

**LUVERNE COMMUNITY SCHOOL DISTRICT
LUVERNE, IOWA**

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

YEAR ENDED JUNE 30, 2015

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LuVerne Community School District
LuVerne, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Lisa Lawson	President	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	2015
LeAnn Wempen	District Secretary/Treasurer and Business Manager	2015
Rick Engel	Attorney	Indefinite

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Certified Public Accountants

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Independent Auditor's Report

To the Board of Education of
LuVerne Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of LuVerne Community School District, LuVerne, Iowa, as of and for the year ended June 30, 2015, 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, 2015, 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.

Emphasis of a Matter

As discussed in Note 13 to the financial statements, LuVerne Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 16 and 57 through 65 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 five years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The financial statements for the four 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 18, 2016 on our consideration of LuVerne Community School District's internal control over financial reporting and on 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 18, 2016

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, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$1,144,739 in fiscal 2014 to \$1,349,300 in fiscal 2015, while General Fund expenditures decreased from \$1,364,699 in fiscal 2014 to \$1,316,822 in fiscal 2015. The District's General Fund balance increased from \$467,114 at the end of fiscal year 2014 to \$499,592 at the end of fiscal 2015 year, a 7% increase.
- The fiscal year 2015 General Fund revenue increase was attributable to an increase in tuition and state grants.

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, the District's proportionate share of the net pension liability and related contributions, 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

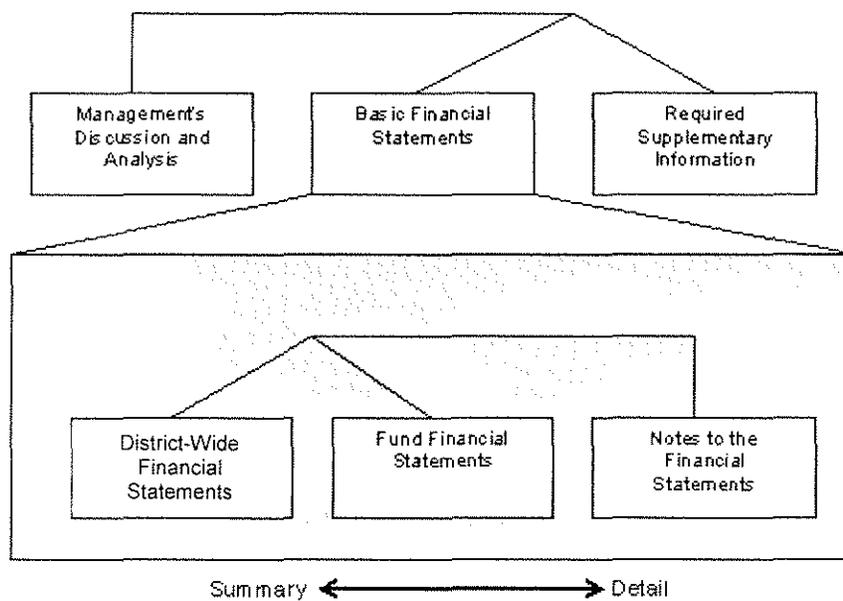


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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 deferred outflow/ inflow information	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period
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 governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Figure A-3							
Condensed Statement of Net Position							
(Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2015	2014	2015	2014	2015	2014-2015
	(Not Restated)	(Not Restated)	(Not Restated)	(Not Restated)	(Not Restated)	(Not Restated)	
Current and other assets	\$2,846	2,019	---	20	2,846	2,039	39.6%
Capital assets	247	260	1	1	248	261	-5.0%
Total assets	3,093	2,279	1	21	3,094	2,300	34.5%
Deferred outflows of resources	275	---	10	---	285	---	100.0%
Long-term liabilities	521	35	---	---	521	35	1,388.6%
Other liabilities	129	209	22	22	151	231	-34.6%
Total liabilities	650	244	22	22	672	266	152.6%
Deferred inflows of resources	1,623	762	5	---	1,628	762	113.6%
Net position:							
Net investment in capital assets	247	260	1	1	248	261	-5.0%
Restricted	731	627	---	---	731	627	16.6%
Unrestricted	117	386	(17)	(2)	100	384	-74.0%
Total net position	\$ 1,095	1,273	(16)	(1)	1,079	1,272	-15.2%

The District's total net position decreased 15.2% or approximately \$193,000, 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 \$104,000, or 16.6%, 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 284,000, or 74%. This decrease in unrestricted net position was primarily a result of the District's net pension liability and pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$293,309 and \$9,204, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014 (Not Restated)	2015 (Not Restated)	2014 (Not Restated)	2015 (Not Restated)	2014 (Not Restated)	2015 (Not Restated)	2014-2015
Revenues:							
Program revenues:							
Charges for service	\$ 380	265	16	18	396	283	39.9%
Operating grants, contributions and restricted interest	187	128	44	53	231	181	27.6%
Capital grants, contributions and restricted interest	---	---	1	---	1	---	100.0%
General revenues:							
Property tax	765	758	---	---	765	758	0.9%
Income surtax	78	84	---	---	78	84	-7.1%
Statewide sales, services and use tax	72	66	---	---	72	66	9.1%
Unrestricted state grants	106	9	---	---	106	9	1,077.8%
Unrestricted investment earnings	1	1	---	---	1	1	0.0%
Other	6	12	---	---	6	12	-50.0%
Total revenues	<u>1,595</u>	<u>1,323</u>	<u>61</u>	<u>71</u>	<u>1,656</u>	<u>1,394</u>	<u>18.8%</u>
Program expenses:							
Instruction	947	914	---	---	947	914	3.6%
Support services	474	471	2	1	476	472	0.8%
Non-instructional programs	---	---	65	66	65	66	-1.5%
Other expenses	59	54	---	---	59	54	9.3%
Total expenses	<u>1,480</u>	<u>1,439</u>	<u>67</u>	<u>67</u>	<u>1,547</u>	<u>1,506</u>	<u>2.7%</u>
Change in net position	115	(116)	(6)	4	109	(112)	197.3%
Net position beginning of year, as restated	<u>980</u>	<u>1,389</u>	<u>(10)</u>	<u>(5)</u>	<u>970</u>	<u>1,384</u>	<u>-29.9%</u>
Net position end of year	<u>\$ 1,095</u>	<u>1,273</u>	<u>(16)</u>	<u>(1)</u>	<u>1,079</u>	<u>1,272</u>	<u>-15.2%</u>

