

**LUVERNE COMMUNITY SCHOOL DISTRICT  
LUVERNE, IOWA**

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

**YEAR ENDED JUNE 30, 2010**

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LuVerne Community School District  
LuVerne, Iowa

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2009 Election)</b>		
Lisa Lawson	President	2011
Charles Legler	Vice President	2009
Brent Hefty	Board Member	2009
Tena Cunningham	Board Member	2011
Chris McPeak	Board Member	(resigned Oct. 2008) 2011
Karen McGregor	Board Member	(appointed Nov. 2008) 2009
<b>Board of Education (After September 2009 Election)</b>		
Lisa Lawson	President	2011
Charles Legler	Vice President	2013
Meredith Collins	Board Member	2013
Tena Cunningham	Board Member	2011
Karen McGregor	Board Member	2013
<b>School Officials</b>		
Michael Bumgarner	Superintendent	2010
LeAnn Wempen	District Secretary/Treasurer	2010
Rick Engel	Attorney	Indefinite

## Independent Auditor's Report

To the Board of Education of  
LuVerne 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 LuVerne Community School District, LuVerne, Iowa, as of and for the year ended June 30, 2010, 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, the business type activities, each major fund and the aggregate remaining fund information of LuVerne Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 14, 2011 on our consideration of LuVerne 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 14 and 46 through 49 are not required parts of the basic financial statements, but are supplementary 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 presentation of the required 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 LuVerne Community School District's basic financial statements. The financial statements for the six years ended June 30, 2009 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 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.

Cornwell, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

March 14, 2011

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

LuVerne 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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2010 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$1,166,547 in fiscal 2009 to \$1,116,643 in fiscal 2010, while General Fund expenditures increased from \$1,050,257 in fiscal 2009 to \$1,123,386 in fiscal 2010. The District's General Fund balance decreased from \$189,476 at the end of fiscal year 2009 to \$135,839 at the end of fiscal 2010 year, a 28% decrease.
- The decrease in General Fund revenues was attributable to a 10% across the board cut in state foundation aid that was offset by an increase in property tax and tuition revenue. The increase in expenditures was due primarily to changes in the whole grade sharing agreement with Corwith-Wesley Community School District.

### **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 LuVerne 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 LuVerne 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 LuVerne Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

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

**Figure A-1**  
LuVerne Community School District  
Annual Financial Report

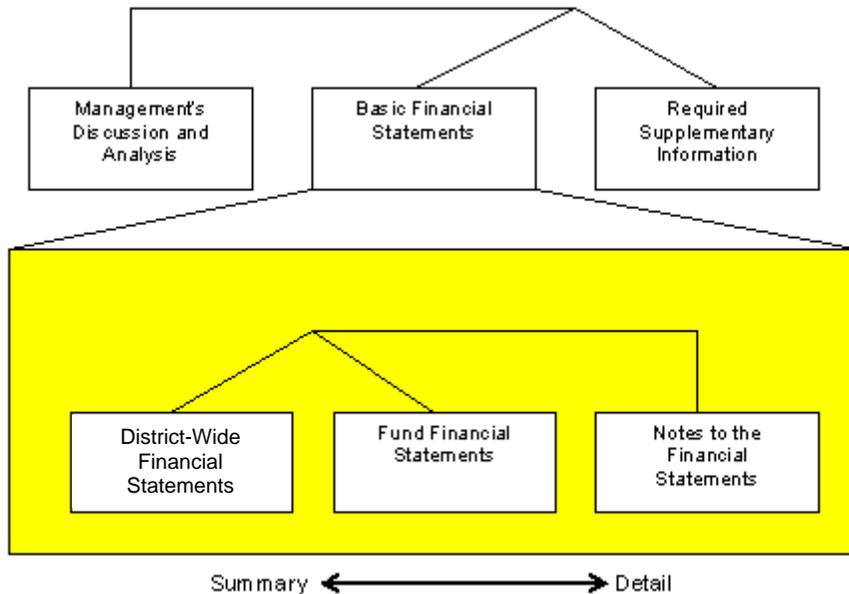


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	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: food services and adult education	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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of cash flows</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	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, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

The required financial statements for 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 Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund. The District uses an internal service fund, another kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District currently has one internal service fund used to account for the District's employee flexible benefit plan.

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Agency Funds.
  - Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other entities.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009.

<b>Figure A-3</b>							
<b>Condensed Statement of Net Assets</b>							
<b>(Expressed in Thousands)</b>							
	<u>Governmental</u>		<u>Business Type</u>		<u>Total</u>		<u>Total</u>
	<u>Activities</u>		<u>Activities</u>		<u>District</u>		<u>Change</u>
	<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2009-2010</u>
Current and other assets	\$ 1,301	1,502	28	2	1,329	1,504	-11.6%
Capital assets	236	271	---	---	236	271	-12.9%
Total assets	<u>1,537</u>	<u>1,773</u>	<u>28</u>	<u>2</u>	<u>1,565</u>	<u>1,775</u>	<u>-11.9%</u>
Long-term liabilities	57	---	1	---	58	---	100.0%
Other liabilities	851	1,093	8	7	859	1,100	-21.9%
Total liabilities	<u>908</u>	<u>1,093</u>	<u>9</u>	<u>7</u>	<u>917</u>	<u>1,100</u>	<u>-16.6%</u>
Net assets:							
Invested in capital assets, net of related debt	236	271	---	---	236	271	-12.9%
Restricted	298	211	---	---	298	211	41.2%
Unrestricted	<u>95</u>	<u>198</u>	<u>19</u>	<u>(5)</u>	<u>114</u>	<u>193</u>	<u>-40.9%</u>
Total net assets	<u>\$ 629</u>	<u>680</u>	<u>19</u>	<u>(5)</u>	<u>648</u>	<u>675</u>	<u>-4.0%</u>

