

**LUVERNE COMMUNITY SCHOOL DISTRICT
LUVERNE, IOWA**

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

YEAR ENDED JUNE 30, 2014

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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

(Before September 2013 Election)

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

(After September 2013 Election)

Lisa Lawson	President	2015
Tena Cunningham	Vice President	2015
Meredith Collins	Board Member	2017
Charles Legler	Board Member	2017
Kevin McPeak	Board Member	2015

School Officials

Jon Hueser	Superintendent	2014
LeAnn Wempen	District Secretary/Treasurer and Business Manager	2014
Rick Engel	Attorney	Indefinite

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

Certified Public Accountants

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

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

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

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

Independent Auditor's Report

To the Board of Education of
LuVerne Community School District:

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, 2014, and the related Notes to 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 from 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, 2014, 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 four years ended June 30, 2013 (which are not presented herein) and

expressed unmodified opinions on those financial statements. The financial statements for the five years ended June 30, 2009 (which are not presented herein) were audited by other auditors who expressed unmodified 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, 2015 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, 2015

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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$1,200,031 in fiscal 2013 to \$1,144,739 in fiscal 2014, while General Fund expenditures increased from \$818,476 in fiscal 2013 to \$1,364,699 in fiscal 2014. The District's General Fund balance decreased from \$687,074 at the end of fiscal year 2013 to \$467,114 at the end of fiscal 2014 year, a 32% decrease.
- The fiscal year 2014 General Fund revenue decrease was attributable to an increase in regular instruction expenditures.

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

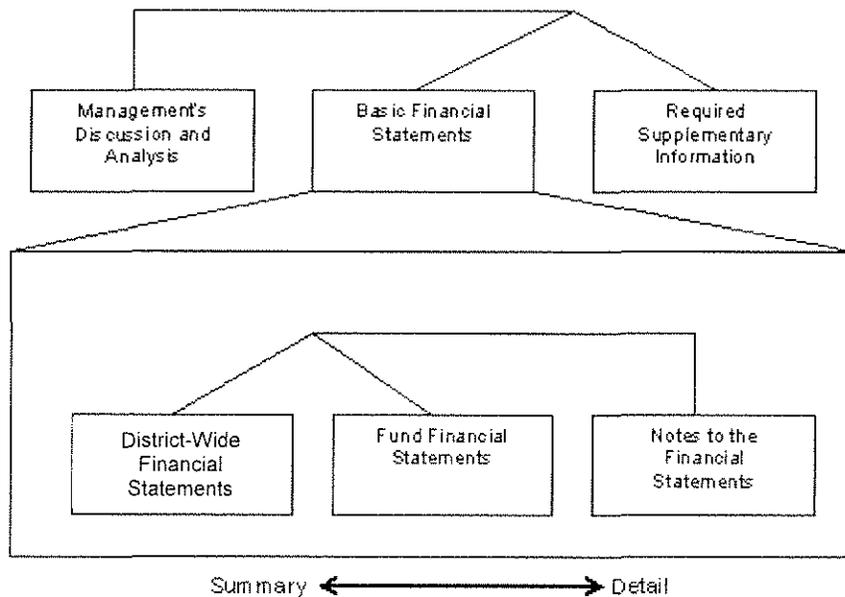


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. 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 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 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, 2014 compared to June 30, 2013.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$ 2,019	2,109	4	---	2,023	2,109	-4.1%
Capital assets	260	247	1	1	261	248	5.2%
Total assets	<u>2,279</u>	<u>2,356</u>	<u>5</u>	<u>1</u>	<u>2,284</u>	<u>2,357</u>	<u>-3.1%</u>
Long-term liabilities	35	45	---	---	35	45	-22.2%
Other liabilities	209	166	6	6	215	172	25.0%
Total liabilities	<u>244</u>	<u>211</u>	<u>6</u>	<u>6</u>	<u>250</u>	<u>217</u>	<u>15.2%</u>
Deferred inflows of resources	<u>762</u>	<u>756</u>	<u>---</u>	<u>---</u>	<u>762</u>	<u>756</u>	<u>0.8%</u>
Net position:							
Net investment in capital assets	260	247	1	1	261	248	5.2%
Restricted	627	507	---	---	627	507	23.7%
Unrestricted	<u>386</u>	<u>635</u>	<u>(2)</u>	<u>(6)</u>	<u>384</u>	<u>629</u>	<u>-38.9%</u>
Total net position	<u>\$ 1,273</u>	<u>1,389</u>	<u>(1)</u>	<u>(5)</u>	<u>1,272</u>	<u>1,384</u>	<u>-8.1%</u>