In fiscal year 2015, property tax and unrestricted state grants accounted for 54.6% of governmental activities revenue while charges for service and operating and capital grants, contributions and restricted interest accounted for 100% of business type activities revenue.

The District's total revenues were approximately \$1.7 million, of which \$1.6 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 an 18.8% increase in revenues and a 2.7% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$1,595,422 and expenses were \$1,480,023 for the year ended June 30, 2015. The District had an increase in revenues and an increase in expenditures causing an increase 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, 2015 compared to the year ended June 30, 2015.

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

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not Restated)	Change 2014-2015	2015	2014 (Not Restated)	Change 2014-2015
Instruction	\$ 947	914	3.6%	547	668	-18.1%
Support services	474	471	0.6%	343	361	-5.0%
Non-instructional programs	---	---	0.0%	---	---	0.0%
Other expenses	59	54	9.3%	23	18	27.8%
Total	\$ 1,480	1,439	2.8%	913	1,047	-12.8%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$380,168.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$187,190.
- The net cost of governmental activities was financed with \$915,574 in property and other taxes and \$105,796 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2015 were \$61,125 representing a 14.1% decrease from the prior year, while expenses totaled \$66,606, a 0.8% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,182,016, above last year's ending fund balances of \$994,271. The primary reason for the increase in fund balance was the increase in General Fund revenues.

Governmental Fund Highlights

- The District's increasing General Fund financial position is the result of many factors. Revenues increased from the prior year and the District's spending from the General Fund decreased, resulting in an increase in the fund balance.
- The General Fund balance increased from \$467,114 to \$499,592 due to increases in tuition and state grant revenue and a decrease in expenditures.
- The Special Revenue, Management Fund balance increased from \$207,398 at the end of fiscal year 2014 to \$302,756 at the end of fiscal year 2015. The District's revenues increased and expenditures slightly decreased which resulted in an increase in the fund balance.
- The Capital Projects Fund balance increased from \$318,115 at the end of fiscal year 2014 to \$378,074 at the end of fiscal year 2015. Revenues increased, while expenditures decreased, resulting in an increase in fund balance.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from a deficit of \$10,382 at June 30, 2014 to a deficit of \$15,863 at June 30, 2015, representing a decrease of approximately 52.8%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested approximately \$248,648, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 5.0% 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 \$37,826.

The original cost of the District's capital assets was \$1.3 million. Governmental funds account for the majority of this \$1.3 million.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$ 9	9	---	---	9	9	0.0%
Buildings	95	85	---	---	95	85	11.8%
Improvements other than buildings	48	53	---	---	48	53	-9.4%
Furniture and equipment	<u>95</u>	<u>113</u>	<u>1</u>	<u>1</u>	<u>96</u>	<u>114</u>	<u>-15.8%</u>
Total	<u>\$ 247</u>	<u>260</u>	<u>1</u>	<u>1</u>	<u>248</u>	<u>261</u>	<u>-5.0%</u>

Long-Term Debt

At June 30, 2015, the District had \$94,361 in long-term debt outstanding. (See Figure A-7) This represents an increase of approximately 292% from last year. Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

	Total District		Total Change
	June 30,	June 30,	June 30,
	2015	2014	2014-2015
Compensated absences	\$ 11	6	83.3%
Early retirement	<u>83</u>	<u>18</u>	<u>361.1%</u>
Total	<u>\$94</u>	<u>24</u>	<u>291.7%</u>

BUDGETARY HIGHLIGHTS

The District's total revenues were \$168,456 more than budgeted revenues, a variance of 11.5%.

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.

Due to the District's budgetary practice, the certified budget was not exceeded in any of the functional areas of expenditures.

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. With the dissolution of Corwith-Wesley on June 30, 2015 a new Whole Grade Sharing Agreement has been approved with Algona for 7-12 students.
- 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 shared 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, 2015

