

**LUVERNE COMMUNITY SCHOOL DISTRICT
LUVERNE, IOWA**

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

YEAR ENDED JUNE 30, 2011

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LuVerne Community School District
LuVerne, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Lisa Lawson	President	2011
Charles Legler	Vice President	2013
Meredith Collins	Board Member	2013
Tena Cunningham	Board Member	2011
Karen McGregor	Board Member	2013
School Officials		
Michael Bumgarner	Superintendent	2011
LeAnn Wempen	District Secretary/Treasurer	2011
Rick Engel	Attorney	Indefinite

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

714 14th Avenue North
Fort Dodge, IA 50501-7098
Phone 515.955.4805 • Fax 515.955.4673

Lowell W. Cornwell, C.P.A.
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.
jjmaher@frontiernet.net

Independent Auditor's Report

To the Board of Education of
LuVerne Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of LuVerne Community School District, LuVerne, Iowa, as of and for the year ended June 30, 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, the business type activities, each major fund and the aggregate remaining fund information of LuVerne Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2012 on our consideration of LuVerne Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 14 and 46 through 49 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise LuVerne Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2010 (which are not presented herein and expressed unqualified opinions on those financial statements. The financial statements for the six years ended June 30, 2009 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cornwell, Frideres, Maher & Associates, P.L.C.

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

March 26, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

LuVerne Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$1,116,643 in fiscal 2010 to \$1,035,983 in fiscal 2011, while General Fund expenditures decreased from \$1,123,386 in fiscal 2010 to \$1,111,634 in fiscal 2011. The District's General Fund balance decreased from \$135,839 at the end of fiscal year 2010 to \$60,188 at the end of fiscal 2011 year, a 56% decrease.
- The fiscal year 2011 General Fund revenue decrease was attributable to decrease in property tax and federal grant revenues.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

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

Figure A-1
LuVerne Community School District
Annual Financial Report

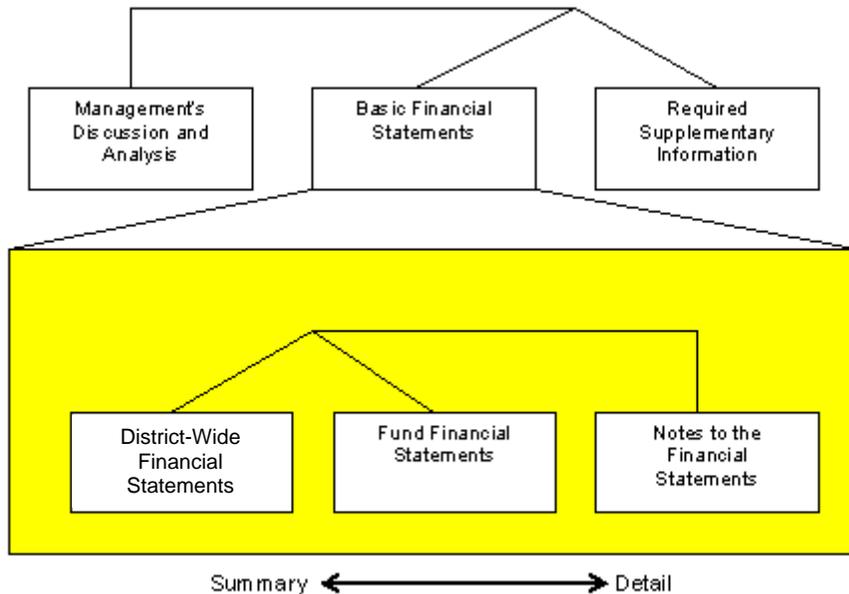


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund. The District uses an internal service fund, another kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District currently has one internal service fund used to account for the District's employee flexible benefit plan.

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3							
Condensed Statement of Net Assets							
(Expressed in Thousands)							
	<u>Governmental</u>		<u>Business Type</u>		<u>Total</u>		<u>Total</u>
	<u>Activities</u>		<u>Activities</u>		<u>District</u>		<u>Change</u>
	<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>
Current and other assets	\$ 1,483	1,301	12	28	1,495	1,329	12.5%
Capital assets	225	236	---	---	225	236	-4.7%
Total assets	<u>1,708</u>	<u>1,537</u>	<u>12</u>	<u>28</u>	<u>1,720</u>	<u>1,565</u>	<u>9.9%</u>
Long-term liabilities	60	57	2	1	62	58	6.9%
Other liabilities	<u>1,013</u>	<u>851</u>	<u>8</u>	<u>8</u>	<u>1,021</u>	<u>859</u>	<u>18.9%</u>
Total liabilities	<u>1,073</u>	<u>908</u>	<u>10</u>	<u>9</u>	<u>1,083</u>	<u>917</u>	<u>18.1%</u>
Net assets:							
Invested in capital assets, net of related debt	225	236	---	---	225	236	-4.7%
Restricted	391	298	---	---	391	298	31.2%
Unrestricted	<u>19</u>	<u>95</u>	<u>2</u>	<u>19</u>	<u>21</u>	<u>114</u>	<u>-81.6%</u>
Total net assets	<u>\$ 635</u>	<u>629</u>	<u>2</u>	<u>19</u>	<u>637</u>	<u>648</u>	<u>-1.7%</u>

The District's combined net assets decreased 1.7% or approximately \$11,000, from the prior year. A portion of the District's net assets is invested in capital assets (e.g., land, buildings and equipment), less related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$93,000, or 31%, over the prior year. The increase was primarily a result of the Capital Projects Funds and Special Revenue, Management Fund having more revenues than expenditures during the year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately 93,000 or 82%. This reduction in unrestricted net assets was primarily a result of the District's net OPEB liability and using reserve funds to cover part of the General Fund expenditures.

