LAURENS-MARATHON
COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

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LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

Officials

Name	Title	Term Expires
Board of Education		
(Before September 2008 Election)		
Brett Barglof	President	2008
Nancy Fuchs	Vice President	2009
Terry Gunnarson		2010
Brett Fehr		2010
Deb Kenobbie		2009
(After September 2008 Election)		
Nancy Fuchs	President	2011
Deb Kenobbie	Vice President	2009
Terry Gunnarson		2011 *
Brett Fehr		2009 *
Bridget Bailey		2011
School Officials		
Iner Joelson	Superintendent	
Susan Wenell	District Secretary/ Treasurer	

* Board term changed per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

BRUCE D. FRINK
Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report

To the Board of Education of
Laurens-Marathon Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Laurens-Marathon Community School District, Laurens, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Laurens-Marathon Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 29, 2010 on our consideration of Laurens-Marathon Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 12 and 34 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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Clarion, IA 50525

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Laurens-Marathon Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruce D. Frink

BRUCE D. FRINK
Certified Public Accountant

April 29, 2010

LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Laurens-Marathon 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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from $3,530,940 in fiscal year 2008 to $3,677,198 in fiscal year 2009, while General Fund expenditures decreased from $3,495,153 in fiscal year 2008 to $3,401,687 in fiscal year 2009. The District's General Fund balance increased from $74,545 in fiscal year 2008 to $350,056 in fiscal year 2009.

- The District's Certified Enrollment decreased from 398.0 students in September 2007 to 359.60 students in October 2008. Open enrolled in students decreased by 8.0 which decreased tuition revenues. The District did benefit by being allowed to include 22 four year olds in the count (13.2 weighted allowance).

- General Fund expenditures decreased 3%. The District continues to work to curtail discretionary spending as well as evaluating personal needs.

- PPEL and Capital Projects Funds each decreased as the District spent over $1,000,000 on energy and infrastructure projects.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Laurens-Marathon Community School District as a whole and present on 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 Laurens-Marathon Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Laurens-Marathon 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.

Other Supplementary Information provides detailed information about the Student Activity and Trust Funds.

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

Figure A-1
Laurens-Marathon Community School District Annual Financial Report

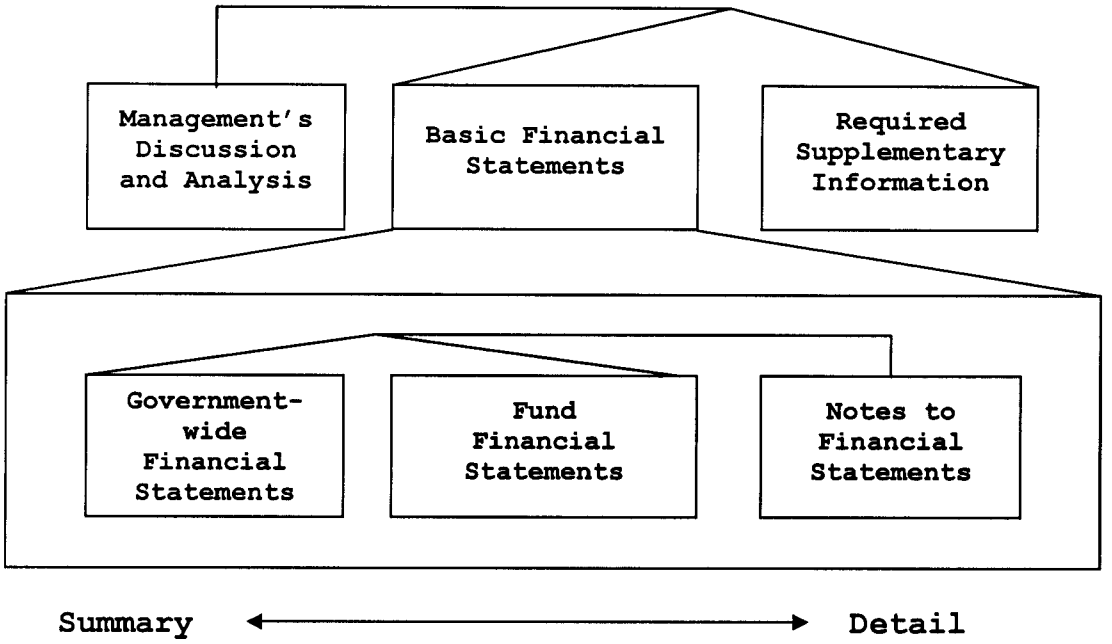

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	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	Activity the District operates similar to private businesses: food services.	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures and changes in fund balances	• Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows	• Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

