

**LUVERNE COMMUNITY SCHOOL DISTRICT
LUVERNE, IOWA**

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

YEAR ENDED JUNE 30, 2013

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LuVerne Community School District
LuVerne, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

Lisa Lawson	President	2015
Tena Cunningham	Vice President	2015
Meredith Collins	Board Member	2013
Charles Legler	Board Member	2013
Kevin McPeak	Board Member	2015

School Officials

Tom Fey	Superintendent	2013
LeAnn Wempen	District Secretary/Treasurer	2013
Rick Engel	Attorney	Indefinite

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

Certified Public Accountants

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Independent Auditor's Report

To the Board of Education of
LuVerne Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of LuVerne Community School District, LuVerne, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of LuVerne Community School District at June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 16 and 47 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise LuVerne Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2012 (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. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2014 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 in considering LuVerne Community School District's internal control over financial reporting and compliance.

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

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

March 19, 2014

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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$1,137,982 in fiscal 2012 to \$1,200,031 in fiscal 2013, while General Fund expenditures decreased from \$892,651 in fiscal 2012 to \$818,476 in fiscal 2013. The District's General Fund balance increased from \$305,519 at the end of fiscal year 2012 to \$687,074 at the end of fiscal 2013 year, a 125% increase.
- The fiscal year 2013 General Fund revenue increase was attributable to increases in property tax and tuition 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 Position 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 financial 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.

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

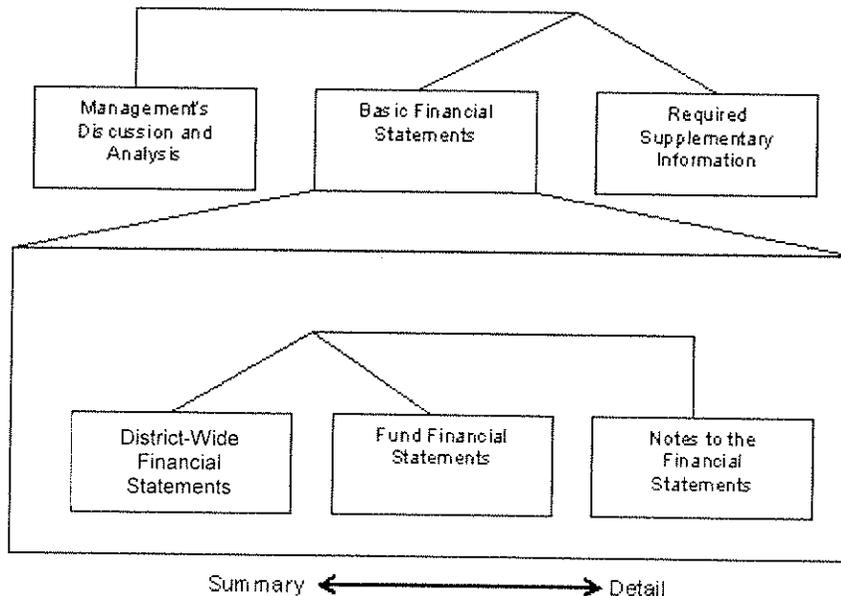


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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 position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of cash flows • Statement of revenues, expenses and changes in fund net position 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets 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 position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, 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 Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

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

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 Position and a Statement of Changes in Fiduciary Net Position.

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 position at June 30, 2013 compared to June 30, 2012.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2013	2012	2013	2012	2013	2012	June 30, 2012-2013
Current and other assets	\$ 2,109	1,840	---	(2)	2,109	1,838	14.7%
Capital assets	247	231	1	---	248	231	7.4%
Total assets	<u>2,356</u>	<u>2,071</u>	<u>1</u>	<u>(2)</u>	<u>2,357</u>	<u>2,069</u>	<u>13.9%</u>
Long-term liabilities	45	61	---	3	45	64	-29.7%
Other liabilities	922	1,078	6	8	928	1,086	-14.5%
Total liabilities	<u>967</u>	<u>1,139</u>	<u>6</u>	<u>11</u>	<u>973</u>	<u>1,150</u>	<u>-15.4%</u>
Net position:							
Net investment in capital assets	247	231	1	---	248	231	7.4%
Restricted	507	444	---	---	507	444	14.2%
Unrestricted	<u>635</u>	<u>257</u>	<u>(6)</u>	<u>(13)</u>	<u>629</u>	<u>244</u>	<u>157.8%</u>
Total net position	<u>\$ 1,389</u>	<u>932</u>	<u>(5)</u>	<u>(13)</u>	<u>1,384</u>	<u>919</u>	<u>50.6%</u>

