

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

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Lineville-Clio Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2008 Election)		
David Brennecke	President	2009
Cherlyn Hullinger	Vice President	2008
Judy Shields	Board Member	2010
Virginia Clow	Board Member	2008
Jose Moreno	Board Member	2010
(After September 2008 Election)		
David Brennecke	President	2009
Cherlyn Hullinger	Vice President	2011
Judy Shields	Board Member	2009*
Virginia Clow	Board Member	2011
Jose Moreno	Board Member	2011*
Officials		
Rob Busch	Superintendent	2009
Cheryl Porter	District Secretary/Treasurer and Business Manager	2009
Monty Franklin	Attorney(Resigned)	2009
Alan Wilson	Attorney(Appointed)	2009

* Board term extended/shortened per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of 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

To the Board of Education of the
Lineville-Clio Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lineville-Clio Community School District, Lineville-Clio Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Lineville-Clio Community School District at June 30, 2009 and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

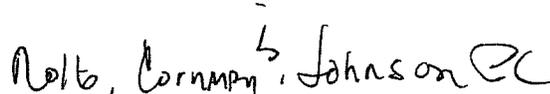
In accordance with Government Auditing Standards, we have also issued our report dated January 21, 2010 on our consideration of the Lineville-Clio Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lineville-Clio Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

January 21, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Lineville-Clio 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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$1,880,830 in fiscal 2008 to \$1,393,242 in fiscal 2009, while General Fund expenditures decreased from \$1,866,163 in fiscal 2008 to \$1,429,357 in fiscal 2009. This resulted in a decrease in the District's General Fund balance from \$69,552 in fiscal 2008 to \$33,437 in fiscal 2009, a 51.93% decrease from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in federal grant revenue in fiscal 2009. The decrease in expenditures was due primarily to decreased expenses in the support services and non-instructional programs areas.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Lineville-Clio 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 Lineville-Clio 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 Lineville-Clio Community School District acts solely as an agent or custodian 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.

Other Supplementary Information provides detailed information about the non-major governmental funds.