Exhibit A

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 1,234,545	8,977	1,243,522
Receivables:			
Property tax:			
Delinquent	6,007	-	6,007
Succeeding year	1,462,808	-	1,462,808
Accounts	-	412	412
Due from other funds	15,743	(15,743)	-
Due from other governments	126,487	-	126,487
Prepaid expenses	510	-	510
Inventories	-	5,506	5,506
Capital assets, net of accumulated depreciation	<u>247,362</u>	<u>1,286</u>	<u>248,648</u>
Total assets	<u>3,093,462</u>	<u>438</u>	<u>3,093,900</u>
 Deferred Outflows of Resources			
Pension related deferred outflows	<u>274,365</u>	<u>10,440</u>	<u>284,805</u>
 Liabilities			
Accounts payable	11,597	160	11,757
Salaries and benefits payable	111,293	5,828	117,121
Advances from grantors	4,329	-	4,329
Unearned revenue	-	478	478
Early retirement payable	1,289	-	1,289
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	22,193	-	22,193
Compensated absences	1,974	-	1,974
Portion due after one year:			
Early retirement payable	61,422	-	61,422
Compensated absences	8,772	-	8,772
Net pension liability	419,935	14,678	434,613
Net OPEB liability	<u>6,993</u>	<u>-</u>	<u>6,993</u>
Total liabilities	<u>649,797</u>	<u>21,144</u>	<u>670,941</u>
 Deferred Inflows of Resources			
Unavailable property tax revenue	1,462,808	-	1,462,808
Pension related deferred inflows	<u>160,152</u>	<u>5,597</u>	<u>165,749</u>
Total deferred inflows of resources	<u>1,622,960</u>	<u>5,597</u>	<u>1,628,557</u>

(Continued)

LuVerne Community School District
 LuVerne, Iowa
 Statement of Net Position
 June 30, 2015

Exhibit A

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	247,362	1,286	248,648
Restricted for:			
Categorical funding	132,585	-	132,585
Management levy purposes	219,141	-	219,141
Physical plant and equipment	86,134	-	86,134
School infrastructure	291,940	-	291,940
Student activities	1,594	-	1,594
Unrestricted	116,314	(17,149)	99,165
Total net position	<u>\$ 1,095,070</u>	<u>(15,863)</u>	<u>1,079,207</u>

See notes to financial statements.

LuVerne Community School District
LuVerne, Iowa
Statement of Activities
Year ended June 30, 2015

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<u>Functions/Programs:</u>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 749,430	187,891	113,617	-
Special instruction	156,452	66,055	9,245	-
Other instruction	41,115	-	23,546	-
	<u>946,997</u>	<u>253,946</u>	<u>146,408</u>	<u>-</u>
Support services:				
Student	106	-	-	-
Instructional staff	12,178	-	-	-
Administration	245,232	126,222	2,493	-
Operation and maintenance of plant	148,314	-	-	-
Transportation	68,202	-	2,062	-
	<u>474,032</u>	<u>126,222</u>	<u>4,555</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	6,398	-	-	-
AEA flowthrough	36,227	-	36,227	-
Depreciation (unallocated)*	16,369	-	-	-
	<u>58,994</u>	<u>-</u>	<u>36,227</u>	<u>-</u>
Total governmental activities	<u>1,480,023</u>	<u>380,168</u>	<u>187,190</u>	<u>-</u>
Business type activities:				
Support services:				
Operation and maintenance of plant	1,486	-	-	-
Non-instructional programs:				
Food service operations	65,120	16,561	43,719	845
Total business type activities	<u>66,606</u>	<u>16,561</u>	<u>43,719</u>	<u>845</u>
Total	<u>\$ 1,546,629</u>	<u>396,729</u>	<u>230,909</u>	<u>845</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, as restated
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
(447,922)	-	(447,922)
(81,152)	-	(81,152)
(17,569)	-	(17,569)
<u>(546,643)</u>	<u>-</u>	<u>(546,643)</u>
(106)	-	(106)
(12,178)	-	(12,178)
(116,517)	-	(116,517)
(148,314)	-	(148,314)
(66,140)	-	(66,140)
<u>(343,255)</u>	<u>-</u>	<u>(343,255)</u>
(6,398)	-	(6,398)
-	-	-
<u>(16,369)</u>	<u>-</u>	<u>(16,369)</u>
<u>(22,767)</u>	<u>-</u>	<u>(22,767)</u>
<u>(912,665)</u>	<u>-</u>	<u>(912,665)</u>
-	(1,486)	(1,486)
-	(3,995)	(3,995)
-	(5,481)	(5,481)
<u>(912,665)</u>	<u>(5,481)</u>	<u>(918,146)</u>
\$ 737,825	-	737,825
27,067	-	27,067
78,548	-	78,548
72,134	-	72,134
105,796	-	105,796
1,004	-	1,004
5,690	-	5,690
<u>1,028,064</u>	<u>-</u>	<u>1,028,064</u>
115,399	(5,481)	109,918
<u>979,671</u>	<u>(10,382)</u>	<u>969,289</u>
<u>\$ 1,095,070</u>	<u>(15,863)</u>	<u>1,079,207</u>

LuVerne Community School District
LuVerne, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2015

	<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	\$ 563,209	303,060	366,682	1,594	1,234,545
Receivables:					
Property tax:					
Delinquent	4,809	985	213	-	6,007
Succeeding year	1,203,410	200,000	59,398	-	1,462,808
Due from other funds	15,743	-	-	-	15,743
Due from other governments	115,308	-	11,179	-	126,487
Prepaid expenses	510	-	-	-	510
Total assets	<u>\$ 1,902,989</u>	<u>504,045</u>	<u>437,472</u>	<u>1,594</u>	<u>2,846,100</u>
 Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 11,597	-	-	-	11,597
Salaries and benefits payable	111,293	-	-	-	111,293
Advances from grantors	4,329	-	-	-	4,329
Early retirement payable	-	1,289	-	-	1,289
Total liabilities	<u>127,219</u>	<u>1,289</u>	<u>-</u>	<u>-</u>	<u>128,508</u>
 Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,203,410	200,000	59,398	-	1,462,808
Income surtax	72,768	-	-	-	72,768
Total deferred inflows of resources	<u>1,276,178</u>	<u>200,000</u>	<u>59,398</u>	<u>-</u>	<u>1,535,576</u>
 Fund balances:					
Nonexpendable for:					
Prepaid expenses	510	-	-	-	510
Restricted for:					
Categorical funding	132,585	-	-	-	132,585
Management levy purposes	-	302,756	-	-	302,756
Student activities	-	-	-	1,594	1,594
School infrastructure	-	-	291,940	-	291,940
Physical plant and equipment	-	-	86,134	-	86,134
Unassigned	366,497	-	-	-	366,497
Total fund balances	<u>499,592</u>	<u>302,756</u>	<u>378,074</u>	<u>1,594</u>	<u>1,182,016</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,902,989</u>	<u>504,045</u>	<u>437,472</u>	<u>1,594</u>	<u>2,846,100</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, 2015