The District's combined net assets decreased 4% or approximately \$27,000, from the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, buildings and equipment), less related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$87,000, or 41%, over the prior year. The increase was primarily a result of decreased expenditures in the Capital Projects Fund and increase revenues in the Special Revenue, Management Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately 79,000 or 41%. This reduction in unrestricted net assets was primarily a result of the District's net OPEB liability and early retirement payable recorded in the current year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

<b>Figure A-4</b>							
<b>Changes in Net Assets</b>							
<b>(Expressed in Thousands)</b>							
	Governmental		Business Type		Total		Total
	Activities	Activities	Activities	Activities	District	District	Change
	2010	2009	2010	2009	2010	2009	2009-2010
Revenues:							
Program revenues:							
Charges for service	\$ 100	84	19	11	119	95	25.3%
Operating grants, contributions and restricted interest	175	137	40	22	215	159	35.2%
General revenues:							
Property tax	817	789	---	---	817	789	3.5%
Income surtax	58	44	---	---	58	44	31.8%
Statewide sales, services and use tax	55	59	---	---	55	59	-6.8%
Unrestricted state grants	50	196	---	---	50	196	-74.5%
Unrestricted investment earnings	2	1	---	---	2	1	100.0%
Other	<u>9</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>9</u>	<u>---</u>	<u>100.0%</u>
Total revenues	<u>1,266</u>	<u>1,310</u>	<u>59</u>	<u>33</u>	<u>1,325</u>	<u>1,343</u>	<u>-1.3%</u>
Program expenses:							
Governmental activities:							
Instruction	798	660	---	---	798	660	20.9%
Support services	401	423	---	---	401	423	-5.2%
Non-instructional programs	---	---	83	66	83	66	25.8%
Other expenses	<u>70</u>	<u>51</u>	<u>---</u>	<u>---</u>	<u>70</u>	<u>51</u>	<u>37.3%</u>
Total expenses	<u>1,269</u>	<u>1,134</u>	<u>83</u>	<u>66</u>	<u>1,352</u>	<u>1,200</u>	<u>12.7%</u>
Excess (deficiency) of revenue over (under) expenditures	(3)	176	(24)	(33)	(27)	143	-118.9%
Transfers	<u>(48)</u>	<u>(20)</u>	<u>48</u>	<u>20</u>	<u>---</u>	<u>---</u>	<u>0.0%</u>
Increase (decrease) in net assets	(51)	156	24	(13)	(27)	143	-118.9%
Net assets beginning of year	<u>680</u>	<u>524</u>	<u>(5)</u>	<u>8</u>	<u>675</u>	<u>532</u>	<u>26.9%</u>
Net assets end of year	\$ <u>629</u>	<u>680</u>	<u>19</u>	<u>(5)</u>	<u>648</u>	<u>675</u>	<u>-4.0%</u>

In fiscal year 2010, property tax and unrestricted state grants accounted for 68% of governmental activities revenue while charges for service and operating grants, contributions and unrestricted interest accounted for 100% of business type activities revenue.

The District's total revenues were approximately \$1.3 million, of which \$1.3 million was for governmental activities and approximately \$0.1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.3% decrease in revenues and a 12.7% increase in expenses. The increase in expenses is due to changes in the whole grade sharing agreement with Corwith-Wesley Community School District.

## Governmental Activities

Revenues for governmental activities were \$1,265,830 and expenses were \$1,268,572 for the year ended June 30, 2010. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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, for the year ended June 30, 2010 compared to the year ended June 30, 2009.

**Figure A-5**  
**Total and Net Cost of Governmental Activities**  
**( Expressed in Thousands)**

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-2010	2010	2009	Change 2009-2010
Instruction	\$ 798	660	20.9 %	563	497	13.3 %
Support services	401	423	-5.2 %	399	401	-0.5 %
Non-instructional programs	---	---	0.0 %	---	---	0.0 %
Other expenses	70	51	37.3 %	32	16	100.0 %
Total	\$ 1,269	1,134	11.9 %	994	914	8.8 %
	=====	=====	=====	=====	=====	=====

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$99,572.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$174,944.
- The net cost of governmental activities was financed with \$929,884 in property and other taxes and \$50,296 in unrestricted state grants.

## Business Type Activities

Revenues for business type activities during the year ended June 30, 2010 were \$59,146 representing an 82.0% increase over the prior year, while expenses totaled \$82,934, a 26.5% increase over the prior year. 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. The District also transferred \$48,000 from the General Fund to the School Nutrition Fund.

## INDIVIDUAL FUND ANALYSIS

As previously noted, LuVerne 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 balances of \$406,104, above last year's ending fund balances of \$370,366.

### **Governmental Fund Highlights**

- The District's deteriorating General Fund financial position is the result of many factors. While revenues decreased from the prior year due to the state budget cuts, the District's spending from the General Fund also increased, requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$189,476 to \$135,839.
- The Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$33,761 at the end of fiscal year 2009 to \$25,552 at the end of fiscal year 2010. While revenues remained approximately the same, the District had increased spending compared to the prior year requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The Capital Projects Fund balance increased from \$75,299 at the end of fiscal year 2009 to \$130,300 at the end of fiscal year 2010.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from a deficit of \$5,094 at June 30, 2009 to \$19,118 at June 30, 2010, representing an increase of approximately 475%. This was largely the result of the District transferring \$48,000 from the General Fund to help cover expenses.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2010, the District had invested approximately \$236,179, 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 represents a net decrease of 12.7% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$34,394.

The original cost of the District's capital assets was \$1.1 million. Governmental funds account for the majority of this \$1.1 million.