The District's total net position increased 50.6% or approximately \$465,000, from the prior year. A portion of the District's net position is invested in capital assets (e.g., land, buildings and equipment), less the 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 position increased approximately \$63,000, or 14.2%, over the prior year. The increase was primarily a result of an increase in the restricted balances for categorical funding.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately 385,000, or 157.8%. This increase in unrestricted net position was primarily a result of the General Fund revenues exceeding expenditures.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-4							
Changes in Net Position							
(Expressed in Thousands)							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	2013	2012	2013	2012	2013	2012	2012-2013
Revenues:							
Program revenues:							
Charges for service	\$ 135	107	22	18	157	125	25.6%
Operating grants, contributions and restricted interest	176	146	48	43	224	189	18.5%
Capital grants, contributions and restricted interest	---	10	1	---	1	10	-90.0%
General revenues:							
Property tax	880	853	---	---	880	853	3.2%
Income surtax	58	46	---	---	58	46	26.1%
Statewide sales, services and use tax	59	54	---	---	59	54	9.3%
Unrestricted state grants	24	49	---	---	24	49	51.0%
Unrestricted investment earnings	1	1	---	---	1	1	0.0%
Other	7	6	---	---	7	6	16.7%
Total revenues	<u>1,340</u>	<u>1,272</u>	<u>71</u>	<u>61</u>	<u>1,411</u>	<u>1,333</u>	<u>5.9%</u>
Program expenses:							
Instruction	498	582	---	---	498	582	-14.4%
Support services	335	337	1	---	336	337	-0.3%
Non-instructional programs	---	---	62	76	62	76	-18.4%
Other expenses	50	56	---	---	50	56	-10.7%
Total expenses	<u>883</u>	<u>975</u>	<u>63</u>	<u>76</u>	<u>946</u>	<u>1,051</u>	<u>-10.0%</u>
Increase (decrease) in net position	457	297	8	(15)	465	282	64.9%
Net position beginning of year	<u>932</u>	<u>635</u>	<u>(13)</u>	<u>2</u>	<u>919</u>	<u>637</u>	<u>44.3%</u>
Net position end of year	\$ <u>1,389</u>	<u>932</u>	<u>(5)</u>	<u>(13)</u>	<u>1,384</u>	<u>919</u>	<u>50.6%</u>

In fiscal year 2013, property tax and unrestricted state grants accounted for 67.5% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 98.6% of business type activities revenue.

The District's total revenues were approximately \$1.4 million, of which \$1.3 million was for governmental activities and approximately \$0.1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.9% increase in revenues and a 10.0% decrease in expenses.

Governmental Activities

Revenues for governmental activities were \$1,340,043 and expenses were \$882,874 for the year ended June 30, 2013. The District was able to increase revenues and reduce expenditures to increase its net position.

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, 2013 compared to the year ended June 30, 2012.

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

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-2013	2013	2012	Change 2012-2013
Instruction	\$ 498	582	-14.4 %	222	368	-39.7%
Support services	335	337	-0.6 %	333	331	0.6 %
Non-instructional programs	---	---	0.0 %	---	---	0.0 %
Other expenses	50	56	-10.7 %	17	13	30.8 %
Total	\$ 883	975	-9.4 %	572	712	-19.7 %

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$135,647.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$175,694.
- The net cost of governmental activities was financed with \$996,559 in property and other taxes and \$23,910 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2013 were \$70,977 representing a 16.6% increase over the prior year, while expenses totaled \$63,413, a 16.1% 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 and federal and state reimbursements.

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 \$1,133,373, well above last year's ending fund balances of \$712,708. The primary reason for the increase in fund balance was the reduction of General Fund expenditures.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. Revenues increased over the prior year and the District's spending from the General Fund decreased, resulting in an increase in the fund balance.
- The General Fund balance increased from \$305,519 to \$687,074 due to increases in property tax and tuition revenue and a decrease in expenditures.
- The Special Revenue, Management Fund balance increased from \$150,102 at the end of fiscal year 2012 to \$167,500 at the end of fiscal year 2013. The District's revenues and expenditures were about the same as the prior year and resulted in an increase in the fund balance.
- The Capital Projects Fund balance increased from \$253,324 at the end of fiscal year 2012 to \$276,247 at the end of fiscal year 2013. Revenues did not vary significantly from the prior year, while expenditures increased, but revenues still exceeded expenditures.

Proprietary Fund Highlights

School Nutrition Fund net position increased from a deficit of \$12,806 at June 30, 2012 to a deficit of \$5,242 at June 30, 2013, representing an increase of approximately 59%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested approximately \$247,586, 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 increase of 7.4% 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 \$34,279.

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,
	2013	2012	2013	2012	2013	2012	2012-2013
Land	\$ 9	9	---	---	9	9	0.0%
Buildings	84	92	---	---	84	92	-8.7%
Improvements other than buildings	57	56	---	---	57	56	1.8%
Furniture and equipment	<u>97</u>	<u>74</u>	<u>1</u>	<u>---</u>	<u>98</u>	<u>74</u>	<u>32.4%</u>
Total	<u>\$ 247</u>	<u>231</u>	<u>1</u>	<u>---</u>	<u>248</u>	<u>231</u>	<u>7.4%</u>

Long-Term Debt

At June 30, 2013, the District had \$30,626 in long-term debt outstanding. (See Figure A-7) This represents a decrease of approximately 21% from last year. 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, 2013	June 30, 2012	June 30, 2012-2013
Compensated absences	\$ 5	6	-16.7%
Early retirement	<u>26</u>	<u>33</u>	<u>-21.2%</u>
Total	<u>\$ 31</u>	<u>39</u>	<u>-20.5%</u>

