

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis (MD&A)		7-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	25
Statement of Cash Flows	I	26
Notes to Financial Statements		27-39
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		42
Notes to Required Supplementary Information - Budgetary Reporting		43
Schedule of Funding Progress for the Retiree Health Plan		44
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	47
Capital Project Accounts:		
Combining Balance Sheet	3	48
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	49
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	50
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	6	51
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 <u>Government Auditing Standards</u>		52-53
Schedule of Findings		54-56

Lineville-Clio Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2010 Reorganizational Meeting)</b>		
Cherlyn Hullinger	President	2011
Virginia Clow	Vice President	2011
Mike Graham	Board Member	2011
Amanda Wiltamuth	Board Member	2011
Jose Moreno	Board Member	2011
<b>(After September 2010 Reorganizational Meeting)</b>		
Cherlyn Hullinger	President	2011
Virginia Clow	Vice President	2011
Mike Graham	Board Member (Resigned October 2010)	2011
David Brennecke	Board Member (Appointed November 2010)	2011
Amanda Wiltamuth	Board Member	2011
Jose Moreno	Board Member	2011
<b>Officials</b>		
Dave Daughton	Superintendent	2011
Cheryl Porter	District Secretary/Treasurer and Business Manager	2011
Alan Wilson	Attorney	2011

**Lineville-Clio Community  
School District**

# **NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

**117 West 3rd Street North, Newton, Iowa 50208-3040**

**Telephone (641) 792-1910**

## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lineville-Clio Community School District, Lineville-Clio Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Lineville-Clio Community School District at June 30, 2011 and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

Residents of the Lineville-Clio Community School District and the Wayne Community School District voted to pass a resolution for reorganization of the two Districts. The reorganization of the two Districts will become effective on July 1, 2011. More detailed information about the merger is available in Note 12.

In accordance with Government Auditing Standards, we have also issued our report dated January 23, 2012, on our consideration of the Lineville-Clio Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

**Members American Institute & Iowa Society of Certified Public Accountants**

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 are not required parts of the information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and the presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lineville-Clio Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

NOLTE, CORNMAN & JOHNSON, P.C.

January 23, 2012

---

---

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

---

---

Lineville-Clio Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$1,114,627 in fiscal 2010 to \$1,058,688 in fiscal 2011, while General Fund expenditures decreased from \$1,206,272 in fiscal 2010 to \$883,223 in fiscal 2011. This resulted in an increase in the District's General Fund balance from a deficit \$58,208 in fiscal 2010 to \$117,257 in fiscal 2011, a 301.4% increase from the prior year.
- The decrease in General Fund revenues was attributable to state and federal revenues in fiscal 2011. The decrease in expenditures was due primarily to decreased expenses in the instructional, support services, and non-instructional program functional areas.
- The district's solvency ratio increased from a deficit 11.25% at June 30, 2010 to a positive 2.45% at June 30, 2011.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