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

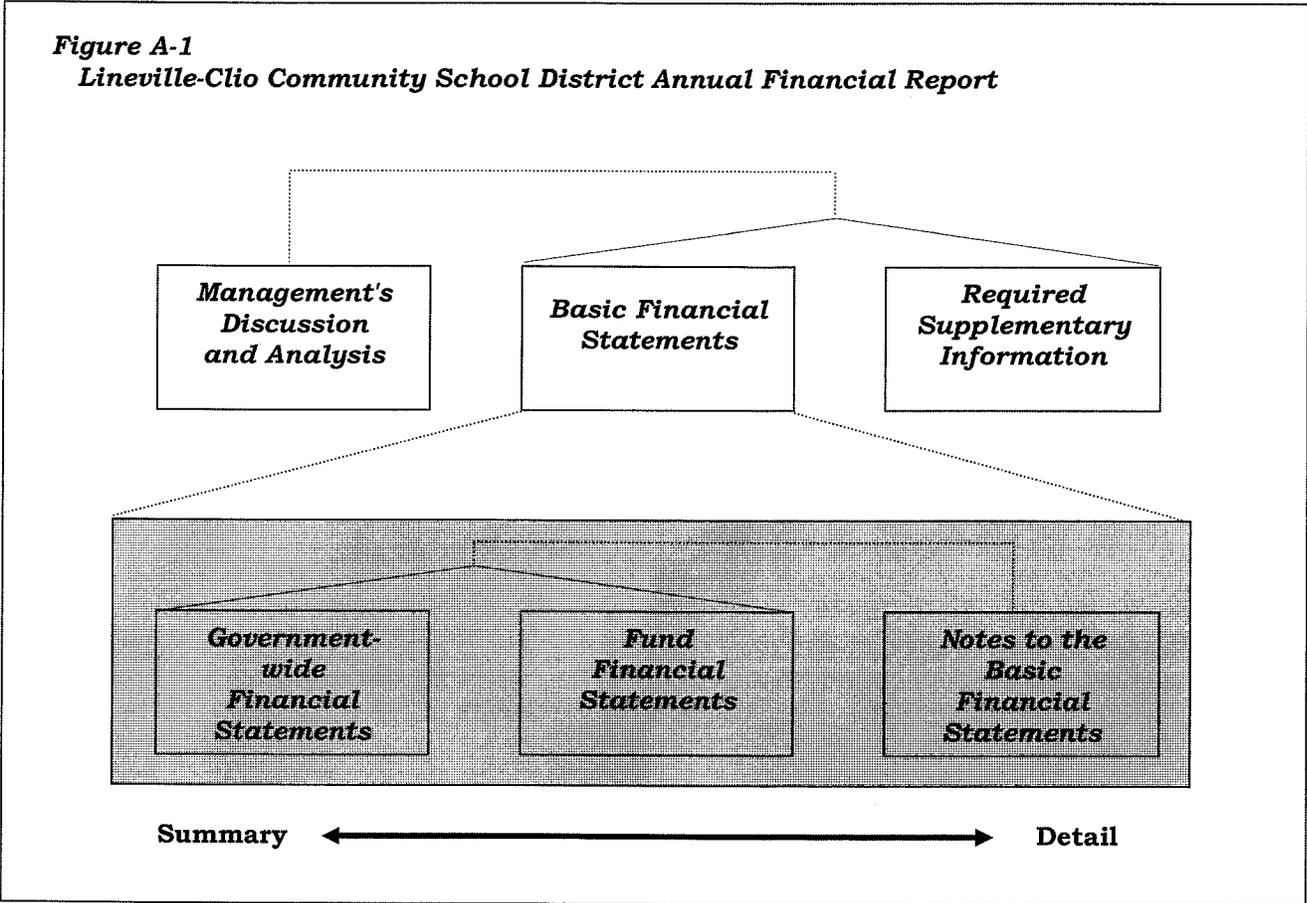


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 1,531,733	1,464,458	1,511	671	1,533,244	1,465,129	4.65%
Capital assets	900,390	924,995	776	939	901,166	925,934	-2.67%
Total assets	<u>2,432,123</u>	<u>2,389,453</u>	<u>2,287</u>	<u>1,610</u>	<u>2,434,410</u>	<u>2,391,063</u>	<u>1.81%</u>
Long-term obligations	764,432	813,347	-	-	764,432	813,347	-6.01%
Other liabilities	1,313,858	1,208,194	14,499	7,432	1,328,357	1,215,626	9.27%
Total liabilities	<u>2,078,290</u>	<u>2,021,541</u>	<u>14,499</u>	<u>7,432</u>	<u>2,092,789</u>	<u>2,028,973</u>	<u>3.15%</u>
Net assets:							
Invested in capital assets, net of related debt	135,958	111,648	776	939	136,734	112,587	21.45%
Restricted	196,822	197,621	-	-	196,822	197,621	-0.40%
Unrestricted	21,053	58,643	(12,988)	(6,761)	8,065	51,882	-84.46%
Total net assets	<u>\$ 353,833</u>	<u>367,912</u>	<u>(12,212)</u>	<u>(5,822)</u>	<u>341,621</u>	<u>362,090</u>	<u>-5.65%</u>

The District's combined net assets decreased by 5.65%, or \$20,469 from the prior year. A large share of the District's net assets is the invested in capital assets less the related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$799, or 0.40% from the prior year.

Unrestricted net assets – are the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$43,817, or 84.46%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to June 30, 2008.

	Figure A-4 Changes of Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues:							
Program revenues:							
Charges for services	\$ 56,213	68,336	21,839	25,507	78,052	93,843	-16.83%
Operating grants, contributions and restricted interest	657,132	1,120,752	30,099	30,180	687,231	1,150,932	-40.29%
General revenues:							
Property tax	429,988	420,871	-	-	429,988	420,871	2.17%
Income surtax	29,551	22,081	-	-	29,551	22,081	33.83%
Statewide sales and services tax	51,034	34,819	-	-	51,034	34,819	46.57%
Unrestricted state grants	304,082	357,191	-	-	304,082	357,191	-14.87%
Unrestricted investment earnings	21,051	26,013	-	2	21,051	26,015	-19.08%
Other general revenues	16,070	24,440	92	-	16,162	24,440	-33.87%
Total revenues	\$ 1,565,121	2,074,503	52,030	55,689	1,617,151	2,130,192	-24.08%
Program expenses:							
Governmental activities:							
Instruction	\$ 802,305	799,373	-	-	802,305	799,373	0.37%
Support services	464,113	636,297	379	1,481	464,492	637,778	-27.17%
Non-instructional programs	226,122	500,038	58,041	59,240	284,163	559,278	-49.19%
Other expenses	86,660	89,228	-	-	86,660	89,228	-2.88%
Total expenses	1,579,200	2,024,936	58,420	60,721	1,637,620	2,085,657	-21.48%
Change in net assets	(14,079)	49,567	(6,390)	(5,032)	(20,469)	44,535	145.96%
Beginning net assets	367,912	318,345	(5,822)	(790)	362,090	317,555	14.02%
Ending net assets	\$ 353,833	367,912	(12,212)	(5,822)	341,621	362,090	-5.65%

In fiscal 2009, property tax, income surtax, statewide sales and services tax and unrestricted state grants account for 52.05% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.82% of the revenue and transfers from business type activities.

The District's total revenues were \$1,617,151, of which \$1,565,121 was for governmental activities and \$52,030 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 24.08% decrease in revenues and a 21.48% decrease in expenses. The largest decline in revenues occurred in operating grants, contributions and restricted interest.

Governmental Activities

Revenues for governmental activities were \$1,565,121 and expenses were \$1,579,200. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available resources.

