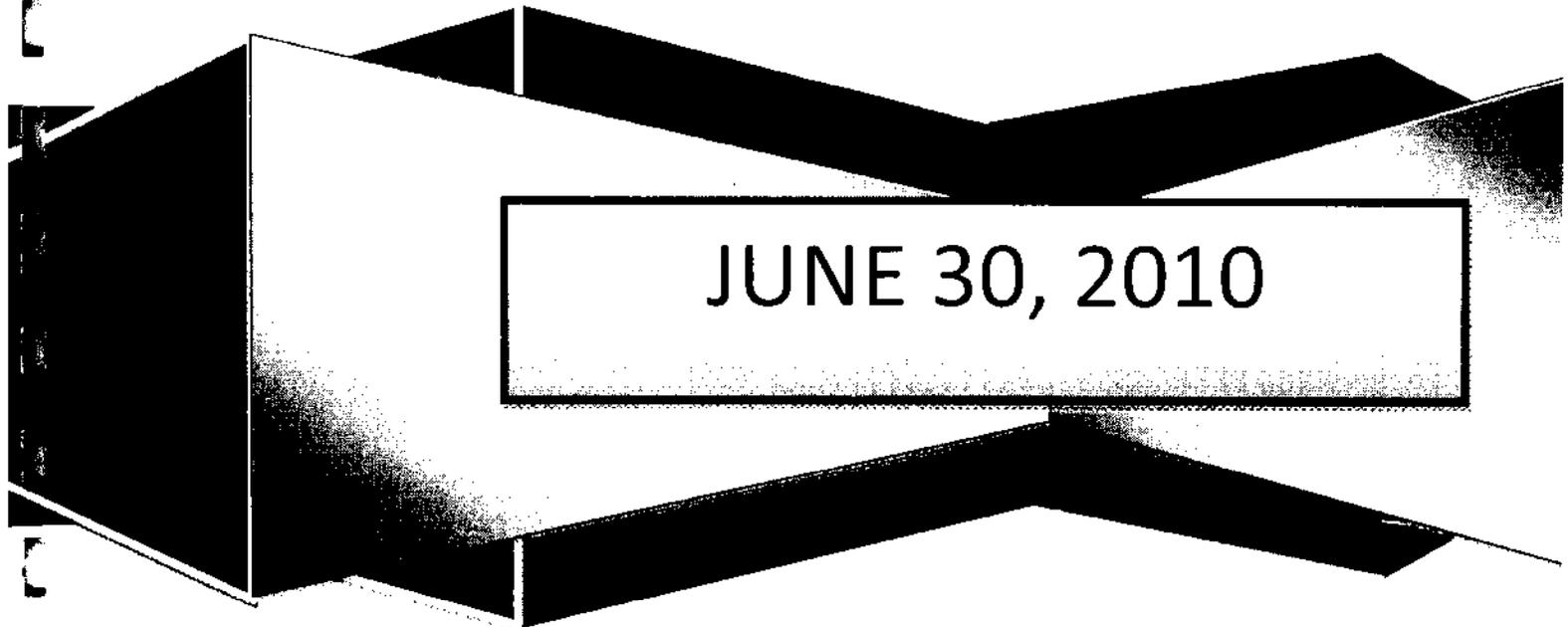


**Le Mars Community School
District**

**INDEPENDENT
AUDITOR'S
REPORT**



JUNE 30, 2010

LE MARS COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2010

**LE MARS COMMUNITY SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2010
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LE MARS COMMUNITY SCHOOL DISTRICT

LIST OF OFFICIALS

June 30, 2010

Board of Education (Before September 2009 Election)

		Term Expires
Dr. Mark Stelzer	President	2011
Patrick Murphy	Vice President	2011
Cris Collins	Board Member	2009
Mark Hemmingson	Board Member	2011
Dr. Leon Scott	Board Member	2009
Brenda Phelan	Board Member	2009
Dan Smith	Board Member	2011

Board of Education (After September 2009 Election)

Patrick Murphy	President	2011
Brenda Phelan	Vice President	2013
Cris Collins	Board Member	2013
Mark Hemmingson	Board Member	2011
Scott Kommes	Board Member	2013
Dr. Mark Stelzer	Board Member	2011
Dan Smith	Board Member	2011

School Officials

Dr. Todd Wendt	Superintendent	2010
Lisa Boehm	District Secretary	2010
Kim Clarey	District Treasurer	2010
Bauerly, Trozig & Bauerly	Attorney	2010

INDEPENDENT AUDITORS' REPORT

To the Board of Education of
Le Mars Community School District

Le Mars, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Le Mars Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Le Mars Community School District's management. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Le Mars Community School District, as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof 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 October 6, 2010, on our consideration of the Le Mars 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 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.

U.S. generally accepted accounting principles require that the management's discussion and analysis and budgetary comparison information on pages 4 through 14 and 38 through 39 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, who 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Le Mars 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 seven years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. The other supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Williams + Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Le Mars, Iowa
October 6, 2010

LE MARS COMMUNITY MANAGEMENT DISCUSSION AND ANALYSIS

Le Mars Community School District provides this Management Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

In spite of a 10% across the board cut by Governor Culver in October, general fund revenues increased from \$17,372,195 in fiscal year 2009 to \$17,512,862 in fiscal year 2010, while General fund expenditures increased from \$17,449,481 in fiscal 2009 to \$17,809,912 in fiscal 2010. Costs associated with decreases in staffing as a result of budget reduction measures approved by the Board of Education during the budget development process were minimized by the increased salary and benefit costs of remaining employees. The District's General fund balance decreased from \$1,074,520 in fiscal 2009 to \$807,944 in fiscal 2010, a 24.8% decrease. Without the across the board cut, the general fund balance would have increased substantially.

USING THIS ANNUAL REPORT

This 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 Le Mars 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 Le Mars Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.

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 nonmajor Special Revenue Funds and Capital Project Fund. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