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

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

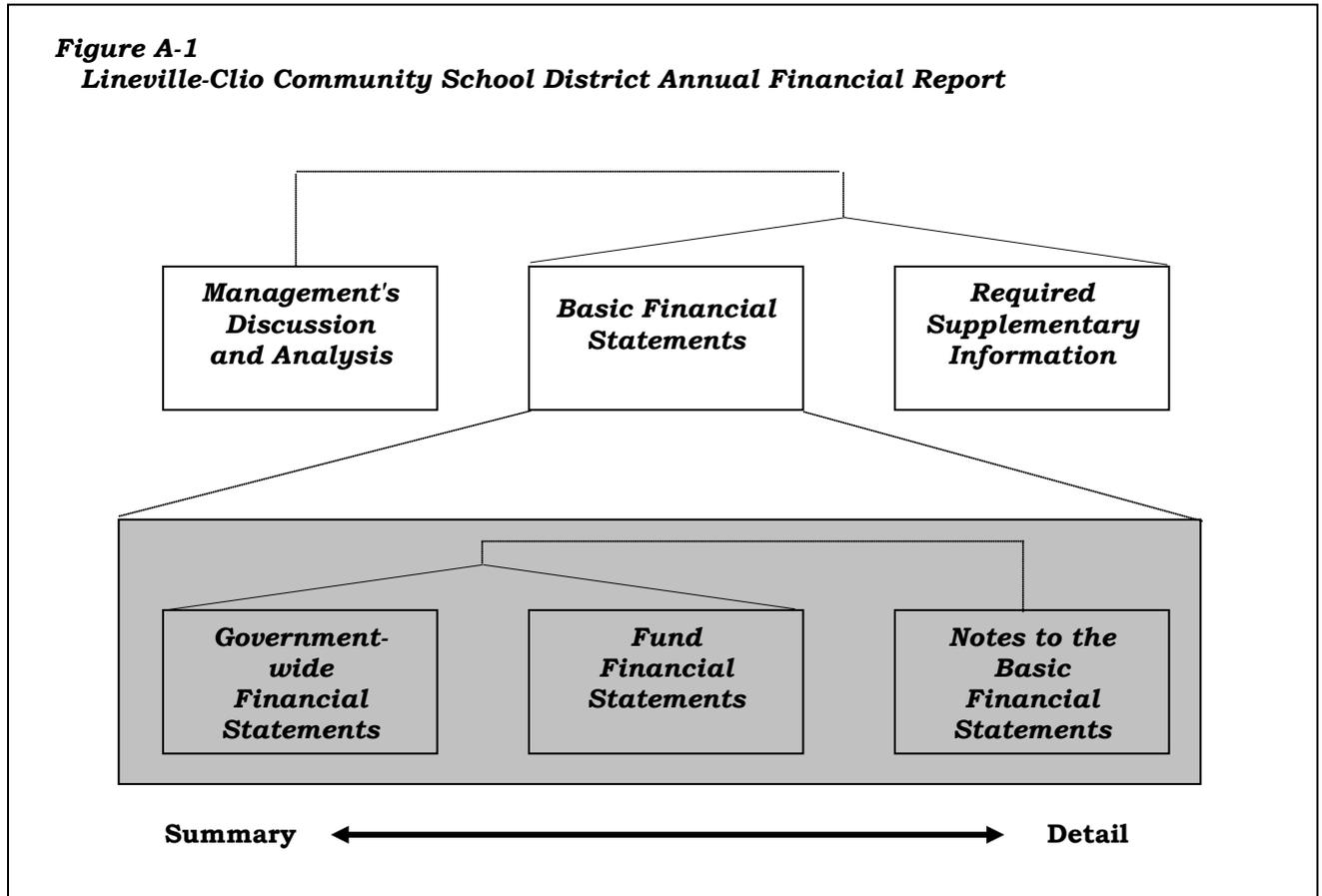


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

### **Government-wide Financial Statements**

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

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

---

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

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

### **Fund Financial Statements**

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

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

The District has two kinds of funds:

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

	Governmental Activities		Business Type Activities		Total District		Total Change June 30, 2010-11
	June 30,		June 30,		June 30,		
	2011	2010	2011	2010	2011	2010	
Current and other assets	\$ 679,386	967,404	1,041	1,623	680,427	969,027	-29.78%
Capital assets	842,521	871,457	537	613	843,058	872,070	-3.33%
Total assets	<u>1,521,907</u>	<u>1,838,861</u>	<u>1,578</u>	<u>2,236</u>	<u>1,523,485</u>	<u>1,841,097</u>	<u>-17.25%</u>
Long-term obligations	673,794	716,897	206	103	674,000	717,000	-6.00%
Other liabilities	151,691	777,310	20,989	17,427	172,680	794,737	-78.27%
Total liabilities	<u>825,485</u>	<u>1,494,207</u>	<u>21,195</u>	<u>17,530</u>	<u>846,680</u>	<u>1,511,737</u>	<u>-43.99%</u>
Net assets:							
Invested in capital assets, net of related debt	172,521	156,457	537	613	173,058	157,070	10.18%
Restricted	480,042	293,001	0	0	480,042	293,001	63.84%
Unrestricted	43,859	(104,804)	(20,154)	(15,907)	23,705	(120,711)	119.64%
Total net assets	<u>\$ 696,422</u>	<u>344,654</u>	<u>(19,617)</u>	<u>(15,294)</u>	<u>676,805</u>	<u>329,360</u>	<u>105.49%</u>

The District's combined net assets increase by 105.49%, or \$347,445 from the prior year. A large share of the District's net assets is the invested in capital assets less the related debt. The debt related to the invested in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$187,041, or 63.84% from the prior year. The increase in restricted net assets is mainly attributable to the increases in fund balance for the Management Levy Fund and the Capital Projects Accounts due to the implementation of GASB 54.

Unrestricted net assets - are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$144,416, or 119.64%. The increase in unrestricted net assets is mainly attributable to the decrease in fund balance of the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to June 30, 2010.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues:							
Program revenues:							
Charges for services	\$ 10,040	43,316	7,074	14,465	17,114	57,781	-70.38%
Operating grants, contributions and restricted interest	243,450	349,464	10,123	23,542	253,573	373,006	-32.02%
General revenues:							
Property tax	634,842	524,595	0	0	634,842	524,595	21.02%
Income surtax	22,925	25,385	0	0	22,925	25,385	-9.69%
Statewide sales, services and use tax	58,984	54,576	0	0	58,984	54,576	8.08%
Unrestricted state grants	293,426	309,070	0	0	293,426	309,070	-5.06%
Unrestricted investment earnings	397	7,397	0	0	397	7,397	-94.63%
Nonspecific program federal grants	26,114	0	0	0	26,114	0	100.00%
Other	44,749	21,872	149	134	44,898	22,006	104.03%
Total revenues	<u>\$ 1,334,927</u>	<u>1,335,675</u>	<u>17,346</u>	<u>38,141</u>	<u>1,352,273</u>	<u>1,373,816</u>	<u>-1.57%</u>
Program expenses:							
Governmental activities:							
Instruction	\$ 589,718	853,883	0	0	589,718	853,883	-30.94%
Support services	259,406	346,523	28	413	259,434	346,936	-25.22%
Non-instructional programs	66,378	54,418	21,641	40,810	88,019	95,228	-7.57%
Other expenses	67,657	90,030	0	0	67,657	90,030	-24.85%
Total expenses	<u>983,159</u>	<u>1,344,854</u>	<u>21,669</u>	<u>41,223</u>	<u>1,004,828</u>	<u>1,386,077</u>	<u>-27.51%</u>
Change in net assets	351,768	(9,179)	(4,323)	(3,082)	347,445	(12,261)	2933.74%
Beginning net assets, as restated	344,654	353,833	(15,294)	(12,212)	329,360	341,621	-3.59%
Ending net assets	<u>\$ 696,422</u>	<u>344,654</u>	<u>(19,617)</u>	<u>(15,294)</u>	<u>676,805</u>	<u>329,360</u>	<u>105.49%</u>

In fiscal 2011, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants account for 75.67% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.14% of the revenue from business type activities.

