

**LAURENS-MARATHON COMMUNITY SCHOOL DISTRICT
LAURENS, IOWA**

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

YEAR ENDED JUNE 30, 2012

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Laurens-Marathon Community School District
Laurens, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2011 Election)		
Nancy Fuchs	President	2011
Terry Gunnarson	Vice President	2011
Matt Tate	Board Member	2013
Michael Olson	Board Member	2013
Dr. Brett Fehr	Board Member	2011
(After September 2011 Election)		
Michael Olson	President	2013
Matt Tate	Vice President	2013
Dr. Brett Fehr	Board Member	2015
Pete Runneberg	Board Member	2015
Tom Schmidt	Board Member	2015
School Officials		
Iner Joelson	Superintendent	2012
Susan Wenell	District Secretary/Treasurer Business Manager	2012
Rick Engel	Attorney	Indefinite

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

Certified Public Accountants

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Laurens-Marathon Community School District, Laurens, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Laurens-Marathon Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated June 26, 2013 on our consideration of Laurens-Marathon Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 15 and 50 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the 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 required supplementary 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 Laurens-Marathon Community School District's basic financial statements. Other auditors previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 our 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

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

June 26, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Laurens-Marathon Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,993,995 in fiscal year 2011 to \$3,858,247 in fiscal year 2012, while General Fund expenditures increased from \$3,577,242 in fiscal year 2011 to \$3,687,909 in fiscal year 2012. The District's General Fund balance increased from \$700,117 at the end of fiscal year 2011 to \$870,455 at the end of fiscal year 2012, a 24% increase.
- The fiscal year 2012 General Fund revenue decrease was attributable to decreases in tuition, other local sources, state revenue and federal grant revenue. The increase in expenditures was due primarily to an increase in instruction cost. Even with the decreased revenues and increased expenditures the District increased its carryover funds.

USING THIS ANNUAL REPORT

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

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

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

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

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

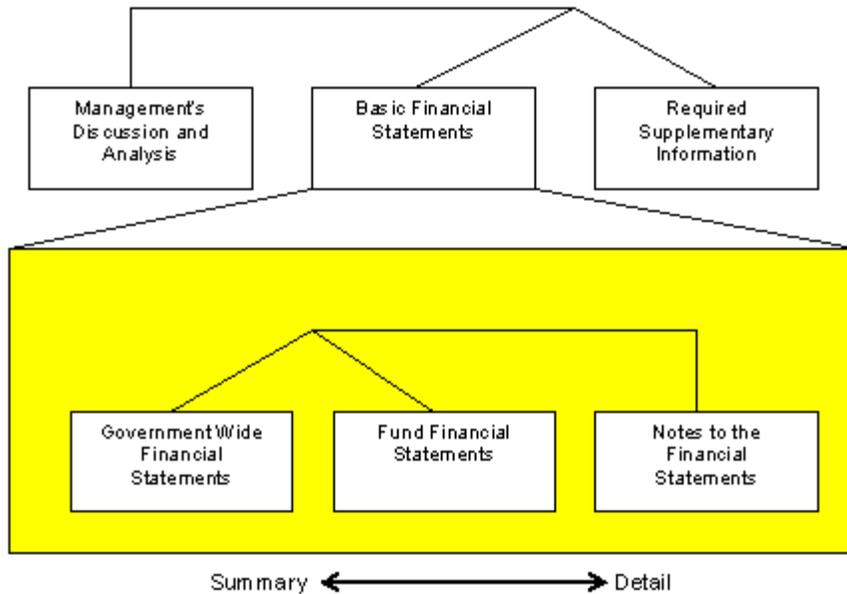


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

	Government-wide	Fund Statements		
	Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net 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 revenues, expenses and changes in fund 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 resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, a 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 the following Enterprise Fund; the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Assets, a 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. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships and other items for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants as a fiscal agent.