Total fund balances of governmental funds (page 21) \$ 1,182,016

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

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported as assets in the governmental funds. 247,362

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. 72,768

Pension related deferred outflows of resources and deferred inflows of resources
are not due and payable in the current year and, therefore, are not reported in the
governmental funds, as follows:

Deferred outflows of resources	274,365	
Deferred inflows of resources	<u>(160,152)</u>	114,213

Long-term liabilities, including termination benefits, compensated absences, other
postemployment benefits payable and net pension liability, are not due and payable
in the current year and, therefore, are not reported in the governmental funds. (521,289)

Net position of governmental activities (page 18) \$ 1,095,070

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, 2015

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	\$ 672,115	125,450	27,067	-	824,632
Tuition	252,648	-	-	-	252,648
Other	132,396	1,672	148	-	134,216
State sources	240,449	695	72,283	-	313,427
Federal sources	51,692	-	-	-	51,692
Total revenues	<u>1,349,300</u>	<u>127,817</u>	<u>99,498</u>	<u>-</u>	<u>1,576,615</u>
Expenditures:					
Current:					
Instruction:					
Regular	663,390	8,476	4,812	-	676,678
Special	155,682	-	-	-	155,682
Other	40,700	-	-	50	40,750
	<u>859,772</u>	<u>8,476</u>	<u>4,812</u>	<u>50</u>	<u>873,110</u>
Support services:					
Student	106	-	-	-	106
Instructional staff	12,082	-	-	-	12,082
Administration	237,796	-	1,692	-	239,488
Operation and maintenance of plant	109,405	23,983	9,635	-	143,023
Transportation	61,434	-	-	-	61,434
	<u>420,823</u>	<u>23,983</u>	<u>11,327</u>	<u>-</u>	<u>456,133</u>
Other expenditures:					
Facilities acquisition	-	-	23,400	-	23,400
AEA flowthrough	36,227	-	-	-	36,227
	<u>36,227</u>	<u>-</u>	<u>23,400</u>	<u>-</u>	<u>59,627</u>
Total expenditures	<u>1,316,822</u>	<u>32,459</u>	<u>39,539</u>	<u>50</u>	<u>1,388,870</u>
Change in fund balances	32,478	95,358	59,959	(50)	187,745
Fund balances beginning of year	<u>467,114</u>	<u>207,398</u>	<u>318,115</u>	<u>1,644</u>	<u>994,271</u>
Fund balances end of year	<u>\$ 499,592</u>	<u>302,756</u>	<u>378,074</u>	<u>1,594</u>	<u>1,182,016</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, 2015

Change in fund balances - total governmental funds (page 23) **\$ 187,745**

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

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

Expenditures for capital assets	\$ 25,384	
Depreciation expense	<u>(37,740)</u>	(12,356)

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. 18,807

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 63,002

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	(65,557)	
Compensated absences	(4,992)	
Pension expense	(75,415)	
Other postemployment benefits	<u>4,378</u>	<u>(141,586)</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, 2015

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.

(213)

Change in net position of governmental activities (page 20)

\$ 115,399

See notes to financial statements.

LuVerne Community School District
LuVerne, Iowa

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2015

	<u>Enterprise</u> <u>School</u> <u>Nutrition</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 8,977
Accounts receivable	412
Inventories	<u>5,506</u>
Total current assets	14,895
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>1,286</u>
Total assets	<u>16,181</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>10,440</u>
Liabilities	
Current liabilities:	
Accounts payable	160
Salaries and benefits payable	5,828
Due to other funds	15,743
Unearned revenue	<u>478</u>
Total current liabilities	<u>22,209</u>
Noncurrent liabilities:	
Net pension liability	<u>14,678</u>
Total liabilities	<u>36,887</u>

(Continued)

LuVerne Community School District
LuVerne, Iowa

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2015

	<u>Enterprise</u> <u>School</u> <u>Nutrition</u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>5,597</u>
Net Position	
Net investment in capital assets	1,286
Unrestricted	<u>(17,149)</u>
Total net position	<u>\$ (15,863)</u>

See notes to financial statements.

LuVerne Community School District
LuVerne, Iowa

Exhibit H

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

Year ended June 30, 2015

	<u>Enterprise School Nutrition</u>	<u>Governmental Activities - Internal Service Fund</u>
Operating revenues:		
Local sources:		
Charges for service	\$ 16,561	400
Operating expenses:		
Support services:		
Operation and maintenance of plant	1,486	-
Non-instructional programs:		
Food service operations:		
Salaries	30,227	-
Benefits	7,795	-
Purchased services	1,165	-
Supplies	25,848	-
Depreciation	85	-
Total food service operations	65,120	-
Other operating expenses	-	613
Total operating expenses	66,606	613
Operating loss	(50,045)	(213)
Non-operating revenues:		
State sources	500	-
Federal sources	43,219	-
Total non-operating revenues	43,719	-
Loss before capital asset contributions	(6,326)	(213)
Capital asset contributions	845	-
Decrease in net position	(5,481)	(213)
Net position beginning of year, as restated	(10,382)	213
Net position end of year	\$ (15,863)	-

See notes to financial statements.