BUDGETARY HIGHLIGHTS

The District's total revenues were \$105,139 more than budgeted revenues, a variance of 8.1%.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. 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 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. 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.
- Several teacher contracts have moved to the LuVerne District from our sharing partner Corwith-Wesley. It is a concern of the LuVerne District to stay financially positive during FY14. LuVerne and Corwith-Wesley will share a contract for a full-time superintendent in FY14, and the contract will be held by LuVerne. Corwith-Wesley will reimburse LuVerne for a portion of that contract. Also in FY14 LuVerne will pay for a part-time principal.
- 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 to 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, 405 Hanna, LuVerne, Iowa 50560.

Basic Financial Statements

LuVerne Community School District
LuVerne, Iowa
Statement of Net Position
June 30, 2013

Exhibit A

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Assets			
Cash, cash equivalents and pooled investments	\$ 1,124,678	8,860	1,133,538
Receivables:			
Property tax:			
Delinquent	10,105	-	10,105
Succeeding year	755,626	-	755,626
Accounts	610	171	781
Due from other funds	12,530	(12,530)	-
Due from other governments	205,940	-	205,940
Inventories	-	3,818	3,818
Capital assets, net of accumulated depreciation	247,009	577	247,586
Total assets	<u>2,356,498</u>	<u>896</u>	<u>2,357,394</u>
Liabilities			
Accounts payable	103,989	-	103,989
Salaries and benefits payable	59,414	5,624	65,038
Deferred revenue:			
Succeeding year property tax	755,626	-	755,626
Other	1,609	514	2,123
Early retirement payable	1,289	-	1,289
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	7,733	-	7,733
Portion due after one year:			
Early retirement payable	18,043	-	18,043
Compensated absences	4,850	-	4,850
Net OPEB liability	14,518	-	14,518
Total liabilities	<u>967,071</u>	<u>6,138</u>	<u>973,209</u>
Net Position			
Net investment in capital assets	247,009	577	247,586
Restricted for:			
Categorical funding	87,179	-	87,179
Management levy purposes	141,724	-	141,724
Physical plant and equipment	66,974	-	66,974
Capital projects	209,273	-	209,273
Student activities	2,552	-	2,552
Unrestricted	634,716	(5,819)	628,897
Total net position	<u>\$ 1,389,427</u>	<u>(5,242)</u>	<u>1,383,608</u>

See notes to financial statements.

LuVerne Community School District
LuVerne, Iowa
Statement of Activities
Year ended June 30, 2013

	<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>
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 275,761	1,845	84,921	-
Special instruction	156,019	133,552	13,808	-
Other instruction	66,134	-	42,300	-
	<u>497,914</u>	<u>135,397</u>	<u>141,029</u>	<u>-</u>
Support services:				
Student	9	-	-	-
Instructional staff	2,948	-	-	-
Administration	118,989	250	861	-
Operation and maintenance of plant	134,339	-	-	-
Transportation	78,383	-	200	-
	<u>334,668</u>	<u>250</u>	<u>1,061</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	1,641	-	-	-
AEA flowthrough	33,604	-	33,604	-
Depreciation (unallocated)*	15,047	-	-	-
	<u>50,292</u>	<u>-</u>	<u>33,604</u>	<u>-</u>
Total governmental activities	<u>882,874</u>	<u>135,647</u>	<u>175,694</u>	<u>-</u>
Business type activities:				
Support services:				
Operation and maintenance of plant	1,065	-	-	-
Non-instructional programs:				
Food service operations	62,348	22,202	48,173	602
Total business type activities	<u>63,413</u>	<u>22,202</u>	<u>48,173</u>	<u>602</u>
Total	<u>\$ 946,287</u>	<u>157,849</u>	<u>223,867</u>	<u>602</u>

General Revenues:

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

Governmental Activities	Business Type Activities	Total
(188,995)	-	(188,995)
(8,659)	-	(8,659)
(23,834)	-	(23,834)
<u>(221,488)</u>	<u>-</u>	<u>(221,488)</u>
(9)	-	(9)
(2,948)	-	(2,948)
(117,878)	-	(117,878)
(134,339)	-	(134,339)
(78,183)	-	(78,183)
<u>(333,357)</u>	<u>-</u>	<u>(333,357)</u>
(1,641)	-	(1,641)
-	-	-
<u>(15,047)</u>	<u>-</u>	<u>(15,047)</u>
<u>(16,688)</u>	<u>-</u>	<u>(16,688)</u>
<u>(571,533)</u>	<u>-</u>	<u>(571,533)</u>
-	(1,065)	(1,065)
-	8,629	8,629
-	7,564	7,564
<u>(571,533)</u>	<u>7,564</u>	<u>(563,969)</u>
\$ 854,438	-	854,438
25,303	-	25,303
57,801	-	57,801
59,017	-	59,017
23,910	-	23,910
923	-	923
7,060	-	7,060
250	-	250
<u>1,028,702</u>	<u>-</u>	<u>1,028,702</u>
457,169	7,564	464,733
932,258	(12,806)	919,452
<u>\$ 1,389,427</u>	<u>(5,242)</u>	<u>1,384,185</u>