**Figure A-6**  
**Capital Assets, Net of Depreciation**  
**(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Land	\$ 9	9	---	---	9	9	0.0%
Buildings	101	111	---	---	101	111	-9.0%
Improvements other than buildings	56	59	---	---	56	59	-5.1%
Furniture and equipment	70	92	---	---	70	92	-23.9%
Total	\$ 236	271	---	---	236	271	-12.9%
	====	====	====	====	====	====	=====

### Long-Term Debt

At June 30, 2010, the District had \$47,760 in long-term debt outstanding. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

**Figure A-7**  
**Outstanding Long-Term Obligations**  
**(Expressed in Thousands)**

	Total District		Total Change
	June 30,	June 30,	June 30,
	2010	2009	2009-2010
Compensated absences	\$ 7	---	100.0%
Termination benefits	41	---	100.0%
Total	\$ 48	---	100.0%
	====	====	=====

### BUDGETARY HIGHLIGHTS

The District's total revenues were \$182,794 less than budgeted revenues, a variance of 12.2%. A reduction in state resources caused the total amount received to be less than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District cutting spending more than originally anticipated during the budgeting process. The District manages or controls spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- A review of the enclosed financial information and statements gives the reader an overview of the financial condition of the LuVerne Community School District. LuVerne Community School District takes pride in its accounting and fiscal practices. The District will endeavor to maintain its approach to management in this area.
- The District has made a number of changes over recent years in order to cut back on expenditures. The District enjoys a whole grade sharing arrangement with its neighbor Corwith-Wesley Community School District. In more recent years the sharing was modified to include all grades, PK-12. Superintendent services were shared between the two districts following that change. Prior to the 2009-2010 school year, the whole grade sharing agreement was modified to more accurately reflect the true economic load and contributions of both school districts. Some staff reductions through attrition have been executed, resulting in more savings in operating expenditures.
- Some opportunities have presented themselves for sharing staff with other neighboring school districts. All of these future opportunities will be explored and maximized in order to improve the operating efficiency of the District.
- Modifications to staffing levels and other specific expenditures have been implemented and will continue to be monitored for other possible changes in the future. Changes in the nutrition program have resulted in significantly less transfers from the general fund into the nutrition fund.
- While the cash position of the District has improved, management must continue to focus attention, strategies, and bring innovative solutions to bear in order to insure the continued economic viability of the District. Under Iowa's education formula, educational expenditures are controlled on dollars spent on a per pupil basis. Like many small sized Iowa districts, declining enrollment is having a significant negative effect on the legal spending authority of the District. The District will also focus on finding ways to improve revenue in an effort to maintain or increase spending authority.
- There are no plans currently to start any projects which would require financing through a debt service levy.

## **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 demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact LeAnn Wempen, District Secretary/Treasurer and Business Manager, LuVerne Community School District, LuVerne, Iowa 50560.

## **Basic Financial Statements**

LuVerne Community School District  
LuVerne, Iowa  
Statement of Net Assets  
June 30, 2010

Exhibit A

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 420,053	23,702	443,755
Receivables:			
Property tax:			
Delinquent	12,750	-	12,750
Succeeding year	741,598	-	741,598
Accounts	28,611	140	28,751
Accrued interest:			
ISCAP	10	-	10
Due from other governments	97,746	-	97,746
Inventories	-	4,001	4,001
Capital assets, net of accumulated depreciation	<u>236,179</u>	<u>-</u>	<u>236,179</u>
<b>Total assets</b>	<u>1,536,947</u>	<u>27,843</u>	<u>1,564,790</u>
<b>Liabilities</b>			
Accounts payable	47,474	179	47,653
Salaries and benefits payable	55,523	7,397	62,920
Deferred revenue:			
Succeeding year property tax	741,598	-	741,598
Other	5,820	38	5,858
Early retirement payable	1,102	-	1,102
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	5,509	-	5,509
Portion due after one year:			
Early retirement payable	35,261	-	35,261
Compensated absences	6,990	-	6,990
Net OPEB liability	8,889	1,111	10,000
<b>Total liabilities</b>	<u>908,166</u>	<u>8,725</u>	<u>916,891</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	236,179	-	236,179
Restricted for:			
Categorical funding	27,660	-	27,660
Management levy	107,465	-	107,465
Physical plant and equipment levy	25,552	-	25,552
Capital projects	130,300	-	130,300
Other special revenue purposes	6,948	-	6,948
Unrestricted	<u>94,677</u>	<u>19,118</u>	<u>113,795</u>
<b>Total net assets</b>	<u>\$ 628,781</u>	<u>19,118</u>	<u>647,899</u>

See notes to financial statements.

LuVerne Community School District  
LuVerne, Iowa  
Statement of Activities  
Year ended June 30, 2010

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<b><u>Functions/Programs:</u></b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 576,980	62,453	84,676	-
Special instruction	139,614	35,893	25,927	-
Other instruction	80,962	1,226	24,747	-
	<u>797,556</u>	<u>99,572</u>	<u>135,350</u>	<u>-</u>
Support services:				
Student	225	-	-	-
Instructional staff	2,406	-	2,095	-
Administration	189,793	-	450	-
Operation and maintenance of plant	127,733	-	-	-
Transportation	81,271	-	-	-
	<u>401,428</u>	<u>-</u>	<u>2,545</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	20,130	-	-	-
AEA flowthrough	37,049	-	37,049	-
Depreciation (unallocated)*	12,409	-	-	-
	<u>69,588</u>	<u>-</u>	<u>37,049</u>	<u>-</u>
Total governmental activities	1,268,572	99,572	174,944	-
Business type activities:				
Non-instructional programs:				
Food service operations	82,934	19,016	39,850	-
Total	<u>\$ 1,351,506</u>	<u>118,588</u>	<u>214,794</u>	<u>-</u>

**General Revenues:**

Property tax levied for:  
  General purposes  
  Capital outlay  
Income surtax  
Statewide sales, services and use tax  
Unrestricted state grants  
Unrestricted investment earnings  
Other  
Gain on sale of assets  
Transfer  
Total general revenues  
Change in net assets  
Net assets beginning of year  
Net assets end of year

\* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
(429,851)	-	(429,851)
(77,794)	-	(77,794)
(54,989)	-	(54,989)
<u>(562,634)</u>	<u>-</u>	<u>(562,634)</u>
(225)	-	(225)
(311)	-	(311)
(189,343)	-	(189,343)
(127,733)	-	(127,733)
(81,271)	-	(81,271)
<u>(398,883)</u>	<u>-</u>	<u>(398,883)</u>
(20,130)	-	(20,130)
-	-	-
<u>(12,409)</u>	<u>-</u>	<u>(12,409)</u>
<u>(32,539)</u>	<u>-</u>	<u>(32,539)</u>
(994,056)	-	(994,056)
-	(24,068)	(24,068)
<u>(994,056)</u>	<u>(24,068)</u>	<u>(1,018,124)</u>
\$ 796,719	-	796,719
20,214	-	20,214
58,162	-	58,162
54,789	-	54,789
50,296	-	50,296
2,409	-	2,409
7,619	280	7,899
1,106	-	1,106
(48,000)	48,000	-
<u>943,314</u>	<u>48,280</u>	<u>991,594</u>
(50,742)	24,212	(26,530)
<u>679,523</u>	<u>(5,094)</u>	<u>674,429</u>
<u>\$ 628,781</u>	<u>19,118</u>	<u>647,899</u>

LuVerne Community School District  
LuVerne, Iowa

Exhibit C

Balance Sheet  
Governmental Funds

June 30, 2010

	<u>General</u>	<u>Special Revenue Management</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
<b>Assets</b>					
Cash and pooled investments	\$ 150,845	107,553	120,680	38,353	417,431
Receivables:					
Property tax:					
Delinquent	11,421	1,014	-	315	12,750
Succeeding year	669,294	50,000	-	22,304	741,598
Accounts	28,611	-	-	-	28,611
Accrued interest:					
ISCAP	10	-	-	-	10
Due from other governments	<u>88,126</u>	<u>-</u>	<u>9,620</u>	<u>-</u>	<u>97,746</u>
<b>Total assets</b>	<b><u>\$ 948,307</u></b>	<b><u>158,567</u></b>	<b><u>130,300</u></b>	<b><u>60,972</u></b>	<b><u>1,298,146</u></b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 40,419	-	-	6,168	46,587
Salaries and benefits payable	55,523	-	-	-	55,523
Deferred revenue:					
Succeeding year property tax	669,294	50,000	-	22,304	741,598
Other	47,232	-	-	-	47,232
Early retirement payable	<u>-</u>	<u>1,102</u>	<u>-</u>	<u>-</u>	<u>1,102</u>
Total liabilities	<u>812,468</u>	<u>51,102</u>	<u>-</u>	<u>28,472</u>	<u>892,042</u>
Fund balances:					
Reserved for:					
Categorical funding	27,660	-	-	-	27,660
Unreserved, reported in:					
General fund	108,179	-	-	-	108,179
Special revenue funds	-	107,465	-	32,500	139,965
Capital projects fund	<u>-</u>	<u>-</u>	<u>130,300</u>	<u>-</u>	<u>130,300</u>
Total fund balances	<u>135,839</u>	<u>107,465</u>	<u>130,300</u>	<u>32,500</u>	<u>406,104</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 948,307</u></b>	<b><u>158,567</u></b>	<b><u>130,300</u></b>	<b><u>60,972</u></b>	<b><u>1,298,146</u></b>

See notes to financial statements.

LuVerne Community School District  
LuVerne, Iowa

Exhibit D

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2010

**Total fund balances of governmental funds (page 18)** \$ 406,104

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

Capital assets used in governmental activities  
are not financial resources and, therefore, are  
not reported as assets in the governmental funds. 236,179

Other long-term assets are not available to pay current  
period expenditures and, therefore, are deferred in the  
governmental funds. 41,412

Long-term liabilities, including termination benefits, compensated absences  
and other postemployment benefits payable, are not due and payable in the  
current period and, therefore, are not reported in the governmental funds. (56,649)

An internal service fund is used by the District to charge  
costs of the medical deductible reimbursement plan and the employee flexible  
benefit program to the individual funds. The assets and liabilities of the internal  
service fund are included with governmental activities. 1,735

**Net assets of governmental activities (page 15)** \$ 628,781

See notes to financial statements.

## LuVerne Community School District

Exhibit E

LuVerne, Iowa

## Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2010

	<u>General</u>	<u>Special Revenue Management</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 786,768	64,953	54,789	20,214	926,724
Tuition	97,026	-	-	-	97,026
Other	7,644	3,410	212	1,310	12,576
State sources	134,679	26	-	8	134,713
Federal sources	90,526	-	-	-	90,526
Total revenues	<u>1,116,643</u>	<u>68,389</u>	<u>55,001</u>	<u>21,532</u>	<u>1,261,565</u>
Expenditures:					
Current:					
Instruction:					
Regular	518,657	1,102	-	-	519,759
Special	138,855	-	-	-	138,855
Other	78,823	-	-	1,147	79,970
	<u>736,335</u>	<u>1,102</u>	<u>-</u>	<u>1,147</u>	<u>738,584</u>
Support services:					
Student	225	-	-	-	225
Instructional staff	2,406	-	-	-	2,406
Administration	186,836	-	-	-	186,836
Operation and maintenance of plant	95,365	22,374	-	8,385	126,124
Transportation	65,170	2,409	-	-	67,579
	<u>350,002</u>	<u>24,783</u>	<u>-</u>	<u>8,385</u>	<u>383,170</u>
Other expenditures:					
Facilities acquisition	-	-	-	20,130	20,130
AEA flowthrough	37,049	-	-	-	37,049
	<u>37,049</u>	<u>-</u>	<u>-</u>	<u>20,130</u>	<u>57,179</u>
Total expenditures	<u>1,123,386</u>	<u>25,885</u>	<u>-</u>	<u>29,662</u>	<u>1,178,933</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,743)</u>	<u>42,504</u>	<u>55,001</u>	<u>(8,130)</u>	<u>82,632</u>
Other financing sources (uses):					
Proceeds from sale of personal property	1,106	-	-	-	1,106
Operating transfers out	(48,000)	-	-	-	(48,000)
Total other financing sources (uses)	<u>(46,894)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(46,894)</u>
Net change in fund balances	(53,637)	42,504	55,001	(8,130)	35,738
Fund balances beginning of year	189,476	64,961	75,299	40,630	370,366
Fund balances end of year	<u>\$ 135,839</u>	<u>107,465</u>	<u>130,300</u>	<u>32,500</u>	<u>406,104</u>
See notes to financial statements.					

