1,977,793	1,977,793
Total fund balances	1,293,800	26,511	1,977,793	3,298,104
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,293,800	71,733	2,949,094	4,314,627

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, 2014

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Capital Projects Construction	Physical Plant and Equipment Levy	
REVENUES:				
Local sources:				
Local tax	\$ -	-	878,018	878,018
Other	36	-	-	36
State sources	2,257,716	-	298	2,258,014
Total revenues	<u>2,257,752</u>	<u>-</u>	<u>878,316</u>	<u>3,136,068</u>
EXPENDITURES:				
Current:				
Support services:				
Administration	-	-	59,207	59,207
Operation and maintenance of plant	-	-	18,300	18,300
Transportation	-	-	44,700	44,700
Capital outlay	-	416,043	464,700	880,743
Total expenditures	<u>-</u>	<u>416,043</u>	<u>586,907</u>	<u>1,002,950</u>
Excess(deficiency)of revenues over(under) expenditures	2,257,752	(416,043)	291,409	2,133,118
Other financing sources(uses):				
Transfers in	-	400,000	-	400,000
Transfers out	(2,122,990)	-	-	(2,122,990)
Total other financing sources(uses)	<u>(2,122,990)</u>	<u>400,000</u>	<u>-</u>	<u>(1,722,990)</u>
Change in fund balances	134,762	(16,043)	291,409	410,128
Fund balances beginning of year	<u>1,159,038</u>	<u>42,554</u>	<u>1,686,384</u>	<u>2,887,976</u>
Fund balances end of year	<u>\$ 1,293,800</u>	<u>26,511</u>	<u>1,977,793</u>	<u>3,298,104</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, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
GENERAL ACTIVITIES	\$ 230	115,775	100,403	15,602
HAWKEYE 10 CONFERENCE	3,160	7,460	8,532	2,088
DRAMA	-	13,348	13,328	20
SPEECH	-	2,547	2,547	-
VOCAL MUSIC	5,203	65,714	69,673	1,244
BAND	1,748	59,153	38,667	22,234
BOYS/GIRLS CROSS COUNTY	-	5,289	5,189	100
BOYS BASKETBALL	2,662	21,584	24,246	-
FOOTBALL	-	49,230	47,982	1,248
BOYS SOCCER	-	3,963	3,963	-
BASEBALL	561	28,076	23,451	5,186
BOYS TRACK	-	10,608	10,608	-
BOYS TENNIS	-	870	870	-
BOYS GOLF	-	1,948	1,948	-
BOYS SWIM	-	3,595	3,595	-
BOYS BOWLING	-	613	613	-
WRESTLING	-	11,597	11,597	-
GIRLS BASKETBALL	438	9,926	9,603	761
VOLLEYBALL	1,070	16,473	11,881	5,662
GIRLS SOCCER	1,478	8,414	6,000	3,892
SOFTBALL	-	4,923	4,842	81
GIRLS TRACK	-	8,823	8,823	-
GIRLS TENNIS	-	787	787	-
GIRLS GOLF	-	1,116	1,116	-
GIRLS SWIM	-	4,121	4,121	-
GIRLS BOWLING	-	387	387	-
FUTURE BUSINESS LEADERS	1,173	10,092	9,204	2,061
ART CLUB	1,912	-	1,282	630
DRAMA CLUB	1,092	120	75	1,137
COOKING FOR A CAUSE	238	-	-	238
SKILLS USA	177	3,056	2,832	401
ECOLOGY	343	-	19	324
SPANISH CLUB	180	-	147	33
SPECIAL OLYMPICS	381	1,100	1,100	381
ALL CITY	-	23,540	23,540	-
HS BETTERMENT	-	324	324	-
CLASS OF 2013	477	-	200	277
CLASS OF 2014	497	600	838	259
CLASS OF 2015	65	7,435	7,263	237
STUDENT COUNCIL	3,026	16,251	16,101	3,176
NATIONAL HONOR SOCIETY	25	1,200	1,225	-
CHEERLEADERS	-	15,923	15,923	-
DANCE TEAM	-	27,647	21,417	6,230
YEARBOOK	5,901	29,235	28,320	6,816
TITAN HILL STUDENT COUNCIL	2,075	1,201	1,169	2,107
MS BETTERMENT	-	2,184	2,184	-
MS VOCAL	-	11,481	7,704	3,777
MS BAND	8,573	14,346	13,968	8,951
MS STUDENT COUNCIL	1,653	1,060	1,122	1,591
MS LEADERSHIP	28	4,433	4,320	141
MS YEARBOOK	3,377	4,760	4,720	3,417
MS SCHOLASTICS	6,849	3,886	4,763	5,972
TOTAL	<u>\$ 54,592</u>	<u>636,214</u>	<u>584,532</u>	<u>106,274</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUNDS
 YEAR ENDED JUNE 30, 2014