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

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues:							
Program revenues:							
Charges for service	\$ 99	100	22	19	121	119	1.7%
Operating grants, contributions and restricted interest	167	175	40	40	207	215	-3.7%
General revenues:							
Property tax	741	817	---	---	741	817	-9.3%
Income surtax	62	58	---	---	62	58	6.9%
Statewide sales, services and use tax	55	55	---	---	55	55	0.0%
Unrestricted state grants	49	50	---	---	49	50	-2.0%
Unrestricted investment earnings	1	2	---	---	1	2	-50.0%
Other	<u>6</u>	<u>9</u>	<u>---</u>	<u>---</u>	<u>6</u>	<u>9</u>	<u>-33.3%</u>
Total revenues	<u>1,180</u>	<u>1,266</u>	<u>62</u>	<u>59</u>	<u>1,242</u>	<u>1,325</u>	<u>-6.3%</u>
Program expenses:							
Governmental activities:							
Instruction	684	798	---	---	684	798	-14.3%
Support services	431	401	---	---	431	401	7.5%
Non-instructional programs	---	---	79	83	79	83	-4.8%
Other expenses	<u>59</u>	<u>70</u>	<u>---</u>	<u>---</u>	<u>59</u>	<u>70</u>	<u>-15.7%</u>
Total expenses	<u>1,174</u>	<u>1,269</u>	<u>79</u>	<u>83</u>	<u>1,253</u>	<u>1,352</u>	<u>-7.3%</u>
Excess (deficiency) of revenue over (under) expenditures	6	(3)	(17)	(24)	(11)	(27)	59.3%
Transfers	<u>---</u>	<u>(48)</u>	<u>---</u>	<u>48</u>	<u>---</u>	<u>---</u>	<u>0.0%</u>
Increase (decrease) in net assets	6	(51)	(17)	24	(11)	(27)	59.3%
Net assets beginning of year, as restated	<u>629</u>	<u>680</u>	<u>19</u>	<u>(5)</u>	<u>648</u>	<u>675</u>	<u>-4.0%</u>
Net assets end of year	\$ 635	629	2	19	637	648	-1.7%
	=====	=====	=====	=====	=====	=====	=====

In fiscal year 2011, property tax and unrestricted state grants accounted for 66.9% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 100% of business type activities revenue.

The District's total revenues were approximately \$1.2 million, of which \$1.1 million was for governmental activities and approximately \$0.1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.3% decrease in revenues and a 7.3% decrease in expenses.

Governmental Activities

Revenues for governmental activities were \$1,180,171 and expenses were \$1,173,487 for the year ended June 30, 2011. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

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

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 684	798	-14.3 %	455	563	-19.2%
Support services	431	401	7.5 %	431	399	8.0 %
Non-instructional programs	---	---	0.0 %	---	---	0.0 %
Other expenses	59	70	-15.7 %	22	32	-31.3 %
Total	\$ 1,174	1,269	-7.5 %	908	994	-8.7 %
	=====	=====	=====	=====	=====	=====

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$98,850.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$167,214.
- The net cost of governmental activities was financed with \$858,777 in property and other taxes and \$48,788 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$61,820 representing a 4.5% increase over the prior year, while expenses totaled \$78,991, a 5.0% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$413,833, above last year's ending fund balances of \$406,104.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. Revenues decreased from the prior year and although the District's spending from the General Fund also decreased, it was not enough to cover the decrease in revenues, requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$135,839 to \$60,188.
- The Special Revenue, Management Fund balance increased from \$107,465 at the end of fiscal year 2010 to \$129,187 at the end of fiscal year 2011. While revenues decreased from the prior year the expenditures were about the same which still resulted in an increase in the fund balance.
- The Capital Projects Fund balance increased from \$155,852 at the end of fiscal year 2010 to \$219,328 at the end of fiscal year 2011. Revenues and expenditures did not vary significantly from the prior year.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$19,118 at June 30, 2010 to \$1,947 at June 30, 2011, representing a decrease of approximately 90%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested approximately \$224,733, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 4.7% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$30,879.