LuVerne Community School District  
LuVerne, Iowa

Exhibit F

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2010

**Net change in fund balances - total governmental funds (page 20)** \$ 35,738

*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. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Depreciation expense	(34,394)
----------------------	----------

Certain unspent grant proceeds and income surtax not collected for several months after year end, is not considered available revenue and is deferred in the governmental funds.

3,159

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

Termination benefits	(40,770)	
Compensated absences	(6,990)	
Other postemployment benefits	<u>(8,889)</u>	<u>(56,649)</u>

LuVerne Community School District  
LuVerne, Iowa

Exhibit F

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2010

An internal service fund is used by the District to charge costs of the medical deductible reimbursement plan and the employee flexible benefit program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

1,404

**Change in net assets of governmental activities (page 17)**

\$ (50,742)

See notes to financial statements.

LuVerne Community School District  
LuVerne, Iowa

Exhibit G

Statement of Net Assets  
Proprietary Fund

June 30, 2010

	<u>Enterprise Fund School Nutrition</u>	<u>Governmental Activities - Internal Service Fund</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 23,702	2,622
Accounts receivable	140	-
Inventories	4,001	-
<b>Total assets</b>	<b>27,843</b>	<b>2,622</b>
<b>Liabilities</b>		
Accounts payable	179	887
Salaries and benefits payable	7,397	-
Deferred revenue	38	-
Net OPEB liability	1,111	-
<b>Total liabilities</b>	<b>8,725</b>	<b>887</b>
<b>Net Assets</b>		
Unrestricted	19,118	1,735
<b>Total net assets</b>	<b>\$ 19,118</b>	<b>1,735</b>

See notes to financial statements.

LuVerne Community School District  
LuVerne, Iowa

Exhibit H

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Fund

Year ended June 30, 2010

	<u>Enterprise Fund School Nutrition</u>	<u>Governmental Activities - Internal Service Fund</u>
Operating revenues:		
Local sources:		
Charges for service	\$ 19,016	4,830
Miscellaneous	280	-
Total operating revenues	19,296	4,830
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	37,720	-
Benefits	15,174	3,427
Purchased services	1,544	-
Supplies	28,496	-
Total operating expenses	82,934	3,427
Operating income (loss)	(63,638)	1,403
Non-operating revenues:		
State sources	547	-
Federal sources	39,303	-
Interest income	-	1
Total non-operating revenues	39,850	1
Net income (loss) before transfers	(23,788)	1,404
Other financing sources:		
Transfers in	48,000	-
Increase in net assets	24,212	1,404
Net assets beginning of year	(5,094)	331
Net assets end of year	\$ 19,118	1,735
See notes to financial statements.		

LuVerne Community School District  
LuVerne, Iowa

Exhibit I

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2010

	<u>Enterprise Fund School Nutrition</u>	<u>Governmental Activities - Internal Service Fund</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 19,016	-
Cash received from other services	280	4,830
Cash paid to employees for services	(51,499)	(3,111)
Cash paid to suppliers for goods or services	<u>(24,487)</u>	<u>-</u>
Net cash provided by (used by) operating activities	<u>(56,690)</u>	<u>1,719</u>
Cash flows from non-capital financing activities:		
State grants received	547	-
Federal grants received	33,584	-
Loan from (repaid to) General Fund	(4,388)	-
Transfer from General Fund	<u>48,000</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>77,743</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>-</u>	<u>1</u>
Net increase in cash and cash equivalents	21,053	1,720
Cash and cash equivalents beginning of year	<u>2,649</u>	<u>902</u>
Cash and cash equivalents end of year	<u>\$ 23,702</u>	<u>2,622</u>

(continued)

LuVerne Community School District  
LuVerne, Iowa

Exhibit I

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2010

	<u>Enterprise Fund School Nutrition</u>	<u>Governmental Activities - Internal Service Fund</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:</b>		
Operating income (loss)	\$ (63,638)	1,403
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Commodities used	5,719	-
(Increase) in inventories	(201)	-
Increase in accounts payable	35	316
Increase in salaries and benefits payable	284	-
Increase in other postemployment benefits	1,111	-
Net cash provided by (used by) operating activities	\$ (56,690)	1,719

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

During the year ended June 30, 2010, the District received \$5,719 of federal commodities.

See notes to financial statements.

LuVerne Community School District  
LuVerne, Iowa

Exhibit J

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2010

Agency

**Assets**

Cash and pooled investments	\$ 377
Other receivables	<u>19</u>
<b>Total assets</b>	<u>396</u>

**Liabilities**

Other payables	<u>396</u>
<b>Total liabilities</b>	<u>396</u>

**Net assets** \$ -

See notes to financial statements.

LuVerne Community School District  
LuVerne, Iowa

Notes to Financial Statements

June 30, 2010

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

LuVerne Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. An academic sharing agreement exists with Corwith-Wesley Community School District whereby grades seven through twelve, attend the Corwith-Wesley Community School District. The geographic area served includes the cities of LuVerne, Corwith and Wesley, Iowa and the predominate agricultural territory in Hancock and Kossuth 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, LuVerne 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 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 does 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 Kossuth County Assessor's Conference Board.

LuVerne Community School District  
LuVerne, Iowa

Notes to Financial Statements

June 30, 2010

B. Basis of Presentation

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

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 following categories:

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

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

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have 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 is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest 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.