LuVerne Community School District
LuVerne, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2013

	<u>General</u>	<u>Special Revenue Management</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue Student Activities</u>	<u>Total</u>
Assets					
Cash, cash equivalents and pooled investments	\$ 685,030	168,213	267,307	2,552	1,123,102
Receivables:					
Property tax:					
Delinquent	9,239	576	290	-	10,105
Succeeding year	652,551	75,000	28,075	-	755,626
Accounts	610	-	-	-	610
Due from other funds	12,530	-	-	-	12,530
Due from other governments	196,590	-	9,350	-	205,940
Total assets	<u>\$ 1,556,550</u>	<u>243,789</u>	<u>305,022</u>	<u>2,552</u>	<u>2,107,913</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 103,064	-	700	-	103,764
Salaries and benefits payable	59,414	-	-	-	59,414
Deferred revenue:					
Succeeding year property tax	652,551	75,000	28,075	-	755,626
Income surtax	52,838	-	-	-	52,838
Other	1,609	-	-	-	1,609
Early retirement payable	-	1,289	-	-	1,289
Total liabilities	<u>869,476</u>	<u>76,289</u>	<u>28,775</u>	<u>-</u>	<u>974,540</u>
Fund balances:					
Restricted for:					
Categorical funding	87,179	-	-	-	87,179
Management levy purposes	-	167,500	-	-	167,500
Student activities	-	-	-	2,552	2,552
School infrastructure	-	-	209,273	-	209,273
Physical plant and equipment	-	-	66,974	-	66,974
Unassigned	599,895	-	-	-	599,895
Total fund balances	<u>687,074</u>	<u>167,500</u>	<u>276,247</u>	<u>2,552</u>	<u>1,133,373</u>
Total liabilities and fund balances	<u>\$ 1,556,550</u>	<u>243,789</u>	<u>305,022</u>	<u>2,552</u>	<u>2,107,913</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 Position

June 30, 2013

Total fund balances of governmental funds (page 20) \$ 1,133,373

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 247,009

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 52,838

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. (45,144)

An internal service fund is used by the District to charge costs of the medical deductible reimbursement plan and the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. 1,126

Net assets of governmental activities (page 17) \$ 1,389,202

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, 2013

Exhibit E

	<u>General</u>	<u>Special Revenue Management</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue Student Activities</u>	<u>Total</u>
Revenues:					
Local sources:					
Local tax	\$ 857,833	50,105	84,319	-	992,257
Tuition	133,752	-	-	-	133,752
Other	8,867	861	146	4	9,878
State sources	144,604	17	9	-	144,630
Federal sources	54,975	-	-	-	54,975
Total revenues	<u>1,200,031</u>	<u>50,983</u>	<u>84,474</u>	<u>4</u>	<u>1,335,492</u>
Expenditures:					
Current:					
Instruction:					
Regular	263,125	7,495	8,064	-	278,684
Special	157,745	-	-	-	157,745
Other	66,022	-	-	1,215	67,237
	<u>486,892</u>	<u>7,495</u>	<u>8,064</u>	<u>1,215</u>	<u>503,666</u>
Support services:					
Student	9	-	-	-	9
Instructional staff	2,948	-	-	-	2,948
Administration	127,518	-	-	-	127,518
Operation and maintenance of plant	98,714	26,090	13,713	-	138,517
Transportation	68,791	-	-	-	68,791
	<u>297,980</u>	<u>26,090</u>	<u>13,713</u>	<u>-</u>	<u>337,783</u>
Other expenditures:					
Facilities acquisition	-	-	40,024	-	40,024
AEA flowthrough	33,604	-	-	-	33,604
	<u>33,604</u>	<u>-</u>	<u>40,024</u>	<u>-</u>	<u>73,628</u>
Total expenditures	<u>818,476</u>	<u>33,585</u>	<u>61,801</u>	<u>1,215</u>	<u>915,077</u>
Excess (deficiency) of revenues over (under) expenditures	<u>381,555</u>	<u>17,398</u>	<u>22,673</u>	<u>(1,211)</u>	<u>420,415</u>
Other financing sources (uses):					
Proceeds from insurance claims	-	-	250	-	250
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>250</u>	<u>-</u>	<u>250</u>
Change in fund balances	381,555	17,398	22,923	(1,211)	420,665
Fund balances beginning of year	<u>305,519</u>	<u>150,102</u>	<u>253,324</u>	<u>3,763</u>	<u>712,708</u>
Fund balances end of year	<u>\$ 687,074</u>	<u>167,500</u>	<u>276,247</u>	<u>2,552</u>	<u>1,133,373</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, 2013

Change in fund balances - total governmental funds (page 22) \$ 420,665

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. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 50,406	
Depreciation expense	(34,254)	16,152

Certain unspent grant proceeds and income surtax not collected for several months after year end, are not considered available revenue and are deferred in the governmental funds. 4,301

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:

Early retirement	6,854	
Compensated absences	1,132	
Other postemployment benefits	7,560	15,546

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, 2013

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.