LuVerne Community School District
LuVerne, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2015

	<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	\$ 16,283	-
Cash received from other services	-	400
Cash paid to employees for services	(37,269)	(613)
Cash paid to suppliers for goods or services	<u>(22,410)</u>	<u>-</u>
Net cash used by operating activities	<u>(43,396)</u>	<u>(213)</u>
Cash flows from non-capital financing activities:		
State grants received	500	-
Federal grants received	<u>38,907</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>39,407</u>	<u>-</u>
Net decrease in cash and cash equivalents	(3,989)	(213)
Cash and cash equivalents beginning of year	<u>12,966</u>	<u>213</u>
Cash and cash equivalents end of year	<u>\$ 8,977</u>	<u>-</u>

See notes to financial statements.

(continued)

LuVerne Community School District
LuVerne, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2015

	<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	\$ (50,045)	(213)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	4,312	-
Depreciation	85	-
(Increase) in accounts receivable	(205)	-
Decrease in inventories	1,617	-
Increase in accounts payable	160	-
Increase in salaries and benefits payable	122	-
(Decrease) in unearned revenue	(73)	-
Increase in net pension liability	3,311	-
(Increase) in deferred outflows of resources	(8,277)	-
Increase in deferred inflows of resources	5,597	-
 Net cash used by operating activities	 \$ (43,396)	 (213)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$4,312 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, 2015

	<u>Agency</u>
Assets	
Cash	\$ <u>327</u>
Total assets	<u>327</u>
Liabilities	
Other payables	<u>327</u>
Total liabilities	<u>327</u>
Net position	<u><u>\$ -</u></u>

See notes to financial statements.

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2015

(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, 2015

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, 2015

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, 2015

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.

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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, Deferred Outflows of Resources, 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.

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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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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, 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.

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<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.

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

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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.

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

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

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, 2015. 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.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year

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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 consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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 are imposed by law through constitutional provisions or enabling legislation.

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, 2015 expenditures did not exceed the amounts budgeted.

(2) **Cash and Cash Equivalents**

The District's deposits in banks at June 30, 2015 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.

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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, 2015 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, 2015 is as follows:

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

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, 2016.

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(4) Capital Assets

Capital assets activity for the year ended June 30, 2015 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	576,574	17,002	---	593,576
Improvements other than buildings	82,990	---	---	82,990
Furniture and equipment	565,768	8,382	---	574,150
Total capital assets being depreciated	1,225,332	25,384	---	1,250,716
Less accumulated depreciation for:				
Buildings	491,631	7,022	---	498,653
Improvements other than buildings	30,426	4,150	---	34,576
Furniture and equipment	452,557	26,568	---	479,125
Total accumulated depreciation	974,614	37,740	---	1,012,354
Total capital assets being depreciated, net	250,718	(12,356)	---	238,362
Governmental activities capital assets, net	\$ 259,718	(12,356)	---	247,362
Business type activities:				
Furniture and equipment	\$ 29,815	845	---	30,660
Less accumulated depreciation	29,288	86	---	29,374
Business type activities capital assets, net	\$ 527	759	---	1,286

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Depreciation expense was charged to the following functions:

Governmental activities:		
Instruction:		
Regular		\$ 11,625
Support services:		
Administration		863
Operation and maintenance of plant		3,749
Transportation		<u>5,134</u>
		21,371
Unallocated		<u>16,369</u>
	Total depreciation expense – governmental activities	<u>\$ 37,740</u>
Business type activities:		
Food service operations		<u>\$ 86</u>

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Compensated absences	\$ 5,754	4,992	---	10,746	1,974
Early retirement	18,058	65,557	---	83,615	22,193
Net pension liability	325,183	94,752	---	419,935	---
Net OPEB liability	<u>11,371</u>	---	<u>4,378</u>	<u>6,993</u>	---
Total	<u>\$ 360,366</u>	<u>165,301</u>	<u>4,378</u>	<u>521,289</u>	<u>24,167</u>
Business type activities:					
Net pension liability	<u>11,366</u>	<u>3,312</u>	---	<u>14,678</u>	---

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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, 2015, the District has obligations to one participant with a total liability of \$83,615. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$7,738.

(6) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to

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benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service)
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012 the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost

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plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$65,204.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015 the District reported a liability of \$434,613 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.0109588 percent, which was an increase of 0.004575 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$78,249. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,723	\$ -
Changes of assumptions	19,181	-
Net difference between projected and actual earnings on pension plan investments	-	165,749
Changes in proportion and differences between District contributions and proportionate share of contributions	195,697	-
District contributions subsequent to the measurement date	<u>65,204</u>	<u>-</u>
Total	<u>\$ 284,805</u>	<u>\$ 165,749</u>

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\$65,204 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30.		
2016	\$	9,871
2017		9,871
2018		9,871
2019		9,871
2020		<u>14,368</u>
Total	\$	<u>53,852</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by

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weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocations</u>	<u>Long-Term Expected Real Rate Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(.069)
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in The Discount Rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
District’s proportionate share of the net pension liability	\$ 821,191	\$ 434,613	\$ 108,303

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Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

Payables to the Pension Plan – At June 30, 2015, the District reported no payables to the defined benefit pension plan.