The District's total revenues were \$1,352,273, of which \$1,334,927 was for governmental activities and \$17,346 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.57% decrease in revenues and a 27.51% decrease in expenses. The largest declines in revenues occurred in unrestricted investment earnings.

### Governmental Activities

Revenues for governmental activities were \$1,334,927 and expenses were \$983,159. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available resources.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
			Change			Change
	2011	2010	2009-10	2011	2010	2009-10
Instruction	\$ 589,718	853,883	-30.94%	374,110	502,949	-25.62%
Support services	259,406	346,523	-25.14%	257,234	341,346	-24.64%
Non-instructional programs	66,378	54,418	21.98%	66,378	54,418	21.98%
Other expenses	67,657	90,030	-24.85%	31,947	53,361	-40.13%
Totals	<u>\$ 983,159</u>	<u>1,344,854</u>	<u>-26.89%</u>	<u>729,669</u>	<u>952,074</u>	<u>-23.36%</u>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$10,040.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$243,450.
- The net cost of governmental activities was financed with \$634,842 in property tax, \$22,925 in income surtax, \$58,984 in statewide sales, services and use tax, \$293,426 in unrestricted state grants, \$397 in unrestricted investment earnings, \$26,114 in non-specific federal funding and \$48,898 in other general revenues.

### Business Type Activities

Revenues of the District's business type activities were \$17,346 and expenses were \$21,669. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$506,030, a \$338,376 increase from last year's ending fund balances of \$167,654.

### Governmental Fund Highlights

- The District's General Fund balance increased from a deficit \$58,208 on June 30, 2010 to a positive \$117,257 on June 30, 2011. The District's increase in General Fund financial position is the product of many factors. The decrease in expenditures was due to reductions of expenditures in the instructional, support services, and non-instructional program functional areas. The District had more revenues than expenditures causing the General Fund balance to increase by \$175,465.
- Due to reclassification by GASB 54, the Capital Projects Fund now includes the Physical Plant and Equipment Levy Fund as well as the Statewide Sales, Services and Use Tax Fund. The Statewide Sales, Services and Use Tax Fund balance increased from \$79,079 at June 30, 2010 to \$108,154 at June 30, 2011. The Physical Plant and Equipment Levy Fund balance increased from \$91,179 at June 30, 2010 to \$110,423 at June 30, 2011.

- The Management Levy Fund increased from \$32,582 on June 30, 2010 to \$151,772 on June 30, 2011. The revenues increased due to the amount collected in property tax from a change in the tax levy rate.

### Proprietary Fund Highlights

- The School Nutrition Fund net assets decreased from a deficit of \$15,294 at June 30, 2010 to a deficit of \$19,617 at June 30, 2011, representing a decrease of 28.27%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$541,868 less than budgeted revenues, a variance of 28.81%. The most significant variance resulted from the District receiving less in federal sources than originally anticipated.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2011, the District had invested \$843,058, net of accumulated depreciation, in a broad range of capital assets, including buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 3.33% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$56,640.

The original cost of the District's capital assets was \$1,158,563. Governmental funds account for \$1,155,241 with the remainder of \$3,322 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$33,427 net of depreciation at June 30, 2010, compared to \$23,833 reported at June 30, 2011. This decrease resulted from the current year depreciation expense.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Buildings	\$ 808,955	827,768	0	0	808,955	827,768	-2.27%
Improvements other than buildings	10,270	10,875	0	0	10,270	10,875	-5.56%
Machinery and equipment	23,296	32,814	537	613	23,833	33,427	-28.70%
Total	\$ 842,521	871,457	537	613	843,058	872,070	-3.33%

---

## Long Term Debt

At year-end, the District had \$674,000 in total long-term debt outstanding. This represents a decrease of 6.00%. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had \$670,000 in general obligation bonds outstanding at June 30, 2011.

The District had a net OPEB liability of \$4,000 at June 30, 2011

---

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
General obligation bonds	\$ 670,000	715,000	0	0	670,000	715,000	-6.29%
Net OPEB Liability	3,794	1,897	206	103	4,000	2,000	100.00%
Totals	\$ 673,794	716,897	206	103	674,000	717,000	-6.00%

---

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The national recession that has adversely impacted the state of Iowa's budget has translated into reduced levels of state aid funding for education. Future increases in state aid (allowable growth) to schools will be based on the condition of the state and national economies. Given the current financial status of the State of Iowa, there is a possibility that the state aid rate will be reduced for the fiscal 2011 year.
- On December 7, 2010, the Lineville-Clio Community School District and the Wayne Community School District held a public meeting for consolidation of the two districts. Residents of the Lineville-Clio Community School District passed a resolution to merge with Wayne Community School District on a 60.9% vote. Residents of the Wayne Community School District passed a resolution to merge with Lineville-Clio Community School District on a 79.5% vote. The merger will be effective July 1, 2011. The Lineville-Clio Community School District will cease operations this time.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cheryl Porter, Board Secretary, Lineville-Clio Community School District, 102 N Dekalb Street, Corydon, Iowa, 50060.