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

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

The District has three kinds of funds:

1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets 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 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 Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

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

3) Fiduciary *funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Current assets	$ 3,580	3,087	25	10	3,605	3,097	16.40%
Capital assets	2,424	1,400	6	8	2,430	1,408	72.59%
Total assets	6,004	4,487	31	18	6,035	4,505	33.96%
Current liabilities	2,500	1,934	-	-	2,500	1,934	29.27%
Non-current liabilities	975	670	-	-	975	670	45.52%
Total liabilities	3,475	2,604	-	-	3,475	2,604	33.45%
Net Assets							
Invested in capital assets, net of related debt	1,449	730	6	8	1,455	738	97.15%
Restricted	635	947	-	-	635	947	-32.95%
Unrestricted	445	206	25	10	470	216	117.59%
Total net assets	$ 2,529	1,883	31	18	2,560	1,901	34.67%

Total net assets increased over 34% due to the increase in the General Fund as well as the use of PPEL and Capital Projects Funds for capital assets expenditures. These assets are depreciated out over their useful lives, so while, the fund balances decrease immediately, the investment in capital assets increase immediately, then decreases over the lives of the assets.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4
Changes in Net Assets
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-2009
Revenues:							
Program revenues:							
Charges for service and sales	$ 145	226	121	100	266	326	-18.40%
Operating grants, contributions and restricted interest	850	776	80	80	930	856	8.64%
General revenues:							
Property tax	1,710	1,646	-	-	1,710	1,646	3.89%
Income surtax	118	111	-	-	118	111	6.31%
Statewide sales and services tax	235	256	-	-	235	256	-8.20%
Unrestricted state grants	1,461	1,444	-	-	1,461	1,444	1.18%
Unrestricted investment earnings	3	5	-	-	3	5	-40.00%
Other	39	12	-	-	39	12	225.00%
Total revenues	4,561	4,476	201	180	4,762	4,656	2.28%
Program expenses:							
Governmental activities:							
Instruction	2,575	2,677	-	-	2,575	2,677	-3.81%
Support services	1,016	970	-	-	1,016	970	4.74%
Non-instructional programs	-	-	188	177	188	177	6.21%
Other expenses	323	384	-	-	323	384	-15.89%
Total expenses	3,914	4,031	188	177	4,102	4,208	-2.52%
Change in net assets	$ 647	445	13	3	660	448	47.32%

Property tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily related to instruction and support services, which account for 88% of the total expenses.

Governmental Activities

Revenues for governmental activities were $4,560,901 and expenses were $3,914,091 for the year ended June 30, 2009.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2009 compared to the year ended June 30, 2008.

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

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-2009	2009	2008	Change 2008-2009
Instruction	$ 2,575	2,677	-3.81%	1,760	1,847	-4.71%
Support services	1,016	970	4.74%	981	954	2.83%
Other expenses	323	384	-15.89%	179	228	-21.49%
Totals	$ 3,914	4,031	-2.90%	2,920	3,029	-3.60%

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was $144,649.
- Federal and state governments subsidized certain programs with grants and contributions totaling $493,697.
- The net cost of governmental activities was financed with $1,710,932 in property tax and $1,460,772 in state foundation aid.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2009 were $200,647 and expenses totaled $188,053. The District's business type activities included the School Nutrition Fund. The revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Laurens-Marathon 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 the District completed the fiscal year, its governmental funds reported combined fund balances of $988,523, which is 7% less than last year's ending fund balance of $1,066,965, primarily due to major infrastructure expenditures.

Governmental Fund Highlights

Several factors contributed to the small increase of the fund balance in the District's governmental funds.

- Began collection of statewide sales and services tax.
- Careful cost containment measures in all areas of District finance.
- Spent over $1,000,000 on energy and building projects.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from $18,536 at June 30, 2008 to $31,130 at June 30, 2009, representing an increase of approximately 68%.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

It is the District's practice, as is in most Iowa school district, to budget expenditures at or about the maximum authorized spending. As a result, the District's certified budget should always exceed the actual expenditures for the year.