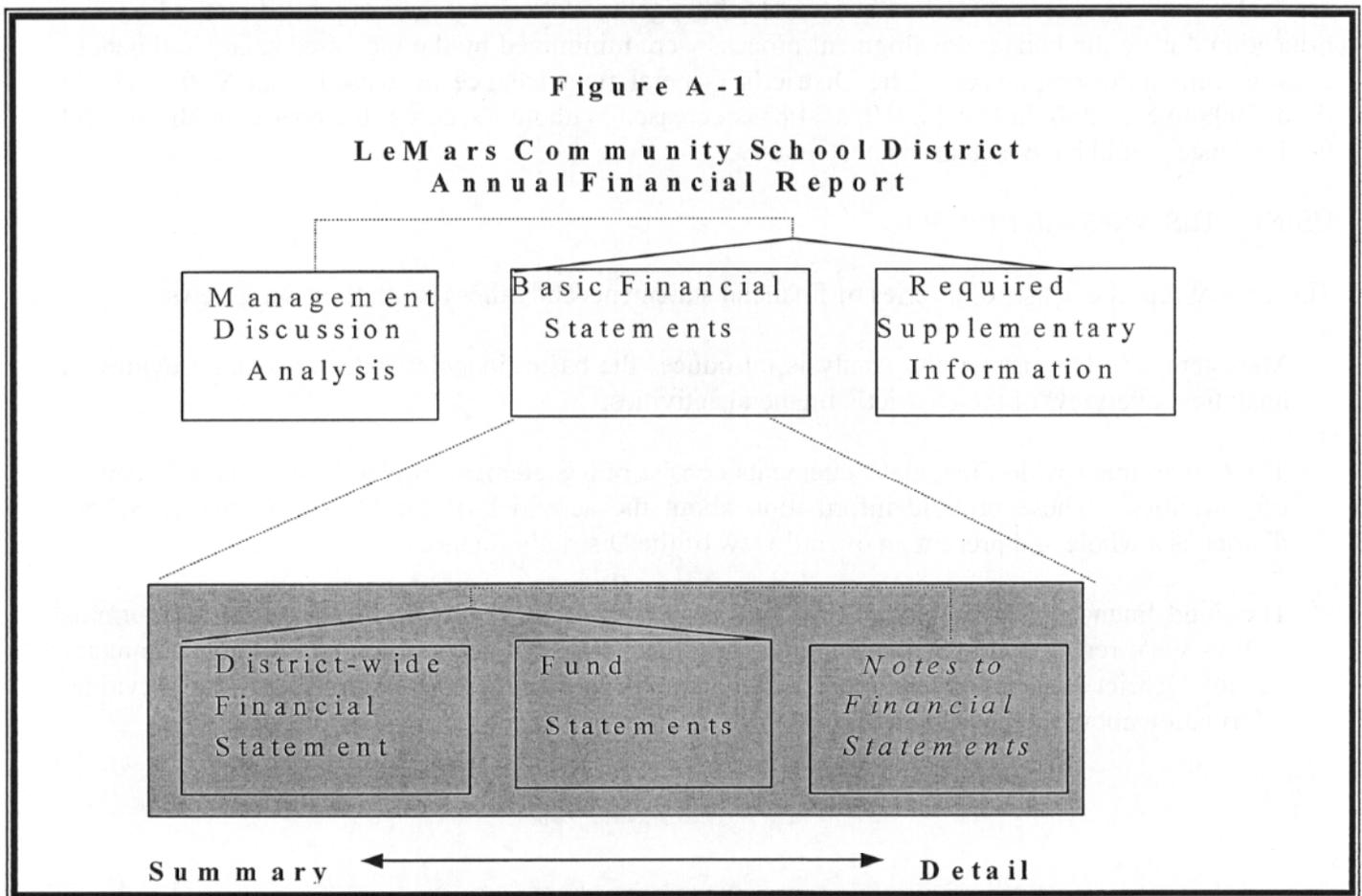


Figure A-2 below summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2: Major Features of the District Wide and Fund Financial Statements				
	District-wide Statements	Fund Financial 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 is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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, and 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

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 position. Over time, increases or decreases in the District’s net assets are an indicator of whether its 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 taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District's nutrition program is included here.

Fund Financial Statements

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

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

The District has three types 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 funds 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, Special Revenue Funds, Debt Service Fund and Capital Project 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 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, statement of revenues, expenses and changes in fund net assets, and a statement of cash flows.

- 3.) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. The District's only fiduciary fund is an agency fund for the District's flex cafeteria plan for employees. 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 this activity from the government-wide statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes 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, 2010.

Figure A-3
Condensed Statement of Net Assets June 30, 2010

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2009	2010	2009	2010	2009	2010	
Current and other assets	\$12,633,085	\$13,420,042	(\$15,072)	\$49,677	\$12,618,013	\$13,469,719	6.75%
Capital Assets	12,470,115	12,785,472	26,758	23,211	12,496,873	\$12,808,683	2.50%
Total assets	\$25,103,200	\$26,205,514	\$11,686	\$72,888	\$25,114,886	\$26,278,402	4.63%
Long-term debt outstanding	1,296,000	957,000	--	--	1,296,000	957,000	(26.16%)
Other Liabilities	9,339,931	9,891,746	11,588	11,559	9,351,519	\$9,903,305	5.90%
Total Liabilities	\$10,635,931	\$10,848,746	\$11,588	\$11,559	\$10,647,519	\$10,860,305	2.00%
Net Assets							
Invested in capital assets, net of related debt	\$10,850,115	\$11,680,472	\$26,758	\$23,211	\$10,876,873	\$11,703,683	7.60%
Restricted	987,482	1,277,415	--	--	987,482	\$1,277,415	29.36%
Unrestricted	2,629,672	2,398,881	(26,660)	38,118	2,603,012	\$2,436,999	(6.38%)
Total net assets	\$14,467,269	\$15,356,768	\$98	\$61,329	\$14,467,367	\$15,418,097	6.57%

The District's combined net assets increased by 6.57% from \$14,467,367 to \$15,418,097. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$290,000 or 29.36% from the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased approximately \$166,000 or (6.38%) from the prior year.

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2010.

Figure A-4							
Changes in Net Assets from Operations							
	Governmental Activities		Business-type Activities		Total District		Total % Change
	2009	2010	2009	2010	2009	2010	
Revenue							
Program Revenues							
Charges for Services	\$1,207,009	\$1,312,500	\$368,850	\$374,859	\$1,575,859	\$1,687,359	7.08%
Operating Grants & Contributions	3,005,220	3,947,728	308,196	339,591	3,313,416	4,287,319	29.39%
Capital Grants & Cont.	64,847	7,942	--	--	64,847	7,942	(87.75)%
General Revenues							
Property & Sales Tax	7,513,526	8,096,724			7,513,526	8,096,724	7.76%
State Aid	8,589,136	7,185,774			8,589,136	7,185,774	(16.34)%
Other	112,744	72,263	647	600	113,391	72,863	(35.74)%
Transfers	(30,273)	(34,223)	30,273	34,223	--	--	--
TOTAL REVENUES	\$20,462,209	\$20,588,708	\$707,966	\$749,273	\$21,170,175	\$21,337,981	.79%
Expenses							
Instruction	\$13,301,011	\$13,922,598	\$ --	\$ --	\$13,301,011	\$13,922,598	4.67%
Support Services	4,777,828	4,715,111	710,058	688,042	5,487,886	5,403,153	(1.54)%
Debt Services	80,697	61,506			80,697	61,506	(23.78)%
Facilities/Equip Acquisition	256,675	94,063			256,675	94,063	(63.35)%
Intergovernmental	804,981	905,931			804,981	905,931	12.54%
TOTAL EXPENSES	\$19,221,192	\$19,699,209	\$710,058	\$688,042	\$19,931,250	\$20,387,251	2.29%
INCREASE(DECREASE)	\$1,241,017	\$889,499	(\$2,092)	\$61,231	\$1,238,925	\$950,730	(23.26)%

Property tax, local option sales tax, and unrestricted state aid accounts for 72% of the total revenue. The District's expenses primarily relate to instruction and support services, which accounts for 95% of the total expenses.

Figure A-5
Sources of Revenue for Fiscal Year 2010

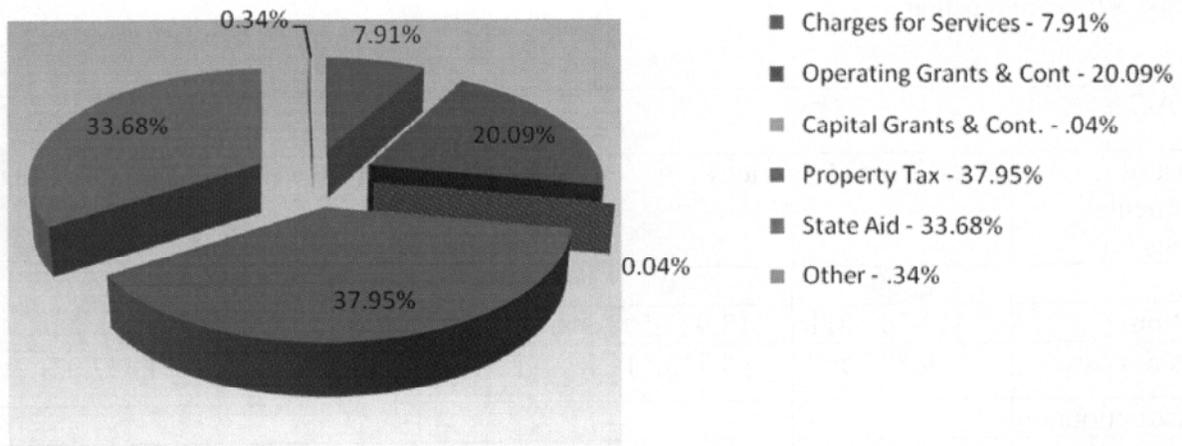
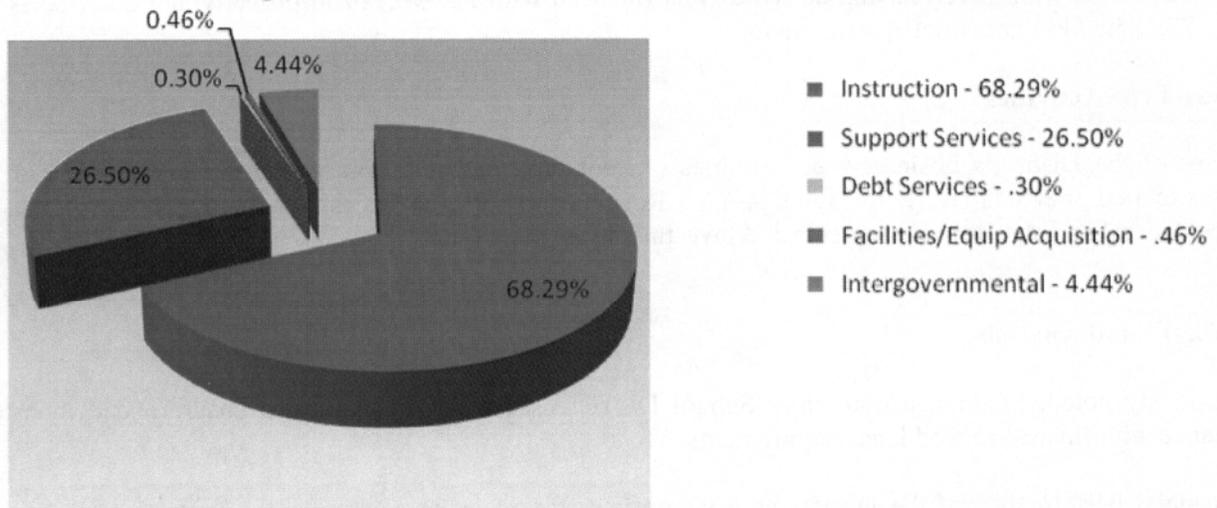