The District's total net position decreased 8.1% or approximately \$112,000, 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 \$120,000, or 23.7%, 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 – decreased approximately 245,000, or 38.9%. This decrease in unrestricted net position was primarily a result of the General Fund expenditures exceeding revenues.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4							
Changes in Net Position							
(Expressed in Thousands)							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for service	\$ 265	135	18	22	283	157	80.3%
Operating grants, contributions and restricted interest	128	176	53	48	181	224	-19.2%
Capital grants, contributions and restricted interest	---	---	---	1	---	1	-100.0%
General revenues:							
Property tax	758	880	---	---	758	880	-13.9%
Income surtax	84	58	---	---	84	58	44.8%
Statewide sales, services and use tax	66	59	---	---	66	59	11.9%
Unrestricted state grants	9	24	---	---	9	24	-62.5%
Unrestricted investment earnings	1	1	---	---	1	1	0.0%
Other	<u>12</u>	<u>7</u>	<u>---</u>	<u>---</u>	<u>12</u>	<u>7</u>	<u>71.4%</u>
Total revenues	<u>1,323</u>	<u>1,340</u>	<u>71</u>	<u>71</u>	<u>1,394</u>	<u>1,411</u>	<u>-1.2%</u>
Program expenses:							
Instruction	914	498	---	---	914	498	83.5%
Support services	471	335	1	1	472	336	40.5%
Non-instructional programs	---	---	66	62	66	62	6.5%
Other expenses	<u>54</u>	<u>50</u>	<u>---</u>	<u>---</u>	<u>54</u>	<u>50</u>	<u>8.0%</u>
Total expenses	<u>1,439</u>	<u>883</u>	<u>67</u>	<u>63</u>	<u>1,506</u>	<u>946</u>	<u>59.2%</u>
Change in net position	(116)	457	4	8	(112)	465	-124.1%
Net position beginning 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>
Net position end of year	<u>\$ 1,273</u>	<u>1,389</u>	<u>(1)</u>	<u>(5)</u>	<u>1,272</u>	<u>1,384</u>	<u>-8.1%</u>

In fiscal year 2014, property tax and unrestricted state grants accounted for 58.1% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 100% of business type activities revenue.

The District's total revenues were approximately \$1.4 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 1.2% decrease in revenues and a 59.2% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$1,323,046 and expenses were \$1,439,493 for the year ended June 30, 2014. The District had a decrease in revenues and an increase in expenditures causing a decrease in 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, 2014 compared to the year ended June 30, 2013.

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

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-2014	2014	2013	Change 2013-2014
Instruction	\$ 914	498	83.5 %	668	222	200.9%
Support services	471	335	40.6 %	361	333	8.4 %
Non-instructional programs	---	---	0.0 %	---	---	0.0 %
Other expenses	54	50	8.0 %	18	17	5.9 %
Total	\$ 1,439	883	63.0 %	1,047	572	83.0 %

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$264,590.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$127,822.
- The net cost of governmental activities was financed with \$907,922 in property and other taxes and \$9,367 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2014 were \$71,192 representing a 0.3% increase over the prior year, while expenses totaled \$67,128, a 5.9% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service 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 \$994,271, below last year's ending fund balances of \$1,133,373. The primary reason for the decrease in fund balance was the increase in General Fund expenditures.

Governmental Fund Highlights

- The District's declining General Fund financial position is the result of many factors. Revenues decreased from the prior year and the District's spending from the General Fund increased, resulting in a decrease in the fund balance.
- The General Fund balance decreased from \$687,074 to \$467,114 due to decreases in property tax and tuition revenue and an increase in expenditures.
- The Special Revenue, Management Fund balance increased from \$167,500 at the end of fiscal year 2013 to \$207,398 at the end of fiscal year 2014. The District's revenues increased and expenditures slightly increased which resulted in an increase in the fund balance.
- The Capital Projects Fund balance increased from \$276,247 at the end of fiscal year 2013 to \$318,115 at the end of fiscal year 2014. Revenues increased, while expenditures decreased, resulting in an increase in fund balance.

Proprietary Fund Highlights

School Nutrition Fund net position increased from a deficit of \$5,242 at June 30, 2013 to a deficit of \$1,178 at June 30, 2014, representing an increase of approximately 22%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested approximately \$260,245, 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 5.2% 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 \$39,140.

The original cost of the District's capital assets was \$1.3 million. Governmental funds account for the majority of this \$1.3 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,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$ 9	9	---	---	9	9	0.0%
Buildings	85	84	---	---	85	84	1.2%
Improvements other than buildings	53	57	---	---	53	57	-7.0%
Furniture and equipment	<u>113</u>	<u>97</u>	<u>1</u>	<u>1</u>	<u>114</u>	<u>98</u>	<u>16.3%</u>
Total	<u>\$ 260</u>	<u>247</u>	<u>1</u>	<u>1</u>	<u>261</u>	<u>248</u>	<u>5.2%</u>

Long-Term Debt

At June 30, 2014, the District had \$23,812 in long-term debt outstanding. (See Figure A-7) This represents a decrease of approximately 23% 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,		June 30,
	2014	2013	2013-2014
Compensated absences	\$ 6	5	20.0%
Early retirement	<u>18</u>	<u>26</u>	<u>-30.8%</u>
Total	<u>\$ 24</u>	<u>31</u>	<u>-22.6%</u>

BUDGETARY HIGHLIGHTS

The District's total revenues were \$221,113 more than budgeted revenues, a variance of 18.9%.