The original cost of the District's capital assets was \$1.2 million. Governmental funds account for the majority of this \$1.2 million.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 9	9	---	---	9	9	0.0%
Buildings	93	101	---	---	93	101	-7.9%
Improvements other than buildings	52	56	---	---	52	56	-7.1%
Furniture and equipment	<u>71</u>	<u>70</u>	---	---	<u>71</u>	<u>70</u>	<u>1.4%</u>
Total	\$ 225	236	---	---	225	236	-4.7%
	====	====	====	====	====	====	=====

Long-Term Debt

At June 30, 2011, the District had \$43,019 in long-term debt outstanding. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

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

	Total District		Total Change
	June 30,	June 30,	June 30,
	2011	2010	2010-2011
Compensated absences	\$ 6	7	-14.3%
Termination benefits	<u>37</u>	<u>41</u>	<u>-9.8%</u>
Total	\$ 43	48	-10.4%
	====	====	=====

BUDGETARY HIGHLIGHTS

The District's total revenues were \$47,305 less than budgeted revenues, a variance of 3.7%. A reduction in state resources caused the total amount received to be less than originally anticipated.

Total expenditures were more than budgeted, due primarily to the District not budgeting for non-instructional expenditures. The District manages or controls spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services, non-instructional programs and other expenditures functional areas due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact LeAnn Wempen, District Secretary/Treasurer and Business Manager, LuVerne Community School District, LuVerne, Iowa 50560.

LuVerne Community School District
 LuVerne, Iowa
 Statement of Net Assets
 June 30, 2011

Exhibit A

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 491,249	7,595	498,844
Receivables:			
Property tax:			
Delinquent	11,012	-	11,012
Succeeding year	851,852	-	851,852
Accounts	4,873	185	5,058
Due from other governments	124,765	-	124,765
Inventories	-	4,585	4,585
Capital assets, net of accumulated depreciation	224,733	-	224,733
Total assets	1,708,484	12,365	1,720,849
Liabilities			
Accounts payable	58,389	148	58,537
Salaries and benefits payable	68,873	7,666	76,539
Deferred revenue:			
Succeeding year property tax	851,852	-	851,852
Other	32,829	491	33,320
Early retirement payable	1,155	-	1,155
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	6,931	-	6,931
Portion due after one year:			
Early retirement payable	30,033	-	30,033
Compensated absences	6,055	-	6,055
Net OPEB liability	16,902	2,113	19,015
Total liabilities	1,073,019	10,418	1,083,437
Net assets			
Invested in capital assets, net of related debt	224,733	-	224,733
Restricted for:			
Categorical funding	37,749	-	37,749
Management levy purposes	129,187	-	129,187
Physical plant and equipment	41,106	-	41,106
Capital projects	178,222	-	178,222
Other special revenue purposes	5,130	-	5,130
Unrestricted	19,338	1,947	21,285
Total net assets	\$ 635,465	1,947	637,412

See notes to financial statements.

Basic Financial Statements

LuVerne Community School District
LuVerne, Iowa
Statement of Activities
Year ended June 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<u>Functions/Programs:</u>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 466,791	23,774	99,161	-
Special instruction	31,192	74,884	25,244	-
Other instruction	185,898	192	5,575	-
	<u>683,881</u>	<u>98,850</u>	<u>129,980</u>	<u>-</u>
Support services:				
Student	18	-	-	-
Instructional staff	24,498	-	-	-
Administration	205,053	-	-	-
Operation and maintenance of plant	123,006	-	31	-
Transportation	77,766	-	-	-
	<u>430,341</u>	<u>-</u>	<u>31</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	9,653	-	-	-
AEA flowthrough	37,203	-	37,203	-
Depreciation (unallocated)*	12,409	-	-	-
	<u>59,265</u>	<u>-</u>	<u>37,203</u>	<u>-</u>
Total governmental activities	<u>1,173,487</u>	<u>98,850</u>	<u>167,214</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	78,991	21,571	40,199	-
Total	<u>\$ 1,252,478</u>	<u>120,421</u>	<u>207,413</u>	<u>-</u>

General Revenues:

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

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

See notes to financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
(343,856)	-	(343,856)
68,936	-	68,936
<u>(180,131)</u>	<u>-</u>	<u>(180,131)</u>
<u>(455,051)</u>	<u>-</u>	<u>(455,051)</u>
(18)	-	(18)
(24,498)	-	(24,498)
(205,053)	-	(205,053)
(122,975)	-	(122,975)
<u>(77,766)</u>	<u>-</u>	<u>(77,766)</u>
<u>(430,310)</u>	<u>-</u>	<u>(430,310)</u>
(9,653)	-	(9,653)
-	-	-
<u>(12,409)</u>	<u>-</u>	<u>(12,409)</u>
<u>(22,062)</u>	<u>-</u>	<u>(22,062)</u>
<u>(907,423)</u>	<u>-</u>	<u>(907,423)</u>
-	(17,221)	(17,221)
<u>(907,423)</u>	<u>(17,221)</u>	<u>(924,644)</u>
\$ 718,972	-	718,972
22,294	-	22,294
62,135	-	62,135
55,376	-	55,376
48,788	-	48,788
944	-	944
5,598	50	5,648
<u>914,107</u>	<u>50</u>	<u>914,157</u>
6,684	(17,171)	(10,487)
<u>628,781</u>	<u>19,118</u>	<u>647,899</u>
<u>\$ 635,465</u>	<u>1,947</u>	<u>637,412</u>

LuVerne Community School District
LuVerne, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2011