**Lineville-Clio Community  
School District**

BASIC FINANCIAL STATEMENTS

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 602,410	0	602,410
Receivables:			
Property tax:			
Delinquent	8,611	0	8,611
Income surtax	24,152	0	24,152
Accounts	21,162	0	21,162
Due from other governments	23,051	0	23,051
Inventories	0	1,041	1,041
Capital assets, net of accumulated depreciation	842,521	537	843,058
<b>Total assets</b>	<b>1,521,907</b>	<b>1,578</b>	<b>1,523,485</b>
<b>Liabilities</b>			
Excess of warrants issued over bank balance	0	20,828	20,828
Accounts payable	144,758	0	144,758
Interest payable	2,487	0	2,487
Deferred revenue:			
Other	4,446	0	4,446
Unearned revenue	0	161	161
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	45,000	0	45,000
Portion due after one year:			
General obligation bonds payable	625,000	0	625,000
Net OPEB liability	3,794	206	4,000
<b>Total liabilities</b>	<b>825,485</b>	<b>21,195</b>	<b>846,680</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	172,521	537	173,058
Restricted for:			
Categorical funding	91,269	0	91,269
Management levy	151,772	0	151,772
Debt service	2,508	0	2,508
Student activities	15,916	0	15,916
School infrastructure	108,154	0	108,154
Physical plant and equipment levy	110,423	0	110,423
Unrestricted	43,859	(20,154)	23,705
<b>Total net assets</b>	<b>\$ 696,422</b>	<b>(19,617)</b>	<b>676,805</b>

SEE NOTES TO FINANCIAL STATEMENTS

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 444,813	1,816	175,858	(267,139)	0	(267,139)
Special	91,296	0	29,710	(61,586)	0	(61,586)
Other	53,609	8,224	0	(45,385)	0	(45,385)
	<u>589,718</u>	<u>10,040</u>	<u>205,568</u>	<u>(374,110)</u>	<u>0</u>	<u>(374,110)</u>
Support services:						
Student	2,856	0	0	(2,856)	0	(2,856)
Instructional staff	2,327	0	0	(2,327)	0	(2,327)
Administration	141,455	0	2,172	(139,283)	0	(139,283)
Operation and maintenance of plant	52,829	0	0	(52,829)	0	(52,829)
Transportation	40,521	0	0	(40,521)	0	(40,521)
	<u>239,988</u>	<u>0</u>	<u>2,172</u>	<u>(237,816)</u>	<u>0</u>	<u>(237,816)</u>
Non-instructional programs:						
Community service operations	66,378	0	0	(66,378)	0	(66,378)
Other expenses:						
Interest and fiscal charges	31,947	0	0	(31,947)	0	(31,947)
AEA flowthrough	35,710	0	35,710	0	0	0
Depreciation(unallocated)*	19,418	0	0	(19,418)	0	(19,418)
	<u>87,075</u>	<u>0</u>	<u>35,710</u>	<u>(51,365)</u>	<u>0</u>	<u>(51,365)</u>
Total governmental activities	<u>983,159</u>	<u>10,040</u>	<u>243,450</u>	<u>(729,669)</u>	<u>0</u>	<u>(729,669)</u>
Business Type activities:						
Support services:						
Operation and maintenance of plant services	28	0	0	0	(28)	(28)
Non-instructional programs:						
Food service operations	21,641	7,074	10,123	0	(4,444)	(4,444)
Total business type activities	<u>21,669</u>	<u>7,074</u>	<u>10,123</u>	<u>0</u>	<u>(4,472)</u>	<u>(4,444)</u>
Total	<u>\$ 1,004,828</u>	<u>17,114</u>	<u>253,573</u>	<u>(729,669)</u>	<u>(4,472)</u>	<u>(734,113)</u>
General Revenues:						
Local tax for:						
General purposes				\$ 566,645	0	566,645
Capital outlay				21,567	0	21,567
Debt service				46,630	0	46,630
Income surtax				22,925	0	22,925
Statewide sales, services and use tax				58,984	0	58,984
Unrestricted state grants				293,426	0	293,426
Unrestricted investment earnings				397	0	397
Non specific program federal grants				26,114	0	26,114
Other				44,749	149	44,898
Total general revenues				<u>1,081,437</u>	<u>149</u>	<u>1,081,586</u>
Changes in net assets				351,768	(4,323)	347,445
Net assets beginning of year				344,654	(15,294)	329,360
Net assets end of year				<u>\$ 696,422</u>	<u>(19,617)</u>	<u>676,805</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	General	Manage- ment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Assets</b>					
Cash and pooled investments	\$ 232,425	156,404	195,233	18,348	602,410
<b>Receivables:</b>					
Property tax:					
Delinquent	6,059	1,627	293	632	8,611
Income surtax	24,152	0	0	0	24,152
Accounts	21,162	0	0	0	21,162
Due from other governments	0	0	23,051	0	23,051
<b>Total assets</b>	<b>\$ 283,798</b>	<b>158,031</b>	<b>218,577</b>	<b>18,980</b>	<b>679,386</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 137,943	6,259	0	556	144,758
<b>Deferred revenue:</b>					
Income surtax	24,152	0	0	0	24,152
Other	4,446	0	0	0	4,446
<b>Total liabilities</b>	<b>166,541</b>	<b>6,259</b>	<b>0</b>	<b>556</b>	<b>173,356</b>
<b>Fund balances:</b>					
<b>Restricted for:</b>					
Categorical funding	91,269	0	0	0	91,269
Management levy puposes	0	151,772	0	0	151,772
Debt services	0	0	0	2,508	2,508
Student activities	0	0	0	15,916	15,916
School infrastructure	0	0	108,154	0	108,154
Physical plant and equipment	0	0	110,423	0	110,423
Unassigned	25,988	0	0	0	25,988
<b>Total fund balances</b>	<b>117,257</b>	<b>151,772</b>	<b>218,577</b>	<b>18,424</b>	<b>506,030</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 283,798</b>	<b>158,031</b>	<b>218,577</b>	<b>18,980</b>	<b>679,386</b>