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Net 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 at June 30, 2012 compared to June 30, 2011.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Current and other assets	\$ 4,381	3,980	14	26	4,395	4,006	9.7%
Capital assets	2,552	2,620	8	10	2,560	2,630	-2.7%
Total assets	6,933	6,600	22	36	6,955	6,636	4.8%
Long-term liabilities	663	884	---	---	663	884	-25.0%
Other liabilities	2,385	2,259	2	---	2,387	2,259	5.7%
Total liabilities	3,048	3,143	2	---	3,050	3,143	-3.0%
Net assets:							
Invested in capital assets, net of related debt	2,060	1,810	8	10	2,068	1,820	13.6%
Restricted	895	802	---	---	895	802	11.6%
Unrestricted	930	845	12	26	942	871	8.2%
Total net assets	\$ 3,885	3,457	20	36	3,905	3,493	11.8%
	=====	=====	====	====	=====	=====	=====

The District's combined net assets increased 12%, or approximately \$412,000 from the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets, increased approximately \$93,000 or 12% from the prior year. The increase was primarily a result of an increase in unspent school infrastructure funds.

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 – increased approximately \$71,000 or 8%. This increase in unrestricted net assets was a result of the District's revenues exceeding expenditures.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	2012	2011	2012	2011	2012	2011	2011-2012
Revenues:							
Program revenues:							
Charges for service	\$ 247	106	72	85	319	191	67.1%
Operating grants, contributions and restricted interest	596	1,111	127	108	723	1,219	-40.7%
General revenues:							
Property tax	2,372	2,123	---	---	2,372	2,123	11.7%
Statewide sales, services and use tax	273	253	---	---	273	253	7.9%
Income surtax	109	111	---	---	109	111	-1.8%
Unrestricted state grants	1,183	1,187	---	---	1,183	1,187	-0.3%
Unrestricted investment earnings	1	1	---	---	1	1	0.0%
Other	46	107	1	---	47	107	-56.1%
Gain (loss) on disposal of capital assets	<u>1</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>1</u>	<u>---</u>	<u>100.0 %</u>
Total revenues	<u>4,828</u>	<u>4,999</u>	<u>200</u>	<u>193</u>	<u>5,028</u>	<u>5,192</u>	<u>-3.2 %</u>
Program expenses:							
Instruction	2,877	2,621	---	---	2,877	2,621	9.8%
Support services	1,239	1,211	3	---	1,242	1,211	2.6%
Non-instructional programs	---	---	214	192	214	192	11.5%
Other expenses	<u>283</u>	<u>469</u>	<u>---</u>	<u>---</u>	<u>283</u>	<u>469</u>	<u>-39.7%</u>
Total expenses	<u>4,399</u>	<u>4,301</u>	<u>217</u>	<u>192</u>	<u>4,616</u>	<u>4,493</u>	<u>2.7%</u>
Increase (decrease) in net assets	429	698	(17)	1	412	699	-41.1%
Net assets beginning of year	<u>3,456</u>	<u>2,758</u>	<u>37</u>	<u>36</u>	<u>3,493</u>	<u>2,794</u>	<u>25.0%</u>
Net assets end of year	\$ <u>3,885</u>	<u>3,456</u>	<u>20</u>	<u>37</u>	<u>3,905</u>	<u>3,493</u>	<u>11.8%</u>

In fiscal 2012, property tax and unrestricted state grants account for 73.6% of governmental activities revenue while charges for service and operating grants and contributions account for all of the revenue from business type activities.

The District's total revenues were approximately \$5.0 million, of which approximately \$4.8 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.2% decrease in revenues and a 2.7% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$4,828,006 and expenses were \$4,399,231 for the year ended June 30, 2012.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2012 compared to the year ended June 30, 2011.

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

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-2012	2012	2011	Change 2011-2012
Instruction	\$ 2,877	2,621	9.8%	2,177	1,585	37.4%
Support services	1,239	1,211	2.3%	1,230	1,185	3.8%
Non-instructional programs	---	---	0.0%	---	---	0.0%
Other expenses	283	469	-39.7%	149	315	-52.7%
Total	\$ 4,399	4,301	2.3%	3,556	3,085	15.3%
	=====	=====	=====	=====	=====	=====

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$246,731.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$596,527.
- The net cost of governmental activities was financed with \$2,753,513 in property and other taxes and \$1,182,933 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2012 were \$200,376, representing a 3.5% increase from the prior year, while expenses totaled \$217,552, a 13.1% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2012, the District increased meal prices. This increase resulted in increased revenue to the School Nutrition Fund and helped offset some of the increase in food costs.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,881,793, above last year's ending fund balances of \$1,586,974.