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 non-instructional programs functional area 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.
- It is a concern of the LuVerne District to stay financially positive during FY15. LuVerne and Corwith-Wesley will share a contract for a full-time superintendent in FY15, and the contract will be held by LuVerne. Corwith-Wesley will reimburse LuVerne for a portion of that contract. Also in FY15 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.
- In FY14 and FY15 we are sharing sports with Algona due to declining participation and also a way to save money. They are not billing us for any coaching or entry fees.

- A Whole Grade Sharing Agreement was signed in FY14 with Algona for FY16. The cost per pupil we will pay Algona is 50%.

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, 2014

Exhibit A

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 955,800	12,966	968,766
Receivables:			
Property tax:			
Delinquent	9,824	-	9,824
Succeeding year	762,150	-	762,150
Accounts	-	207	207
Due from other funds	15,743	(15,743)	-
Due from other governments	276,273	-	276,273
Inventories	-	7,122	7,122
Capital assets, net of accumulated depreciation	259,718	527	260,245
Total assets	<u>2,279,508</u>	<u>5,079</u>	<u>2,284,587</u>
Liabilities			
Accounts payable	18,729	-	18,729
Salaries and benefits payable	104,533	5,706	110,239
Due to other governments	84,643	-	84,643
Unearned revenue	-	551	551
Early retirement payable	1,290	-	1,290
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	7,739	-	7,739
Portion due after one year:			
Early retirement payable	10,319	-	10,319
Compensated absences	5,754	-	5,754
Net OPEB liability	11,371	-	11,371
Total liabilities	<u>244,378</u>	<u>6,257</u>	<u>250,635</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	762,150	-	762,150
Net Position			
Net investment in capital assets	259,718	527	260,245
Restricted for:			
Categorical funding	118,525	-	118,525
Management levy purposes	189,340	-	189,340
Physical plant and equipment	68,561	-	68,561
School infrastructure	249,554	-	249,554
Student activities	1,644	-	1,644
Unrestricted	385,638	(1,705)	383,933
Total net position	<u>\$ 1,272,980</u>	<u>(1,178)</u>	<u>1,271,802</u>

See notes to financial statements.

LuVerne Community School District
LuVerne, Iowa
Statement of Activities
Year ended June 30, 2014

	<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	\$ 622,148	3,788	65,490	-
Special instruction	231,388	152,790	5,812	-
Other instruction	60,722	-	18,841	-
	<u>914,258</u>	<u>156,578</u>	<u>90,143</u>	<u>-</u>
Support services:				
Student	67	-	-	-
Instructional staff	12,206	-	-	-
Administration	234,658	108,012	133	-
Operation and maintenance of plant	136,674	-	-	-
Transportation	87,171	-	1,658	-
	<u>470,776</u>	<u>108,012</u>	<u>1,791</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	3,434	-	-	-
AEA flowthrough	35,888	-	35,888	-
Depreciation (unallocated)*	15,137	-	-	-
	<u>54,459</u>	<u>-</u>	<u>35,888</u>	<u>-</u>
Total governmental activities	<u>1,439,493</u>	<u>264,590</u>	<u>127,822</u>	<u>-</u>
Business type activities:				
Support services:				
Administration	177	-	-	-
Operation and maintenance of plant	590	-	-	-
Non-instructional programs:				
Food service operations	66,361	17,448	53,403	-
Total business type activities	<u>67,128</u>	<u>17,448</u>	<u>53,403</u>	<u>-</u>
Total	<u>\$ 1,506,621</u>	<u>282,038</u>	<u>181,225</u>	<u>-</u>

General Revenues:

Property tax levied for:
General purposes
Capital outlay
Income surtax
Statewide sales, services and use tax
Unrestricted state grants
Unrestricted investment earnings
Other
Total general revenues
Change in net 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
(552,870)	-	(552,870)
(72,786)	-	(72,786)
(41,881)	-	(41,881)
<u>(667,537)</u>	<u>-</u>	<u>(667,537)</u>
(67)	-	(67)
(12,206)	-	(12,206)
(126,513)	-	(126,513)
(136,674)	-	(136,674)
(85,513)	-	(85,513)
<u>(360,973)</u>	<u>-</u>	<u>(360,973)</u>
(3,434)	-	(3,434)
-	-	-
<u>(15,137)</u>	<u>-</u>	<u>(15,137)</u>
<u>(18,571)</u>	<u>-</u>	<u>(18,571)</u>
<u>(1,047,081)</u>	<u>-</u>	<u>(1,047,081)</u>
-	(177)	(177)
-	(590)	(590)
<u>-</u>	<u>4,490</u>	<u>4,490</u>
<u>-</u>	<u>3,723</u>	<u>3,723</u>
<u>(1,047,081)</u>	<u>3,723</u>	<u>(1,043,358)</u>
\$ 729,121	-	729,121
29,259	-	29,259
83,966	-	83,966
65,576	-	65,576
9,367	-	9,367
1,112	-	1,112
12,233	341	12,574
<u>930,634</u>	<u>341</u>	<u>930,975</u>
(116,447)	4,064	(112,383)
<u>1,389,427</u>	<u>(5,242)</u>	<u>1,384,185</u>
<u>\$ 1,272,980</u>	<u>(1,178)</u>	<u>1,271,802</u>

LuVerne Community School District
LuVerne, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2014

		<u>General</u>	<u>Special Revenue Management</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue Student Activities</u>	<u>Total</u>
Assets						
Cash and cash equivalents	\$	427,997	207,713	318,233	1,644	955,587
Receivables:						
Property tax:						
Delinquent		8,484	975	365	-	9,824
Succeeding year		610,179	125,000	26,971	-	762,150
Due from other funds		15,743	-	-	-	15,743
Due from other governments		264,704	-	11,569	-	276,273
Total assets		<u>\$ 1,327,107</u>	<u>333,688</u>	<u>357,138</u>	<u>1,644</u>	<u>2,019,577</u>
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable	\$	6,677	-	12,052	-	18,729
Salaries and benefits payable		104,533	-	-	-	104,533
Due to other governments		84,643	-	-	-	84,643
Early retirement payable		-	1,290	-	-	1,290
Total liabilities		<u>195,853</u>	<u>1,290</u>	<u>12,052</u>	<u>-</u>	<u>209,195</u>
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax		610,179	125,000	26,971	-	762,150
Income surtax		53,961	-	-	-	53,961
Total deferred inflows of resources		<u>664,140</u>	<u>125,000</u>	<u>26,971</u>	<u>-</u>	<u>816,111</u>
Fund balances:						
Restricted for:						
Categorical funding		118,525	-	-	-	118,525
Management levy purposes		-	207,398	-	-	207,398
Student activities		-	-	-	1,644	1,644
School infrastructure		-	-	249,554	-	249,554
Physical plant and equipment		-	-	68,561	-	68,561
Unassigned		348,589	-	-	-	348,589
Total fund balances		<u>467,114</u>	<u>207,398</u>	<u>318,115</u>	<u>1,644</u>	<u>994,271</u>
Total liabilities, deferred inflows of resources and fund balances		<u>\$ 1,327,107</u>	<u>333,688</u>	<u>357,138</u>	<u>1,644</u>	<u>2,019,577</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, 2014

Total fund balances of governmental funds (page 20) \$ 994,271

*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. 259,718

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 53,961

Long-term liabilities, including termination benefits, compensated absences and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (35,183)

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. 213

Net position of governmental activities (page 17) \$ 1,272,980

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, 2014

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	\$ 737,925	75,162	28,136	-	841,223
Tuition	155,290	-	-	-	155,290
Other	114,370	1,998	2,149	2	118,519
State sources	103,209	25	65,584	-	168,818
Federal sources	33,945	-	-	-	33,945
Total revenues	<u>1,144,739</u>	<u>77,185</u>	<u>95,869</u>	<u>2</u>	<u>1,317,795</u>
Expenditures:					
Current:					
Instruction:					
Regular	609,546	7,738	13,663	-	630,947
Special	236,963	-	-	-	236,963
Other	59,891	-	-	910	60,801
	<u>906,400</u>	<u>7,738</u>	<u>13,663</u>	<u>910</u>	<u>928,711</u>
Support services:					
Student	67	-	-	-	67
Instructional staff	12,251	-	-	-	12,251
Administration	234,731	-	-	-	234,731
Operation and maintenance of plant	98,153	29,549	25,655	-	153,357
Transportation	77,209	-	2,225	-	79,434
	<u>422,411</u>	<u>29,549</u>	<u>27,880</u>	<u>-</u>	<u>479,840</u>
Other expenditures:					
Facilities acquisition	-	-	16,586	-	16,586
AEA flowthrough	35,888	-	-	-	35,888
	<u>35,888</u>	<u>-</u>	<u>16,586</u>	<u>-</u>	<u>52,474</u>
Total expenditures	<u>1,364,699</u>	<u>37,287</u>	<u>58,129</u>	<u>910</u>	<u>1,461,025</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(219,960)</u>	<u>39,898</u>	<u>37,740</u>	<u>(908)</u>	<u>(143,230)</u>
Other financing sources (uses):					
Proceeds from insurance claims	-	-	4,128	-	4,128
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>4,128</u>	<u>-</u>	<u>4,128</u>
Change in fund balances	(219,960)	39,898	41,868	(908)	(139,102)
Fund balances beginning of year	<u>687,074</u>	<u>167,500</u>	<u>276,247</u>	<u>2,552</u>	<u>1,133,373</u>
Fund balances end of year	<u>\$ 467,114</u>	<u>207,398</u>	<u>318,115</u>	<u>1,644</u>	<u>994,271</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, 2014