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

Figure A-5 Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-09	2009	2008	Change 2008-09
Instruction	\$ 802,305	799,373	0.37%	348,532	407,089	-14.38%
Support services	464,113	636,297	-27.06%	463,508	370,660	25.05%
Non-instructional programs	226,122	500,038	-54.78%	(1,472)	-	0.00%
Other expenses	86,660	89,228	-2.88%	55,287	58,099	-4.84%
Totals	<u>\$ 1,579,200</u>	<u>2,024,936</u>	<u>-22.01%</u>	<u>865,855</u>	<u>835,848</u>	<u>3.59%</u>

- The cost financed by users of the District's programs was \$56,213.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$657,132.
- The net cost of governmental activities was financed with \$429,988 in property tax, \$29,551 in income surtax, \$51,034 in statewide sales and services tax, \$304,082 in unrestricted state grants, \$21,051 in unrestricted investment earnings and \$16,070 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$52,030 and expenses were \$58,420. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Lineville-Clio 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 \$196,891, a \$42,957 decline from last year's ending fund balances of \$239,848.

Governmental Fund Highlights

- The District's decrease in General Fund financial position is the product of many factors. One primary reason is the substantial decline in federal sources of revenue. The District was effective in limiting costs which lead to a similar decrease in District expenditures. In spite of these efforts, the District had more expenditures than revenues causing the General Fund balance to decrease by \$36,115.
- The Capital Projects Fund balance decreased from \$87,121 at June 30, 2008 to \$58,773 at June 30, 2009. The decrease was due in part to a transfer to the Debt Service Fund for retirement of long-term debt.
- The Debt Service Fund balance increased from a deficit balance of \$20,244 at June 30, 2008 to \$1,680 at June 30, 2009. This increase was due to interfund transfers, which combined with Debt Service Fund revenue sources to more than cover the year's long-term debt principal and interest payments.

Proprietary Fund Highlights

- The School Nutrition Fund net assets decreased from a deficit of \$5,822 at June 30, 2008 to a deficit of \$12,212 at June 30, 2009, representing a decrease of 109.76%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$3,149 less than budgeted revenues, a variance of 0.20%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

Total expenditures were more than budgeted, primarily due to unexpected expenses in the non-instructional programs function. 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 functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$889,687, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 3.91% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$36,851.

The original cost of the District's capital assets was \$1,130,935. Governmental funds account for \$1,127,613 with the remainder of \$3,322 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$846,580 net of depreciation at June 30, 2009, compared to \$865,393 reported at June 30, 2008. This decrease resulted from the current year depreciation expense.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	2008-09
Buildings	\$ 846,580	865,393	-	-	846,580	865,393	-2.17%
Machinery and equipment	42,331	59,602	776	939	43,107	60,541	-28.80%
Improvements other than buildings	11,479	-	-	-	11,479	-	100.00%
Total	\$ 900,390	924,995	776	939	889,687	925,934	-3.91%

Long Term Debt

At year-end, the District had \$764,432 in general obligation and other long-term debt outstanding. This represents a decrease of 6.01%. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

Figure A-7			
Outstanding Long-Term Obligations			
	Total District		Total Change
	June 30,		June 30,
	2009	2008	2008-09
General obligation bonds	\$ 755,000	795,000	-5.03%
Bus lease	9,432	18,347	-48.59%
Totals	\$ 764,432	813,347	-6.01%

The District had \$755,000 in general obligation bonds outstanding at June 30, 2009.

The District had bus lease payable of \$9,432 at June 30, 2000 payable from the Special Revenue, Physical Plant and Equipment Levy Fund.

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 circumstance that could significantly affect its financial health in the future:

- The District has experienced declining enrollment the past several years and expects that trend to continue.
- As a result of declining enrollment, property taxes will be raised to fund a greater share of regular program costs.
- With the September 25, 2009 ten percent across-the-board reduction, the District will continue to implement cost-saving measures and develop a plan for the remainder of the 2009/2010 year. The Board of Education will determine what cost-saving measures we will implement and how much we can spend from our reserves.

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 Cheryl Porter, Board Secretary, Lineville-Clio Community School District, 200 W 6th St, Lineville, Iowa, 50147.

BASIC FINANCIAL STATEMENTS

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents:			
ISCAP	\$ 669,769	-	669,769
Other	252,107	40	252,147
Receivables:			
Property tax:			
Delinquent	10,719	-	10,719
Succeeding year	523,115	-	523,115
Income surtax	23,869	-	23,869
Accrued ISCAP interest	2,172	-	2,172
Due from other governments	49,982	-	49,982
Inventories	-	1,471	1,471
Capital assets, net of accumulated depreciation	900,390	776	901,166
Total assets	2,432,123	2,287	2,434,410
Liabilities			
Excess of warrants issued over bank balance	-	8,694	8,694
Accounts payable	22,338	-	22,338
Salaries and benefits payable	89,354	5,740	95,094
Interest payable	2,885	-	2,885
ISCAP warrants payable	660,000	-	660,000
ISCAP accrued interest payable	3,121	-	3,121
ISCAP unamortized premium	10,867	-	10,867
Deferred revenue:			
Succeeding year property tax	523,115	-	523,115
Other	2,178	-	2,178
Unearned revenue	-	65	65
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	40,000	-	40,000
Bus lease payable	9,432	-	9,432
Portion due after one year:			
General obligation bonds payable	715,000	-	715,000
Total liabilities	2,078,290	14,499	2,092,789
Net assets			
Invested in capital assets, net of related debt	135,958	776	136,734
Restricted for:			
Categorical funding	33,368	-	33,368
Management levy	17,300	-	17,300
Physical plant and equipment levy	62,154	-	62,154
Capital projects	58,773	-	58,773
Debt service	1,680	-	1,680
Other special revenue purposes	23,547	-	23,547
Unrestricted	21,053	(12,988)	8,065
Total net assets	\$ 353,833	(12,212)	341,621