Actual revenues were less than budgeted amounts by over $215,000, primarily because of less miscellaneous revenues than projected.

CAPITAL ASSETS AND ADMINISTRATION

Capital Assets

The District has invested more than $2.4 million, net of accumulated depreciation, by the end of fiscal year 2009 in a broad range of capital assets, including school buildings, athletic facilities, kitchen, computers and audio-visual equipment, maintenance equipment, school buses and other vehicles, library holdings, and textbooks. Total depreciation expenses for the year exceeded $134,000.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2009	2009	2008	2009	2008	2008-2009
Land	$ 40	40	-	-	40	40	0.00%
Land improvements	3	3	-	-	3	3	0.00%
Buildings	2,173	1,111	-	-	2,173	1,111	95.59%
Furniture and equipment	208	245	6	8	214	253	-15.42%
Totals	$ 2,424	1,399	6	8	2,430	1,407	72.71%

Long-Term Debt

The District has $510,000 in general obligation bonds outstanding. This represents a decrease of $160,000 from the previous year. The principal and interest on the bonds will be paid in full by June 1, 2012. The District makes principal and interest payments annually on these bonds using property tax dollars obtained through a debt service levy specifically for these bonds. The District issued $515,000 of capital loan notes in August 2008 for improvements to the buildings. $50,000 of principal was paid during the year. Interest rates range from 3.2% to 4.25%. The issue is being paid with proceeds of the Physical Plant and Equipment Levy.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- To offset the impact of declining enrollment, the State has provided a budget guarantee provision for districts. This budget guarantee provision is being phased out over a 10- year period. The District was on budget guarantee for Fiscal Year 2009 and will continue to be on budget guarantee for several years to come. Due to previous and continued declining enrollment, the amount of this reduction due to the phase out of the budget guarantee will likely grow over the next several years.

- Possible sharing opportunities with neighboring districts are being explored to bolster the District's financial position.

- The District will continue to be required to comply with unfunded and under funded mandates from the federal and state governments such as the federal No Child Left Behind Act and the state Student Achievement and Teacher Quality Initiative. This will require the District to find ways to provide services in the areas of assessment and professional development, which will divert funds from other student service areas.

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 Susan Wenell, District Secretary/Treasurer and Business Manager, Laurens-Marathon Community School District, 300 West Garfield, Laurens, IA 50554.

Basic Financial Statements

Exhibit A

LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities School Nutrition	Total
Assets			
Cash	$ 1,084,283	24,726	1,109,009
ISCAP investments	415,844	-	415,844
Receivables:			
Property tax:			
Current year	21,306	-	21,306
Succeeding year	1,901,798	-	1,901,798
Income surtax - succeeding year	94,274	-	94,274
Due from other governments	60,136	-	60,136
ISCAP accrued interest receivable	2,039	-	2,039
Capital assets, net of accumulated depreciation	2,424,500	6,404	2,430,904
Total assets	6,004,180	31,130	6,035,310
Liabilities			
Accounts payable	2,766	-	2,766
Accrued payroll	68,068	-	68,068
ISCAP warrants payable	410,000	-	410,000
ISCAP unamortized premium	6,120	-	6,120
ISCAP accrued interest payable	2,894	-	2,894
Accrued interest payable	2,768	-	2,768
Deferred revenue:			
Succeeding year property tax	1,901,798	-	1,901,798
Federal programs	105,237	-	105,237
Long-term liabilities:			
Portion due within one year:			
Capital loan notes payable	50,000	-	50,000
General obligation bonds payable	165,000	-	165,000
Portion due after one year:			
Capital loan notes payable	415,000	-	415,000
General obligation bonds payable	345,000	-	345,000
Total liabilities	3,474,651	-	3,474,651
Net assets			
Invested in capital assets, net of related debt	1,449,500	6,404	1,455,904
Restricted for:			
Management levy	76,410	-	76,410
Physical plant and equipment levy	124,702	-	124,702
Debt service	85,012	-	85,012
Capital projects	349,252	-	349,252
Unrestricted	444,653	24,726	469,379
Total net assets	$ 2,529,529	31,130	2,560,659

See notes to financial statements.

LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction	$ 2,575,166	144,649	671,038	(1,759,479)	-	(1,759,479)
Support services:						
Student services	69,395	-	-	(69,395)	-	(69,395)
Instructional staff services	126,727	-	-	(126,727)	-	(126,727)
Administration services	375,257	-	-	(375,257)	-	(375,257)
Operation and maintenance of plant services	314,312	-	34,664	(279,648)	-	(279,648)
Transportation services	130,398	-	-	(130,398)	-	(130,398)
	1,016,089	-	34,664	(981,425)	-	(981,425)
Other expenditures:						
AEA flowthrough	141,358	-	141,358	-	-	-
Long-term debt services	800	-	-	(800)	-	(800)
Long-term debt interest	37,056	-	548	(36,508)	-	(36,508)
Facilities acquisition and construction	10,668	-	2,168	(8,500)	-	(8,500)
Depreciation (unallocated)*	132,954	-	-	(132,954)	-	(132,954)
	322,836	-	144,074	(178,762)	-	(178,762)
Total governmental activities	3,914,091	144,649	849,776	(2,919,666)	-	(2,919,666)

LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business type activities:						
Non-instructional programs:						
Nutrition services	188,053	120,516	80,131	-	12,594	12,594
Total	$ 4,102,144	265,165	929,907	(2,919,666)	12,594	(2,907,072)
General Revenues:						
Property tax levied for:						
General purposes				$ 1,335,472	-	1,335,472
Management levy				59,979	-	59,979
Debt service				182,735	-	182,735
Capital outlay				132,206	-	132,206
Income surtax						
General purposes				59,125	-	59,125
Capital outlay				59,125	-	59,125
Statewide sales and services tax				234,574	-	234,574
Unrestricted state grants				1,460,772	-	1,460,772
Unrestricted investment earnings				3,413	-	3,413
Other				39,075	-	39,075
Total general revenues				3,566,476	-	3,566,476
Change in net assets				646,810	12,594	659,404
Net assets beginning of year				1,882,719	18,536	1,901,255
Net assets end of year				$ 2,529,529	31,130	2,560,659

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

See notes to financial statements.

LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Assets							
Cash	$ 492,091	47,460	78,435	75,946	304,808	85,543	1,084,283
ISCAP investments	415,844	-	-	-	-	-	415,844
Receivables:							
Property tax:							
Current year	16,709	-	741	1,619	-	2,237	21,306
Succeeding year	1,513,301	-	50,000	153,497	-	185,000	1,901,798
Income surtax - succeeding year	47,137	-	-	47,137	-	-	94,274
Due from other governments	15,692	-	-	-	44,444	-	60,136
ISCAP accrued interest receivable	2,039	-	-	-	-	-	2,039
Total assets	$ 2,502,813	47,460	129,176	278,199	349,252	272,780	3,579,680

LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Liabilities and Fund Balance							
Liabilities:							
Accounts payable	$ -	-	2,766	-	-	-	2,766
Accrued payroll	68,068	-	-	-	-	-	68,068
ISCAP warrants payable	410,000	-	-	-	-	-	410,000
ISCAP unamortized premium	6,120	-	-	-	-	-	6,120
ISCAP accrued interest payable	2,894	-	-	-	-	-	2,894
Deferred revenue:							
Succeeding year property tax	1,513,301	-	50,000	153,497	-	185,000	1,901,798
Succeeding year income surtax	47,137	-	-	47,137	-	-	94,274
Federal programs	105,237	-	-	-	-	-	105,237
Total liabilities	2,152,757	-	52,766	200,634	-	185,000	2,591,157
Fund balances:							
Reserved for debt service	-	-	-	-	-	87,780	87,780
Reserved for capital projects	-	-	-	-	349,252	-	349,252
Unreserved	350,056	47,460	76,410	77,565	-	-	551,491
Total fund balances	350,056	47,460	76,410	77,565	349,252	87,780	988,523
Total liablities and fund balances	$ 2,502,813	47,460	129,176	278,199	349,252	272,780	3,579,680

See notes to financial statements.

LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

Total fund balances of governmental funds (Exhibit C)	$ 988,523
Amounts reported for governmental activities in the Statement ofn Net Assets are different because:	
Income surtax receivable at June 30, 2009 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	94,274
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,424,500
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(2,768)
Long-term liabilities, including bonds and capital loan notes, are not due and payable in the current period and, therefore, are not reported in the funds.	(975,000)
Net assets of governmental activities (Exhibit A)	$ 2,529,529

See notes to financial statements.

LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund Types

Year ended June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Revenues:							
Local sources:							
Local tax	$ 1,391,460	-	59,979	188,194	234,574	182,735	2,056,942
Tuition	136,881	-	-	-	-	-	136,881
Other	53,291	174,567	12,340	22,190	2,168	421	264,977
State sources	1,986,708	-	42	92	-	127	1,986,969
Federal sources	108,858	-	-	-	-	-	108,858
Total revenues	3,677,198	174,567	72,361	210,476	236,742	183,283	4,554,627
Expenditures:							
Instruction:	2,329,652	172,411	71,680	1,423	-	-	2,575,166
Support services:							
Student services	69,395	-	-	-	-	-	69,395
Instructional staff services	126,727	-	-	-	-	-	126,727
Administration services	368,984	-	2,159	4,114	-	-	375,257
Operation and maintenance of plant services	260,881	-	55,269	56,309	182	-	372,641
Transportation services	104,690	-	18,069	7,639	-	-	130,398
	930,677	-	75,497	68,062	182	-	1,074,418

LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund Types

Year ended June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Other expenditures:							
AEA flowthrough	141,358	-	-	-	-	-	141,358
Long-term debt:							
Services	-	-	-	-	-	800	800
Principal	-	-	-	-	-	210,000	210,000
Interest	-	-	-	-	-	36,058	36,058
Facilities acquisition and construction	-	-	-	604,780	505,489	-	1,110,269
	141,358	-	-	604,780	505,489	246,858	1,498,485
Total expenditures	3,401,687	172,411	147,177	674,265	505,671	246,858	5,148,069
Excess (deficiency) of revenues over (under) expenditures	275,511	2,156	(74,816)	(463,789)	(268,929)	(63,575)	(593,442)
Other financing sources (uses)							
Capital loan not proceeds	-	-	-	515,000	-	-	515,000
Operating transfer in	-	-	-	-	-	129,994	129,994
Operating transfer (out)	-	-	-	(129,994)	-	-	(129,994)
	-	-	-	385,006	-	129,994	515,000
Net changes in fund balance	275,511	2,156	(74,816)	(78,783)	(268,929)	66,419	(78,442)
Fund balances beginning of year	74,545	45,304	151,226	156,348	618,181	21,361	1,066,965
Fund balances end of year	$ 350,056	47,460	76,410	77,565	349,252	87,780	988,523

See notes to financial statements.

LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

Net change in fund balances - total governmental funds (Exhibit E)		$ (78,442)
Amounts reported for governmental activities in the Statements of Activities are different because:		
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities. This represents the change from FY08 to FY09.		6,274
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:		
Capital outlays	$ 1,157,930	
Depreciation expense	(132,954)	1,024,976
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:		
Issues	(515,000)	
Repayments	210,000	(305,000)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		(998)
Change in net assets of governmental activities (Exhibit B)		$ 646,810

See notes to financial statements.

Exhibit G

LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Fund

Year ended June 30, 2009

	School Nutrition
Operating revenue:	
Local sources:	
Charges for services	$ 120,516
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	57,285
Benefits	7,989
Services	3,559
Supplies	117,462
Depreciation	1,758
Total operating expenses	188,053
Operating (loss)	(67,537)
Non-operating revenues:	
State sources	2,026
Federal sources	78,037
Interest income	68
	80,131
Changes in fund net assets	12,594
Net assets beginning of year	18,536
Net assets end of year	$ 31,130

See notes to financial statements.

Exhibit H

LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Fund

Year ended June 30, 2009

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	$ 120,516
Cash payments to employees for services	(65,274)
Cash payments to suppliers for goods or services	(113,542)
Net cash (used by) operating activities	(58,300)
Cash flows from non-capital financing activities:	
State grants received	2,026
Federal grants received	70,558
Net cash provided by non-capital financing activities	72,584
Cash flows from investing activities:	
Interest on investments	68
Net (decrease) in cash and cash equivalents	14,352
Cash and cash equivalents beginning of year	10,374
Cash and cash equivalents end of year	$ 24,726
Reconciliation of operating (loss) to net cash used by operating activities:	
Operating (loss)	$ (67,537)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	1,758
Commodities used	7,479
	$ (58,300)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received federal commodities valued at $7,479.