Change in fund balances - total governmental funds (page 22) \$ (139,102)

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	\$ 51,799	
Depreciation expense	<u>(39,090)</u>	12,709

Certain delinquent property tax, unspent grant proceeds, and income surtax not collected for several months after year end, are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds.

1,123

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	7,718	
Compensated absences	(904)	
Other postemployment benefits	<u>3,147</u>	<u>9,961</u>

LuVerne Community School District
LuVerne, Iowa

Exhibit F

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

Year ended June 30, 2014

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

(1,138)

Change in net position of governmental activities (page 19)

\$ (116,447)

See notes to financial statements.

LuVerne Community School District
LuVerne, Iowa

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2014

	<u>Enterprise</u> School <u>Nutrition</u>	<u>Governmental</u> Activities - Internal <u>Service Fund</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,966	213
Accounts receivable	207	-
Inventories	7,122	-
Total current assets	20,295	213
Noncurrent assets:		
Capital assets, net of accumulated depreciation	527	-
Total noncurrent assets	527	-
Total assets	20,822	213
Liabilities		
Current liabilities:		
Salaries and benefits payable	5,706	-
Due to other funds	15,743	-
Unearned revenue	551	-
Total current liabilities	22,000	-
Total liabilities	22,000	-
Net Position		
Net investment in capital assets	527	-
Unrestricted	(1,705)	213
Total net position	\$ (1,178)	213

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, 2014

	<u>Enterprise</u> School Nutrition	Governmental Activities - Internal Service Fund
Operating revenues:		
Local sources:		
Charges for service	\$ 17,447	2,490
Miscellaneous	<u>341</u>	<u>-</u>
Total operating revenues	<u>17,788</u>	<u>2,490</u>
Operating expenses:		
Support services:		
Administration	177	-
Operation and maintenance of plant	<u>590</u>	<u>-</u>
Total support services	<u>767</u>	<u>-</u>
Non-instructional programs:		
Food service operations:		
Salaries	29,839	-
Benefits	6,882	-
Purchased services	747	-
Supplies	28,843	-
Depreciation	<u>50</u>	<u>-</u>
Total food service operations	<u>66,361</u>	<u>-</u>
Other operating expenses	<u>-</u>	<u>3,628</u>
Total operating expenses	<u>67,128</u>	<u>3,628</u>
Operating loss	<u>(49,340)</u>	<u>(1,138)</u>
Non-operating revenues:		
State sources	568	-
Federal sources	<u>52,836</u>	<u>-</u>
Total non-operating revenues	<u>53,404</u>	<u>-</u>
Increase (decrease) in net position	4,064	(1,138)
Net position beginning of year	<u>(5,242)</u>	<u>1,351</u>
Net position end of year	<u>\$ (1,178)</u>	<u>213</u>

See notes to financial statements.

LuVerne Community School District
LuVerne, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2014

	<u>Enterprise</u> School <u>Nutrition</u>	Governmental Activities - Internal <u>Service Fund</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 17,448	-
Cash received from miscellaneous operating activities	341	
Cash received from other services	-	2,490
Cash paid to employees for services	(33,426)	(3,853)
Cash paid to suppliers for goods or services	<u>(26,586)</u>	<u>-</u>
Net cash used by operating activities	<u>(42,223)</u>	<u>(1,363)</u>
Cash flows from non-capital financing activities:		
State grants received	568	-
Federal grants received	<u>59,911</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>60,479</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	18,256	(1,363)
Cash and cash equivalents beginning of year	<u>8,860</u>	<u>1,576</u>
Cash and cash equivalents end of year	<u>\$ 27,116</u>	<u>213</u>

(continued)

LuVerne Community School District
LuVerne, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2014

	<u>Enterprise</u> School <u>Nutrition</u>	Governmental Activities - Internal <u>Service Fund</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (49,340)	(1,138)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	7,075	-
Depreciation	50	-
Increase in accounts receivable	(36)	-
Increase in inventories	(3,304)	-
Decrease in accounts payable	-	(225)
Increase in salaries and benefits payable	82	-
Increase in due to other fund	3,213	-
Increase in deferred revenue	<u>37</u>	<u>-</u>
Net cash used by operating activities	<u>\$ (42,223)</u>	<u>(1,363)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$7,075 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, 2014

Agency

Assets

Cash \$ 327

Total assets 327

Liabilities

Other payables 327

Total liabilities 327

Net position \$ -

See notes to financial statements.