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>KREFT POP TEACHERS' LOUNGE</u>				
ASSETS				
Cash and pooled investments	\$ (2,201)	2,201	-	-
Accounts receivable	2,201	-	2,201	-
	<u>\$ -</u>	<u>2,201</u>	<u>2,201</u>	<u>-</u>
LIABILITIES				
Due to other groups	\$ -	2,201	2,201	-
<u>TITAN HILL TEACHERS</u>				
ASSETS				
Cash and pooled investments	\$ 2,781	733	1,398	2,116
LIABILITIES				
Due to other groups	\$ 2,781	733	1,398	2,116
<u>ADMINISTRATION POP</u>				
ASSETS				
Cash and pooled investments	\$ 130	319	66	383
LIABILITIES				
Due to other groups	\$ 130	319	66	383
<u>MS POP - TEACHERS' LOUNGE</u>				
ASSETS				
Cash and pooled investments	\$ 609	697	1,022	284
LIABILITIES				
Due to other groups	\$ 609	697	1,022	284
<u>HS POP TEACHERS' LOUNGE</u>				
ASSETS				
Cash and pooled investments	\$ 1,811	1,642	3,016	437
LIABILITIES				
Due to other groups	\$ 1,811	1,642	3,016	437
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and pooled investments	\$ 3,130	5,592	5,502	3,220
Accounts receivable	2,201	-	2,201	-
	<u>\$ 5,331</u>	<u>5,592</u>	<u>7,703</u>	<u>3,220</u>
LIABILITIES				
Due to other groups	\$ 5,331	5,592	7,703	3,220

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 13,973,126	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
Tuition	4,322,923	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
Other	906,692	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
Intermediate sources	117,508	272,520	80,569	240,387	88,783	166,974	155,608	239,875	229,093	29,414
State sources	15,731,735	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
Federal sources	816,009	885,107	1,212,296	1,246,019	2,593,764	912,784	664,848	740,545	653,052	1,102,874
Total	\$ 35,867,993	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
Expenditures:										
Instruction:										
Regular	\$ 14,260,793	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
Special	3,446,399	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
Other	3,359,467	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
Support services:										
Student	671,867	490,628	477,009	464,990	463,517	460,292	435,588	486,726	393,108	526,486
Instructional staff	1,421,925	1,601,913	1,615,935	1,279,064	1,114,783	1,005,186	974,157	1,023,152	893,911	525,140
Administration	2,342,098	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
Operation and maintenance of plant	2,880,933	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
Transportation	1,189,128	1,403,928	1,246,838	1,176,629	971,402	1,151,551	996,484	802,189	1,190,886	588,283
Other	-	-	-	-	-	-	-	-	-	84,200
Non-instructional programs	-	-	-	-	-	-	-	-	-	2,500
Capital outlays	880,743	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
Long-term debt:										
Principal	4,075,000	2,650,000	960,000	2,875,303	2,733,202	2,544,629	10,774,622	2,385,183	837,926	789,871
Interest and other charges	415,213	477,864	466,307	714,329	708,903	811,659	941,840	1,044,697	921,368	731,160
Other expenditures:										
AEA flow-through	1,051,121	996,491	985,731	1,076,998	1,030,352	911,024	826,825	801,445	716,983	678,959
Total	\$ 35,994,687	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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
U.S DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
CHILD NUTRITION CLUSTER:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 14	\$ 137,082
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 14	711,128
			<u>848,210</u>
U.S DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	FY 14	335,944
TITLE I GRANTS - SCHOOLS IN NEED OF ASSISTANCE (SINA)	84.010	FY 14	15,279
			<u>351,223</u>
IMPROVING TEACHER QUALITY			
STATE GRANTS (TITLE IIA)	84.367	FY 14	<u>78,352</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI A)			
	84.369	FY 14	<u>16,962</u>
GREEN HILLS AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 14	<u>135,113</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 14	<u>17,254</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
IOWA DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAMS TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS			
	93.938	FY13	575
COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAMS TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS			
	93.938	FY14	170
			<u>745</u>
TOTAL			<u>\$ 1,447,859</u>

* -Includes \$124,131 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

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

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

We have audited 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, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 4, 2015.