SEE NOTES TO FINANCIAL STATEMENTS

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2011

<b>Total fund balances of governmental funds(page 20)</b>	\$ 506,030
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	842,521
Accounts receivable income surtax, is not yet available to finance expenditures of the current fiscal period.	24,152
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(2,487)
Long-term liabilities, including general obligation bonds payable and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(673,794)</u>
<b>Net assets of governmental activities(page 18)</b>	<u><u>\$ 696,422</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2011

	General	Manage- ment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 470,538	119,957	80,551	46,630	717,676
Tuition	1,442	0	0	0	1,442
Other	9,364	21,599	183	8,244	39,390
State sources	405,622	0	0	0	405,622
Federal sources	157,325	0	0	0	157,325
<b>Total revenues</b>	<b>1,044,291</b>	<b>141,556</b>	<b>80,734</b>	<b>54,874</b>	<b>1,321,455</b>
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	433,294	10,634	0	0	443,928
Special	91,156	0	0	0	91,156
Other	40,938	0	0	12,375	53,313
	<u>565,388</u>	<u>10,634</u>	<u>0</u>	<u>12,375</u>	<u>588,397</u>
<b>Support services:</b>					
Student	2,749	0	0	0	2,749
Instructional staff	1,599	0	0	0	1,599
Administration	131,902	9,210	0	0	141,112
Operation and maintenance of plant	48,333	0	0	0	48,333
Transportation	31,164	2,522	0	0	33,686
	<u>215,747</u>	<u>11,732</u>	<u>0</u>	<u>0</u>	<u>227,479</u>
<b>Non-instructional programs:</b>					
Community service operations	66,378	0	0	0	66,378
<b>Other expenditures:</b>					
Facilities acquisitions	0	0	2,415	0	2,415
<b>Long-term debt:</b>					
Principal	0	0	0	45,000	45,000
Interest and fiscal charges	0	0	0	32,097	32,097
AEA flowthrough	35,710	0	0	0	35,710
	<u>35,710</u>	<u>0</u>	<u>2,415</u>	<u>77,097</u>	<u>115,222</u>
<b>Total expenditures</b>	<b>883,223</b>	<b>22,366</b>	<b>2,415</b>	<b>89,472</b>	<b>997,476</b>
Excess(Deficiency) of revenues over(under) expenditures	161,068	119,190	78,319	(34,598)	323,979
<b>Other financing sources(uses):</b>					
Sale of non-capitalized assets	14,397	0	0	0	14,397
Transfers in	0	0	0	30,000	30,000
Transfers out	0	0	(30,000)	0	(30,000)
<b>Total other financing sources(uses)</b>	<b>14,397</b>	<b>0</b>	<b>(30,000)</b>	<b>30,000</b>	<b>14,397</b>
Net change in fund balances	175,465	119,190	48,319	(4,598)	338,376
Fund balance beginning of year, as restated	(58,208)	32,582	170,258	23,022	167,654
Fund balance end of year	\$ 117,257	151,772	218,577	18,424	506,030

SEE NOTES TO FINANCIAL STATEMENTS

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds(page 22)	\$	338,376
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:		
Capital outlays	\$ 27,628	
Depreciation expense	<u>(56,564)</u>	(28,936)
 Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds.		
		(925)
 Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		
		150
 Repayments of long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows:		
		45,000
 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:		
Other postemployment benefits		<u>(1,897)</u>
 Changes in net assets of governmental activities(page 19)	 \$	 <u>351,768</u>

SEE NOTES TO FINANCIAL STATEMENTS

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2011

	<u>School Nutrition</u>
Assets	
Inventories	\$ 1,041
Capital assets, net of accumulated depreciation	537
Total assets	<u>1,578</u>
Liabilities	
Excess of warrants issued over bank balance	20,828
Unearned revenue	161
Net OPEB liability	206
Total liabilities	<u>21,195</u>
Net Assets	
Invested in capital assets	537
Unrestricted	(20,154)
Total net assets	<u>\$ (19,617)</u>

SEE NOTES TO FINANCIAL STATEMENTS

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2011

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 7,074
Miscellaneous	149
Total operating revenues	7,223
Operating expenses:	
Support services:	
Operation and maintenance of plant Services	28
Non-instructional programs:	
Food service operations:	
Salaries	5,983
Benefits	3,341
Supplies	12,205
Depreciation	76
Other	36
Total non-instructional programs	21,641
Total operating expenses	21,669
Operating loss	(14,446)
Non-operating revenues:	
State sources	141
Federal sources	9,982
Total non-operating revenues	10,123
Change in net assets	(4,323)
Net assets beginning of year	(15,294)
Net assets end of year	\$ (19,617)

SEE NOTES TO FINANCIAL STATEMENTS

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2011

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 7,233
Cash received from miscellaneous operating activities	149
Cash payments to employees for services	(9,665)
Cash payments to suppliers for goods or services	(9,380)
Net cash used in operating activities	(11,663)
Cash flows from non-capital financing activities:	
State grants received	141
Federal grants received	7,675
Net cash provided by non-capital financing activities	7,816
Net decrease in cash and cash equivalents	(3,847)
Cash and cash equivalents at beginning of year	(16,981)
Cash and cash equivalents at end of year	\$ (20,828)
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (14,446)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	2,307
Depreciation	76
Decrease in inventories	582
Decrease in salaries and benefits payable	(444)
Increase in unearned revenue	159
Increase in other postemployment benefits	103
Net cash used in operating activities	\$ (11,663)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$2,307.