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2014

(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 Organization - 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, 2014

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position 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, deferred outflows of resources, liabilities and deferred inflows of resources, 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. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints 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, 2014

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, 2014

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, 2014

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, Deferred Inflows of Resources and Fund Equity

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

Cash and Cash Equivalents – The cash balances of most District funds are pooled and invested. Non-negotiable certificates of deposit are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, 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, 2014

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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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, 2014

<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, 2014

Advances from Grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

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, 2014. 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.

Deferred Inflows of Resources – 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 inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

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

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2014

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014 expenditures exceeded the amounts budgeted in the non-instructional programs function.

(2) **Cash and Cash Equivalents**

The District's deposits in banks at June 30, 2014 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, 2014 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, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise:	
	School Nutrition	\$ <u>15,743</u>

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2014

The Enterprise, School Nutrition Fund is repaying the General Fund for payroll recorded during the year. The balances are to be repaid by June 30, 2015.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2014 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	7,541	---	576,574
Improvements other than buildings	82,990	---	---	82,990
Furniture and equipment	526,405	44,258	4,895	565,768
Total capital assets being depreciated	<u>1,178,428</u>	<u>51,799</u>	<u>4,895</u>	<u>1,225,332</u>
Less accumulated depreciation for:				
Buildings	485,284	6,347	---	491,631
Improvements other than buildings	26,277	4,149	---	30,426
Furniture and equipment	428,858	28,594	4,895	452,557
Total accumulated depreciation	<u>940,419</u>	<u>39,090</u>	<u>4,895</u>	<u>974,614</u>
Total capital assets being depreciated, net	<u>238,009</u>	<u>12,709</u>	<u>---</u>	<u>250,718</u>
Governmental activities capital assets, net	<u>\$ 247,009</u>	<u>12,709</u>	<u>---</u>	<u>259,718</u>
Business type activities:				
Furniture and equipment	\$ 29,815	---	---	29,815
Less accumulated depreciation	<u>29,238</u>	<u>50</u>	<u>---</u>	<u>29,288</u>
Business type activities capital assets, net	<u>\$ 577</u>	<u>(50)</u>	<u>---</u>	<u>527</u>

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2014

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 continued participation in the District's group insurance plan at the District's expense at the single premium rate until reaching age sixty five or securing other employment that provides insurance coverage.

At June 30, 2014, the District has obligations to one participant with a total liability of \$18,058. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$7,717.

(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 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$64,037, \$36,302, and \$36,033, 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, 2014

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, 2014, 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	653
Adjustment to annual required contribution	<u>(916)</u>
Annual OPEB cost	3,302
Contributions made	<u>(6,449)</u>
Decrease in net OPEB obligation	(3,147)
Net OPEB obligation beginning of year	<u>14,518</u>
Net OPEB obligation end of year	\$ <u>11,371</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, 2014.

For the year ended June 30, 2014, the District contributed \$6,449 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, 2014

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 June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$11,029	45.3%	\$19,015
2013	3,198	329.1%	14,518
2014	3,302	195.3%	11,371

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, 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 \$430,000 and the ratio of the UAAL to covered payroll was 4.2%. As of June 30, 2014, 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, 2014

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 \$35,888 for the year ended June 30, 2014 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, 2014

(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, 2014 was \$4,928. Future rentals are scheduled as follows:

<u>Year Ending June 30,</u>	
2015	\$ 3,248
	<u>=====</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, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Limited English Proficient	\$ 2,744
Returning dropout and dropout prevention program	52,345
At Risk – Drop Out	2,809
Preschool	26,277
Beginning Teacher Mentoring	223
Teacher salary supplement	3,352
Teacher Leadership	5,282
Successful progression for early readers	12,198
Professional development – core curriculum	6,524
Professional development	5,286
Market factor	<u>1,485</u>
Total	\$ <u>118,525</u>
	<u>=====</u>

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2014

(12) Deficit Fund Balance

The Enterprise, School Nutrition Fund had a deficit fund balance of \$1,178 at June 30, 2014. 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 cover them.

(13) Subsequent Event

Subsequent events have been evaluated through March 19, 2015, which is the date the financial statements were available to be issued.