SEE NOTES TO FINANCIAL STATEMENTS

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 571,893	28,048	390,614	(153,231)	-	(153,231)
Special	105,129	-	7,551	(97,578)	-	(97,578)
Other	125,283	27,560	-	(97,723)	-	(97,723)
	802,305	55,608	398,165	(348,532)	-	(348,532)
Support services:						
Student	54,487	-	-	(54,487)	-	(54,487)
Instructional staff	7,290	-	-	(7,290)	-	(7,290)
Administration	242,471	-	-	(242,471)	-	(242,471)
Operation and maintenance of plant	106,655	-	-	(106,655)	-	(106,655)
Transportation	53,210	605	-	(52,605)	-	(52,605)
	464,113	605	-	(463,508)	-	(463,508)
Non-instructional programs:						
Community service operations	226,122	-	227,594	1,472	-	1,472
Other expenditures:						
Interest and fiscal charges	35,870	-	-	(35,870)	-	(35,870)
AEA flowthrough	31,373	-	31,373	-	-	-
Depreciation(unallocated)*	19,417	-	-	(19,417)	-	(19,417)
	86,660	-	31,373	(55,287)	-	(55,287)
Total governmental activities	1,579,200	56,213	657,132	(865,855)	-	(865,855)
Business Type activities:						
Support services:						
Administrative services	43	-	-	(43)	(43)	(86)
Operation and maintenance of plant services	336	-	-	(336)	(336)	(672)
Total administrative services	379	-	-	(379)	(379)	(758)
Non-instructional programs:						
Food service operations	58,041	21,839	30,099	-	(6,103)	(6,103)
Total business-type activities	58,420	21,839	30,099	-	(6,482)	(6,103)
Total	\$ 1,637,620	78,052	687,231	(865,855)	(6,482)	(871,958)
General Revenues:						
Property tax for:						
General purposes				\$ 376,272	-	376,272
Capital outlay				28,768	-	28,768
Debt service				24,948	-	24,948
Income surtax				29,551	-	29,551
Statewide sales and services tax				51,034	-	51,034
Unrestricted state grants				304,082	-	304,082
Unrestricted investment earnings				21,051	-	21,051
Other general revenue				16,070	92	16,162
Total general revenues				851,776	92	851,868
Changes in net assets				(14,079)	(6,390)	(20,469)
Net assets beginning of year				367,912	(5,822)	362,090
Net assets end of year				\$ 353,833	(12,212)	341,621

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

SEE NOTES TO FINANCIAL STATEMENTS

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Other Nonmajor Governmental Funds	Total
Assets			
Cash and pooled investments:			
ISCAP	\$ 669,769	-	669,769
Other	109,448	142,659	252,107
Receivables:			
Property tax:			
Delinquent	8,833	1,886	10,719
Succeeding year	404,951	118,164	523,115
Income surtax	23,869	-	23,869
Accrued ISCAP interest	2,172	-	2,172
Due from other governments	31,073	18,909	49,982
Total assets	\$ 1,250,115	281,618	1,531,733
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 22,338	-	22,338
Salaries and benefits payable	89,354	-	89,354
ISCAP warrants payable	660,000	-	660,000
ISCAP accrued interest payable	3,121	-	3,121
ISCAP unamortized premium	10,867	-	10,867
Deferred revenue:			
Succeeding year property tax	404,951	118,164	523,115
Income surtax	23,869	-	23,869
Other	2,178	-	2,178
Total liabilities	1,216,678	118,164	1,334,842
Fund balances:			
Reserved for:			
Categorical funding	33,368	-	33,368
Debt service	-	1,680	1,680
Unreserved	69	161,774	161,843
Total fund balances	33,437	163,454	196,891
Total liabilities and fund balances	\$ 1,250,115	281,618	1,531,733