505

Change in net position of governmental activities (page 19)

\$ 457,169

See notes to financial statements.

LuVerne Community School District
LuVerne, Iowa

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2013

	<u>School Nutrition</u>	<u>Governmental Activities - Internal Service Fund</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,860	1,576
Accounts receivable	171	-
Inventories	3,818	-
Total current assets	<u>12,849</u>	<u>1,576</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	577	-
Total noncurrent assets	<u>577</u>	<u>-</u>
Total assets	<u>13,426</u>	<u>1,576</u>
Liabilities		
Current liabilities:		
Accounts payable	-	225
Salaries and benefits payable	5,624	-
Due to other funds	12,530	-
Deferred revenue	514	-
Total current liabilities	<u>18,668</u>	<u>225</u>
Total liabilities	<u>18,668</u>	<u>225</u>
Net Position		
Investment in capital assets	577	-
Unrestricted	<u>(5,819)</u>	<u>1,351</u>
Total net position	<u>\$ (5,242)</u>	<u>1,351</u>

See notes to financial statements.

LuVerne Community School District
LuVerne, Iowa

Exhibit H

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

Year ended June 30, 2013

	<u>School Nutrition</u>	<u>Governmental Activities - Internal Service Fund</u>
Operating revenues:		
Local sources:		
Charges for service	\$ 22,202	5,920
Total operating revenues	<u>22,202</u>	<u>5,920</u>
Operating expenses:		
Support services:		
Operation and maintenance of plant	<u>1,065</u>	-
Non-instructional programs:		
Food service operations:		
Salaries	30,557	-
Benefits	3,876	-
Purchased services	239	-
Supplies	27,651	-
Depreciation	<u>25</u>	<u>-</u>
Total food service operations	<u>62,348</u>	<u>-</u>
Other operating expenses	-	<u>5,416</u>
Total operating expenses	<u>63,413</u>	<u>5,416</u>
Operating income (loss)	<u>(41,211)</u>	<u>504</u>
Non-operating revenues:		
Interest income	-	1
State sources	640	-
Federal sources	<u>47,533</u>	<u>-</u>
Total non-operating revenues	<u>48,173</u>	<u>1</u>
Income before capital asset contributions	6,962	505
Capital asset contributions	<u>602</u>	<u>-</u>
Increase in net position	7,564	505
Net position beginning of year	<u>(12,806)</u>	<u>846</u>
Net position end of year	<u>\$ (5,242)</u>	<u>1,351</u>
See notes to financial statements.		

LuVerne Community School District
LuVerne, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2013

	<u>School Nutrition</u>	Governmental Activities - Internal <u>Service Fund</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 22,359	-
Cash received from other services	-	5,920
Cash paid to employees for services	(39,641)	(5,266)
Cash paid to suppliers for goods or services	<u>(23,447)</u>	<u>-</u>
Net cash from (used by) operating activities	<u>(40,729)</u>	<u>654</u>
Cash flows from non-capital financing activities:		
State grants received	640	-
Federal grants received	<u>42,156</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>42,796</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>-</u>	<u>1</u>
Net increase in cash and cash equivalents	2,067	655
Cash and cash equivalents beginning of year	<u>6,793</u>	<u>921</u>
Cash and cash equivalents end of year	<u>\$ 8,860</u>	<u>1,576</u>

(continued)

LuVerne Community School District
LuVerne, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2013

	<u>School Nutrition</u>	Governmental Activities - Internal <u>Service Fund</u>
Reconciliation of operating income (loss) to net cash from (used by) operating activities:		
Operating income (loss)	\$ (41,211)	504
Adjustments to reconcile operating income (loss) to net cash from (used by) operating activities:		
Commodities used	5,377	-
Depreciation	25	-
Increase in accounts receivable	(171)	-
Decrease in inventories	131	-
Increase in accounts payable	-	150
Decrease in salaries and benefits payable	(2,242)	-
Decrease in other postemployment benefits	(2,966)	-
Increase in deferred revenue	328	-
	<u>\$ (40,729)</u>	<u>654</u>
Net cash from (used by) operating activities	<u>\$ (40,729)</u>	<u>654</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received \$5,377 of federal commodities.

See notes to financial statements.

LuVerne Community School District
LuVerne, Iowa

Exhibit J

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2013

	<u>Agency</u>
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 position	<u><u>\$ -</u></u>

See notes to financial statements.

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2013

(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, 2013

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position (previously referred to as 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 Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in following categories:

Net investment in capital assets 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has 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, 2013

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 position and changes in net position. 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, 2013

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 is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2013

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

Proprietary funds distinguish operating revenues and expenses from 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, Cash Equivalents and Pooled Investments – 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.