(14) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

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, 2014

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 1,115,032	17,788
State sources	168,818	568
Federal sources	<u>33,945</u>	<u>52,836</u>
Total revenues	<u>1,317,795</u>	<u>71,192</u>
Expenditures/Expenses:		
Instruction	928,711	-
Support services	479,840	767
Non-instructional programs	-	66,361
Other expenditures	<u>52,474</u>	<u>-</u>
Total expenditures/expenses	<u>1,461,025</u>	<u>67,128</u>
Excess of revenues over expenditures/expenses	(143,230)	4,064
Other financing sources, net	<u>4,128</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(139,102)	4,064
Balances beginning of year	<u>1,133,373</u>	<u>(5,242)</u>
Balances end of year	<u>\$ 994,271</u>	<u>(1,178)</u>

See accompanying independent auditor's report.

Total Actual	Budgeted Amounts		Final to Actual Variance
	Original	Final	
1,132,820	952,152	952,152	180,668
169,386	115,270	115,270	54,116
86,781	100,452	100,452	(13,671)
<u>1,388,987</u>	<u>1,167,874</u>	<u>1,167,874</u>	<u>221,113</u>
928,711	1,061,550	1,061,550	132,839
480,607	576,586	576,586	95,979
66,361	62,000	62,000	(4,361)
52,474	154,044	154,044	101,570
<u>1,528,153</u>	<u>1,854,180</u>	<u>1,854,180</u>	<u>326,027</u>
(139,166)	(686,306)	(686,306)	547,140
<u>4,128</u>	<u>-</u>	<u>-</u>	<u>4,128</u>
(135,038)	(686,306)	(686,306)	551,268
<u>1,128,131</u>	<u>1,010,048</u>	<u>1,010,048</u>	<u>118,083</u>
<u>993,093</u>	<u>323,742</u>	<u>323,742</u>	<u>669,351</u>

LuVerne Community School District
LuVerne, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2014

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, 2014, expenditures in the non-instructional programs function exceeded the amount 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 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%
2014	July 1, 2012	-	18,078	18,078	0.0%	430,000	4.2%

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.

Supplementary Information

LuVerne Community School District
LuVerne, Iowa

Schedule 1

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

<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	(552)	-	910	-	(1,462)
Juice Account	321	-	-	-	321
Miscellaneous	529	-	-	-	529
Interest	1,674	2	-	-	1,676
LEA Student Incentive	37	-	-	-	37
Total	<u>\$ 2,552</u>	<u>2</u>	<u>910</u>	<u>-</u>	<u>1,644</u>

See accompanying independent auditor's report.

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

Schedule 2

June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 250,037	68,196	318,233
Receivables:			
Property tax:			
Delinquent	-	365	365
Succeeding year	-	26,971	26,971
Due from other governments	<u>11,569</u>	<u>-</u>	<u>11,569</u>
Total assets	<u>\$ 261,606</u>	<u>95,532</u>	<u>357,138</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ <u>12,052</u>	<u>-</u>	<u>12,052</u>
Total liabilities	<u>12,052</u>	<u>-</u>	<u>12,052</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	<u>-</u>	<u>26,971</u>	<u>26,971</u>
Fund balances:			
Restricted for:			
School infrastructure	249,554	-	249,554
Physical plant and equipment	<u>-</u>	<u>68,561</u>	<u>68,561</u>
Total fund balances	<u>249,554</u>	<u>68,561</u>	<u>318,115</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 261,606</u>	<u>95,532</u>	<u>357,138</u>

See accompanying independent auditor's report.

LuVerne Community School District
 LuVerne, Iowa
 Combining Schedule of Revenues, Expenditures,
 and Changes in Fund Balances
 Capital Project Accounts
 Year ended June 30, 2014

Schedule 3

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	28,136	28,136
Other	114	2,035	2,149
State sources	<u>65,575</u>	<u>9</u>	<u>65,584</u>
Total revenues	<u>65,689</u>	<u>30,180</u>	<u>95,869</u>
Expenditures:			
Instruction:			
Regular	11,713	1,950	13,663
Support services:			
Operation and maintenance of plant	10,855	14,800	25,655
Transportation		2,225	2,225
Other expenditures:			
Facilities acquisition	<u>6,968</u>	<u>9,618</u>	<u>16,586</u>
Total expenditures	<u>29,536</u>	<u>28,593</u>	<u>58,129</u>
Excess of revenues over expenditures	36,153	1,587	37,740
Other financing sources:			
Proceeds from insurance claims	<u>4,128</u>	-	<u>4,128</u>
Total other financing sources	<u>4,128</u>	-	<u>4,128</u>
Excess of revenues and other financing sources over expenditures	40,281	1,587	41,868
Fund balances beginning of year	<u>209,273</u>	<u>66,974</u>	<u>276,247</u>
Fund balances end of year	<u>\$ 249,554</u>	<u>68,561</u>	<u>318,115</u>

See accompanying independent auditor's report.