Governmental Fund Highlights

- The General Fund balance increased from \$700,117 to \$870,455 due to maintaining expenditures below revenues.
- The Capital Projects Fund balance increased from \$529,068 in fiscal 2011 to \$716,538 in fiscal 2012.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$36,799 at June 30, 2011 to \$19,623 at June 30, 2012, representing a decrease of approximately 47%. Fee increases weren't enough to cover the increase in food cost resulting in a decrease in the financial position of the Nutrition Fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, Laurens-Marathon Community School District amended its budget to include all debt payments to be made during the year in the budget amount.

The District's total revenues were \$190,713 less than total budgeted revenues, a variance of 3.6%.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures with enough margin to allow some flexibility for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should typically exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs functional area due to timing of expenditures at year-end without sufficient time to amend the certified budget in sufficient amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested approximately \$2.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 2.7% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$209,745.

The original cost of the District's capital assets was approximately \$5.7 million. Governmental funds account for approximately \$5.6 million, with the remainder of approximately \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

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

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Land	\$ 40	40	---	---	40	40	0.0%
Buildings	2,083	2,083	---	---	2,083	2,083	0.0%
Improvements other than buildings	18	3	---	---	18	3	500.0%
Furniture and equipment	<u>411</u>	<u>494</u>	<u>8</u>	<u>10</u>	<u>419</u>	<u>504</u>	<u>-16.9%</u>
Total	\$ 2,552	2,620	8	10	2,560	2,630	-2.7%
	=====	=====	====	====	=====	=====	=====

Long-Term Debt

At June 30, 2012, the District had \$549,428 in total long-term debt outstanding. This represents a decrease of approximately 39.3% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations
(expressed in thousands)

	<u>Total</u>		<u>Total</u>
	<u>District</u>		<u>Change</u>
	<u>June 30,</u>		<u>June 30,</u>
	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>
General obligation bonds	\$ ---	175	-100.0%
Capital loan notes	305	360	-15.3%
Computer lease purchase obligation	187	274	-31.8%
Termination benefits	<u>58</u>	<u>97</u>	<u>-40.2%</u>
Total	<u>\$ 550</u>	<u>906</u>	<u>-39.3%</u>
	=====	=====	=====

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- To offset the impact of declining enrollment, the State has provided a budget guarantee provision for districts. This budget guarantee is being phased out over a ten year period. The District was on budget guarantee for fiscal year 2012 and will continue to be on budget guarantee for several years to come. Due to previous and continued declining enrollment, the amount of this reduction due to the phase out of the budget guarantee will likely grow over the next several years.
- Possible sharing opportunities with neighboring districts are being explored to bolster the District's financial position.
- The District will continue to be required to comply with unfunded and under funded mandates from the federal and state governments such as the federal No Child Left Behind Act and the state Student Achievement and Teacher Quality Initiative. This will require the District to find ways to provide services in the areas of assessment and professional development, which will divert funds from other student service areas.
- Enrollment is projected to be stable in the 330 student range through the 2017-2018 school year.
- It is difficult for the District to project the future impact of legislative changes and or mandates.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Susan Wenell, Secretary/Treasurer and Business Manager, Laurens-Marathon Community School District, 300 West Garfield, Laurens, Iowa, 50554.

Basic Financial Statements

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit A

Statement of Net Assets

June 30, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 1,897,326	6,760	1,904,086
Receivables:			
Property tax:			
Delinquent	31,592	-	31,592
Succeeding year	2,218,000	-	2,218,000
Accounts	12,108	114	12,222
Due from other governments	222,232	6,640	228,872
Capital assets, net of accumulated depreciation	2,552,143	8,073	2,560,216
Total assets	<u>6,933,401</u>	<u>21,587</u>	<u>6,954,988</u>
Liabilities			
Accounts payable	91,079	-	91,079
Salaries and benefits payable	59,586	-	59,586
Accrued interest payable	9,358	-	9,358
Deferred revenue:			
Succeeding year property tax	2,218,000	-	2,218,000
Other	4,396	1,964	6,360
Early retirement payable	2,500	-	2,500
Long-term liabilities:			
Portion due within one year:			
Capital loan notes	55,000	-	55,000
Capital lease payable	91,283	-	91,283
Early retirement payable	30,000	-	30,000
Portion due after one year:			
Capital loan notes	250,000	-	250,000
Capital lease payable	95,645	-	95,645
Early retirement payable	27,500	-	27,500
Net OPEB liability	113,944	-	113,944
Total liabilities	<u>3,048,291</u>	<u>1,964</u>	<u>3,050,255</u>