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

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2013

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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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

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

Capital Assets – Capital assets, which include property and furniture and equipment are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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.

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2013

<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.

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.

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2013

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 Position 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, 2013. 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 Position.

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

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

Unassigned – All amounts not included in the preceding classifications.

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2013

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013 expenditures exceeded the amounts budgeted in the support services, non-instructional programs and other expenditures functions.

(2) **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2013 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, 2013 and deposited its excess cash in savings.

(3) **Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2013 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise:	
	School Nutrition	\$ <u>12,530</u>

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2013

The Enterprise, School Nutrition Fund is repaying the General Fund for payroll recorded in the prior year. The balances are to be repaid by June 30, 2014.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2013 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	569,033	---	---	569,033
Improvements other than buildings	78,156	4,834	---	82,990
Furniture and equipment	480,833	45,572	---	526,405
Total capital assets being depreciated	1,128,022	50,406	---	1,178,428
Less accumulated depreciation for:				
Buildings	477,707	7,577	---	485,284
Improvements other than buildings	22,248	4,029	---	26,277
Furniture and equipment	406,210	22,648	---	428,858
Total accumulated depreciation	906,165	34,254	---	940,419
Total capital assets being depreciated, net	221,857	16,152	---	238,009
Governmental activities capital assets, net	\$ 230,857	16,152	---	247,009
Business type activities:				
Furniture and equipment	\$ 29,213	602	---	29,815
Less accumulated depreciation	29,213	25	---	29,238
Business type activities capital assets, net	\$ ---	577	---	577

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2013

Depreciation expense was charged to the following functions:

Governmental activities:		
Instruction:		
Regular		\$ 7,813
Support services:		
Administration		663
Operation and maintenance of plant		904
Transportation		<u>9,827</u>
Unallocated		19,201
		<u>15,047</u>
Total depreciation expense – governmental activities		<u>\$ 34,254</u>
Business type activities:		
Food service operations		<u>\$ 25</u>

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Compensated absences	\$ 5,982	---	1,132	4,850	---
Early retirement	32,630	---	6,854	25,776	7,733
Net OPEB liability	<u>22,078</u>	---	<u>7,560</u>	<u>14,518</u>	---
Total	<u>\$ 60,690</u>	---	<u>15,546</u>	<u>45,144</u>	<u>7,733</u>
Business type activities:					
Net OPEB liability	\$ 2,966	---	2,966	---	---

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2013

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, 2013, the District has obligations to one participant with a total liability of \$25,776. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$6,855.

(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 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$36,302, \$36,033, and \$35,374 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 employees, retirees and their spouses. There are six active and one 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, 2013

The health insurance benefits are provided through a fully-insured plan with Coventry. 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, 2013, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contributions	\$ 3,565
Interest on net OPEB obligation	1,127
Adjustment to annual required contribution	<u>(1,494)</u>
Annual OPEB cost	3,198
Contributions made	<u>(13,724)</u>
Decrease in net OPEB obligation	(10,526)
Net OPEB obligation beginning of year	<u>25,044</u>
Net OPEB obligation end of year	\$ <u>14,518</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, 2013.

For the year ended June 30, 2013, the District contributed \$13,724 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, 2013

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended <u>June 30,</u>	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$11,015	18.2%	\$10,000
2012	11,029	45.3%	19,015
2013	3,198	329.1%	14,518

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$18,078, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$18,078. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$209,000 and the ratio of the UAAL to covered payroll was 8.6%. As of June 30, 2013, 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 for the Retiree Health Plan, 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, 2013

As of the July 1, 2012 actuarial valuation date, the entry age 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 trend rate is 5%.

Mortality rates are from the Life Expectancy Table from National Center for Health Statistics updated in 2008. Annual retirement and termination probabilities were developed from applying termination factors from the U.S. Office of Personnel Management.

Projected claim costs of the insurance plan are \$645 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 0.25% 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 \$33,604 for the year ended June 30, 2013 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, 2013

(10) Operating Leases

The District entered into a 60 month operating lease with GE Capital Solutions in February 2010 for the rental of two copiers. The amount paid for the fiscal year ended June 30, 2013 was \$4,872. Future rentals are scheduled as follows:

<u>Year Ending June 30,</u>	
2014	\$ 4,872
2015	<u>3,248</u>
Total	<u>\$ 8,120</u>

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 restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Limited English Proficient	\$ 1,359
Gifted and Talented	10,326
Returning dropout and dropout prevention program	25,970
Preschool	34,276
Teacher salary supplement	2,074
Professional development – core curriculum	5,067
Professional development	6,622
Market factor	<u>1,485</u>
Total	<u>\$ 87,179</u>

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2013

(12) Deficit Fund Balance

The Enterprise, School Nutrition Fund had a deficit fund balance of \$5,242 at June 30, 2013. The deficit will be eliminated by an increase in adult meal prices and a reduction in expenditures due to the retirement of a cook. The deficit in the Enterprise, School Nutrition Fund was due to expenditures being incurred before the receipts were available to pay for them.