	<u>General</u>	<u>Special Revenue Management</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ 143,514	129,600	211,183	5,130	489,427
Receivables:					
Property tax:					
Delinquent	9,939	742	331	-	11,012
Succeeding year	778,437	50,000	23,415	-	851,852
Accounts	4,873	-	-	-	4,873
Due from other governments	<u>116,951</u>	<u>-</u>	<u>7,814</u>	<u>-</u>	<u>124,765</u>
Total assets	<u>\$ 1,053,714</u>	<u>180,342</u>	<u>242,743</u>	<u>5,130</u>	<u>1,481,929</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 58,389	-	-	-	58,389
Salaries and benefits payable	68,873	-	-	-	68,873
Deferred revenue:					
Succeeding year property tax	778,437	50,000	23,415	-	851,852
Other	87,827	-	-	-	87,827
Early retirement payable	<u>-</u>	<u>1,155</u>	<u>-</u>	<u>-</u>	<u>1,155</u>
Total liabilities	<u>993,526</u>	<u>51,155</u>	<u>23,415</u>	<u>-</u>	<u>1,068,096</u>
Fund balances:					
Restricted for:					
Categorical funding	37,749	-	-	-	37,749
Management levy purposes	-	129,187	-	-	129,187
Student activities	-	-	-	5,130	5,130
School infrastructure	-	-	178,222	-	178,222
Physical plant and equipment	-	-	41,106	-	41,106
Unassigned	<u>22,439</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,439</u>
Total fund balances	<u>60,188</u>	<u>129,187</u>	<u>219,328</u>	<u>5,130</u>	<u>413,833</u>
Total liabilities and fund balances	<u>\$ 1,053,714</u>	<u>180,342</u>	<u>242,743</u>	<u>5,130</u>	<u>1,481,929</u>

See notes to financial statements.

LuVerne Community School District
LuVerne, Iowa

Exhibit D

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

June 30, 2011

Total fund balances of governmental funds (page 18)	\$ 413,833
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	224,733
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	54,998
Long-term liabilities, including termination benefits, compensated absences and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(59,921)
An internal service fund is used by the District to charge costs of the medical deductible reimbursement plan and the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	<u>1,822</u>
Net assets of governmental activities (page 15)	<u><u>\$ 635,465</u></u>

See notes to financial statements.

LuVerne Community School District
 LuVerne, Iowa
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year ended June 30, 2011

Exhibit E

	<u>General</u>	<u>Special Revenue Management</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 717,543	49,978	77,670	-	845,191
Tuition	96,776	-	-	-	96,776
Other	5,692	2,409	324	192	8,617
State sources	161,648	22	7	-	161,677
Federal sources	54,324	-	-	-	54,324
Total revenues	<u>1,035,983</u>	<u>52,409</u>	<u>78,001</u>	<u>192</u>	<u>1,166,585</u>
Expenditures:					
Current:					
Instruction:					
Regular	472,098	6,718	-	-	478,816
Special	29,852	-	-	-	29,852
Other	183,668	-	-	2,010	185,678
	<u>685,618</u>	<u>6,718</u>	<u>-</u>	<u>2,010</u>	<u>694,346</u>
Support services:					
Student	18	-	-	-	18
Instructional staff	24,498	-	-	-	24,498
Administration	203,849	-	-	-	203,849
Operation and maintenance of plant	96,198	20,465	4,872	-	121,535
Transportation	64,250	3,504	-	-	67,754
	<u>388,813</u>	<u>23,969</u>	<u>4,872</u>	<u>-</u>	<u>417,654</u>
Other expenditures:					
Facilities acquisition	-	-	9,653	-	9,653
AEA flowthrough	37,203	-	-	-	37,203
	<u>37,203</u>	<u>-</u>	<u>9,653</u>	<u>-</u>	<u>46,856</u>
Total expenditures	<u>1,111,634</u>	<u>30,687</u>	<u>14,525</u>	<u>2,010</u>	<u>1,158,856</u>
Net change in fund balances	(75,651)	21,722	63,476	(1,818)	7,729
Fund balances beginning of year, as restated	135,839	107,465	155,852	6,948	406,104
Fund balances end of year	<u>\$ 60,188</u>	<u>129,187</u>	<u>219,328</u>	<u>5,130</u>	<u>413,833</u>
See notes to financial statements.					

LuVerne Community School District
LuVerne, Iowa

Exhibit F

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

Year ended June 30, 2011

Net change in fund balances - total governmental funds (page 20) \$ 7,729

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 19,433	
Depreciation expense	<u>(30,879)</u>	(11,446)

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

13,586

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

Termination benefits	3,806	
Compensated absences	935	
Other postemployment benefits	<u>(8,013)</u>	<u>(3,272)</u>

LuVerne Community School District
LuVerne, Iowa

Exhibit F

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

Year ended June 30, 2011

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

87

Change in net assets of governmental activities (page 17)

\$ 6,684

See notes to financial statements.