See notes to financial statements.

Exhibit I

LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2009

	Private Purpose Trusts Scholarships
Assets	
Cash	$ 246,691
Land	73,980
Total assets	320,671
Net Assets	
Reserved for specific purposes	320,671
Total net assets	$ 320,671

See notes to financial statements.

Exhibit J

LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year ended June 30, 2009

	Private Purpose Trusts Scholarships
Additions:	
Local sources:	
Miscellaneous	$ 38,275
Total additions	38,275
Deductions:	
Support services:	
Other	50,198
Total deductions	50,198
Change in net assets	(11,923)
Net assets beginning of year (as restated)	332,594
Net assets end of year	$ 320,671

See notes to financial statements.

(1) Summary of Significant Accounting Policies

Laurens-Marathon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Laurens and Marathon, Iowa, and agricultural area in Palo Alto, Buena Vista and Pocahontas 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, Laurens-Marathon 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. Laurens-Marathon Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but 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 Pocahontas County Assessor Conference Board.

B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those are 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.

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. The District has elected to treat all funds as major funds for clarity of presentation.

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

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Physical Plant and Equipment Levy is used for the acquisition of capital assets (over $500) and the maintenance and purchase of land improvements and facilities.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The District reports the following major proprietary fund:

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

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

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used for scholarship payments.

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

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

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

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

D. Assets, Liabilities and Fund Balance

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are invested in interest bearing accounts. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

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 Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

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

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

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

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2009.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures did not exceed the amount budgeted in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	$9,706

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk - The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

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

(3) Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 40,213	-	-	40,213
Capital assets being depreciated:				
Land improvements	170,368	-	-	170,368
Buildings	2,202,661	1,119,601	-	3,322,262
Furniture and Equipment	1,333,493	38,329	-	1,371,822
Total capital assets being depreciated	3,706,522	1,157,930	-	4,864,452
Less accumulated depreciation for:				
Land improvements	166,588	180	-	166,768
Buildings	1,091,696	57,787	-	1,149,483
Furniture and Equipment	1,088,927	74,987	-	1,163,914
Total accumulated depreciation	2,347,211	132,954	-	2,480,165
Total capital assets being depreciated, net	1,359,311	1,024,976	-	2,384,287
Governmental activities, capital assets, net	$ 1,399,524	1,024,976	-	2,424,500
Business type activities:				
Furniture and equipment	$ 57,069	0	-	57,069
Less accumulated depreciation	48,907	1,758	-	50,665
Business type activities capital assets, net	$ 8,162	(1,758)	-	6,404

Depreciation expense was charged to the following functions:

Governmental activities:	
Unallocated	$ 132,954
Business Type activities:	
Food service operations	$ 1,758

(4) Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2009 is as follows:

	General Obligation Bond	Capital Loan Notes	Total
Balance beginning of year	$670,000	-	670,000
Additions	-	515,000	515,000
Reductions	160,000	50,000	210,000
Balance end of year	$510,000	465,000	975,000

Bonds Payable

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue as of April 30, 2008			
	Interest Rates	Principal	Interest	Total
2010	2.80%	$165,000	15,320	180,320
2011	3.00	170,000	10,700	180,700
2012	3.20	175,000	5,600	180,600
Total		510,000	31,620	541,620

Capital Loan Notes

The District issued $515,000 of Capital Loan Notes on August 25, 2008 for remodeling of the existing facility. Details of the June 30, 2009 capital loan note indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2010	3.20%	$ 50,000	17,893	67,883
2011	3.40	55,000	16,292	71,292
2012	3.60	55,000	14,423	69,423
2013	3.80	55,000	12,442	67,442
2014	4.00	60,000	10,353	70,353
2015	4.10	60,000	7,952	67,952
2016	4.20	65,000	5,493	70,493
2017	4.25	65,000	2,762	67,762
Total		$465,000	87,610	552,810

(5) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were $135,637, $135,500 and $125,637 respectively, equal to the required contributions for each year.