SEE NOTES TO FINANCIAL STATEMENTS

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2009

Total fund balances of governmental funds (page 15)	\$	196,891
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		900,390
Accounts receivable income surtax, is not yet available to finance expenditures of the current fiscal period.		23,869
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(2,885)
Long-term liabilities, including general obligation bonds payable and bus lease payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(764,432)
		<hr style="width: 100%;"/>
Net assets of governmental activities (page 13)	\$	<u><u>353,833</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Other Nonmajor Governmental Funds	Total
Revenues:			
Local sources:			
Local tax	\$ 379,542	126,703	506,245
Tuition	27,290	-	27,290
Other	36,312	40,790	77,102
State sources	568,021	58	568,079
Federal sources	382,077	-	382,077
Total revenues	<u>1,393,242</u>	<u>167,551</u>	<u>1,560,793</u>
Expenditures:			
Current:			
Instruction:			
Regular	545,894	24,030	569,924
Special	105,129	-	105,129
Other	98,090	27,193	125,283
	<u>749,113</u>	<u>51,223</u>	<u>800,336</u>
Support services:			
Student	54,487	-	54,487
Instructional staff	4,790	-	4,790
Administration	225,466	15,459	240,925
Operation and maintenance of plant	98,016	13,722	111,738
Transportation	39,990	1,964	41,954
	<u>422,749</u>	<u>31,145</u>	<u>453,894</u>
Non-instructional programs:			
Community service operations	226,122	-	226,122
Other expenditures:			
Facilities acquisitions	-	7,000	7,000
Long-term debt:			
Principal	-	48,915	48,915
Interest and fiscal charges	-	36,110	36,110
AEA flowthrough	31,373	-	31,373
	<u>31,373</u>	<u>92,025</u>	<u>123,398</u>
Total expenditures	<u>1,429,357</u>	<u>174,393</u>	<u>1,603,750</u>
Deficiency of revenues under expenditures	(36,115)	(6,842)	(42,957)
Other financing sources(uses):			
Transfers in	-	81,978	81,978
Transfers out	-	(81,978)	(81,978)
Total other financing sources(uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(36,115)	(6,842)	(42,957)
Fund balance beginning of year	69,552	170,296	239,848
Fund balance end of year	<u>\$ 33,437</u>	<u>163,454</u>	<u>196,891</u>

SEE NOTES TO FINANCIAL STATEMENTS

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2009

Net change in fund balances - total governmental funds (page 17) \$ (42,957)

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

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

Capital outlays	\$ 12,083	
Depreciation expense	<u>(36,688)</u>	(24,605)

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 4,328

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. 240

Repayments of long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows: 48,915

Changes in net assets of governmental activities (page 14) \$ (14,079)

SEE NOTES TO FINANCIAL STATEMENTS

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

	<u>School</u> <u>Nutrition</u>
Assets	
Cash and cash equivalents	\$ 40
Inventories	1,471
Capital assets, net of accumulated depreciation	776
Total assets	<u>2,287</u>
Liabilities	
Excess of warrants issued over bank balance	8,694
Salaries and benefits payable	5,740
Unearned revenue	65
Total liabilities	<u>14,499</u>
Net Assets	
Invested in capital assets	776
Unrestricted	(12,988)
Total net assets	<u>\$ (12,212)</u>

SEE NOTES TO FINANCIAL STATEMENTS

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 21,839
Miscellaneous revenue	92
Total operating revenues	21,931
Operating expenses:	
Support services:	
Administrative Services	43
Operation and maintenance of plant services	336
Total Support services	379
Non-instructional programs:	
Food service operations:	
Salaries	22,472
Benefits	11,559
Services	30
Supplies	23,787
Depreciation	163
Other	30
Total non-instructional programs	58,041
Total operating expenses	58,420
Operating loss	(36,489)
Non-operating revenues:	
State sources	541
Federal sources	29,558
Total non-operating revenues	30,099
Change in net assets	(6,390)
Net assets beginning of year	(5,822)
Net assets end of year	\$ (12,212)

SEE NOTES TO FINANCIAL STATEMENTS

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2009

	<u>School</u> <u>Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 21,882
Cash received from miscellaneous operating activities	92
Cash payments to employees for services	(34,189)
Cash payments to suppliers for goods or services	(19,435)
Net cash used in operating activities	<u>(31,650)</u>
Cash flows from non-capital financing activities:	
State grants received	541
Federal grants received	23,928
Net cash provided by non-capital financing activities	<u>24,469</u>
Net decrease in cash and cash equivalents	(7,181)
Cash and cash equivalents at beginning of year	<u>(1,473)</u>
Cash and cash equivalents at end of year	<u>\$ (8,654)</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (36,489)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	5,630
Depreciation	163
Increase in inventories	(839)
Decrease in accounts receivable	39
Decrease in salaries and benefits payable	(158)
Increase in unearned revenue	4
Net cash used in operating activities	<u>\$ (31,650)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ (8,654)</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
During the year ended June 30, 2009, the District received Federal commodities valued at \$5,630.	

SEE NOTES TO FINANCIAL STATEMENTS

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

The Lineville-Clio 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 cities of Lineville and Clio, Iowa, and the predominate agricultural territory in Wayne and Decatur 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 Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Lineville-Clio 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 Lineville-Clio 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 Wayne and Decatur Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The statement of net assets and the statement of activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

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 funds are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The District reports the following proprietary funds:

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

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary 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 providers have been satisfied.

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded

as expenses when consumed rather than when purchased or received.