LuVerne Community School District
LuVerne, Iowa

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2011

	<u>Enterprise Fund School Nutrition</u>	<u>Governmental Activities - Internal Service Fund</u>
Assets		
Cash and cash equivalents	\$ 7,595	1,822
Accounts receivable	185	-
Inventories	4,585	-
Total assets	12,365	1,822
Liabilities		
Accounts payable	148	-
Salaries and benefits payable	7,666	-
Deferred revenue	491	-
Net OPEB liability	2,113	-
Total liabilities	10,418	-
Net Assets		
Unrestricted	1,947	1,822
Total net assets	\$ 12,365	1,822

See notes to financial statements.

LuVerne Community School District
LuVerne, Iowa

Exhibit H

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

Year ended June 30, 2011

	<u>Enterprise Fund School Nutrition</u>	<u>Governmental Activities - Internal Service Fund</u>
Operating revenues:		
Local sources:		
Charges for service	\$ 21,569	1,409
Miscellaneous	50	-
Total operating revenues	<u>21,619</u>	<u>1,409</u>
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	34,486	-
Benefits	15,304	-
Purchased services	492	-
Supplies	28,499	-
Other	210	-
Total food service operations	<u>78,991</u>	<u>-</u>
Other operating expenses	-	1,323
Total operating expenses	<u>78,991</u>	<u>1,323</u>
Operating income (loss)	<u>(57,372)</u>	<u>86</u>
Non-operating revenues:		
Interest income	-	1
State sources	544	-
Federal sources	39,657	-
Total non-operating revenues	<u>40,201</u>	<u>1</u>
Increase (decrease) in net assets	(17,171)	87
Net assets beginning of year	<u>19,118</u>	<u>1,735</u>
Net assets end of year	<u>\$ 1,947</u>	<u>1,822</u>
See notes to financial statements.		

LuVerne Community School District
LuVerne, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2011

	<u>Enterprise Fund School Nutrition</u>	<u>Governmental Activities - Internal Service Fund</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 21,977	-
Cash received from other services	50	1,409
Cash paid to employees for services	(48,519)	(2,210)
Cash paid to suppliers for goods or services	<u>(23,935)</u>	<u>-</u>
Net cash provided by (used by) operating activities	<u>(50,427)</u>	<u>(801)</u>
Cash flows from non-capital financing activities:		
State grants received	544	-
Federal grants received	<u>33,776</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>34,320</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>-</u>	<u>1</u>
Net decrease in cash and cash equivalents	(16,107)	(800)
Cash and cash equivalents beginning of year	<u>23,702</u>	<u>2,622</u>
Cash and cash equivalents end of year	<u>\$ 7,595</u>	<u>1,822</u>

(continued)

LuVerne Community School District
LuVerne, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2011

<u>Enterprise Fund School Nutrition</u>	<u>Governmental Activities - Internal Service Fund</u>
---	--

**Reconciliation of operating income (loss) to net cash provided
by (used by) operating activities:**

Operating income (loss)	\$ (57,372)	86
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Commodities used	5,881	-
(Increase) in accounts receivable	(45)	-
(Increase) in inventories	(584)	-
(Decrease) in accounts payable	(31)	(887)
Increase in salaries and benefits payable	269	-
Increase on other postemployment benefits	1,002	-
Increase in deferred revenue	453	-
Net cash provided by (used by) operating activities	\$ (50,427)	(801)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2011, the District received \$5,881 of federal commodities.

See notes to financial statements.

LuVerne Community School District
LuVerne, Iowa

Exhibit J

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2011

Agency

Assets

Cash and pooled investments	\$ 327
Other receivables	<u>69</u>
Total assets	<u>396</u>

Liabilities

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

Net assets \$ -

See notes to financial statements.

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

LuVerne Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. An academic sharing agreement exists with Corwith-Wesley Community School District whereby grades seven through twelve attend the Corwith-Wesley Community School District. The geographic area served includes the cities of LuVerne, Corwith and Wesley, Iowa and the predominate agricultural territory in Hancock and Kossuth counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Kossuth County Assessor's Conference Board.

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2011

B. Basis of Presentation

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

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

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

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

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2011

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. 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 revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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

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

The District reports the following major proprietary fund:

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

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

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

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2011

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2011

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

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

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

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2011

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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.

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2011

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

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

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

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

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

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2011

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

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

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

Compensated Absences – District employees do not accumulate earned but unused vacation. District employees accumulate a limited amount of earned but unused sick leave benefits. A liability for earned but unused sick leave is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Equity – In the governmental fund financial statements, 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.

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2011

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. Budgets and Budgetary Accounting

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

(2) **Cash and Pooled Investments**

The District's deposits in banks 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 bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at or during the year ended June 30, 2011 and deposited its excess cash in savings.

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2011

(3) 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 the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th 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 was 1.20% plus the one-month LIBOR rate, adjusted daily. The interest rate on the Series 2010-11B warrants is a variable rate, calculated daily upon the LIBOR rate plus 120 basis points. The District had no ISCAP advance activity for the year ended June 30, 2011.