(6) Risk Management

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

(7) 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 $141,358 for year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Required Supplementary Information

LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

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, 2009

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
Revenues:						
Local sources	$ 2,458,800	120,584	2,579,384	2,806,166	2,806,166	(226,782)
State sources	1,986,969	2,026	1,988,995	1,949,342	1,949,342	39,653
Federal sources	108,858	78,037	186,895	215,000	215,000	(28,105)
Total revenues	4,554,627	200,647	4,755,274	4,970,508	4,970,508	(215,234)
Expenditures/Expenses:						
Instruction	2,575,166	-	2,575,166	2,895,564	2,895,564	320,398
Support services	1,074,418	-	1,074,418	1,503,000	1,503,000	428,582
Non-instructional programs	-	188,053	188,053	210,000	210,000	21,947
Other expenditures	1,498,485	-	1,498,485	2,019,026	2,019,026	520,541
Total expenditures/expenses	5,148,069	188,053	5,336,122	6,627,590	6,627,590	1,291,468
Excess (deficiency) of revenues over (under) expenditures/expenses	(593,442)	12,594	(580,848)	(1,657,082)	(1,657,082)	1,076,234
Other financing sources (uses)	515,000	-	515,000	860,175	860,175	(345,175)
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(78,442)	12,594	(65,848)	(796,907)	(796,907)	731,059
Balance beginning of year	1,066,965	18,536	1,085,501	1,186,606	1,186,606	(101,105)
Balance end of year	$ 988,523	31,130	1,019,653	389,699	389,699	629,954

See accompanying independent auditor's report.

LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

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 Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on 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 functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2009, expenditures did not exceed the amount budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Speech Trip	$ 258	-	-	258
Speech	494	11,387	11,685	196
TAG	80	-	-	80
Computer Club	317	-	-	317
Vocal Trip	109	326	435	-
Vocal Music	3,820	3,857	5,993	1,684
Music Trip 12	6,583	1,247	806	7,024
Band	4,298	2,732	3,565	3,465
Spanish Trip	1,723	-	-	1,723
Band Uniforms	322	1	-	323
Book Fair	1,532	1,656	3,193	(5)
Towel Fees	73	-	-	73
Wrestling Cheerleaders	1,168	240	171	1,237
Athletic Fund	497	-	-	497
Athletic Uniforms	174	50	-	224
Athletics	(6,462)	15,349	15,313	(6,426)
Cross Country	(95)	668	726	(153)
Golf	(147)	29	420	(538)
Boys Basketball	1,890	21,519	17,211	6,198
Football	(527)	13,848	12,658	663
District Football	-	125	125	-
Baseball	(3,010)	255	2,560	(5,315)
Boys Track	819	4,446	4,171	1,094
Wrestling	660	6,243	5,851	1,052
Girls Basketball	(403)	3,172	4,039	(1,270)
Volleyball	(258)	5,755	5,934	(437)
Softball	(964)	160	1,843	(2,647)
Girls Track	(3,454)	2,404	1,555	(2,605)
Football Cheerleaders	171	704	480	395
Basketball Cheerleaders	131	4,314	4,401	44
Drill Team	1,824	3,422	4,093	1,153
Interest	1,747	771	2,648	(130)
HS Special Needs	3,111	1,000	706	3,405
LD Special Needs	40	-	-	40
Annual 07	2,667	-	-	2,667
Annual 08	4,805	-	3,193	1,612
Annual 09	2,000	7,696	5,067	4,629
Annual General	5,389	1,368	1,593	5,164
Annual 10	-	2,000	-	2,000
MS Guidance	52	-	-	52
Student Council	500	366	475	391
Graduated Seniors	-	3,703	3,703	-
Class of 2008	785	-	785	-
Class of 2009	1,224	772	1,339	657
Class of 2010	1,682	8,538	9,344	876
Class of 2011	-	4,133	2,234	1,899
National Honor Society	-	-	151	(151)
FFA	3,253	37,157	33,337	7,073
Home Ec	63	-	-	63
Character Counts	6,363	3,154	608	8,909
Total	$ 45,304	174,567	172,411	47,460

See accompanying independent auditor's report.

LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Blomgren Fund	$ 85,245	18,200	23,773	79,672
Aschenbrenner Trust	77,328	1,222	2,500	76,050
Scholarship Fund	25,142	10,483	14,220	21,405
Marker Fund	30	-	-	30
Huey Korrect Band Fund	955	85	85	955
Playground Fund	112	-	-	112
Doug DeYoung Memorial	51	2,000	2,000	51
Medicaid Reserve	354	-	-	354
Halterman Scholarship	10,000	500	500	10,000
Hakes Scholarship	12,785	557	500	12,842
Nonneman Scholarship	10,000	500	500	10,000
Gilchrist Scholarship	10,000	500	500	10,000
Halder Scholarship	4,449	100	500	4,049
Ludwig Scholarship	15,384	385	1,000	14,769
Hovenden Scholarship	25,000	600	600	25,000
Whitfield Scholarship	3,000	150	150	3,000
Ryon Scholarship	10,000	500	500	10,000
Sindergard Scholarship	671	-	-	671
Wright Scholarship	5,000	300	300	5,000
Hoffman Scholarship	15,000	720	720	15,000
Kees Scholarship	10,000	1,000	1,000	10,000
Braunschweig Scholarship	4,217	94	500	3,811
B Peterson Scholarship	7,871	379	350	7,900
Total	$ 332,594	38,275	50,198	320,671

See accompanying independent auditor's report.

LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

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

For the Last Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
Revenues:						
Local sources:						
Local tax	$ 2,056,942	2,007,594	1,901,617	1,901,986	1,776,631	1,801,554
Tuition	136,881	216,609	257,389	250,577	203,539	195,282
Other	264,977	288,841	303,441	328,135	878,915	363,338
State sources	1,986,969	1,821,031	1,597,361	1,717,069	1,724,948	1,615,230
Federal sources	108,858	136,703	133,014	135,684	147,539	147,745
Total	$ 4,554,627	4,470,778	4,192,822	4,333,451	4,731,572	4,123,149
Expenditures:						
Instruction	$ 2,575,166	2,677,060	2,623,664	2,574,498	2,474,264	2,531,073
Support services:						
Student	69,395	103,545	99,420	92,788	65,597	86,780
Instructional staff	126,727	80,423	93,772	104,835	137,467	75,874
Administration	375,257	386,443	471,423	348,812	526,245	429,107
Operation and maintenance of plant	372,641	330,495	339,015	352,989	320,242	527,658
Transportation	130,398	134,088	261,534	133,601	98,505	82,213
Central support	-	-	-	-	58,055	55,897
Other expenditures:						
Facilities acquisition	1,110,269	205,094	106,123	129,897	698,401	50,803
Debt Service:						
Principal	210,000	140,000	135,000	130,000	120,000	115,000
Interest and service charges	36,858	40,075	46,650	53,172	60,734	68,085
AEA flowthrough	141,358	137,621	132,835	130,755	130,364	131,938
Total	$ 5,148,069	4,234,844	4,309,436	4,051,347	4,689,874	4,154,428

See accompanying independent auditor's report.

BRUCE D. FRINK
Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

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

To the Board of Education of the
Laurens-Marathon Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Laurens-Marathon Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 29, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Laurens-Marathon Community School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Laurens-Marathon Community School District's financial statements that is more than inconsequential will not be prevented or detected by Laurens-Marathon Community School District' internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

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bruce@frinkcpa.com

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Lauren-Marathon Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-09 and I-B-09, are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Laurens-Marathon 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. We noted no instances of non-compliance or other matters to be 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, 2009 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.

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Laurens-Marathon 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.

Bruce D. Frink

BRUCE D. FRINK
Certified Public Accountant

April 29, 2010

LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-09 SEGREGATION OF DUTIES

Comment - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

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

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

I-B-09 Auditor Drafting of the Financial Statements and Related Footnote Disclosures

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 112, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - 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.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

II-A-09 Certified Budget - During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted in any of the four functions.

II-B-09 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-09 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-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-E-09 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

II-F-09 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Nancy Fuchs, Fuchs Construction Board Vice President	Concrete work	$9,679

In accordance with Chapter 279.7A of the Code of Iowa, this transaction does not appear to represent conflicts of interest since it appears to have been properly bid.

Recommendation - The District should review these expenditures to ensure legal compliance.

Response - We will review these on an annual basis and consult with our attorney when needed.

Conclusion - Response accepted.

II-G-09 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-H-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education one day late. We noted no significant deficiencies in the amounts reported.

Recommendation - The District should in the future avoid the late filing of the certified annual report.

Response - We will file future reports in a timely manner.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:
(continued)

II-I-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-J-09 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	$ -
Statewide sales and services tax revenue	234,574
Expenditures/transfers out:	
School infrastructure:	
Buildings improvements	(234,574)
Ending balance	$ -