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

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

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

Asset Class	Amount
Buildings	\$ 5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

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

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

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The

lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

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

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures in the non-instructional function exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits in bank at June 30, 2009 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 banker's 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, 2009, the district had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 142,533</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

(3) **Transfers**

The detail of transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue: Physical Plant & Equipment Levy	\$ 9,978
Debt Service	Capital Projects	<u>72,000</u>
Total		<u>\$ 81,978</u>

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

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

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2009 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2008-09B	1/21/09	1/21/10	\$ 228,897	2,117	226,000	2,972
2009-10A	6/25/09	6/23/10	440,872	55	434,000	149
Total			<u>\$ 669,769</u>	<u>2,172</u>	<u>660,000</u>	<u>3,121</u>

The district pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the district must repay the outstanding withdrawal from its General Fund receipts. In addition, the district must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2009 is as follows:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2008-09A	\$ -	50,000	50,000	-

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2008-09A	3.500%	3.469%
2008-09B	3.000%	2.110%
2009-10A	2.500%	0.902%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets being depreciated:				
Buildings	\$ 940,645	-	-	940,645
Improvements other than buildings	-	12,083	-	12,083
Machinery and equipment	174,885	-	-	174,885
Total capital assets being depreciated	1,115,530	12,083	-	1,127,613
Less accumulated depreciation for:				
Buildings	75,252	18,813	-	94,065
Improvements other than buildings	-	604	-	604
Machinery and equipment	115,283	17,271	-	132,554
Total accumulated depreciation	190,535	36,688	-	227,223
Governmental activities capital assets, net	\$ 924,995	(24,605)	-	900,390
Business Type activities:				
Machinery and equipment	\$ 3,322	-	-	3,322
Less accumulated depreciation	2,383	163	-	2,546
Business-type activities capital assets, net	\$ 939	(163)	-	776

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 1,969
Support services:		
Instructional staff		2,500
Administration		1,546
Transportation		11,256
Unallocated depreciation		19,417
Total governmental activities depreciation expense		\$ 36,688
Business Type activities:		
Food services		\$ 163

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 795,000	-	40,000	755,000	40,000
Bus lease	18,347	-	8,915	9,432	9,432
Total	\$ 813,347	-	48,915	764,432	49,432

General Obligation Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 1, 2003			
	Interest Rates	Principal	Interest	Total
2010	4.00	% \$ 40,000	33,248	73,248
2011	4.00	45,000	31,647	76,647
2012	4.00	45,000	29,848	74,848
2013	4.00	45,000	28,047	73,047
2014	4.10	50,000	26,248	76,248
2015-2019	4.20-4.60	270,000	98,822	368,822
2020-2023	4.65-4.80	260,000	31,603	291,603
Total		\$ 755,000	279,463	1,034,463

Bus Lease Payable

During the year ended June 30, 2007, the District entered into an agreement with Baystone Financial Group for the lease purchase of a school bus. Details of the District's June 30, 2009 bus lease indebtedness is as follows:

Year Ending June 30,	Bus Lease of June 7, 2007			
	Interest Rates	Principal	Interest	Total
2010	5.63	% \$ 9,432	546	9,978

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$50,994, \$53,891, and \$51,436 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits

GASB Statement No.45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB Statement No.45.

(9) Risk Management

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

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$31,373 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Net Assets

The School Nutrition Fund had deficit unrestricted net assets of \$12,988 at June 30, 2009.

(12) Expenditure Over Budget

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2009, expenditures in the non-instructional programs functional area exceeded the amount budgeted.

(13) Categorical Funding

The District's ending reserved balances for categorical funding by project as of June 30, 2009 are as follows:

<u>Project</u>	<u>Amount</u>
Home school assistance program	\$ 3,433
Weighted at-risk programs	3,358
Dropouts and dropout prevention program	10,115
Beginning teacher mentoring and induction program	504
Salary improvement program	3,936
Market factor	875
Beginning administrator mentoring and induction program	366
Professional development for model core curriculum	1,484
Professional development	8,332
Market factor incentives	965
Total reserved for categorical funding	<u>\$ 33,368</u>

REQUIRED SUPPLEMENTARY INFORMATION

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES
 AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 610,637	21,931	632,568	698,546	698,546	(65,978)
State sources	568,079	541	568,620	661,426	661,426	(92,806)
Federal sources	382,077	29,558	411,635	256,000	256,000	155,635
Total revenues	<u>1,560,793</u>	<u>52,030</u>	<u>1,612,823</u>	<u>1,615,972</u>	<u>1,615,972</u>	<u>(3,149)</u>
Expenditures/Expenses:						
Instruction	800,336	-	800,336	905,812	905,812	105,476
Support services	453,894	379	454,273	493,700	493,700	39,427
Non-instructional programs	226,122	58,041	284,163	56,500	56,500	(227,663)
Other expenditures	123,398	-	123,398	197,825	197,825	74,427
Total expenditures/expenses	<u>1,603,750</u>	<u>58,420</u>	<u>1,662,170</u>	<u>1,653,837</u>	<u>1,653,837</u>	<u>(8,333)</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	(42,957)	(6,390)	(49,347)	(37,865)	(37,865)	(11,482)
Balance beginning of year	<u>239,848</u>	<u>(5,822)</u>	<u>234,026</u>	<u>217,747</u>	<u>217,747</u>	<u>86,915</u>
Balance end of year	<u>\$ 196,891</u>	<u>(12,212)</u>	<u>184,679</u>	<u>179,882</u>	<u>179,882</u>	<u>4,797</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison 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 functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated 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, 2009, expenditures in the non-instructional programs function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