Figure A-6
Expenses for Fiscal Year 2010



Governmental Activities

Figure A-7 presents the cost of four major district activities: instruction, support services, debt services, and intergovernmental. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial impact placed on the taxpayers by each function.

Figure A-7						
Net Cost of Governmental Activities	Total Cost of Services		% Change	Net Cost of Services		% Change
	2009	2010		2009	2010	
Instruction	\$13,301,011	\$13,922,598	4.67%	\$10,387,947	\$9,828,449	(5.39%)
Support Services	4,777,828	4,715,111	(1.31%)	4,238,125	4,447,021	4.92%
Non-Instructional	--	--	--	--	--	--
Debt Service	80,697	61,506	(23.78)%	61,369	61,506	.22%
Other Expend.	256,675	94,063	(63.35)%	256,675	94,063	(63.35)%
Intergovernmental	804,981	905,931	12.54%	--	--	--
TOTAL	\$19,221,192	\$19,699,209	2.49%	\$14,944,116	\$14,431,039	(3.43)%

- The cost financed by users of the District's programs was \$1,312,500.
- Federal and state grants subsidized programs with grants totaling \$3,070,067 for 2009 compared to \$3,955,670 for 2010.
- The net cost of governmental activities was financed with \$8,096,724 in property and other taxes and \$7,185,774 in unrestricted state grants.

Business-Type Activities

Revenues of the District's business-type activities (school food and nutrition services) totaled \$749,273 and expenses totaled \$688,042 (Refer to Figure A-4.) Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

Individual Fund Analysis

As previously noted, Le Mars 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 a combined fund balance of \$4,061,887 compared to a fund balance of \$3,802,864 for fiscal 2009.

GOVERNMENTAL FUND HIGHLIGHTS

The decrease in the District's General Fund financial position was primarily a result of a 10% across the board reduction in state aid ordered by the Governor midway through the budget year. Decreases in the District's General Fund financial position would have been higher without the stimulus funds received through the American Recovery and Reinvestment Act.

The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$461,648 in fiscal 2009 to \$508,653 in fiscal 2010. This increase is due to the increase in property tax revenue.

The Local Option Sales Tax Fund balance increased from \$1,781,954 in fiscal 2009 to \$2,171,601 in fiscal 2010. This increase is due to the capital project costs being less than revenues received.

The Management Fund balance increased from \$217,995 in fiscal 2009 to \$287,713 in fiscal 2009. This increase is due to the decrease in expenditures in fiscal 2010.

The Debt Service Fund balance decreased from \$532 in fiscal 2009 to \$0 in fiscal 2010.

PROPRIETARY FUND HIGHLIGHTS

The School Nutrition Fund net assets increased from \$98 at June 30, 2009 to \$61,329 at June 30, 2010, representing an increase of 624.8%. The increase was largely due to the increase in meal prices and the reduction of food and supplies expenditures.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year utilizing statutorily prescribed procedures. The 2010 budget was not amended by the Board of Education in accordance with the Code of Iowa. During the year, the expenditures in total did not exceed the total initial published budget amounts. However, in the category Other Expenditures actual expenditures did exceed the initial budget.

The variance in the District's budget in comparison to actual results was largely due to the reduction of state funding. Total actual revenue was 6.35% less than budgeted, while total actual expenditures were 4.4% less than budgeted. Detail can be found in the supplementary information section of this report as required.

Capital Asset and Debt Administration

Capital Assets

By the end of 2010, the District had invested \$22,863,794 in a broad range of assets, including school infrastructure and equipment. (See Figure A-8) **(More detailed information about capital assets can be found in Note 4 to the financial statements.)** Total depreciation expense for the year equaled \$648,559.

Figure A-8 – Capital Assets						
	Governmental Activities		Business-Type Activities		Total District	
	2009	2010	2009	2010	2009	2010
Land	\$393,275	\$393,275	\$ ---	\$ ---	\$393,275	\$393,275
Const. In Progress	3,368,981	327,936	---	---	3,368,981	327,936
Buildings	13,504,710	17,252,168	---	---	13,504,710	17,252,168
Equip/Fur./Vehicles	4,691,232	4,828,857	63,118	61,558	4,754,350	4,890,415
Total	\$21,958,198	\$22,802,236	\$63,118	\$61,558	\$22,021,316	\$22,863,794

Long-Term Debt

At year-end, the District had general obligation bonds totaling \$1,105,000. See Figure A-9 below.

Figure A-9					
Outstanding Long-Term Debt					
Bonds		Notes		Total District	
2009	2010	2009	2010	2009	2010
--	---	\$1,620,000	\$1,105,000	\$1,620,000	\$1,105,000

Factors Bearing on the District's Future

At the time these financial statements were prepared, the district was aware of the following existing circumstances that could affect its financial health in the future:

- The decrease in district enrollment on October 1, 2009 of approximately 63 students brings the total loss of enrollment since 2005 to approximately 150 students. With projections of a similar decrease in enrollment on October, 2010 as was seen on October 1, 2009, the total loss since 2005 will be approaching 210 to 220 students over the five year period. This decrease in enrollment has created, and will continue to create in the future, a significant loss in funding available to the district for meeting student needs. Over two million dollars in general fund expenditures have been reduced during the past three years in attempt to address this loss in enrollment.
- State revenue projections made by the Revenue Estimating Conference have continued to reflect no significant improvement in the state's economic conditions causing major budgetary problems at the state level. The uncertainty associated with the state's ability to fund its' budget for FY11 indicates another across the board cut midway through the FY11 budget year is a distinct possibility. The district has taken steps during the FY10 and FY11 budget years to improve the general fund balance of the district by making expenditure reductions and levying a cash reserve. Unfortunately, the FY10 cash reserve levy was entirely nullified by the across the board cut issued in October, 2009 and it is possible that the FY 11 cash reserve could be nullified by a potential future across the board cut.
- The use of one time funding available through the American Recovery and Reinvestment Act by the Governor and state legislature has created a "funding cliff" that will occur in 2012 when federal funds through this program will no longer be available to the state of Iowa and local school districts.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional financial information, contact Dr. Todd Wendt, Superintendent, Le Mars Community School District, 940 Lincoln St. SW, Le Mars, IA 51031.