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2011

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 9,000	---	---	9,000
Capital assets being depreciated:				
Buildings	558,288	---	---	558,288
Improvements other than buildings	73,680	---	---	73,680
Furniture and equipment	478,881	19,433	---	498,314
Total capital assets being depreciated	<u>1,110,849</u>	<u>19,433</u>	<u>---</u>	<u>1,130,282</u>
Less accumulated depreciation for:				
Buildings	456,744	8,725	---	465,469
Improvements other than buildings	17,829	3,684	---	21,513
Furniture and equipment	409,097	18,470	---	427,567
Total accumulated depreciation	<u>883,670</u>	<u>30,879</u>	<u>---</u>	<u>914,549</u>
Total capital assets being depreciated, net	<u>227,179</u>	<u>(11,446)</u>	<u>---</u>	<u>215,733</u>
Governmental activities capital assets, net	<u>\$ 236,179</u>	<u>(11,446)</u>	<u>---</u>	<u>224,733</u>
Business type activities:				
Furniture and equipment	\$ 29,213	---	---	29,213
Less accumulated depreciation	<u>29,213</u>	<u>---</u>	<u>---</u>	<u>29,213</u>
Business type activities capital assets, net	<u>\$ ---</u>	<u>---</u>	<u>---</u>	<u>---</u>

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2011

Depreciation expense was charged to the following functions:

Governmental activities:		
Instruction:		
Regular		\$ 7,432
Support services:		
Administration		467
Operation and maintenance of plant		744
Transportation		<u>9,827</u>
		18,470
Unallocated		<u>12,409</u>
	Total depreciation expense – governmental activities	\$ 30,879
		=====
Business type activities:		
Food service operations		\$ ---
		=====

(5) Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Compensated absences	\$ 6,990	---	935	6,055	---
Early retirement	40,770	---	3,806	36,964	6,931
Net OPEB liability	<u>8,889</u>	<u>8,013</u>	<u>---</u>	<u>16,902</u>	<u>---</u>
Total	\$ 56,649	8,013	4,741	59,921	6,931
					=====
Business type activities:					
Net OPEB liability	\$ 1,111	1,002	---	2,113	---
					=====

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2011

Termination Benefits

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

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

At June 30, 2011, the District has obligations to one participant with a total liability of \$36,964. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$6,718.

(6) 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 covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$35,374, \$36,716, and \$34,641 respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

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

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2011

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

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

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

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

Annual required contributions	\$ 11,000
Interest on net OPEB obligation	450
Adjustment to annual required contribution	<u>(435)</u>
Annual OPEB cost	11,015
Contributions made	<u>(2,000)</u>
Increase in net OPEB obligation	9,015
Net OPEB obligation beginning of year	<u>10,000</u>
Net OPEB obligation end of year	\$ <u><u>19,015</u></u>

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

For the year ended June 30, 2010, the District contributed \$2,000 to the medical plan. Plan members eligible contributed \$0, or 0% of the premium costs.

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 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	\$11,000	9.1%	\$10,000
2011	11,015	18.2%	19,015

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$46,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$46,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$365,000 and the ratio of the UAAL to covered payroll was 12.6%. 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 health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2011

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

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

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

(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$37,203 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.

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2011

(10) Operating Leases

The District entered into a 60 month operating lease for copy machines in February 2010 with GE Capital Solutions for the rental of two copiers. The amount paid for the fiscal year ended June 30, 2011 was \$4,872. Future rentals are scheduled as follows:

<u>Year Ending June 30,</u>	
2012	\$ 4,872
2013	4,872
2014	4,872
2015	<u>3,248</u>
Total	\$ 17,864
	=====

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

(11) Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
At-risk	\$ 4,831
Gifted and Talented	10,860
Early intervention	6,119
School Ready Children	2,551
Professional development – core curriculum	2,493
Professional development	9,410
Market factor	<u>1,485</u>
Total	\$ 37,749
	=====

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2011

(12) 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:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010 as previously reported	\$ 130,300	25,552
Change in fund type classification per implementation of GASB Statement No. 54	25,552	(25,552)
Balances July 1, 2010, as restated	\$ 155,852	---
	=====	=====

(13) Subsequent Event

Subsequent events have been evaluated through March 26, 2012, which is the date the financial statements were available to be issued.

Required Supplementary Information

LuVerne Community School District
LuVerne, Iowa

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

Required Supplementary Information

Year ended June 30, 2011

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 950,584	21,619
State sources	161,677	544
Federal sources	<u>54,324</u>	<u>39,657</u>
Total revenues	<u>1,166,585</u>	<u>61,820</u>
Expenditures/Expenses:		
Instruction	694,346	-
Support services	417,654	-
Non-instructional programs	-	78,991
Other expenditures	<u>46,856</u>	<u>-</u>
Total expenditures/expenses	<u>1,158,856</u>	<u>78,991</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	7,729	(17,171)
Balances beginning of year	<u>406,104</u>	<u>19,118</u>
Balances end of year	<u>\$ 413,833</u>	<u>1,947</u>

See accompanying independent auditor's report.