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 a material weakness and significant deficiencies.

A deficiency in internal control exists when the design or operations of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented for detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-14 to be a material weakness.

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 deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-14 to be a significant deficiency.

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, 2014 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.

February 4, 2015
Newton, Iowa

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
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, 2014. 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 of the 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, 2014.

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 Lewis Central 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.

February 4, 2015
Newton, Iowa

LEWIS CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness and a significant deficiency 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 or significant deficiencies in internal control over the major programs were 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 10.553 - School Breakfast Program

CFDA Number 10.555 - National School Lunch 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-14 Financial Statement Preparation - Iowa School Districts are required to record the financial records on a GAAP basis of accounting. Financial records are normally converted at year end, after a year of cash based records. We noted material adjustments were necessary to the accounts payable and accounts receivable at year end. The Iowa Association of School Business Officials provides training to its members as does the Department of Education and Software Unlimited. This training helps in providing instruction as well as promotes networking of other accounting personnel.

Recommendation - The maintenance of reliable accounting records has and continues to be important in every District. The District should consider sending their accounting staff to end-of-year training in an effort to provide more reliable financial statements.

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

Conclusion - Response accepted.

II-B-14 Supporting Documentation - We noted instances of credit card purchases without an invoice used as supporting documentation.

Recommendation - The District should review their procedures in place to ensure that all bills are supported, approved, and paid from an invoice. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or supporting documentation other than the invoice.

Response - The District will implement procedures as outlined by our auditors.

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-14 Certified Budget - Expenditures for the year ended June 30, 2014 exceeded the certified budget amounts in the non-instructional programs and other expenditures functional areas as well as 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-14 Questionable Disbursements - We noted during our audit that the District purchased google, itunes and Walmart gift cards to be given as rewards for Positive Behavioral Interventions & Supports (PBIS) program. The District is unable to audit the final purchase made with a gift card to determine that the purchase meets public purpose requirements; therefore, giving gift cards as rewards does not appear to meet public purpose as defined in an Attorney General's opinion dated April 25, 1979.

Recommendation - The District should refrain from purchasing gift cards. The District should review the purchasing procedures it has in place and make necessary adjustments to ensure that all purchases meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Response - The District will review the Attorney General's opinion dated April 25, 1979 and review procedures to make the necessary adjustments to refrain from making these types of purchases.

Conclusion - Response accepted.

IV-C-14 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-14 Business Transactions - No business transactions between the District and District officials or employees were noted.

IV-E-14 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-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted certain immaterial instances of non-compliance regarding board minutes as follows:

Closed Sessions - We noted the minutes did not document the code section for a closed session as required by Chapter 21.5 of the Iowa Code.

Recommendation - The vote of each board member on the question of holding the closed session and the reason for holding a closed session must be referenced by the specific exemption under Chapter 21.5(1) and announced publicly at the open session as well as entered into the minutes. A governmental body shall not discuss any business during the closed session which does not directly relate to the specific reason given as justification for the closed session.

Response - Board minutes will now document the code section for a closed session as required by Chapter 21.5 of the Iowa Code.

Conclusion - Response accepted.

Official Depositories - We noted that the District did not name the District's official depositories or the maximum amounts to be held in each depository in the board minutes.

Recommendation - Iowa Code section 12C.2 states that board minutes "shall distinctly name each depository approved and specify the maximum amount that may be kept on deposit in each depository."

Response - Future board minutes will distinctly name each depository.

Conclusion - Response accepted.

IV-G-14 Certified Enrollment - We noted a variance regarding the enrollment certified to the Iowa Department of Education. The number of students certified to the Department of Education was overstated by 1.22 students.

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

Response - Our auditors will contact the Iowa Department of Education and Iowa Department of Management on our behalf.

Conclusion - Response accepted.

IV-H-14 Supplementary Weighting - We noted no variances regarding the supplementary weighting certified to the Iowa Department of Education.