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**LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010**

	Primary Government			Component Unit
	Governmental Activities	Business Type Activity	Total	LCSD Foundation
ASSETS				
Cash and Cash Equivalents	\$ 5,399,390	\$ 35,373	\$ 5,434,763	\$ 28,012
Investments	80,190		80,190	138,695
Receivables:				
Property Tax	84,674		84,674	
Succeeding Year Property Tax	7,359,380		7,359,380	
Accrued Interest			-	355
Accounts	4,412	140	4,552	
Due from Other Governments	344,453		344,453	
Inventories		14,164	14,164	
Prepaid Expenses	147,543		147,543	
Land	393,275		393,275	
Construction in Progress	327,936		327,936	
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	12,064,261	23,211	12,087,472	
Total Assets	26,205,514	72,888	26,278,402	167,062
LIABILITIES				
Accounts Payable	187,635	96	187,731	
Salaries and Benefits Payable	1,709,078		1,709,078	
Accrued Interest Payable	3,591		3,591	
Unearned Revenue	102,062	11,463	113,525	
Deferred Revenue -				
Succeeding Year Property Tax	7,359,380		7,359,380	
Noncurrent Liabilities:				
Due Within One Year:				
Bonds Payable	530,000		530,000	
Due in More Than One Year:				
Bonds Payable	575,000		575,000	
Net OPEB Liability	382,000		382,000	
Total Liabilities	10,848,746	11,559	10,860,305	-
NET ASSETS				
Invested in Capital Assets,				
Net of Related Debt	11,680,472	23,211	11,703,683	
Restricted for:				
Categorical Funding	195,073		195,073	
Management Levy	287,713		287,713	
Physical Plant and Equipment Levy	508,653		508,653	
Other Special Revenue Purposes	285,976		285,976	
Unrestricted	2,398,881	38,118	2,436,999	167,062
Total Net Assets	\$ 15,356,768	\$ 61,329	\$ 15,418,097	\$ 167,062

See Accompanying Notes to Financial Statements

LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants Contributions</u>	<u>Capital Grants Contributions</u>
Primary Government:				
Governmental Activities:				
Instruction:				
Regular Instruction	\$ 10,259,044	\$ 422,692	\$ 2,067,814	\$ 7,942
Special Instruction	2,429,758	86,174	754,292	
Other Instruction	1,233,796	726,368	28,867	
Support Services:				
Student Services	522,857		11,332	
Instructional Staff Services	544,321		82,308	
Administration Services	1,542,072			
Operation and Maintenance	1,298,092	61,284		
Transportation Services	807,769	15,982	97,184	
Other Expenditures:				
Facilities Acquisition and Construction Services	94,063			
Long-term Debt Interest	61,506			
AEA Flowthrough	905,931		905,931	
Total governmental activities	<u>19,699,209</u>	<u>1,312,500</u>	<u>3,947,728</u>	<u>7,942</u>
Business Type Activity:				
Non-instructional Programs:				
Food Service Operations	688,042	374,859	339,591	
Total Primary Government	<u>\$ 20,387,251</u>	<u>\$ 1,687,359</u>	<u>\$ 4,287,319</u>	<u>\$ 7,942</u>
Component Unit:				
LCSD Foundation	<u>\$ 52,451</u>	<u>\$ 1,631</u>	<u>\$ 65,814</u>	<u>\$ -</u>
General Revenues:				
Property Tax Levied For:				
General Purposes				
Capital Outlay				
Local Option Sales Tax				
Unrestricted State Grants				
Unrestricted Investment Earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Primary Government		Component Unit LCSD Foundation
	Business Type Activity	Total	
\$ (7,760,596)		\$ (7,760,596)	
(1,589,292)		(1,589,292)	
(478,561)		(478,561)	
(511,525)		(511,525)	
(462,013)		(462,013)	
(1,542,072)		(1,542,072)	
(1,236,808)		(1,236,808)	
(694,603)		(694,603)	
(94,063)		(94,063)	
(61,506)		(61,506)	
-		-	
<u>(14,431,039)</u>		<u>(14,431,039)</u>	
	\$ 26,408	26,408	
<u>(14,431,039)</u>	<u>26,408</u>	<u>(14,404,631)</u>	
			<u>\$ 14,994</u>
6,120,233	-	6,120,233	
678,620	-	678,620	
1,297,871	-	1,297,871	
7,185,774	-	7,185,774	
59,998	600	60,598	8,894
12,265	-	12,265	
(34,223)	34,223	-	
<u>15,320,538</u>	<u>34,823</u>	<u>15,355,361</u>	<u>8,894</u>
889,499	61,231	950,730	23,888
14,467,269	98	14,467,367	143,174
<u>\$ 15,356,768</u>	<u>\$ 61,329</u>	<u>\$ 15,418,097</u>	<u>\$ 167,062</u>

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

Assets	General	Management Levy
Cash and Cash Equivalents	\$ 2,582,675	\$ 135,959
Investment		
Receivables:		
Property Tax	73,919	4,211
Succeeding Year Property Tax	6,211,908	430,002
Accounts	4,412	
Due from Other Governments	125,248	
Prepaid Expenses		147,543
Total Assets	<u>8,998,162</u>	<u>717,715</u>
Liabilities and Equity		
Liabilities:		
Accounts Payable	167,170	
Salaries and Benefits Payable	1,709,078	
Unearned Revenue	102,062	
Deferred Revenue:		
Succeeding Year Property Tax	6,211,908	430,002
Total Liabilities	<u>8,190,218</u>	<u>430,002</u>
Fund Balances:		
Reserved for Categorical Funding	195,073	
Reserved for Prepaid Expenses		147,543
Unreserved for:		
General Fund	612,871	
Special Revenue Fund		140,170
Capital Project Fund		
Total Fund Balances	<u>807,944</u>	<u>287,713</u>
Total Liabilities and Equity	<u>\$ 8,998,162</u>	<u>\$ 717,715</u>

See Accompanying Notes to Financial Statements

PPEL Fund	Capital Project LOST	Debt Service	Nonmajor Fund Activity Fund	Total Governmental Funds
\$ 502,695	\$ 1,972,275		\$ 205,786	\$ 5,399,390
			80,190	80,190
6,544				84,674
717,470				7,359,380
	219,205			4,412
				344,453
				147,543
<u>1,226,709</u>	<u>2,191,480</u>	<u>-</u>	<u>285,976</u>	<u>13,420,042</u>
586	19,879			187,635
				1,709,078
				102,062
717,470				7,359,380
<u>718,056</u>	<u>19,879</u>	<u>-</u>	<u>-</u>	<u>9,358,155</u>
				195,073
				147,543
				612,871
508,653			285,976	934,799
	2,171,601			2,171,601
<u>508,653</u>	<u>2,171,601</u>	<u>-</u>	<u>285,976</u>	<u>4,061,887</u>
<u>\$ 1,226,709</u>	<u>\$ 2,191,480</u>	<u>\$ -</u>	<u>\$ 285,976</u>	

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds.

12,785,472

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

General Obligation Bonds

(1,105,000)

OPEB Liability

(382,000)

Interest payable from the balance sheet that require current financial resources for governmental activities.

(3,591)

Net Assets of Governmental Activities

\$ 15,356,768

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	General	Management Fund
Revenue:		
Local Sources:		
Local Tax	\$ 5,799,592	\$ 330,395
Tuition	418,088	
Other	166,978	43,502
State Sources	9,496,323	
Federal Sources	1,631,881	
Total Revenue	<u>17,512,862</u>	<u>373,897</u>
Expenditures:		
Governmental Activities:		
Instruction:		
Regular Instruction	9,420,690	233,917
Special Instruction	2,409,307	
Other Instruction	382,080	
Support Services:		
Student Services	516,667	
Instructional Staff Services	765,408	
Administration Services	1,525,895	
Operation and Maintenance	1,192,514	60,246
Transportation Services	691,420	10,016
Other Expenditures:		
Facilities Acquisition and Construction		
Long-term Debt:		
Principal		
Interest and Fiscal Charges		
AEA Flowthrough	905,931	
Total Expenditures	<u>17,809,912</u>	<u>304,179</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(297,050)</u>	<u>69,718</u>
Other Financing Sources (Uses):		
Transfers In	30,474	
Transfers Out		
Total Other Financing Sources (Uses)	<u>30,474</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(266,576)	69,718
Fund Balances - Beginning of Year	1,074,520	217,995
Fund Balances - End of Year	<u>\$ 807,944</u>	<u>\$ 287,713</u>

See Accompanying Notes to Financial Statements

PPEL Fund	Capital Project LOST	Debt Service	Nonmajor Fund Activity Fund	Total Governmental Funds
\$ 679,421	\$ 1,297,871			\$ 8,107,279
9,232	25,866		\$ 726,395	418,088
				971,973
				9,496,323
				1,631,881
688,653	1,323,737	-	726,395	20,625,544
				9,654,607
				2,409,307
			641,937	1,024,017
				516,667
				765,408
				1,525,895
				1,252,760
				701,436
64,000	934,090			998,090
		\$ 515,000		515,000
		63,180		63,180
				905,931
64,000	934,090	578,180	641,937	20,332,298
624,653	389,647	(578,180)	84,458	293,246
		577,648		608,122
(577,648)			(64,697)	(642,345)
(577,648)	-	577,648	(64,697)	(34,223)
47,005	389,647	(532)	19,761	259,023
461,648	1,781,954	532	266,215	3,802,864
\$ 508,653	\$ 2,171,601	\$ -	\$ 285,976	\$ 4,061,887