SEE NOTES TO FINANCIAL STATEMENTS

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other funds are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Management Levy Fund is used to account for the property insurance needs of the District and unemployment payments made to the Iowa Workforce Development.

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

The District reports the following proprietary funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

#### D. Assets, Liabilities and Fund Balances

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following

fiscal year becomes effective on the first day of that year. Due to the merger on July 1, 2011, there is no tax levy for the following year; therefore, property tax receivable will not be booked in either the government-wide or fund financial statements.

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

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

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

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

Asset Class	Amount
Buildings	\$ 5,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial

statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

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

#### E. Budgeting and Budgetary Control

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

### (2) **Cash and Pooled Investments**

The District's deposits in bank at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education prime eligible banker's acceptances; certain high rated commercial paper; perfected repurchase

agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$263,347 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

**(3) Interfund Transfers**

The detail of transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services, and Use Tax	<u>\$ 30,000</u>

The transfer from the Capital Projects: Statewide Sales, Services, and Use Tax to the Debt Service Fund was needed as part of the principal and interest payments on the District's general obligation bond indebtedness.

**(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 2010-11A warrants is 1.20% plus the one-month LIBOR rate, adjusted daily. A summary of the District's ISCAP activity for the year ended June 30, 2011 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2010-11A	6/30/10	6/23/11	0	135,000	135,000	0
Total			<u>\$ 0</u>	<u>135,000</u>	<u>135,000</u>	<u>0</u>

During the year ended June 30, 2011, the District paid \$859 of interest on the ISCAP warrants.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets being depreciated:				
Buildings	\$ 940,645	0	0	940,645
Improvements other than buildings	12,083	0	0	12,083
Machinery and equipment	174,885	27,628	0	202,513
Total capital assets being depreciated	<u>1,127,613</u>	<u>27,628</u>	<u>0</u>	<u>1,155,241</u>
Less accumulated depreciation for:				
Buildings	112,877	18,813	0	131,690
Improvements other than buildings	1,208	605	0	1,813
Machinery and equipment	142,071	37,146	0	179,217
Total accumulated depreciation	<u>256,156</u>	<u>56,564</u>	<u>0</u>	<u>312,720</u>
Governmental activities capital assets, net	<u>\$ 871,457</u>	<u>(28,936)</u>	<u>0</u>	<u>842,521</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business Type activities:				
Machinery and equipment	\$ 3,322	0	0	3,322
Less accumulated depreciation	2,709	76	0	2,785
Business type activities capital assets, net	<u>\$ 613</u>	<u>(76)</u>	<u>0</u>	<u>537</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 1,969
Support services:		
Instructional staff		722
Transportation		34,455
Unallocated depreciation		<u>19,418</u>
Total governmental activities depreciation expense		<u>\$ 56,564</u>
Business Type activities:		
Food services		<u>\$ 76</u>

**(6) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 715,000	0	45,000	670,000	45,000
Net OPEB liability	1,897	1,897	0	3,794	0
Total	\$ 716,897	1,897	45,000	673,794	45,000

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 103	103	0	206	0

### General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June 1, 2003			
	Interest Rates	Principal	Interest	Total
2012	4.00	% \$ 45,000	29,848	74,848
2013	4.00	45,000	28,047	73,047
2014	4.10	50,000	26,248	76,248
2015	4.20	50,000	24,198	74,198
2016	4.30	50,000	22,097	72,097
2017-2021	4.40-4.70	295,000	80,770	375,770
2022-2023	4.75-4.80	135,000	3,360	138,360
Total		\$ 670,000	214,568	884,568

### **(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 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$21,354, \$44,092, and \$50,994 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 medical/prescription drug benefits for retirees and their spouses. There are 16 active and 2 retired members in the plan.

The medical/prescription drug benefit, which is a self-funded medical plan, is administered by United Health Care. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

The following table shows the components of the District's annual OPEB cost for June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 12,000
Interest on net OPEB obligation	90
Adjustment to annual required contribution	(90)
Annual OPEB cost (expense)	<u>12,000</u>
Contributions made	<u>(10,000)</u>
Increase in net OPEB obligation	2,000
Net OPEB obligation - beginning of year	<u>2,000</u>
Net OPEB obligation - end of year	<u><u>\$ 4,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2011.

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, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 12,000	83.33%	\$ 2,000
2011	12,000	89.55%	4,000

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$67,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$67,000. The covered payroll (annual payroll of active employees covered by the plan) was \$303,569, and the ratio of the UAAL to the covered payroll was 22.07%. As of June 30, 2011, 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 healthcare 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 the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by a percentage each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement age was set at age 62 as based on information provided by the District.