	Special Revenue					Debt Service	Total Other Nonmajor Governmental Funds
	Student Activity	Management Levy	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Project		
Assets							
Cash and pooled investments	\$ 23,547	16,753	61,437	101,737	39,864	1,058	142,659
Receivables:							
Property tax:							
Delinquent	-	547	717	1,264	-	622	1,886
Succeeding year	-	35,000	29,916	64,916	-	53,248	118,164
Due from other governments	-	-	-	-	18,909	-	18,909
Total assets	\$ 23,547	52,300	92,070	167,917	58,773	54,928	281,618
Liabilities and fund balances:							
Liabilities:							
Deferred revenue:							
Succeeding year property tax	-	35,000	29,916	64,916	-	53,248	118,164
Total liabilities	-	35,000	29,916	64,916	-	53,248	118,164
Reserved for Debt Service	-	-	-	-	-	1,680	1,680
Unreserved fund balances	23,547	17,300	62,154	103,001	58,773	-	161,774
Total liabilities and fund balances	\$ 23,547	52,300	92,070	167,917	58,773	54,928	281,618

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2009

	Special Revenue						Total
	Student Activity	Manage- ment Levy	Physical Plant and Equipment Levy	Total Special Revenue Funds	Capital Project	Debt Service	Other Nonmajor Governmental Balance
Revenues:							
Local sources:							
Local tax	\$ -	21,954	28,768	50,722	51,033	24,948	126,703
Other	27,560	3,166	9,359	40,085	701	4	40,790
State sources	-	17	22	39	-	19	58
Total revenues	27,560	25,137	38,149	90,846	51,734	24,971	167,551
Expenditures:							
Current:							
Instruction:							
Regular	-	11,374	4,574	15,948	8,082	-	24,030
Other	27,193	-	-	27,193	-	-	27,193
Support services:							
Administration	-	15,459	-	15,459	-	-	15,459
Operation and maintenance of plant	-	-	13,722	13,722	-	-	13,722
Transportation	-	1,964	-	1,964	-	-	1,964
Other expenditures:							
Facilities acquisitions	-	-	7,000	7,000	-	-	7,000
Long term debt:							
Principal	-	-	-	-	-	48,915	48,915
Interest and fiscal charges	-	-	-	-	-	36,110	36,110
Total expenditures	27,193	28,797	25,296	81,286	8,082	85,025	174,393
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	367	(3,660)	12,853	9,560	43,652	(60,054)	(6,842)
OTHER FINANCING SOURCES (USES):							
Transfers In	-	-	-	-	-	81,978	81,978
Transfers Out	-	-	(9,978)	(9,978)	(72,000)	-	(81,978)
Total other financing sources (uses)	-	-	(9,978)	(9,978)	(72,000)	81,978	-
Net change in fund balances	367	(3,660)	2,875	(418)	(28,348)	21,924	(6,842)
Fund balance beginning of year	23,180	20,960	59,279	103,419	87,121	(20,244)	170,296
Fund balance end of year	\$ 23,547	17,300	62,154	103,001	58,773	1,680	163,454

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Cheerleading	\$ 124	-	-	124
Drama	433	218	196	455
FCCLA	1,306	60	128	1,238
Science Fundraiser	296	-	-	296
Athletics	9,182	7,024	5,531	10,675
Miscellaneous	-	171	171	-
Student Council	346	507	155	698
National Honor Society	242	1,434	1,387	289
Annuals	1,735	3,494	3,758	1,471
Field Trip	816	215	414	617
Class of 2008	660	1	-	661
Class of 2009	3,350	6,589	9,834	105
Class of 2010	1,958	5,209	3,612	3,555
Class of 2011	315	588	80	823
Class of 2012	100	-	-	100
Other Reserved Class of 2013	-	80	-	80
Other Reserved Class of 2014	-	80	-	80
Art Club	-	25	25	-
High School Funds	2,267	1,865	1,877	2,255
Middle School Funds	50	-	25	25
Total	\$ 23,180	27,560	27,193	23,547