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

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

Net change in fund balances - total governmental funds (page 21) \$ 259,023

Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 964,299	
Depreciation expense	<u>(646,260)</u>	318,039

Governmental funds report only the proceeds from the sale of capital assets as revenue whereas the statement of activities reports the gain or loss on the sale or disposal of fixed assets. This is the effect on the change in net assets on the statement of activities. (2,682)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues. (10,555)

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:

Other postemployment benefits		(191,000)
-------------------------------	--	-----------

Accrued interest expense not reported on the modified accrual basis. 1,674

Proceeds from the issuance of long-term liabilities provide current financial resources to governmental funds, but the issuance of debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year payments exceeded issuances, as follows:

Principal paid		<u>515,000</u>
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Change in net assets of governmental activities (page 17) \$ 889,499

LE MARS COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2010

	School Nutrition Fund
ASSETS	
Current Assets:	
Cash and Pooled Investments	\$ 35,373
Accounts Receivable	140
Inventories	14,164
Total Current Assets	<u>49,677</u>
Noncurrent Assets:	
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	23,211
Total Noncurrent Assets	<u>23,211</u>
Total Assets	<u>72,888</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	96
Unearned Revenue	11,463
Total Current Liabilities	<u>11,559</u>
Total Liabilities	<u>11,559</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	23,211
Unrestricted	38,118
Total Net Assets	<u>\$ 61,329</u>

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	School Nutrition Fund
Operating Revenues:	
Charges for services	\$ 374,859
Total Operating Revenue	<u>374,859</u>
Operating Expenditures:	
Food Service Operations:	
Salaries	247,323
Benefits	70,079
Purchased Services	6,836
Supplies	360,257
Depreciation	2,299
Loss on Disposal of Capital Assets	1,248
Total Operating Expenditures	<u>688,042</u>
Operating Loss	<u>(313,183)</u>
Non-Operating Revenues (Expenditures):	
Interest Income	600
State Lunch Reimbursements	8,877
National School Lunch Program	276,269
Federal Food Commodities Received	54,445
Total Non-Operating Revenues	<u>340,191</u>
Income Before Transfers	27,008
Other Financing Sources:	
Transfers from other Funds	<u>34,223</u>
Total Other Financing Sources	<u>34,223</u>
Change in net assets	61,231
Net Assets-beginning	<u>98</u>
Net Assets-ending	<u>\$ 61,329</u>

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2010**

	School Nutrition Fund
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 374,622
Cash payments for salaries and benefits	(317,402)
Cash payments for goods and services	(311,613)
Total cash (used) by operating activities	<u>(254,393)</u>
Cash flows from noncapital financing activities:	
Due to other Funds	(30,203)
Federal and state appropriations received	285,146
Transfers from other funds	34,223
Total cash provided by noncapital financing activities	<u>289,166</u>
Cash flows from investing activities:	
Interest on investments	600
Net increase in cash and cash equivalents	35,373
Cash and cash equivalents - beginning of year	-
Cash and cash equivalents - end of year	<u>\$ 35,373</u>
Reconciliation of operating (loss) to net cash used in operating activities:	
Operating (loss)	(313,183)
Adjustments to reconcile net operating loss to net cash provided by operating activities:	
Depreciation Expense	2,299
(Gain) Loss On Sale Of Fixed Assets	1,248
Commodities Used	54,445
(Increase) decrease in assets and increase (decrease) in liabilities:	
Accounts Receivable	(112)
Inventory	(1,122)
Prepaid Expenses	2,061
Accounts Payable	96
Unearned Revenue	(125)
Net cash (used) in operating activities	<u>\$ (254,393)</u>
Supplemental schedule of noncash noncapital financing activities:	
Federal food commodities received	<u>\$ 54,445</u>

See Accompanying Notes to Financial Statements

LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AGENCY FUND
JUNE 30, 2010

	<u>2010</u>
Cash and Cash Equivalents	\$ 8,733
Total Net Assets	<u>8,733</u>
Liabilities:	
Other Payables	<u>8,733</u>
Net Assets	<u>\$ -</u>

See Accompanying Notes to Financial Statements

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Le Mars Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Le Mars, Merrill and Brunsville and a large part of the agricultural community in Plymouth County and is financially dependent on property taxes of the area and state aid payments for over 80% of its receipts. 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 Government Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Le Mars 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.

In January 1992 the District established the Le Mars Community School District Foundation by appointing a board of trustees to incorporate a foundation under the Iowa Non-Profit Corporation Act, Iowa Code Chapter 504A. The focus of the Foundation is exclusively for charitable, scientific, and educational purposes of the District. The financial activity of the Foundation is included in the financial statements of the Le Mars Community School District as a discretely presented component unit for the year ended June 30, 2010. The Foundation has elected a December 31 fiscal year end and, therefore, the activity of the Foundation included in these financial statements is for the fiscal year ended December 31, 2009.

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 Plymouth County Assessor's 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 attributable to the acquisition, construction or improvement of those assets.

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

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 Management Fund is used to account for a property tax levy per thousand dollars of assessed valuation in the District for insurance premiums and unemployment compensation insurance claims.

The Physical Plant and Equipment Levy Fund is used to account for a regular property tax levy and a special voted property tax levy per thousand dollars of assessed valuation in the District for use in the purchase of equipment and repairing and improving schoolhouse buildings and grounds.

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

The Capital Projects LOST Fund is used to account for the collection of the 1% statewide sales and services tax to be expended for school infrastructure purposes.

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 a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund is as follows:

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

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting/Measurement Focus

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 financial sources.

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

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.

D. Assets, Liabilities, and Fund Equity

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

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. 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, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2010 included certificates of deposit of \$80,190 with original maturity dates longer than three months.

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.

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 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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

Inventories – Inventory items 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. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Reported inventories in the fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Prepaid Expenses – Prepaid expenses include items that the district has recorded expense but not yet received the goods or services related to the transaction. In the current year, the district switched to a health insurance carrier whose policy requires the district to prepay for one month of services which resulted in the addition of the prepaid expenses.

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 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 \$1,000 for governmental capital assets and \$500 for school nutrition capital assets.

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u> <u>(In Years)</u>
Buildings and Structures	20 – 50
Vehicles, Furniture, and Equipment	5 - 20

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 receivable and other receivables not collected within sixty days after year end, excluding grant receivables.

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.

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

Fund Equity – In the governmental fund financial statements, 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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures in the other expenditures service function exceeded the amount budgeted.

NOTE 2 – CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2010 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

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 2 – CASH AND POOLED INVESTMENTS (CONTINUED)

high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts; and warrants or improvement certificates of a drainage district. There were no differences in investments held during the year from those at June 30, 2010.

Custodial Credit Risk – The District has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does have a formal investment policy that limits investment maturities to 397 days or less. The District's investments consist of certificates of deposit that have original maturities of less than 397 days.

Discretely Presented Component Unit –

At June 30, 2010 the LCSD Foundation had certificates of deposit totaling \$104,670 and the following investments:

	Credit Risk	Fair Value
Mutual Fund – American Funds	Not Rated	\$ 27,017
	Credit Risk	Policy Cash Value
New York Life Insurance Policy	Not Rated	\$ 7,008

NOTE 3 – 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 \$905,931 for the year ended June 30, 2010, and is recorded in the General Fund.