LuVerne Community School District
LuVerne, Iowa

Schedule 4

Schedule of Changes in Fiduciary Assets and Liabilities -
Agency Fund

Year ended June 30, 2014

	<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>69</u>	<u>-</u>
Total assets	<u><u>\$ 396</u></u>	<u><u>-</u></u>	<u><u>69</u></u>	<u><u>327</u></u>
Liabilities				
Other payables	<u>\$ 396</u>	<u>-</u>	<u>69</u>	<u>327</u>
Total liabilities	<u><u>\$ 396</u></u>	<u><u>-</u></u>	<u><u>69</u></u>	<u><u>327</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>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues:				
Local sources:				
Local tax	\$ 841,223	992,257	960,311	845,191
Tuition	155,290	133,752	73,253	96,776
Other	118,519	9,878	7,345	8,617
State sources	168,818	144,630	155,537	161,677
Federal sources	33,945	54,975	80,636	54,324
Total	<u>\$ 1,317,795</u>	<u>1,335,492</u>	<u>1,277,082</u>	<u>1,166,585</u>
Expenditures:				
Instruction:				
Regular	\$ 630,947	278,684	316,493	478,816
Special	236,963	157,745	151,552	29,852
Other	60,801	67,237	105,499	185,678
Support services:				
Student	67	9	45	18
Instructional staff	12,251	2,948	3,338	24,498
Administration	234,731	127,518	120,203	203,849
Operation and maintenance of plant	153,357	138,517	131,382	121,535
Transportation	79,434	68,791	70,524	67,754
Other expenditures:				
Facilities acquisition	16,586	40,024	47,521	9,653
Long-term debt:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
AEA flowthrough	35,888	33,604	32,655	37,203
Total	<u>\$ 1,461,025</u>	<u>915,077</u>	<u>979,212</u>	<u>1,158,856</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
926,724	886,919	781,390	786,301	693,208	659,244
97,026	50,720	60,813	92,724	94,148	100,175
12,576	34,371	39,235	69,660	65,372	37,646
134,713	292,261	289,646	293,275	379,018	334,521
90,526	41,003	90,359	55,897	51,859	74,642
<u>1,261,565</u>	<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>
519,759	406,655	411,557	412,412	522,704	483,556
138,855	180,402	194,646	193,214	145,468	161,298
79,970	65,306	84,178	136,263	79,284	126,573
225	204	115	73	190	82
2,406	5,574	6,070	5,115	5,108	4,474
186,836	197,226	201,245	188,917	191,452	170,973
126,124	122,344	138,235	131,698	103,980	110,660
67,579	79,354	152,980	80,905	65,403	60,513
20,130	77,863	50,562	18,314	53,444	13,069
-	45,065	23,725	-	-	-
-	3,572	-	-	-	-
37,049	35,154	35,898	36,077	35,904	34,544
<u>1,178,933</u>	<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>

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

Certified Public Accountants

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

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

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

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

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

To the Board of Education of
LuVerne Community School District:

We have audited 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, 2014, 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, 2015.

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 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 described in Part I of the accompanying Schedule of Findings as items I-A-14 and I-B-14 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, 2014 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 the Findings

LuVerne Community School District's responses to the 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, 2015

LuVerne Community School District
LuVerne, Iowa

Schedule of Findings

Year ended June 30, 2014

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-14 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-14 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, 2014

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, 2014

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget – Expenditures for the year ended June 30, 2014 exceed the certified budget amounts in the non-instructional programs function.

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-14 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-14 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-14 Business Transactions – No business transactions between the District and District officials or employees were noted.

II-E-14 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-14 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

The minutes did not specify the exemption to enter into a closed session as required by Chapter 21.5 of the Code of Iowa.

LuVerne Community School District
LuVerne, Iowa

Schedule of Findings

Year ended June 30, 2014

Recommendation – The District should cite exemptions when entering into closed sessions.

Response – We will cite exemptions when entering into closed sessions in the future.

Conclusion – Response accepted.

II-G-14 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-14 Supplementary Weighting – The number of students reported to the Iowa Department of Education for supplementary weighting was overstated.

Recommendation – The District should contact the Iowa Department of Education and Department of Management to resolve this matter.

Responses – We will contact the Iowa Department of Education and the Department of Management.

Conclusion – Response accepted.

II-I-14 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa District's investment policy were noted.

II-J-14 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

II-K-14 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-14 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.

LuVerne Community School District
LuVerne, Iowa

Schedule of Findings

Year ended June 30, 2014

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, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 209,273
Revenues/transfers in:		
Sales tax revenues	\$ 65,575	
Other local revenues	<u>114</u>	<u>65,689</u>
		274,962
Expenditures/transfers out:		
Equipment	22,568	
Other	<u>6,968</u>	<u>29,536</u>
		245,426
Other financing sources:		
Proceeds from insurance claims		<u>4,128</u>
Ending balance		\$ <u>249,554</u>

For the year ended June 30, 2014, 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-14 Deficit Balances - The Enterprise, School Nutrition Fund and one student activity account had deficit balances at June 30, 2014.

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.