(13) Subsequent Event

Subsequent events have been evaluated through March 19, 2014, which is the date the financial statements were available to be issued.

On March 12, 2014, the Board approved a whole grade sharing agreement with Algona Community School District for FY 2015-2016.

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, 2013

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 1,135,887	22,202
Intermediate sources	-	-
State sources	144,630	640
Federal sources	<u>54,975</u>	<u>47,533</u>
Total revenues	<u>1,335,492</u>	<u>70,375</u>
Expenditures/Expenses:		
Instruction	503,666	-
Support services	337,783	1,065
Non-instructional programs	-	62,348
Other expenditures	<u>73,628</u>	<u>-</u>
Total expenditures/expenses	<u>915,077</u>	<u>63,413</u>
Excess of revenues over expenditures/expenses	420,415	6,962
Other financing sources, net	<u>250</u>	<u>602</u>
Excess of revenues and other financing sources over expenditures/expenses and other financing uses	420,665	7,564
Balances beginning of year	<u>712,708</u>	<u>(12,806)</u>
Balances end of year	<u>\$ 1,133,373</u>	<u>(5,242)</u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
1,158,089	1,082,642	1,082,642	75,447
-	100	100	(100)
145,270	151,986	151,986	(6,716)
<u>102,508</u>	<u>66,000</u>	<u>66,000</u>	<u>36,508</u>
<u>1,405,867</u>	<u>1,300,728</u>	<u>1,300,728</u>	<u>105,139</u>
503,666	725,125	725,125	221,459
338,848	321,250	321,250	(17,598)
62,348	60,000	60,000	(2,348)
<u>73,628</u>	<u>35,861</u>	<u>35,861</u>	<u>(37,767)</u>
<u>978,490</u>	<u>1,142,236</u>	<u>1,142,236</u>	<u>163,746</u>
427,377	158,492	158,492	268,885
<u>852</u>	<u>-</u>	<u>-</u>	<u>852</u>
428,229	158,492	158,492	269,737
<u>699,902</u>	<u>610,735</u>	<u>610,735</u>	<u>89,167</u>
<u>1,128,131</u>	<u>769,227</u>	<u>769,227</u>	<u>358,904</u>

LuVerne Community School District
LuVerne, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2013

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, 2013, expenditures in the support services, non-instructional programs and other expenditures functions exceeded the amounts budgeted.

LuVerne Community School District
LuVerne, Iowa

Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 46,000	46,000	0.0%	\$ 366,000	12.6%
2011	July 1, 2009	-	46,000	46,000	0.0%	365,000	12.6%
2012	July 1, 2009	-	46,000	46,000	0.0%	291,000	15.8%
2013	July 1, 2012	-	18,078	18,078	0.0%	209,000	8.6%

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

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

<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	154	-	-	-	154
Athletics	663	-	1,215	-	(552)
Juice Account	321	-	-	-	321
Miscellaneous	529	-	-	-	529
Interest	1,670	4	-	-	1,674
LEA Student Incentive	37	-	-	-	37
Total	<u>\$ 3,763</u>	<u>4</u>	<u>1,215</u>	<u>-</u>	<u>2,552</u>

See accompanying independent auditor's report.

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

Schedule 2

June 30, 2013

	Capital Projects		
Assets	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	<u>Total</u>
Cash, cash equivalents and pooled investments	\$ 199,923	67,384	267,307
Receivables:			
Property tax:			
Delinquent	-	290	290
Succeeding year	-	28,075	28,075
Due from other governments	9,350	-	9,350
	<u>209,273</u>	<u>95,749</u>	<u>305,022</u>
Total assets	<u>\$ 209,273</u>	<u>95,749</u>	<u>305,022</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	700	700
Deferred revenue:			
Succeeding year property tax	-	28,075	28,075
Total liabilities	<u>-</u>	<u>28,775</u>	<u>28,775</u>
Fund balances:			
Restricted for:			
School infrastructure	209,273	-	209,273
Physical plant and equipment	-	66,974	66,974
Total fund balances	<u>209,273</u>	<u>66,974</u>	<u>276,247</u>
Total liabilities and fund balances	<u>\$ 209,273</u>	<u>95,749</u>	<u>305,022</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 Project Accounts
 Year ended June 30, 2013

Schedule 3

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 59,017	25,302	84,319
Other	113	33	146
State sources	-	9	9
Total revenues	59,130	25,344	84,474
Expenditures:			
Instruction:			
Regular	8,064	-	8,064
Support services:			
Operation and maintenance of plant	1,370	12,343	13,713
Other expenditures:			
Facilities acquisition	40,024	-	40,024
Total expenditures	49,458	12,343	61,801
Excess of revenues over expenditures	9,672	13,001	22,673
Other financing sources:			
Proceeds from insurance claims	-	250	250
Total other financing sources	-	250	250
Excess of revenues and other financing sources over expenditures	9,672	13,251	22,923
Fund balances beginning of year	199,601	53,723	253,324
Fund balances end of year	209,273	66,974	276,247

See accompanying independent auditor's report.