LuVerne Community School District  
LuVerne, Iowa

Notes to Financial Statements

June 30, 2010

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 nonmajor 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 revenues 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 Special Revenue Fund, Management Levy is to account for the cost of unemployment benefits, liability insurance and agreements, costs of judgments and certain early retirement benefits.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

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

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

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

LuVerne Community School District  
LuVerne, Iowa

Notes to Financial Statements

June 30, 2010

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 the 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.

LuVerne Community School District  
LuVerne, Iowa

Notes to Financial Statements

June 30, 2010

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 Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested.

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, have a maturity date no longer than three months.

LuVerne Community School District  
LuVerne, Iowa

Notes to Financial Statements

June 30, 2010

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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.

LuVerne Community School District  
LuVerne, Iowa

Notes to Financial Statements

June 30, 2010

Capital Assets – Capital assets, which include property, furniture 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 repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 500
Buildings	500
Improvements other than buildings	500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	500

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	20-50 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

LuVerne Community School District  
LuVerne, Iowa

Notes to Financial Statements

June 30, 2010

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

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

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees do not accumulate earned but unused vacation. District employees accumulate a limited amount of earned but unused sick leave benefits. A liability for earned but unused sick leave is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Equity – In the governmental fund financial statements, 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.

LuVerne Community School District  
LuVerne, Iowa

Notes to Financial Statements

June 30, 2010

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 are imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2010 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.

The District had no investments at or during the year ended June 30, 2010 and deposited its excess cash in savings.

LuVerne Community School District  
Luverne, Iowa

Notes to Financial Statements

June 30, 2010

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Proprietary:		
School Nutrition	General	\$ 48,000
		=====

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. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. The District had no ISCAP advance activity for the year ended June 30, 2010.

During the year ended June 30, 2010, the District paid \$846 of interest on the ISCAP warrants.

LuVerne Community School District  
LuVerne, Iowa

Notes to Financial Statements

June 30, 2010

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 9,000	---	---	9,000
Capital assets being depreciated:				
Buildings	558,288	---	---	558,288
Improvements other than buildings	73,680	---	---	73,680
Furniture and equipment	524,670	---	(45,789)	478,881
Total capital assets being depreciated	<u>1,156,638</u>	---	(45,789)	<u>1,110,849</u>
Less accumulated depreciation for:				
Buildings	448,019	8,725	---	456,744
Improvements other than buildings	14,462	3,367	---	17,829
Furniture and equipment	432,584	22,302	(45,789)	409,097
Total accumulated depreciation	<u>895,065</u>	34,394	(45,789)	<u>883,670</u>
Total capital assets being depreciated, net	<u>261,573</u>	(34,394)	---	<u>227,179</u>
Governmental activities capital assets, net	<u>\$ 270,573</u>	(34,394)	---	<u>236,179</u>
<b>Business type activities:</b>				
Furniture and equipment	\$ 29,213	---	---	29,213
Less accumulated depreciation	29,213	---	---	29,213
Business type activities capital assets, net	<u>\$ ---</u>	---	---	<u>---</u>

LuVerne Community School District  
LuVerne, Iowa

Notes to Financial Statements

June 30, 2010

Depreciation expense was charged to the following functions:

Governmental activities:		
Instruction:		
Regular		\$ 7,273
Support services:		
Administration		385
Operation and maintenance of plant		863
Transportation		<u>13,464</u>
		21,985
Unallocated		<u>12,409</u>
	Total depreciation expense – governmental activities	\$ 34,394
		=====
Business type activities:		
Food service operations		\$ ---
		=====

**(6) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Compensated absences	\$ ---	6,990	---	6,990	---
Early retirement	---	40,770	---	40,770	5,509
Net OPEB liability	---	8,889	---	8,889	---
Total	<u>\$ ---</u>	<u>56,649</u>	<u>---</u>	<u>56,649</u>	<u>5,509</u>
					=====

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ ---	1,111	---	1,111	---
					=====

LuVerne Community School District  
LuVerne, Iowa

Notes to Financial Statements

June 30, 2010

Termination Benefits

The District offers a voluntary early retirement plan to its full time licensed employees. Eligible employees must have completed ten years of service to the District and must have reached the age of fifty-five prior to June 30 in the calendar year in which the early retirement commences. Employees must complete an application which is subject to approval by the Board of Education.

The early retirement benefit to be received by the licensed employee is the continued participation in the District's group insurance plan at the District's expense for a single premium rate until reaching age sixty five or securing other employment that provides insurance coverage.

At June 30, 2010, the District has obligations to one participant with a total liability of \$40,770. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$1,102.

**(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 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$36,716, \$34,641, and \$32,936 respectively, equal to the required contributions for each year.

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

Plan Description – The District operates a single-employer retiree benefit plan which provides health insurance coverage for retirees and their spouses. There are nine active and no retired members in the plan. Participants must be age 55 or older at retirement.

LuVerne Community School District  
LuVerne, Iowa

Notes to Financial Statements

June 30, 2010

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

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

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

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contributions	\$ 11,000
Interest on net OPEB obligation	---
Adjustment to annual required contribution	---
Annual OPEB cost	11,000
Contributions made	<u>(1,000)</u>
Increase in net OPEB obligation	10,000
Net OPEB obligation beginning of year	---
Net OPEB obligation end of year	\$ <u>10,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$1,000 to the medical plan. Plan members eligible contributed \$0, or 0% of the premium costs.

LuVerne Community School District  
LuVerne, Iowa

Notes to Financial Statements

June 30, 2010

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, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$11,000	9.1%	\$10,000

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$46,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$46,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$366,000 and the ratio of the UAAL to covered payroll was 12.6%. As of June 30, 2010, there were no trust fund assets.

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

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits 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.