(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 no retired members in the plan. Participants must be age 55 or older at retirement.

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, 2015, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

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Annual required contributions	\$ 3,565
Interest on net OPEB obligation	512
Adjustment to annual required contribution	<u>(717)</u>
Annual OPEB cost	3,360
Contributions made	<u>(7,738)</u>
Decrease in net OPEB obligation	(4,378)
Net OPEB obligation beginning of year	<u>11,371</u>
Net OPEB obligation end of year	<u>\$ 6,993</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, 2015.

For the year ended June 30, 2015, the District contributed \$7,738 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

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	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
<u>June 30,</u>			
2013	\$ 3,198	329.1%	\$ 14,518
2014	3,302	195.3%	11,371
2015	3,360	230.3%	6,993

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, 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 \$466,000 and the ratio of the UAAL to covered payroll was 3.9%. As of June 30, 2015, 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

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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.

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 \$770 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 LuVerne Community School District is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters.

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Workers' Compensation, Property, General Liability and Other Insurance

The District is a member of the Iowa Public School Insurance Program (IPSIP), a public entity risk pool formed in July of 2012 between certain Iowa school districts, created in accordance with Chapter 28E of the Code of Iowa. The purpose of IPSIP is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections so as to effectively manage and contain costs for insurance coverage and related administration. IPSIP has approximately 19 members as of July 1, 2014. IPSIP is governed by a six member board of directors elected by the members of IPSIP. The District has no direct control over budgeting, financing, the governing body or management selection.

IPSIP is not intended to function as an insurance company for the participants; rather, it is a means of combining the administration of claims and of obtaining lower insurance rates through the creation of a self-insurance pool and through the purchase of commercial insurance. The District's participation in IPSIP represents a risk-sharing pool as defined by GASB Statement No. 10 in which the District pools its risks and funds with other members and shares in the cost of losses. The District is required to make annual payments, which are determined by IPSIP, based upon its direct proportion to the pro rata share of insurance costs for coverage administered by IPSIP. IPSIP may require the participating Districts to make supplemental payments if the funds on hand are insufficient to pay expenses of the administration of IPSIP. The District was not required to make any supplemental payments to IPSIP in fiscal year 2015. Payments to IPSIP by the District in order to maintain adequate insurance coverage in fiscal year 2015 was \$23,008.

(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 \$36,227 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

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(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, 2015 was \$3,312. There are no future payments.

The District entered into a 60 month operating lease with Marco, Inc. in February 2015 for the rental of two copiers. The amount paid for the fiscal year ended June 30, 2015 was \$1,481. Future rentals are scheduled as follows:

<u>Year Ending June 30,</u>	
2016	\$ 5,654
2017	5,654
2018	5,654
2019	5,654
2020	<u>3,769</u>
Total	<u>26,385</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.

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2015

(11) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Limited English Proficient	\$ 2,744
Returning dropout and dropout prevention program	56,047
At Risk – Drop Out	5,869
Gifted and Talented	5,893
Preschool	15,553
Beginning Teacher Mentoring	492
Teacher salary supplement	4,672
Teacher Leadership	5,282
Successful progression for early readers	22,135
Professional development – core curriculum	8,035
Professional development	4,378
Market factor	<u>1,485</u>
Total	<u>\$ 132,585</u>

(12) Deficit Fund Balance

The Enterprise, School Nutrition Fund had a deficit fund balance of \$15,863 at June 30, 2015.

The deficit will be eliminated by an increase in adult meal prices and a reduction in expenditures due to the part-time cook working half time nutrition and half time custodial in fiscal year 2016. The deficit in the Enterprise, School Nutrition Fund was due to expenditures being incurred before the receipts were available to cover them and implementation of Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27.

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2015

(13) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position June 30, 2014, as previously reported	\$ 1,272,980	(1,178)
Net pension liability at June 30, 2014	(355,183)	(11,367)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>61,874</u>	<u>2,163</u>
Net position July 1, 2014, as restated	\$ <u>979,671</u>	<u>(10,382)</u>

(14) New Governmental Accounting Standards Board (GASB) Statements

As of June 30, 2015, GASB had issued several statements not yet required to be implemented by the District. The Statement which might impact the District is as follows:

LuVerne Community School District
LuVerne, Iowa

Notes to Financial Statements

June 30, 2015

GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015, will be effective for the District beginning with its year ending June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

District management has not yet determined the effect these GASB Statements will have on the District's financial statements.

(15) Subsequent Event

Subsequent events have been evaluated through March 18, 2016, which is the date the financial statements were available to be issued.

Corwith-Wesley Community School District dissolved on June 30, 2015. LuVerne Community School District became the fiscal agent to assist in the closing of Corwith-Wesley's financial records.

On December 17, 2015 the District approved a bid from Larson Contracting Central LLC for the deconstruction of the Corwith-Wesley Community School District building in the amount of \$371,774 to be paid for with Corwith-Wesley funds.