Schedule of Changes in Fiduciary Assets and Liabilities -
Agency Fund

Year ended June 30, 2013

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ 327	-	-	327
Other receivables	<u>69</u>	<u>-</u>	<u>-</u>	<u>69</u>
Total assets	<u><u>\$ 396</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>396</u></u>
Liabilities				
Other payables	<u>\$ 396</u>	<u>-</u>	<u>-</u>	<u>396</u>
Total liabilities	<u><u>\$ 396</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>396</u></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 Ten Years

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues:				
Local sources:				
Local tax	\$ 992,257	960,311	845,191	926,724
Tuition	133,752	73,253	96,776	97,026
Other	9,878	7,345	8,617	12,576
State sources	144,630	155,537	161,677	134,713
Federal sources	54,975	80,636	54,324	90,526
Total	<u>\$ 1,335,492</u>	<u>1,277,082</u>	<u>1,166,585</u>	<u>1,261,565</u>
Expenditures:				
Instruction:				
Regular	\$ 278,684	316,493	478,816	519,759
Special	157,745	151,552	29,852	138,855
Other	67,237	105,499	185,678	79,970
Support services:				
Student	9	45	18	225
Instructional staff	2,948	3,338	24,498	2,406
Administration	127,518	120,203	203,849	186,836
Operation and maintenance of plant	138,517	131,382	121,535	126,124
Transportation	68,791	70,524	67,754	67,579
Other expenditures:				
Facilities acquisition	40,024	47,521	9,653	20,130
Long-term debt:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
AEA flowthrough	33,604	32,655	37,203	37,049
Total	<u>\$ 915,077</u>	<u>979,212</u>	<u>1,158,856</u>	<u>1,178,933</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
886,919	781,390	786,301	693,208	659,244	761,027
50,720	60,813	92,724	94,148	100,175	71,946
34,371	39,235	69,660	65,372	37,646	44,015
292,261	289,646	293,275	379,018	334,521	226,221
41,003	90,359	55,897	51,859	74,642	104,779
<u>1,305,274</u>	<u>1,261,443</u>	<u>1,297,857</u>	<u>1,283,605</u>	<u>1,206,228</u>	<u>1,207,988</u>
406,655	411,557	412,412	522,704	483,556	510,032
180,402	194,646	193,214	145,468	161,298	114,884
65,306	84,178	136,263	79,284	126,573	73,882
204	115	73	190	82	19,748
5,574	6,070	5,115	5,108	4,474	7,358
197,226	201,245	188,917	191,452	170,973	158,499
122,344	138,235	131,698	103,980	110,660	129,903
79,354	152,980	80,905	65,403	60,513	53,798
77,863	50,562	18,314	53,444	13,069	18,301
45,065	23,725	-	-	-	-
3,572	-	-	-	-	-
35,154	35,898	36,077	35,904	34,544	31,121
<u>1,218,719</u>	<u>1,299,211</u>	<u>1,202,988</u>	<u>1,202,937</u>	<u>1,165,742</u>	<u>1,117,526</u>

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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 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, the 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, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 19, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered LuVerne Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LuVerne Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of LuVerne Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control 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-13 and I-B-13 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, 2013 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

LuVerne Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. LuVerne Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of 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 19, 2014

LuVerne Community School District
LuVerne, Iowa

Schedule of Findings

Year ended June 30, 2013

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-13 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-13 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, 2013

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, 2013

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget – Expenditures for the year ended June 30, 2013 exceed the certified budget amounts in the support services, non-instructional programs and other expenditures functions.

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

Response – Future budgets will be amended in sufficient amounts in the correct functional areas to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

II-B-13 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-13 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-13 Business Transactions – No business transactions between the District and District officials or employees were noted.

II-E-13 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

II-F-13 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-13 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

LuVerne Community School District
LuVerne, Iowa

Schedule of Findings

Year ended June 30, 2013

II-H-13 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B of the Code of Iowa and the District's investment policy were noted. However, one instance of non-compliance with Chapter 12C was noted. The District exceeded its approved maximum depository amount stated in its depository resolution.

Recommendation - The District should review for sufficiency the maximum amount to be deposited at its depositories and increase the amount if needed.

Response - We have reviewed and increased the maximum amount stated in the depository resolution.

Conclusion-Response accepted.

II-J-13 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

II-K-13 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-13 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

LuVerne Community School District
LuVerne, Iowa

Schedule of Findings

Year ended June 30, 2013

Beginning balance		\$ 199,601
Revenues:		
Sales tax revenues	\$ 59,017	
Other local revenues	<u>113</u>	<u>59,130</u>
		258,731
Expenditures:		
Equipment	9,434	
Other	<u>40,024</u>	<u>49,458</u>
Ending balance		\$ <u>209,273</u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-13 Deficit Balances - The Enterprise, School Nutrition Fund and one student activity account had deficit balances at June 30, 2013.

Recommendation - The District should continue to investigate alternatives to eliminate the deficits in order to return these accounts to a sound financial condition.

Response - The District is continuing to investigate alternatives to eliminate these deficits.

Conclusion - Response accepted.