Projected claim costs of the medical plan are \$819 per month for retirees developed from a combination of age adjusted fully insured premiums and manual claims costs. 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**

Lineville-Clio Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any

deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$35,710 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Categorical Funding**

The District's ending reserved balances for categorical funding by project as of June 30, 2011 are as follows:

Project	Amount
Home school assistance program	\$ 3,433
Weighted at-risk programs	997
Gifted and Talented	6,028
Dropouts and dropout prevention program	49,579
Beginning teacher mentoring	501
Teacher salary supplement	8,319
Market factor	875
Beginning administrator mentoring	1,866
Professional development model core curriculum	5,243
Professional development	13,463
Market factor incentives	965
Total	<u>\$ 91,269</u>

**(12) Reorganization of Districts**

On December 7, 2010, the Lineville-Clio Community School District and the Wayne Community School District held a public meeting for consolidation of the two districts. Residents of the Lineville-Clio Community School District passed a resolution to merge with Wayne Community School District on a 60.9% vote. Residents of the Wayne Community School District passed a resolution to merge with Lineville-Clio Community School District on a 79.5% vote. The reorganization of the two Districts will become effective on July, 1, 2011.

**(13) Deficit Fund Balance/Net Assets**

At June 30, 2011, the District's Nutrition Fund had deficit unrestricted net assets of \$20,154.

**(14) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ 79,079	91,178
Change in fund type classification per implementation of GASB Statement No. 54	91,178	(91,178)
Balances July 1, 2010, as restated	<u>170,258</u>	<u>0</u>

# **Lineville-Clio Community School District**

REQUIRED SUPPLEMENTARY INFORMATION

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES  
 AND CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 758,508	7,223	765,731	853,359	853,359	(87,628)
State sources	405,622	141	405,763	603,310	603,310	(197,547)
Federal sources	157,325	9,982	167,307	424,000	424,000	(256,693)
Total revenues	<u>1,321,455</u>	<u>17,346</u>	<u>1,338,801</u>	<u>1,880,669</u>	<u>1,880,669</u>	<u>(541,868)</u>
Expenditures/Expenses:						
Instruction	588,397	0	588,397	1,024,164	1,024,164	435,767
Support services	227,479	28	227,507	519,856	519,856	292,349
Non-instructional programs	66,378	21,641	88,019	177,188	177,188	89,169
Other expenditures	115,222	0	115,222	175,337	175,337	60,115
Total expenditures/expenses	<u>997,476</u>	<u>21,669</u>	<u>1,019,145</u>	<u>1,896,545</u>	<u>1,896,545</u>	<u>877,400</u>
Excess(deficiency) of revenues over(under) expenditures/expenses	323,979	(4,323)	319,656	(15,876)	(15,876)	335,532
Other financing sources, net	<u>14,397</u>	<u>0</u>	<u>14,397</u>	<u>0</u>	<u>0</u>	<u>14,397</u>
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	338,376	(4,323)	334,053	(15,876)	(15,876)	349,929
Balance beginning of year	<u>167,654</u>	<u>(15,294)</u>	<u>152,360</u>	<u>289,964</u>	<u>289,964</u>	<u>86,915</u>
Balance end of year	<u>\$ 506,030</u>	<u>(19,617)</u>	<u>486,413</u>	<u>274,088</u>	<u>274,088</u>	<u>212,325</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2011

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

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

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

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT  
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	Unfunded	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a
			Accrued Liability (AAL) (b)	AAL (UAAL) (b-a)			Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$67,000	\$67,000	0.0%	\$668,568	10.02%
2011	July 1, 2009	\$ -	\$67,000	\$67,000	0.0%	\$303,569	22.07%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2011

	Special Revenue		Total Other Nonmajor Governmental Funds
	Student Activity	Debt Service	
<b>Assets</b>			
Cash and pooled investments	\$ 16,472	1,876	18,348
Receivables:			
Property tax:			
Delinquent	0	632	632
<b>Total assets</b>	<b>\$ 16,472</b>	<b>2,508</b>	<b>18,980</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	556	0	556
<b>Fund Balances:</b>			
<b>Restricted for:</b>			
Student activities	15,916	0	15,916
Debt service	0	2,508	2,508
<b>Total fund balances</b>	<b>15,916</b>	<b>2,508</b>	<b>18,424</b>
<b>Total liabilities and fund balances</b>	<b>\$ 16,472</b>	<b>2,508</b>	<b>18,980</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2011

	Special Revenue		Total Other Nonmajor Governmental Funds
	Student Activity	Debt Service	
Revenues:			
Local sources:			
Local tax	\$ 0	46,630	46,630
Other	8,244	0	8,244
Total revenues	8,244	46,630	54,874
Expenditures:			
Current:			
Instruction:			
Other	12,375	0	12,375
Other expenditures:			
Long term debt:			
Principal	0	45,000	45,000
Interest and fiscal charges	0	32,097	32,097
Total expenditures	12,375	77,097	89,472
Deficiency of revenues under expenditures	(4,131)	(30,467)	(34,598)
Other financing sources:			
Transfer in	0	30,000	30,000
Net change in fund balances	(4,131)	(467)	(4,598)
Fund balance beginning of year, as restated	20,047	2,975	23,022
Fund balance end of year	\$ 15,916	2,508	18,424