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, 2015

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 1,211,496	16,561
State sources	313,427	500
Federal sources	<u>51,692</u>	<u>43,219</u>
Total revenues	<u>1,576,615</u>	<u>60,280</u>
Expenditures/Expenses:		
Instruction	873,110	-
Support services	456,133	1,486
Non-instructional programs	-	65,120
Other expenditures	<u>59,627</u>	<u>-</u>
Total expenditures/expenses	<u>1,388,870</u>	<u>66,606</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	187,745	(6,326)
Other financing sources, net	<u>-</u>	<u>845</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	187,745	(5,481)
Balances beginning of year	<u>994,271</u>	<u>(10,382)</u>
Balances end of year	<u>\$ 1,182,016</u>	<u>(15,863)</u>

See accompanying independent auditor's report.

Total <u>Actual</u>	<u>Budgeted Amounts</u>		Final to Actual <u>Variance</u>
	<u>Original</u>	<u>Final</u>	
1,228,057	1,125,675	1,125,675	102,382
313,927	247,789	247,789	66,138
94,911	94,975	94,975	(64)
<u>1,636,895</u>	<u>1,468,439</u>	<u>1,468,439</u>	<u>168,456</u>
873,110	1,117,000	1,117,000	243,890
457,619	465,100	465,100	7,481
65,120	20,000	75,000	9,880
59,627	70,038	70,038	10,411
<u>1,455,476</u>	<u>1,672,138</u>	<u>1,727,138</u>	<u>271,662</u>
181,419	(203,699)	(258,699)	440,118
<u>845</u>	<u>-</u>	<u>-</u>	<u>845</u>
182,264	(203,699)	(258,699)	440,963
<u>983,889</u>	<u>741,147</u>	<u>741,147</u>	<u>242,742</u>
<u>1,166,153</u>	<u>537,448</u>	<u>482,448</u>	<u>683,705</u>

LuVerne Community School District
LuVerne, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2015

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, the District adopted one budget amendment, increasing budgeted expenditures by \$55,000.

During the year ended June 30, 2015, expenditures did not exceed the amounts budgeted.

LuVerne Community School District

LuVerne, Iowa

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.010959%
District's proportionate share of the net pension liability	\$ 435
District's covered-employee payroll	\$ 725
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.00%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

LuVerne Community School District

LuVerne, Iowa

Schedule of District Contributions

Iowa Public Employees' Retirement System

Last 10 Fiscal Years

(In Thousands)

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 65	64	36
Contributions in relation to the statutorily required contribution	<u>(65)</u>	<u>(64)</u>	<u>(36)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 742	725	422
Contributions as a percentage of covered-employee payroll	8.76%	8.83%	8.53%

See accompanying independent auditor's report.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
36	35	37	35	33	32	34
<u>(36)</u>	<u>(35)</u>	<u>(37)</u>	<u>(35)</u>	<u>(33)</u>	<u>(32)</u>	<u>(34)</u>
-	-	-	-	-	-	-
461	522	579	555	540	562	586
7.81%	6.70%	6.39%	6.31%	6.11%	5.69%	5.80%

LuVerne Community School District
LuVerne, Iowa

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.0 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

LuVerne Community School District
LuVerne, Iowa

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

LuVerne Community School District
LuVerne, Iowa

Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 46,000	46,000	0.0%	\$ 366,000	12.6%
2011	July 1, 2009	-	46,000	46,000	0.0%	365,000	12.6%
2012	July 1, 2009	-	46,000	46,000	0.0%	291,000	15.8%
2013	July 1, 2012	-	18,078	18,078	0.0%	209,000	8.6%
2014	July 1, 2012	-	18,078	18,078	0.0%	430,000	4.2%
2015	July 1, 2012	-	18,078	18,078	0.0%	466,000	3.9%

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, 2015

<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	(1,462)	-	50	-	1,630	118
Juice Account	321	-	-	-	(321)	-
Miscellaneous	529	-	-	-	(529)	-
Interest	1,676	-	-	-	(200)	1,476
LEA Student Incentive	37	-	-	-	(37)	-
Total	<u>\$ 1,644</u>	<u>-</u>	<u>50</u>	<u>-</u>	<u>-</u>	<u>1,594</u>

See accompanying independent auditor's report.

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

Schedule 2

June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and cash equivalents	\$ 280,761	85,921	366,682
Receivables:			
Property tax:			
Delinquent	-	213	213
Succeeding year	-	59,398	59,398
Due from other governments	11,179	-	11,179
Total assets	\$ 291,940	145,532	437,472
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	-	-
Total liabilities	-	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	59,398	59,398
Fund balances:			
Restricted for:			
School infrastructure	291,940	-	291,940
Physical plant and equipment	-	86,134	86,134
Total fund balances	291,940	86,134	378,074
Total liabilities, deferred inflows of resources and fund balances	\$ 291,940	145,532	437,472

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, 2015

Schedule 3

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ -	27,067	27,067
Other	114	34	148
State sources	<u>72,133</u>	<u>150</u>	<u>72,283</u>
Total revenues	<u>72,247</u>	<u>27,251</u>	<u>99,498</u>
Expenditures:			
Instruction:			
Regular	2,465	2,347	4,812
Support services:			
Administration	-	1,692	1,692
Operation and maintenance of plant	3,996	5,639	9,635
Other expenditures:			
Facilities acquisition	<u>23,400</u>	<u>-</u>	<u>23,400</u>
Total expenditures	<u>29,861</u>	<u>9,678</u>	<u>39,539</u>
Change in fund balances	42,386	17,573	59,959
Fund balances beginning of year	<u>249,554</u>	<u>68,561</u>	<u>318,115</u>
Fund balances end of year	<u>\$ 291,940</u>	<u>86,134</u>	<u>378,074</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