LuVerne Community School District  
LuVerne, Iowa

Notes to Financial Statements

June 30, 2010

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.50% discount rate based on the District's funding policy. The projected annual medical rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP-2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the District's average retirement age of pension eligible retirees over the last five years and applying termination factors from the U.S. Office of Personnel Management.

Projected claim costs of the insurance plan are \$551 per month for retirees less than age 65 and there are no retirees who have attained age 65 on the plan. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(9) Risk Management**

The 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 \$37,049 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

LuVerne Community School District  
LuVerne, Iowa

Notes to Financial Statements

June 30, 2010

**(11) Operating Leases**

The District entered into a 63 month operating lease for copy machines in November 2004. In February 2010, the District entered into a new operating lease with GE Capital Solutions for the rental of two copiers for a period of five years. The amount paid for the fiscal year ended June 30, 2010 was \$7,885. Future rentals are scheduled as follows:

<u>Year Ending June 30,</u>	
2011	\$ 4,872
2012	4,872
2013	4,872
2014	4,872
2015	<u>3,248</u>
Total	\$ 22,736 =====

The LuVerne Community School District and Kossuth County entered into a lease whereby the County agreed to lease to the District a portion of land containing the ballpark for a term of five years commencing January 1, 2010. The District shall pay one dollar per year for five years, payable on or before each anniversary date, with the first payment due January 1, 2010.

**(12) Categorical Funding**

The District's reserved fund balance for categorical funding at June 30, 2010 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
At-risk	\$ 2,396
Gifted and Talented	5,812
Early intervention	5,903
School Ready Children	2,551
Professional development – core curriculum	1,151
Professional development	8,362
Market factor	<u>1,485</u>
Total	\$ 27,660 =====

LuVerne Community School District  
LuVerne, Iowa

Notes to Financial Statements

June 30, 2010

**(13) Subsequent Event**

Subsequent events have been evaluated through March 14, 2011, which is the date the financial statements were available to be issued.

**Required Supplementary Information**

LuVerne Community School District  
LuVerne, Iowa

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 1,036,326	19,296
State sources	134,713	547
Federal sources	<u>90,526</u>	<u>39,303</u>
Total revenues	<u>1,261,565</u>	<u>59,146</u>
Expenditures/Expenses:		
Instruction	738,584	-
Support services	383,170	-
Non-instructional programs	-	82,934
Other expenditures	<u>57,179</u>	<u>-</u>
Total expenditures/expenses	<u>1,178,933</u>	<u>82,934</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	82,632	(23,788)
Other financing sources, net	<u>(46,894)</u>	<u>48,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	35,738	24,212
Balances beginning of year	<u>370,366</u>	<u>(5,094)</u>
Balances end of year	<u>\$ 406,104</u>	<u>19,118</u>

See accompanying independent auditor's report.

Total <u>Actual</u>	<u>Budgeted Amounts</u>		Final to Actual <u>Variance</u>
	<u>Original</u>	<u>Final</u>	
1,055,622	1,071,713	1,071,713	(16,091)
135,260	263,792	263,792	(128,532)
<u>129,829</u>	<u>168,000</u>	<u>168,000</u>	<u>(38,171)</u>
<u>1,320,711</u>	<u>1,503,505</u>	<u>1,503,505</u>	<u>(182,794)</u>
738,584	953,500	953,500	214,916
383,170	560,512	560,512	177,342
82,934	93,794	93,794	10,860
<u>57,179</u>	<u>300,165</u>	<u>300,165</u>	<u>242,986</u>
<u>1,261,867</u>	<u>1,907,971</u>	<u>1,907,971</u>	<u>646,104</u>
58,844	(404,466)	(404,466)	463,310
<u>1,106</u>	<u>-</u>	<u>-</u>	<u>1,106</u>
59,950	(404,466)	(404,466)	464,416
<u>365,272</u>	<u>537,496</u>	<u>537,496</u>	<u>(172,224)</u>
<u>425,222</u>	<u>133,030</u>	<u>133,030</u>	<u>292,192</u>

LuVerne Community School District  
LuVerne, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2010

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a 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 function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

LuVerne Community School District  
LuVerne, Iowa

Schedule of Funding Progress for the  
Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 46,000	46,000	0.0%	\$ 366,000	12.6%

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

## **Other Supplementary Information**

LuVerne Community School District  
LuVerne, Iowa

Schedule 1

Combining Balance Sheet  
Nonmajor Special Revenue Funds

June 30, 2010

	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
<b>Assets</b>			
Cash and pooled investments	\$ 6,948	31,405	38,353
Receivables:			
Property tax:			
Delinquent	-	315	315
Succeeding year	-	22,304	22,304
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total assets</b>	<u>\$ 6,948</u>	<u>54,024</u>	<u>60,972</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	6,168	6,168
Deferred revenue:			
Succeeding year property tax	-	22,304	22,304
Total liabilities	-	28,472	28,472
	<u>          </u>	<u>          </u>	<u>          </u>
Unreserved fund balances	<u>6,948</u>	<u>25,552</u>	<u>32,500</u>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total liabilities and fund balances</b>	<u>\$ 6,948</u>	<u>54,024</u>	<u>60,972</u>

See accompanying independent auditor's report.

LuVerne Community School District  
LuVerne, Iowa

Schedule 2

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Special Revenue Funds

Year ended June 30, 2010

	<u>Student Activity</u>	<u>Physical Plant and Equipment Levy</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ -	20,214	20,214
Other	1,226	84	1,310
State sources	-	8	8
Total revenues	<u>1,226</u>	<u>20,306</u>	<u>21,532</u>
Expenditures:			
Current:			
Instruction:			
Other instruction	1,147	-	1,147
Support services:			
Operation and maintenance of plant	-	8,385	8,385
Other expenditures:			
Facilities acquisition	-	20,130	20,130
Total expenditures	<u>1,147</u>	<u>28,515</u>	<u>29,662</u>
Excess (deficiency) of revenues over (under) expenditures	79	(8,209)	(8,130)
Fund balances beginning of year	<u>6,869</u>	<u>33,761</u>	<u>40,630</u>
Fund balances end of year	<u>\$ 6,948</u>	<u>25,552</u>	<u>32,500</u>

See accompanying independent auditor's report.