Total <u>Actual</u>	<u>Budgeted Amounts</u>		Final to Actual <u>Variance</u>
	<u>Original</u>	<u>Final</u>	
972,203	992,694	992,694	(20,491)
162,221	241,016	241,016	(78,795)
<u>93,981</u>	<u>42,000</u>	<u>42,000</u>	<u>51,981</u>
<u>1,228,405</u>	<u>1,275,710</u>	<u>1,275,710</u>	<u>(47,305)</u>
694,346	753,551	753,551	59,205
417,654	416,204	416,204	(1,450)
78,991	-	-	(78,991)
<u>46,856</u>	<u>45,767</u>	<u>45,767</u>	<u>(1,089)</u>
<u>1,237,847</u>	<u>1,215,522</u>	<u>1,215,522</u>	<u>(22,325)</u>
(9,442)	60,188	60,188	(69,630)
<u>425,222</u>	<u>177,784</u>	<u>177,784</u>	<u>247,438</u>
<u>415,780</u>	<u>237,972</u>	<u>237,972</u>	<u>177,808</u>

LuVerne Community School District
LuVerne, Iowa

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 Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

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

During the year ended June 30, 2011, expenditures in the support services, non-instructional programs and other expenditures functions exceeded the amounts budgeted and the District exceeded its General Fund unspent authorized budget.

LuVerne Community School District
LuVerne, Iowa

Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 46,000	46,000	0.0%	\$ 366,000	12.6%
2011	July 1, 2009	-	46,000	46,000	0.0%	365,000	12.6%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Other Supplementary Information

LuVerne Community School District
LuVerne, Iowa

Schedule 1

Balance Sheet
Nonmajor Special Revenue Fund

June 30, 2011

	<u>Student Activity</u>
Assets	
Cash and pooled investments	\$ 5,130
Total assets	<u>\$ 5,130</u>
Liabilities and Fund Balances	
Liabilities:	
Total liabilities	-
Fund Balances:	
Restricted for:	
Student activities	<u>5,130</u>
Total liabilities and fund balances	<u>\$ 5,130</u>

See accompanying independent auditor's report.

LuVerne Community School District
LuVerne, Iowa

Schedule 2

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

Year ended June 30, 2011

	<u>Student Activity</u>
Revenues:	
Local sources:	
Other	\$ 192
Total revenues	<u>192</u>
Expenditures:	
Current:	
Instruction:	
Other instruction	<u>2,010</u>
Total expenditures	<u>2,010</u>
Deficiency of revenues under expenditures	(1,818)
Fund balances beginning of year, as restated	<u>6,948</u>
Fund balances end of year	<u>\$ 5,130</u>

See accompanying independent auditor's report.

LuVerne Community School District
 LuVerne, Iowa
 Combining Balance Sheet
 Capital Projects Accounts

Schedule 3

Year ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 170,408	40,775	211,183
Receivables:			
Property tax:			
Delinquent	-	331	331
Succeeding year	-	23,415	23,415
Due from other governments	7,814	-	7,814
	<u>7,814</u>	<u>-</u>	<u>7,814</u>
Total assets	<u>\$ 178,222</u>	<u>64,521</u>	<u>242,743</u>
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	-	23,415	23,415
Total liabilities	<u>-</u>	<u>23,415</u>	<u>23,415</u>
Fund Balances:			
Restricted for:			
School infrastructure	178,222	-	178,222
Physical plant and equipment	-	41,106	41,106
Total fund balances	<u>178,222</u>	<u>41,106</u>	<u>219,328</u>
Total liabilities and fund balances	<u>\$ 178,222</u>	<u>64,521</u>	<u>242,743</u>

See accompanying independent auditor's report.

LuVerne Community School District
 Lu Verne, Iowa
 Combining Schedule of Revenues, Expenditures,
 and Changes in Fund Balances
 Capital Projects Accounts
 Year ended June 30, 2011

Schedule 4

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 55,376	22,294	77,670
Other	228	96	324
State sources	-	7	7
Total revenues	55,604	22,397	78,001
Expenditures:			
Current:			
Support services:			
Operation and maintenance of plant	-	4,872	4,872
Other expenditures:			
Facilities acquisition	7,682	1,971	9,653
Total expenditures	7,682	6,843	14,525
Excess of revenues over expenditures	47,922	15,554	63,476
Fund balances beginning of year, as restated	130,300	25,552	155,852
Fund balances end of year	178,222	41,106	219,328

See accompanying independent auditor's report.

LuVerne Community School District
LuVerne, Iowa

Schedule 5

Schedule of Changes in Fiduciary Assets and Liabilities -
Agency Fund

Year ended June 30, 2011

	Balance Beginning of Year	<u>Additions</u>	<u>Deductions</u>	Balance End of Year
Assets				
Cash	\$ 377	89	139	327
Other receivables	<u>19</u>	<u>139</u>	<u>89</u>	<u>69</u>
Total assets	<u>\$ 396</u>	<u>228</u>	<u>228</u>	<u>396</u>
Liabilities				
Other payables	<u>\$ 396</u>	<u>228</u>	<u>228</u>	<u>396</u>
Total liabilities	<u>\$ 396</u>	<u>228</u>	<u>228</u>	<u>396</u>

See accompanying independent auditor's report.