June 30, 2015

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ 327	-	-	327
Total assets	<u>\$ 327</u>	<u>-</u>	<u>-</u>	<u>327</u>
Liabilities				
Other payables	\$ 327	-	-	327
Total liabilities	<u>\$ 327</u>	<u>-</u>	<u>-</u>	<u>327</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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues:				
Local sources:				
Local tax	\$ 824,632	841,223	992,257	960,311
Tuition	252,648	155,290	133,752	73,253
Other	134,216	118,519	9,878	7,345
State sources	313,427	168,818	144,630	155,537
Federal sources	51,692	33,945	54,975	80,636
Total	<u>\$ 1,576,615</u>	<u>1,317,795</u>	<u>1,335,492</u>	<u>1,277,082</u>
Expenditures:				
Instruction:				
Regular	\$ 676,678	630,947	278,684	316,493
Special	155,682	236,963	157,745	151,552
Other	40,750	60,801	67,237	105,499
Support services:				
Student	106	67	9	45
Instructional staff	12,082	12,251	2,948	3,338
Administration	239,488	234,731	127,518	120,203
Operation and maintenance of plant	143,023	153,357	138,517	131,382
Transportation	61,434	79,434	68,791	70,524
Other expenditures:				
Facilities acquisition	23,400	16,586	40,024	47,521
Long-term debt:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
AEA flowthrough	36,227	35,888	33,604	32,655
Total	<u>\$ 1,388,870</u>	<u>1,461,025</u>	<u>915,077</u>	<u>979,212</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
845,191	926,724	886,919	781,390	786,301	693,208
96,776	97,026	50,720	60,813	92,724	94,148
8,617	12,576	34,371	39,235	69,660	65,372
161,677	134,713	292,261	289,646	293,275	379,018
54,324	90,526	41,003	90,359	55,897	51,859
<u>1,166,585</u>	<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>
478,816	519,759	406,655	411,557	412,412	522,704
29,852	138,855	180,402	194,646	193,214	145,468
185,678	79,970	65,306	84,178	136,263	79,284
18	225	204	115	73	190
24,498	2,406	5,574	6,070	5,115	5,108
203,849	186,836	197,226	201,245	188,917	191,452
121,535	126,124	122,344	138,235	131,698	103,980
67,754	67,579	79,354	152,980	80,905	65,403
9,653	20,130	77,863	50,562	18,314	53,444
-	-	45,065	23,725	-	-
-	-	3,572	-	-	-
37,203	37,049	35,154	35,898	36,077	35,904
<u>1,158,856</u>	<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>

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

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

To the Board of Education of
LuVerne Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of LuVerne Community School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 18, 2016.

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 and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-15 and I-B-15 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-C-15 to be a significant deficiency.

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 which 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, 2015 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 18, 2016

LuVerne Community School District
LuVerne, Iowa

Schedule of Findings

Year ended June 30, 2015

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-15 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-15 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
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Schedule of Findings

Year ended June 30, 2015

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.

I-C-15 Disbursement Approval – For 3 of 12 disbursements tested, there was insufficient documentation to determine the date the Superintendent approved routine expenditures for advance payment in accordance with the District’s policy.

Recommendation – The District should ensure all expenditures are properly approved. For payments made in advance of Board meetings, the District should maintain documentation of the Superintendent’s approval of claims for payment, such as the Superintendent’s initials and date of approval.

Response – We will ensure all expenditures are properly approved and maintain documentation of the approval of disbursements made in advance of Board approval by having the Superintendent initial and date the claims.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

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Schedule of Findings

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Part II: Other Findings Related to Required Statutory Reporting:

- II-A-15 Certified Budget – Expenditures for the year ended June 30, 2015 did not exceed the certified budget amounts.
- II-B-15 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-15 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-15 Business Transactions – No business transactions between the District and District officials or employees were noted.
- II-E-15 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-15 Board Minutes – As previously noted three disbursements had insufficient documentation they had been approved for payment by the Superintendent in advance of Board approval as allowed by Chapter 279.30 of the Code of Iowa.

Recommendation – Sufficient documentation should be maintained to evidence proper Superintendent approval of disbursements paid in advance of Board approval.

Response – Procedures have been revised to ensure the Superintendent’s approval of disbursements prior to Board meetings is adequately documented.

Conclusion – Response accepted.

- II-G-15 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-15 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

LuVerne Community School District
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Schedule of Findings

Year ended June 30, 2015

- II-I-15 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-15 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-K-15 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-15 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$ 249,554
Revenues/transfers in:		
Sales tax revenues	\$ 72,133	
Other local revenues	<u>114</u>	<u>72,247</u>
		321,801
Expenditures/transfers out:		
Equipment	6,461	
Other	<u>23,400</u>	<u>29,861</u>
Ending balance		<u>291,940</u>

For the year ended June 30, 2015, 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-15 Deficit Balances - The Enterprise, School Nutrition Fund had a deficit balance at June 30, 2015. Part of reason for the deficit is the implementation of GASB Statement No. 68 during the year.

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Schedule of Findings

Year ended June 30, 2015

Recommendation - The District should continue to investigate alternatives to eliminate the deficit in order to return the fund to a sound financial condition. The District should also take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statement No. 68 will affect the District's financials moving forward.

Response – The District's business-type activities went into a deficit during fiscal 2015 partly due to the implementation of GASB Statement No.68 which required the District to show as a liability on the Statement of Net Position its proportionate share of the IPERS funding deficit and is continuing to investigate alternatives to eliminate the deficit unrelated to this implementation.

Conclusion - Response accepted.