LuVerne Community School District  
LuVerne, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intrafund Transfers</u>	<u>Balance End of Year</u>
Vocal Music	\$ 319	70	-	-	389
Instrumental Music	262	54	83	-	233
Athletics	1,908	-	-	-	1,908
Juice Account	268	182	44	(124)	282
9th Grade	1,574	-	-	-	1,574
8th Grade	304	-	-	-	304
6th Grade	90	-	-	-	90
Student Council	(17)	913	1,020	124	-
Miscellaneous	473	-	-	-	473
Interest	1,651	7	-	-	1,658
LEA Student Incentive	37	-	-	-	37
Total	<u>\$ 6,869</u>	<u>1,226</u>	<u>1,147</u>	<u>-</u>	<u>6,948</u>

See accompanying independent auditor's report.

Schedule of Changes in Fiduciary Assets and Liabilities -  
Agency Fund

Year ended June 30, 2010

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<b>Assets</b>				
Cash	\$ 377	176	176	377
Other receivables	<u>19</u>	<u>-</u>	<u>-</u>	<u>19</u>
<b>Total assets</b>	<u>\$ 396</u>	<u>176</u>	<u>176</u>	<u>396</u>
<b>Liabilities</b>				
Other payables	<u>\$ 396</u>	<u>176</u>	<u>176</u>	<u>396</u>
<b>Total liabilities</b>	<u>\$ 396</u>	<u>176</u>	<u>176</u>	<u>396</u>

See accompanying independent auditor's report.

LuVerne Community School District  
LuVerne, Iowa

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Seven Years

	Modified Accrual Basis			
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenues:				
Local sources:				
Local tax	\$ 926,724	886,919	781,390	786,301
Tuition	97,026	50,720	60,813	92,724
Other	12,576	34,371	39,235	69,660
State sources	134,713	292,261	289,646	293,275
Federal sources	90,526	41,003	90,359	55,897
Total	<u>\$ 1,261,565</u>	<u>1,305,274</u>	<u>1,261,443</u>	<u>1,297,857</u>
Expenditures:				
Instruction:				
Regular	\$ 519,759	406,655	411,557	412,412
Special	138,855	180,402	194,646	193,214
Other	79,970	65,306	84,178	136,263
Support services:				
Student	225	204	115	73
Instructional staff	2,406	5,574	6,070	5,115
Administration	186,836	197,226	201,245	188,917
Operation and maintenance of plant	126,124	122,344	138,235	131,698
Transportation	67,579	79,354	152,980	80,905
Other expenditures:				
Facilities acquisition	20,130	77,863	50,562	18,314
Long-term debt:				
Principal	-	45,065	23,725	-
Interest and other charges	-	3,572	-	-
AEA flowthrough	37,049	35,154	35,898	36,077
Total	<u>\$ 1,178,933</u>	<u>1,218,719</u>	<u>1,299,211</u>	<u>1,202,988</u>

See accompanying independent auditor's report.

## Schedule 5

<u>2006</u>	<u>2005</u>	<u>2004</u>
693,208	659,244	761,027
94,148	100,175	71,946
65,372	37,646	44,015
379,018	334,521	226,221
51,859	74,642	104,779
<u>1,283,605</u>	<u>1,206,228</u>	<u>1,207,988</u>
522,704	483,556	510,032
145,468	161,298	114,884
79,284	126,573	73,882
190	82	19,748
5,108	4,474	7,358
191,452	170,973	158,499
103,980	110,660	129,903
65,403	60,513	53,798
53,444	13,069	18,301
-	-	-
-	-	-
35,904	34,544	31,121
<u>1,202,937</u>	<u>1,165,742</u>	<u>1,117,526</u>

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  
LuVerne 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 LuVerne Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 14, 2011. 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 LuVerne Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LuVerne Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of LuVerne Community School District's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency,

or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-10 and I-B-10 to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether LuVerne 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, 2010 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.

LuVerne 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 LuVerne 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 LuVerne Community School District and other parties to whom LuVerne Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of LuVerne 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.

Cornwell, Frideres, Maher & Associates, P.L.C.  
Certified Public Accountants

March 14, 2011

LuVerne Community School District  
LuVerne, Iowa

Schedule of Findings

Year ended June 30, 2010

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

**INTERNAL CONTROL DEFICIENCIES:**

I-A-10 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 are doing everything we can within our situation and make improvements as the situation changes.

Conclusion – Response acknowledged. The District should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-10 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to LuVerne Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

LuVerne Community School District  
LuVerne, Iowa

Schedule of Findings

Year ended June 30, 2010

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, it is the responsibility of the District’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue to evaluate the risks to be accepted in preparation of the financial statements.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

LuVerne Community School District  
LuVerne, Iowa

Schedule of Findings

Year ended June 30, 2010

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

- II-A-10 Certified Budget – Expenditures for the year ended June 30, 2010 did not exceed the certified budget.
- II-B-10 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-C-10 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-10 Business Transactions – No business transactions between the District and District officials or employees were noted.
- II-E-10 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 ensure the coverage is adequate for current operations.
- II-F-10 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted. However, certain minutes were not published as required by Chapter 279.35 of the Code of Iowa.

Recommendation – The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting.

Response – Procedures have been revised to ensure the minutes are published as required.

Conclusion – Response accepted.

LuVerne Community School District  
LuVerne, Iowa

Schedule of Findings

Year ended June 30, 2010

- II-G-10 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-10 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-10 Deposits and Investments – 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 were noted.
- II-J-10 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-K-10 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-10 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District’s financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning balance	\$ ---
Statewide sales, services and use tax	<u>54,789</u>
Ending balance	\$ <u>54,789</u>