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST SIX YEARS

	Modified Accrual Basis					
	Years Ended June 30,					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	\$ 506,245	476,228	505,730	510,460	419,963	363,171
Tuition	27,290	18,623	17,784	28,821	38,012	40,703
Other	77,102	102,443	108,167	292,647	87,589	86,518
Intermediate sources	-	-	-	400	1,800	-
State sources	568,079	624,834	504,732	495,481	528,347	480,380
Federal sources	382,077	853,110	626,141	768,058	74,524	79,929
Total	\$ 1,560,793	2,075,238	1,762,554	2,095,867	1,150,235	1,050,701
Expenditures:						
Current:						
Instruction:						
Regular	\$ 569,924	519,672	555,333	474,169	532,941	543,880
Special	105,129	86,048	40,647	83,336	141,501	67,827
Other	125,283	193,653	144,945	161,616	141,867	192,309
Support services:						
Student	54,487	69,821	69,975	55,689	13,936	13,574
Instructional staff	4,790	12,251	14,754	13,030	2,784	10,236
Administration	240,925	397,522	372,341	497,234	144,375	121,110
Operation and maintenance of plant	111,738	107,147	127,269	117,711	96,930	141,155
Transportation	41,954	41,743	56,082	33,019	20,156	25,160
Other support	-	-	-	-	127	19,360
Non-instructional programs	226,122	500,038	342,048	395,183	-	-
Other expenditures:						
Facilities acquisitions	7,000	-	651	-	971,552	60,022
Long-term debt:						
Principal	48,915	48,427	40,000	35,000	35,000	-
Interest and other charges	36,110	37,798	37,848	38,897	40,898	-
AEA flow-through	31,373	31,129	29,350	28,792	28,043	29,089
Total	\$ 1,603,750	2,045,249	1,831,243	1,933,676	2,170,110	1,223,722

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
Lineville-Clio Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lineville-Clio Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 21, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lineville-Clio Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Lineville-Clio Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lineville-Clio Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Lineville-Clio Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Lineville-Clio Community School District's financial statements that is more than inconsequential will not be prevented or detected by Lineville-Clio Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Lineville-Clio Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-09 is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 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.

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 21, 2010

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

I-B-09 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

We also noted Cheryl Hout's contract amount differed from the amount recorded in the payroll register.

Recommendation - In an effort to comply with the Department of Labor requirements on wage per hour contracts, the District should keep track of the hours worked for non-certified staff coaches. The District should also review its payroll procedures to ensure that supporting documentation is kept for all employees who receive checks.

The District should review the contract and payments in question to ensure the proper amount was distributed.

Response - We have reviewed our record tracking requirements for non-certified staff coaches to comply with the Department of Labor requirements. Hours are tracked by the coach and turned in at the end of the season.

Cheryl Hout's pay records were thoroughly reviewed and a correction made which resulted in an additional pay out.

Conclusion -Response accepted.

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

II-A-09 Certified Budget - District expenditures for the year ended June 30, 2009 exceeded the amount budgeted in the non-instructional programs function.

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

Response - We will properly amend the budget in the future.

Conclusion - Response accepted.

II-B-09 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted.

II-D-09 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Deanna Brennecke, Spouse of David Brennecke, Board President	Mowing Services	\$2,080
Ryan Brennecke, Son of David Brennecke, Board President	Mowing Services	\$1,355
Jose Moreno, Board Member	Bus Driver	\$2,500

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the spouse and son of the Board President do not appear to represent a conflict of interest.

In accordance with Chapter 279.7A of the Code of Iowa, the above transactions with the Board Member do not appear to represent a conflict of interest.

II-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-09 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-09 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.

II-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-J-09 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-K-09 Statewide Sales and Services 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 and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$	0
Statewide sales and services tax revenue		51,033
Expenditures/transfers out:		
Debt service for school infrastructure:		
General obligation debt		51,033
Ending balance	\$	<u>0</u>

II-L-09 Financial Condition - The District had deficit unrestricted net assets of \$12,988 in the School Nutrition Fund.

Recommendation - The District should continue to investigate the deficit in this fund and develop solutions to eliminate the negative fund balance.

Response - Continual monitoring of this fund is being done. We have reduced some labor costs but due to the fewer number of students and the increased cost of groceries this year, it will be difficult to eliminate the deficit.

Conclusion - Response accepted.

II-M-09 Payroll Authorization - We noted during our audit, the District does not have written authorization to mail employee's payroll checks. Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

Recommendation - The District should obtain written authorization from each employee who desires to receive a payroll check by mail.

Response - We have notified employees of this law and the appropriate signed forms are now on file.

Conclusion - Response accepted.

II-N-09 Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. We noted a payment to Direct TV as part of a technology fundraiser reported in the Special Revenue, Student Activity Fund that does not appear to be extracurricular or co-curricular in nature.

Recommendation - The District should review and reclassify this account to the appropriate fund in accordance with the guidelines.

Response - We will make the necessary changes.

Conclusion - Response accepted.

II-O-09 Officiating Contracts - We noted during our audit that the Board President was not signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

We also noted that officials are not signing in when working events, even though it is the District's practice to pay officials the night of the event.

Recommendation - The District should have the Board President sign all contracts entered into by the District.

If officials are to be paid the night of the event, a valid contract must be in place. The District may wish to maintain a list of officials under contract and require officials to sign in on the night of the event to ensure that those paid have valid contracts for the event. For substitute officials who do not have valid contracts, payment should be made after services have been rendered and audited and allowed similar to other vendor payments.

Response - The Board President will sign the officials' contracts and the officials are now required to sign in.

Conclusion - Response accepted.