NOTE 4 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Debt Service	PPEL	\$ 577,648
School Nutrition Fund	Student Activity	34,223
General	Student Activity	30,474
Total		\$ 642,345

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 393,275	\$ -	\$ -	\$ 393,275
Construction in Progress	3,368,981	730,116	3,771,161	327,936
Total capital assets not being depreciated	<u>3,762,256</u>	<u>730,116</u>	<u>3,771,161</u>	<u>721,211</u>
Capital assets being depreciated:				
Buildings	13,504,710	3,747,458	-	17,252,168
Vehicles	1,543,536	105,630	76,687	1,572,479
Furniture and equipment	3,147,696	152,256	43,574	3,256,378
Total Capital assets being depreciated	<u>18,195,942</u>	<u>4,005,344</u>	<u>120,261</u>	<u>22,081,025</u>
Less: Accumulated Depreciation for:				
Buildings	5,855,159	385,617	-	6,240,776
Vehicles	1,174,797	99,419	76,687	1,197,529
Furniture and equipment	2,458,127	161,224	40,892	2,578,459
Total Accumulated Depreciation	<u>9,488,083</u>	<u>646,260</u>	<u>117,579</u>	<u>10,016,764</u>
Total capital assets being depreciated, net	<u>8,707,859</u>	<u>3,359,084</u>	<u>2,682</u>	<u>12,064,261</u>
Governmental activities capital assets, net	<u>\$ 12,470,115</u>	<u>\$ 4,089,200</u>	<u>\$ 3,773,843</u>	<u>\$ 12,785,472</u>

Construction in progress at June 30, 2010, for the governmental activities consisted of costs associated with the engineering for the high school and middle school expansion projects, middle school auditorium project, bus garage roof project, and the high school boiler and locker room projects.

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Business-type Activities:				
Furniture and equipment	\$ 63,118	\$ -	\$ 1,560	\$ 61,558
Less: Accumulated Depreciation	36,360	2,299	312	38,347
Business-type activities capital assets, net	<u>\$ 26,758</u>	<u>\$ (2,299)</u>	<u>\$ 1,248</u>	<u>\$ 23,211</u>

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 5 – CAPITAL ASSETS (CONTINUED)

Depreciation Expense was charged to governmental activities as follows:

Governmental Activities	
Regular Instruction	\$ 496,334
Instructional Staff Services	14,253
Operation and Maintenance	36,254
Transportation Services	<u>99,419</u>

Total depreciation expense – governmental activities \$ 646,260

Business-type activities:

 Food Service Operations \$ 2,299

	Governmental Activities	Business-type Activities
Land	\$ 393,275	\$ -
Construction in Progress	327,936	-
Capital Assets (net of accumulated depreciation)	12,064,261	23,211
Less: Bonds Payable	<u>1,105,000</u>	-
Invested in Capital Assets, Net of Related Debt	<u>\$ 11,680,472</u>	<u>\$ 23,211</u>

NOTE 6 – RETIREMENT SYSTEM

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

Plan members are required to contribute 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered payroll for the year ended June 30, 2010. Plan members were required to contribute 4.10% and 3.9% of their annual salary and the District was required to contribute 6.35% and 6.05% of annual covered payroll for the years ended June 30, 2009 and 2008, respectively. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$820,679, \$721,680, and \$776,282, respectively, equal to the required contributions for each year.

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS

Plan Description. The District operates a single-employer retiree benefit plan. An employee who has a minimum of 10 years of service and age 55 are provided single coverage health insurance until they reach the age of 65. Premiums are based on the full active employee premium rate.

Funding Policy. 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 other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, 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 thirty years.

The following table shows the components of the District's annual OPEB for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan:

Annual required contribution	\$ 352,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (Expense)	<u>352,000</u>
Contributions made	<u>(161,000)</u>
Increase in net OPEB obligation	191,000
Net OPEB obligation – beginning of year	<u>191,000</u>
Net OPEB obligation – end of year	<u>\$ 382,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 352,000	45.74%	\$ 191,000

Funded Status and Funding Progress. As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$3,918,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,918,000. The covered payroll (annual payroll of the active employees covered by the plan) was approximately \$11,510,000 and the ratio of the UAAL to covered payroll was 34.04%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

supplementary information following the notes to the 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 substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point and do not explicitly reflect the potential effect of legal or contractual funding limitation. The actuarial methods and assumptions used include techniques that are designed to reduce the effect 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, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% interest discount rate and an annual medical healthcare cost trend rate of 11% select trend and a 5% ultimate trend. The select trend is reduced 0.5% each year until reaching the 5% ultimate trend rate. Assumptions include a 3.5% growth in payroll per annum. The participation assumed is 30% for non-Certified employees and 100% for all other employees. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTE 8 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2010 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Capital Loan Notes	\$ 1,620,000	\$ -	\$ 515,000	\$ 1,105,000	\$ 530,000
Net OPEB Liability	191,000	191,000	-	382,000	-
Total	\$ 1,811,000	\$ 191,000	\$ 515,000	\$ 1,487,000	\$ 530,000

General Obligation Bonds

The District issued general obligation capital loan notes to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for governmental activities. These bonds are direct obligations and pledge the full faith and credit of the District.

General obligation bonds as of June 30, 2010 are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amounts</u>
Governmental Activities – 2007 Capital Loan Notes	3.90%	\$ 1,105,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011	530,000	43,095
2012	575,000	22,425
Total	\$ 1,105,000	\$ 65,520

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2010

NOTE 9 – RISK MANAGEMENT

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

NOTE 10 – CONSTRUCTION COMMITMENTS

The District has entered into various contracts totaling \$1,161,719 for the high school boiler, middle school auditorium remodel, bus garage, high school driveway and engineering costs. As of June 30, 2010, costs of \$243,035 had been incurred against the contracts. The balance of \$918,684 will be paid as work on the projects progress.

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REQUIRED SUPPLEMENTARY INFORMATION

**LE MARS COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND**

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Governmental	Proprietary	Total	Final to
	Original	Final	Funds	Fund		
			Actual	Actual		Variance
REVENUE:						
Local Sources:						
Local Tax	\$ 6,893,061	\$ 6,893,061	\$ 8,107,279	\$ -	\$ 8,107,279	\$ 1,214,218
Tuition	332,000	332,000	418,088	-	418,088	86,088
Other	2,667,465	2,667,465	971,973	375,459	1,347,432	(1,320,033)
Intermediate Sources	7,000	7,000	-	-	-	(7,000)
State Sources	11,678,881	11,678,881	9,496,323	8,877	9,505,200	(2,173,681)
Federal Sources	1,210,000	1,210,000	1,631,881	330,714	1,962,595	752,595
Total Revenue	22,788,407	22,788,407	20,625,544	715,050	21,340,594	(1,447,813)
EXPENDITURES:						
Current:						
Instruction	13,435,000	13,435,000	13,087,931	-	13,087,931	347,069
Support Services	5,450,000	5,450,000	4,762,166	-	4,762,166	687,834
Non-instructional Programs	800,000	800,000	-	688,042	688,042	111,958
Other Expenditures	2,301,816	2,301,816	2,482,201	-	2,482,201	(180,385)
Total Expenditures	21,986,816	21,986,816	20,332,298	688,042	21,020,340	966,476
Excess (Deficiency) of Revenues Over Expenditures	801,591	801,591	293,246	27,008	320,254	(481,337)
Other Financing Sources (Uses):						
Transfers In	578,180	578,180	608,122	34,223	642,345	64,165
Transfers Out	(578,180)	(578,180)	(642,345)	-	(642,345)	(64,165)
Total Other Financing Sources (Uses)	-	-	(34,223)	34,223	-	-
Net Change in Fund Balances	801,591	801,591	259,023	61,231	320,254	(481,337)
Fund Balances - Beginning of Year	3,802,962	3,802,962	3,802,864	98	3,802,962	-
Fund Balances - End of Year	\$ 4,604,553	\$ 4,604,553	\$ 4,061,887	\$ 61,329	\$ 4,123,216	\$ (481,337)

LE MARS COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards 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 the agency fund. 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 functional areas, not by fund. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional area level, not by fund. This level of control is at a level higher than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental funds with expenses of proprietary funds on a functional area basis and to compare such functional area totals to functional area budgeted totals in order to demonstrate legal compliance with budget. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2010, expenditures in the other expenditures service function exceeded the amount budgeted.