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 85,103	110,130	195,233
Receivables:			
Property tax:			
Delinquent	0	293	293
Due from other governments	23,051	0	23,051
Total assets	<u>\$ 108,154</u>	<u>110,423</u>	<u>218,577</u>
Liabilities and Fund Balances			
Liabilities:	<u>\$ 0</u>	<u>0</u>	<u>0</u>
Fund Balances:			
Restricted for:			
School infrastructure	108,154	0	108,154
Physical plant and equipment	0	110,423	110,423
Total fund balances	<u>108,154</u>	<u>110,423</u>	<u>218,577</u>
Total liabilities and fund balances	<u>\$ 108,154</u>	<u>110,423</u>	<u>218,577</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 58,984	21,567	80,551
Other	91	92	183
Total revenues	<u>59,075</u>	<u>21,659</u>	<u>80,734</u>
Expenditures:			
Other expenditures:			
Facilities acquisitions	0	2,415	2,415
Excess of revenues over expenditures	59,075	19,244	78,319
Other financing uses:			
Transfer out	(30,000)	0	(30,000)
Net change in fund balances	29,075	19,244	48,319
Fund balance beginning of year, as restated	79,079	91,179	170,258
Fund balance end of year	<u>\$ 108,154</u>	<u>110,423</u>	<u>218,577</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	239	0	189	50
Science Fundraiser	296	0	0	296
Athletics	12,041	0	1,742	10,299
Miscellaneous	88	20	20	88
Student Council	158	0	115	43
National Honor Society	353	0	0	353
Annuals	769	1,585	2,046	308
Field Trip	1,672	6,639	8,263	48
Class of 2009	25	0	0	25
Class of 2010	664	0	0	664
Class of 2011	869	0	0	869
Class of 2012	100	0	0	100
Class of 2013	80	0	0	80
Class of 2014	80	0	0	80
High School Funds	2,467	0	0	2,467
Middle School Funds	146	0	0	146
Total	\$ 20,047	8,244	12,375	15,916

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

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

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 717,676	603,348	506,245	476,228	505,730	510,460	419,963	363,171
Tuition	1,442	13,865	27,290	18,623	17,784	28,821	38,012	40,703
Other	39,390	64,837	77,102	102,443	108,167	292,647	87,589	86,518
Intermediate sources	0	0	0	0	0	400	1,800	0
State sources	405,622	460,094	568,079	624,834	504,732	495,481	528,347	480,380
Federal sources	157,325	192,323	382,077	853,110	626,141	768,058	74,524	79,929
Total	\$ 1,321,455	1,334,467	1,560,793	2,075,238	1,762,554	2,095,867	1,150,235	1,050,701
Expenditures:								
Current:								
Instruction:								
Regular	\$ 443,928	565,394	569,924	519,672	555,333	474,169	532,941	543,880
Special	91,156	114,096	105,129	86,048	40,647	83,336	141,501	67,827
Other	53,313	171,102	125,283	193,653	144,945	161,616	141,867	192,309
Support services:								
Student	2,749	43,545	54,487	69,821	69,975	55,689	13,936	13,574
Instructional staff	1,599	3,588	4,790	12,251	14,754	13,030	2,784	10,236
Administration	141,112	185,153	240,925	397,522	372,341	497,234	144,375	121,110
Operation and maintenance of plant	48,333	76,546	111,738	107,147	127,269	117,711	96,930	141,155
Transportation	33,686	29,568	41,954	41,743	56,082	33,019	20,156	25,160
Other support	0	0	0	0	0	0	127	19,360
Non-instructional programs	66,378	54,418	226,122	500,038	342,048	395,183	0	0
Other expenditures:								
Facilities acquisitions	2,415	0	7,000	0	651	0	971,552	60,022
Long-term debt:								
Principal	45,000	49,432	48,915	48,427	40,000	35,000	35,000	0
Interest and other charges	32,097	34,193	36,110	37,798	37,848	38,897	40,898	0
AEA flow-through	35,710	36,669	31,373	31,129	29,350	28,792	28,043	29,089
Total	\$ 997,476	1,363,704	1,603,750	2,045,249	1,831,243	1,933,676	2,170,110	1,223,722

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

# **NOLTE, CORNMAN & JOHNSON P.C.**

**Certified Public Accountants**

**(a professional corporation)**

**117 West 3rd Street North, Newton, Iowa 50208-3040**

**Telephone (641) 792-1910**

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lineville-Clio Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 23, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented 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-11 to be a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lineville-Clio Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do

**Members American Institute & Iowa Society of Certified Public Accountants**

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, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

NOLTE, CORNMAN & JOHNSON, P.C.

January 23, 2012

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

LINEVILLE-CLIO COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

II-A-11 Certified Budget - District disbursements for the year ended June 30, 2011, did not exceed the amount budgeted.

II-B-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted.

II-C-11 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jenifer Clow, Board Vice-President Son provides mowing services	Services	\$80
Jose Moreno, Board Member	Bus Driver	\$1,636

In accordance with the Attorney General's opinion dated November 9, 1976, the above transaction with the son of the Board Member does not appear to represent a conflict of interest.

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

II-D-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-E-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-F-11 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

II-G-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-H-11 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-J-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-K-11 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. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	79,079
Revenues/transfers in:			
Sales tax revenues	\$	58,984	
Other local revenues		91	59,075
			<u>138,154</u>
Expenditures/transfers out:			
Transfer to other funds:			
Debt service fund			30,000
			<u>30,000</u>
Ending Balance		\$	<u>108,154</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 0.93162	\$ 30,000

II-L-11 Financial Condition - At June 30, 2011, the Nutrition Fund had deficit unrestricted net assets of \$20,154.

Recommendation – The District should monitor this funds and investigate alternatives to eliminate the deficits.

Response - With the consolidation of Lineville-Clio Community School District and Wayne Community School District, there will no longer be deficit unrestricted net assets.

Conclusion - Response accepted.