LuVerne Community School District
LuVerne, Iowa

Schedule 6

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intrafund Transfers</u>	<u>Balance End of Year</u>
Vocal Music	\$ 389	-	-	-	389
Instrumental Music	233	27	-	-	260
Athletics	1,908	-	-	-	1,908
Juice Account	282	131	42	-	371
9th Grade	1,574	-	1,574	-	-
8th Grade	304	-	304	-	-
6th Grade	90	-	90	-	-
Miscellaneous	473	27	-	-	500
Interest	1,658	7	-	-	1,665
LEA Student Incentive	37	-	-	-	37
Total	<u>\$ 6,948</u>	<u>192</u>	<u>2,010</u>	<u>-</u>	<u>5,130</u>

See accompanying independent auditor's report.

LuVerne Community School District
LuVerne, Iowa

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

For the Last Eight Years

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>Modified</u> <u>2008</u>
Revenues:				
Local sources:				
Local tax	\$ 845,191	\$ 926,724	886,919	781,390
Tuition	96,776	97,026	50,720	60,813
Other	8,617	12,576	34,371	39,235
State sources	161,677	134,713	292,261	289,646
Federal sources	54,324	90,526	41,003	90,359
Total	<u>\$ 1,166,585</u>	<u>1,261,565</u>	<u>1,305,274</u>	<u>1,261,443</u>
Expenditures:				
Instruction:				
Regular	\$ 478,816	\$ 519,759	406,655	411,557
Special	29,852	138,855	180,402	194,646
Other	185,678	79,970	65,306	84,178
Support services:				
Student	18	225	204	115
Instructional staff	24,498	2,406	5,574	6,070
Administration	203,849	186,836	197,226	201,245
Operation and maintenance of plant	121,535	126,124	122,344	138,235
Transportation	67,754	67,579	79,354	152,980
Other expenditures:				
Facilities acquisition	9,653	20,130	77,863	50,562
Long-term debt:				
Principal	-	-	45,065	23,725
Interest and other charges	-	-	3,572	-
AEA flowthrough	37,203	37,049	35,154	35,898
Total	<u>\$ 1,158,856</u>	<u>1,178,933</u>	<u>1,218,719</u>	<u>1,299,211</u>

See accompanying independent auditor's report.

Accrual Basis			
<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
786,301	693,208	659,244	761,027
92,724	94,148	100,175	71,946
69,660	65,372	37,646	44,015
293,275	379,018	334,521	226,221
<u>55,897</u>	<u>51,859</u>	<u>74,642</u>	<u>104,779</u>
<u>1,297,857</u>	<u>1,283,605</u>	<u>1,206,228</u>	<u>1,207,988</u>
412,412	522,704	483,556	510,032
193,214	145,468	161,298	114,884
136,263	79,284	126,573	73,882
73	190	82	19,748
5,115	5,108	4,474	7,358
188,917	191,452	170,973	158,499
131,698	103,980	110,660	129,903
80,905	65,403	60,513	53,798
18,314	53,444	13,069	18,301
-	-	-	-
-	-	-	-
<u>36,077</u>	<u>35,904</u>	<u>34,544</u>	<u>31,121</u>
<u>1,202,988</u>	<u>1,202,937</u>	<u>1,165,742</u>	<u>1,117,526</u>

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

714 14th Avenue North
Fort Dodge, IA 50501-7098
Phone 515.955.4805 • Fax 515.955.4673

Lowell W. Cornwell, C.P.A.
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.
jjmaher@frontiernet.net

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

To the Board of Education of
LuVerne Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of LuVerne Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 26, 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 LuVerne Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LuVerne Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of LuVerne Community School District's internal control over financial reporting.

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

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

or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-11 and I-B-11 to be material weaknesses.

Compliance and Other Matters

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

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

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

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

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

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

March 26, 2012

LuVerne Community School District
LuVerne, Iowa

Schedule of Findings

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

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 are doing everything we can within our situation and make improvements as the situation changes.

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

I-B-11 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to LuVerne Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

LuVerne Community School District
LuVerne, Iowa

Schedule of Findings

Year ended June 30, 2011

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

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

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

LuVerne Community School District
LuVerne, Iowa

Schedule of Findings

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

II-A-11 Certified Budget – Expenditures for the year ended June 30, 2011 exceed the certified budget amounts in the support services, non-instructional programs and other expenditures functions. The District also exceeded its General Fund unspent authorized budget for the year ended June 30, 2011 by approximately \$27,000.

Recommendation – The certified budget should have amended in accordance with Chapter 24.9 if the code of Iowa before expenditures were allowed to exceed the budget. The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the General Fund unspent authorized budget over expenditure.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded. We will contact the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget.

Conclusion – Response accepted.

II-B-11 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

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

II-D-11 Business Transactions – No business transactions between the District and District officials or employees were noted.

II-E-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 ensure the coverage is adequate for current operations.

LuVerne Community School District
LuVerne, Iowa

Schedule of Findings

Year ended June 30, 2011

- II-F-11 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-11 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-J-11 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-K-11 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-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		\$ 130,300
Revenues:		
Sales tax revenues	\$ 55,376	
Other local revenues	<u>228</u>	<u>55,604</u>
		185,904
Expenditures:		
Other		<u>7,682</u>
Ending balance		<u>\$ 178,222</u>