LE MARS COMMUNITY SCHOOL DISTRICT
Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

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)
2009	July 1, 2008	-	\$ 3,918	\$ 3,918	0.00%	\$ 11,415	34.32%
2010	July 1, 2008	-	\$ 3,918	\$ 3,918	0.00%	\$ 11,510	34.04%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

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OTHER SUPPLEMENTARY INFORMATION

**LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010**

Schedule 1

Revenues:

Local Sources:

Local Tax:

Property Tax	\$ 5,786,213
Mobile Home Tax	13,379
	5,799,592

Other Local Sources:

Interest on Investments	24,900
Tuition from Other Districts	363,474
Tuition from Individuals	54,614
Transportation Fees	15,981
Rent	61,284
Miscellaneous	64,813
	585,066
	6,384,658

State Sources:

State Foundation Aid	7,175,343
Foster Care State Aid	10,431
Beginning Teacher Mentoring Program	1,300
Non-Public Transportation Aid	97,184
Non-Public Textbook and Technology Aid	8,001
Teacher Compensation	1,165,408
Vocational Education Aid	20,866
Iowa Early Intervention Block Grant	111,859
AEA Flow-Through	905,931
	9,496,323

Federal Sources:

Title I Grants to Local Educational Agencies	191,211
Title I Grants to Local Educational Agencies (ARRA)	63,408
Improving Teacher Quality State Grants	68,248
Safe and Drug-Free Schools and Communities-States Grants	6,032
Education Stabilization - ARRA Funds	907,006
Vocational Education - Basic Grants to States	17,154
Special Education Pass-Through - IDEA Grant	126,066
Special Education Pass-Through - IDEA Grant - ARRA Funds	175,707
Improvement of Education Grants	4,028
Title VI Grants for Assessments and Related Activities	14,060
Medicaid	58,961
	1,631,881

Total Revenue

\$ 17,512,862

Continued

**LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010**

Schedule 1 (Continued)

Expenditures:

Instruction:

Regular Instruction:

Salaries	\$	6,713,822
Benefits		2,194,120
Services		384,232
Supplies		110,491
Property		18,025
		9,420,690

Special Education Instruction:

Salaries		1,657,925
Benefits		491,862
Services		224,843
Supplies		8,610
Property		26,067
		2,409,307

Vocational Instruction:

Supplies		16,045
Property		1,807
		17,852

Co-curricular Instruction:

Salaries		269,977
Benefits		71,569
Services		8,857
Supplies		622
		351,025

Nonpublic Instruction:

Supplies		8,001
		8,001

Adult Continuing Education

Salaries		2,251
Benefits		705
Supplies		2,246
		5,202

Total Instruction

12,212,077

Support Services:

Student Services:

Guidance Services:

Salaries		322,515
Benefits		96,543
Services		3,833
Supplies		7,294
Property		301
		430,486

\$ 430,486

Continued

**LE MARS COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010**

Schedule 1 (Continued)

Support Services (Continued):

Student Services (Continued):

Health Services:

Salaries	\$ 50,275
Benefits	28,660
Services	2,078
Supplies	5,168
	86,181

Total Student Services	516,667
-------------------------------	---------

Support Services:

Instructional Staff Services:

Improvement of Instruction Services:

Salaries	220,728
Benefits	48,814
Services	9,848
Supplies	12,844
	292,234

Educational Media Services:

Salaries	190,207
Benefits	48,040
Services	1,849
Supplies	21,986
	262,082

Other Instructional Staff Support Services:

Salaries	113,670
Benefits	36,763
Services	20,001
Supplies	39,015
Property	1,643
	211,092

Total Instructional Staff Services	765,408
-------------------------------------------	---------

Support Services:

Administration Services:

Executive Administration:

Salaries	226,176
Benefits	88,642
Services	63,600
Supplies	6,204
Property	150
	\$ 384,772

Continued

LE MARS COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
 GENERAL FUND - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2010

Schedule 1 (Continued)

Support Services (Continued):

Administration Services (Continued):

School Administration:

Salaries	\$ 720,801
Benefits	294,650
Services	4,359
Supplies	2,701
Property	1,145
	1,023,656

Business Administration:

Salaries	28,721
Benefits	14,113
Supplies	26,096
Property	255
	69,185

Board of Education:

Services	38,091
Supplies	10,191
	48,282

Total Administration Services: 1,525,895

Support Services:

Plant Operation and Maintenance:

Salaries	577,414
Benefits	194,077
Services	77,513
Supplies	339,433
Property	4,077
	1,192,514

Support Services:

Student Transportation:

Salaries	416,245
Benefits	84,562
Services	43,079
Supplies	147,534
	691,420

Total Support Services \$ 4,691,904

Continued

LE MARS COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
 GENERAL FUND - CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2010

Schedule 1 (Continued)

Other Expenditures:	
AEA Flow-Through	\$ 905,931
Total Expenditures	17,809,912
(Deficiency) of Revenues Over Expenditures	(297,050)
Other Financing Uses:	
Transfers From Other Funds	30,474
(Deficiency) of Revenues Over Expenditures and Other Financing Uses	(266,576)
Fund Balance - Beginning of Year	1,074,520
Fund Balance - End of Year	\$ 807,944

LE MARS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2010

	Balance June 30, 2009	Revenues	Expenditures	Operating/ Intrafund Transfers	Schedule 2 Balance June 30, 2010
Senior High					
Bark	\$ 16,427	\$ 16,220	\$ 24,892	\$ -	\$ 7,755
F.F.A.	16,323	28,905	28,836	-	16,392
Miscellaneous Music	2,066	17,135	16,933	-	2,268
F.C.A.	445	733	915	-	263
Debate	-	-	-	-	-
Library	1,663	1,151	398	-	2,416
Vocal Music	17,617	146,120	162,234	-	1,503
Instrumental Music	798	20,685	14,145	-	7,338
Music Orchestra	1,480	9,159	8,384	-	2,255
National Honor Society	-	619	619	-	-
Dance Team	5,448	7,584	11,223	-	1,809
Student Council	8,246	63,750	62,658	-	9,338
Thespians	1,074	1,746	1,501	-	1,319
German Club	-	-	-	-	-
Spanish Club	4,187	2,167	2,556	-	3,798
Drama	6,753	4,158	2,306	-	8,605
Trades and Industries	11,988	2,984	2,214	-	12,758
Miscellaneous Athletics	20,162	148,858	146,204	-	22,816
Clearing	4,154	58,427	41,719	(8,839)	12,023
Cheerleaders	4,708	10,115	10,498	-	4,325
Senior Class	1,515	1,746	1,881	-	1,380
Junior Class	-	4,888	4,888	-	-
Sophomore Class	-	29	29	-	-
Freshman Class	-	39	39	-	-
Miscellaneous	75,101	32,118	2,727	-	104,492
Technology Club	13	560	227	-	346
Home Economics Club	752	-	-	-	752
Math Club	414	5,415	3,176	-	2,653
Science Club	389	3,304	3,588	-	105
Basketball Scoreboard Club	3,656	-	3,567	-	89
Adaptive PE	52	221	220	-	53
Make-A-Wish Club	2,973	227	-	-	3,200
Madrigal Club	43	4,953	4,394	-	602
	<u>\$ 208,447</u>	<u>\$ 594,016</u>	<u>\$ 562,971</u>	<u>\$ (8,839)</u>	<u>\$ 230,653</u>

(Continued)

**LE MARS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2010**

	Schedule 2 (Continued)				
	Balance June 30, 2009	Revenues	Expenditures	Operating/ Intrafund Transfers	Balance June 30, 2010
Middle School					
Miscellaneous	6,578	1,006	3,734	-	3,850
Student Council	9,697	9,607	6,128	-	13,176
Insurance	-	-	-	-	-
Library	968	5,114	5,517	-	565
Clearing	62	9,754	3,917	(5,643)	256
Music	3,550	7,801	6,761	-	4,590
Musical	2,235	3,945	2,957	-	3,223
Industrial Arts	-	3,718	-	(3,718)	-
Instrument Rental	3,919	1,055	546	-	4,428
Challenge	107	-	107	-	-
Family & Consumer Science	114	6,068	6,168	-	14
Assignment Books	882	220	950	-	152
Bowling	-	5,709	5,679	-	30
Art	501	-	-	-	501
	<u>28,613</u>	<u>53,997</u>	<u>42,464</u>	<u>(9,361)</u>	<u>30,785</u>
Merrill Elementary School	195	21,081	195	(21,081)	-
Central Elementary School	28,960	57,301	36,307	(25,416)	24,538
Total for Activity Funds	<u>\$ 266,215</u>	<u>\$ 726,395</u>	<u>\$ 641,937</u>	<u>\$ (64,697)</u>	<u>\$ 285,976</u>

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LEMARS COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN NET ASSETS AND LIABILITIES -
 AGENCY FUND
 FOR THE YEAR ENDED JUNE 30, 2010