IV-I-14 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-14 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-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-14 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, 2014, the District reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR:

Beginning balance		\$ 1,159,038
Revenues:		
Sales tax revenues	\$ 2,257,716	
Other local revenue	<u>36</u>	<u>2,257,752</u>
		3,416,790
Expenditures/transfers out:		
Transfers to other funds:		
Debt service fund	1,722,990	
Other transfers	<u>400,000</u>	<u>2,122,990</u>
Ending balance		<u>\$ 1,293,800</u>

For the year ended June 30, 2014, 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-14 Financial Condition - The District had a deficit unrestricted net position in the Enterprise: School Nutrition Fund of \$14,449. The District also had a deficit unrestricted net position in the Enterprise: Swimming Pool Fund of \$7,139.

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 options to eliminate the deficit.

Conclusion - Response accepted.

IV-N-14 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 seven \$100 All City Scholarships 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 - The District will receipt and expend scholarships from the Private Purpose Trust Fund in the future.

Conclusion - Response accepted.

Instructional Expenditures: We noted that collection and payment of PSAT and AP exams were accounted for in the Student Activity Fund.

Recommendation - Testing materials are instructional in nature and therefore should be accounted for in the General Fund.

Response - As cited by our auditors, testing materials are instructional in nature and should be accounted for in the General Fund.

Conclusion - Response accepted.

IV-O-14 Donation to Outside Organization - We noted that the Lewis Central Titan Elementary School received donations from Box Tops For Education. The District subsequently gave \$13,153 to the Lewis Central PTA which is an outside organization; it is separate from the school with its own records and tax status. The District should refrain from donating District revenue to outside organizations.

Recommendation - The District should contact the Lewis Central PTA and ask for the money to be returned to the District. The money should then be receipted to the General Fund.

Response - The District does not consider the PTA as an outside organization. The District will check with legal counsel to seek their opinion.

Conclusion - Response acknowledged. If the PTA is an inside organization, the District must comply with statutory requirements set by the State of Iowa. This includes but not limited to the following:

- 1) Chapter 12C.2 of the Code of Iowa requires that the District's Board of Directors shall approve all financial institutions that will be depositories of the District. The name of the financial institutions and maximum amount of deposits held by each institution shall be entered of record in the District's Board minutes.
- 2) Chapter 279.29 of the Code of Iowa requires that the District's Board of Directors shall audit and allow all claims against the District. Currently, officials of the PTA audit and allow all claims.
- 3) Chapter 291.1 and Chapter 291.8 of the Code of Iowa require the Board President and Board Secretary to sign all checks. Pursuant to Chapter 291.1, the Board President may designate an individual to sign warrants on his/her behalf. However, pursuant to Chapter 291.8, the Board Secretary may not designate an individual to sign on his/her behalf. Currently, PTO officials are signing all checks.
- 4) Chapter 291.6 of the Code of Iowa requires the Board Secretary to preserve and file all copies of pertinent paperwork related to the business of the District. Currently,

the individual that is not an employee of the District is retaining bank statements and other financial information relevant to the PTA.

- 5) Chapter 291.7 of the Code of Iowa requires the Board Secretary to file monthly financial statements and reports with the District's Board of Directors. To effectively govern, the District's Board of Directors must have current information for all District funds.

IV-P-14 Checks Outstanding - We noted during our audit that the District had several checks included in the Activity Fund bank reconciliation that have been outstanding for over a year.

Recommendation - The District needs to determine if the checks need to be voided, reissued or submitted to the State Treasurer as unclaimed property. Per Chapter 556.1(10) and 556.11 of the Code of Iowa the District is required to report unclaimed property to the state Treasurer annually before November 1st.

Response - The Business Office will work with the Student Activity Bookkeeper to determine if the checked need to be voided, re-issued or submitted to the State Treasurer as unclaimed property.

Conclusion - Response accepted.

IV-Q-14 Signing of Contracts - We noted during our audit that the Business Manager signed a lease agreement for printer/copiers with US Bank Equipment Finance. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - The District will have the Board President sign all contracts.

Conclusion - Response accepted.

IV-R-14 Rental of Land - We noted during our audit that the District rents out 24.3 acres of farmland owned by the District. This land is used as a revenue stream for the District and is not being used for educational purposes, therefore, this land should be on the county assessors tax rolls.

Recommendation - The District should contact the Pottawattamie County assessor to include this land as taxable property or cease renting this property.

Response - The District will check with legal counsel to ascertain the correct manner in which to handle this matter.

Conclusion - Response accepted.