Schedule 3

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
FLEX				
<u>Assets</u>				
Cash and Pooled Investments	\$ 9,161	\$ 144,116	\$ 144,544	\$ 8,733
Total Assets	<u>9,161</u>	<u>144,116</u>	<u>144,544</u>	<u>8,733</u>
<u>Liabilities</u>				
Other Payables	9,161	144,116	144,544	8,733
Total Liabilities	<u>\$ 9,161</u>	<u>\$ 144,116</u>	<u>\$ 144,544</u>	<u>\$ 8,733</u>

**LE MARS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE YEARS ENDED JUNE 30, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003**

	Modified Accrual Basis of Accounting			
	2010	2009	2008	2007
Revenues:				
Local Sources:				
Local Tax	\$ 8,107,279	\$ 7,509,783	\$ 7,319,695	\$ 6,879,567
Tuition	418,088	364,507	291,281	348,482
Other	971,973	960,246	1,076,052	1,098,699
Intermediate Sources	-	-	-	-
State Sources	9,496,323	10,830,511	10,778,651	10,150,311
Federal Sources	1,631,881	758,845	502,542	480,901
Total	<u>20,625,544</u>	<u>20,423,892</u>	<u>19,968,221</u>	<u>18,957,960</u>
Expenditures:				
Instruction:				
Regular	9,654,607	9,747,060	9,612,172	8,964,243
Special	2,409,307	2,084,682	2,139,082	2,030,077
Other	1,024,017	973,705	895,369	948,924
Support Services:				
Student	516,667	483,120	608,896	590,864
Instructional Staff	765,408	774,973	831,430	773,251
Administration	1,525,895	1,491,463	1,563,202	1,499,834
Operation and maintenance of plant	1,252,760	1,227,116	1,199,054	1,137,232
Transportation	701,436	686,796	696,615	640,820
Non-instructional programs	-	-	-	-
Other Expenditures:				
Facilities Acquisition	998,090	1,385,729	4,082,584	895,540
Long-term debt:				
Principal	515,000	490,000	90,000	290,000
Interest and other charges	63,180	82,290	53,864	13,486
AEA Flowthrough	905,931	804,981	785,738	749,734
Total	<u>\$ 20,332,298</u>	<u>\$ 20,231,915</u>	<u>\$ 22,558,006</u>	<u>\$ 18,534,005</u>

Schedule 4

Modified Accrual Basis of Accounting

2006	2005	2004	2003
\$ 6,604,110	\$ 6,628,157	\$ 5,878,035	\$ 5,604,694
370,821	329,692	303,384	314,257
1,048,247	914,625	867,964	1,086,775
34,263	9,705	-	-
9,570,986	9,156,434	8,531,215	8,464,480
485,875	447,639	405,558	374,586
<u>18,114,302</u>	<u>17,486,252</u>	<u>15,986,156</u>	<u>15,844,792</u>
8,321,990	7,930,904	7,941,756	7,332,540
1,806,407	1,677,212	1,695,325	1,701,909
360,416	362,484	476,896	391,762
1,186,511	1,124,852	1,031,719	1,110,276
843,276	537,380	480,195	513,008
1,505,878	1,467,137	1,365,529	1,322,729
1,142,788	1,076,236	1,093,933	1,060,411
651,374	588,434	557,706	601,884
143,645	74,133	123,537	96,395
972,783	434,504	-	265,514
400,000	785,000	755,000	660,000
30,686	64,700	95,958	169,274
685,660	662,771	657,856	688,078
<u>\$18,051,414</u>	<u>\$16,785,747</u>	<u>\$ 16,275,410</u>	<u>\$ 15,913,780</u>

**LE MARS COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

Schedule 5

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	\$ 40,937
National School Lunch Program	10.555	FY10	280,835
			<u>321,772</u> *
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	FY10	191,211
Title I Grants to Local Educational Agencies - ARRA	84.389	FY10	63,408
			<u>254,619</u>
Career and Technical Education - Basic Grants to States	84.048	FY10	17,154
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY10	6,032
State Grants for Innovative Programs	84.298	FY10	
Improving Teacher Quality State Grants	84.367	FY10	68,248
Grants for State Assessments & Related Activities	84.369	FY10	14,060
State Fiscal Stabilization Funds (SFSF) - ARRA	84.394	FY10	907,006 *
Northwest Area Education Agency			
Special Education Cluster Programs:			
Special Education - Grants to States	84.027	FY10	126,066
Special Education - Grants to States - ARRA	84.391	FY10	175,707
			<u>301,773</u> *
English Language Acquisition	84.365	FY10	<u>4,028</u>
Total			<u>\$ 1,894,692</u>

* Total expenditures from these programs exceed 50% of the total Federal Awards and are considered major programs.

BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Le Mars Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

LE MARS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Schedule 6

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements and is a material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.394 – State Fiscal Stabilization Funds – ARRA Funds
 - Clustered Programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - Clustered Programs:
 - CFDA Number 84.027 – Special Education – Grants to States
 - CFDA Number 84.391 – Special Education – Grants to States – ARRA Funds
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Le Mars Community School District did not qualify as a low-risk auditee.

LE MARS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Schedule 6 (Continued)

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

There were no prior year audit findings.

SIGNIFICANT DEFICIENCIES:

II-A-10 Financial Reporting

Observation – During the audit, we identified material amounts of receivables, payables, and capital asset activity not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation –The District should implement procedures to ensure all receivables, payables, and capital asset activity is identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion – Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No matters were reported.

**LE MARS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

Schedule 6 (Continued)

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-10 Certified Budget – Expenditures for the year ended June 30, 2010 exceeded the amounts budgeted in the other expenditures function.
- Recommendation – The Certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion – Response accepted.
- IV-B-10 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.
- IV-C-10 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.
- IV-D-10 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-10 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.
- IV-F-10 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-10 Certified Enrollment – Variances in the basic enrollment data certified to the Department of Education were noted. Three students funded were subsequently dropped prior to October 2009. As such, a variance was reported to the Iowa Department of Education.
- IV-H-10 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-I-10 Certified Annual Report – The Certified Annual Report was certified timely to the Department of Education.
- IV-J-10 Categorical funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-K-10 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

**LE MARS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

Schedule 6 (Continued)

Part IV: Other Findings Related to Statutory Reporting:

IV-L-10 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.5 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, 2010, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning Balance		\$ 70,856
Statewide sales and services tax revenue		1,297,871
Expenditures/transfers out:		
School Infrastructure:		
Buildings	\$934,090	
Ending Balance		\$ 434,637

IV-M-10 Student Activity Fund – In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. All accounts reported in the Special Revenue, Student Activity Fund appear to be extracurricular or co-curricular in nature.

LE MARS COMMUNITY SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2010

Schedule 6 (Continued)

Part V: Findings – Year Ended June 30, 2009

III-A-09 Financial Accounting – Segregation of Duties

Condition: The School District accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements. We did note that the accountant is not involved with the receipt of any cash or checks and that invoices/claims are not paid until reviewed by the assistant superintendent. We also noted that the financial reporting is under the direction of the assistant superintendent.

Recommendation: With a limited number of personnel, segregation of duties is difficult. The School District has implemented management review procedures which we feel aid in improving the internal controls of the School District. However, we comment that this weakness exists and the duties of the accountant should be continually monitored by management.

Current Status: There is a limited number of personnel, but higher review processes have been implemented. We feel these processes adequately mitigate the weaknesses attributed to a lack of segregation of duties.

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**INDEPENDENT AUDITORS' 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
Le Mars Community School District

We have audited the financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the LE MARS COMMUNITY SCHOOL DISTRICT, as of and for the year ended June 30, 2010, which collectively comprise the Le Mars Community School District's basic financial statements, and have issued our report thereon dated October 6, 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 the Le Mars Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Le Mars Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Le Mars Community School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a 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 that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item II-A-10, that we consider to be a material weakness in internal control over financial reporting.

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

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Le Mars 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, noncompliance 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 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.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of Le Mars Community School District and other parties to whom the Le Mars Community School District may report. 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 Le Mars Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Williams + Company, P.C.
Certified Public Accountants

Le Mars, Iowa
October 6, 2010

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education of the
Le Mars Community School District:

Compliance:

We have audited the compliance of LE MARS COMMUNITY SCHOOL DISTRICT with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Le Mars Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Le Mars Community School District's management. Our responsibility is to express an opinion on Le Mars Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Le Mars Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Le Mars Community School District's compliance with those requirements.

In our opinion, Le Mars Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance:

The management of the Le Mars Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Le Mars Community School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Le Mars Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect,

noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
October 6, 2010