(continued)

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit A

Statement of Net Assets

June 30, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Net assets			
Invested in capital assets, net of related debt	2,060,215	8,073	2,068,288
Restricted for:			
Categorical funding	32,572	-	32,572
Management levy purposes	88,357	-	88,357
School infrastructure	482,825	-	482,825
Physical plant and equipment	233,713	-	233,713
Student activities	57,288	-	57,288
Unrestricted	930,140	11,550	941,690
Total net assets	<u>\$ 3,885,110</u>	<u>19,623</u>	<u>3,904,733</u>

See notes to financial statements.

Laurens-Marathon Community School District
 Laurens, Iowa
 Statement of Activities
 Year ended June 30, 2012

		Program Revenues		
<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	
<u>Functions/Programs:</u>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,765,645	95,272	295,042	-
Special instruction	477,399	-	36,168	-
Other instruction	633,840	146,797	126,683	-
	2,876,884	242,069	457,893	-
Support services:				
Student	155,792	-	300	-
Instructional staff	98,590	-	2,413	-
Administration	464,600	-	-	-
Operation and maintenance of plant	351,407	4,662	2,137	-
Transportation	168,830	-	-	-
	1,239,219	4,662	4,850	-
Other expenditures:				
Facilities acquisition	43,105	-	-	-
Long-term debt interest	41,850	-	-	-
AEA flowthrough	133,784	-	133,784	-
Depreciation (unallocated)*	64,389	-	-	-
	283,128	-	133,784	-
Total governmental activities	4,399,231	246,731	596,527	-
Business type activities:				
Support services:				
Administration	1,626	-	-	-
Operation and maintenance of plant	1,496	-	-	-
Non-instructional programs:				
Food service operations	214,430	71,961	127,586	-
Total business type activities	217,552	71,961	127,586	-
Total	\$ 4,616,783	318,692	724,113	-
General Revenues:				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Statewide sales, services and use tax				
Income surtax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Gain on sale of fixed assets				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

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

See notes to financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business Type Activities	Total
(1,375,331)	-	(1,375,331)
(441,231)	-	(441,231)
<u>(360,360)</u>	<u>-</u>	<u>(360,360)</u>
<u>(2,176,922)</u>	<u>-</u>	<u>(2,176,922)</u>
(155,492)	-	(155,492)
(96,177)	-	(96,177)
(464,600)	-	(464,600)
(344,608)	-	(344,608)
<u>(168,830)</u>	<u>-</u>	<u>(168,830)</u>
<u>(1,229,707)</u>	<u>-</u>	<u>(1,229,707)</u>
(43,105)	-	(43,105)
(41,850)	-	(41,850)
-	-	-
<u>(64,389)</u>	<u>-</u>	<u>(64,389)</u>
<u>(149,344)</u>	<u>-</u>	<u>(149,344)</u>
<u>(3,555,973)</u>	<u>-</u>	<u>(3,555,973)</u>
-	(1,626)	(1,626)
-	(1,496)	(1,496)
-	(14,883)	(14,883)
-	(18,005)	(18,005)
<u>(3,555,973)</u>	<u>(18,005)</u>	<u>(3,573,978)</u>
2,031,997	-	2,031,997
161,597	-	161,597
178,165	-	178,165
273,109	-	273,109
108,645	-	108,645
1,182,933	-	1,182,933
1,150	22	1,172
46,652	807	47,459
500	-	500
<u>3,984,748</u>	<u>829</u>	<u>3,985,577</u>
428,775	(17,176)	411,599
<u>3,456,335</u>	<u>36,799</u>	<u>3,493,134</u>
<u>\$ 3,885,110</u>	<u>19,623</u>	<u>3,904,733</u>

Laurens-Marathon Community School District
Laurens, Iowa

Balance Sheet
Governmental Funds

June 30, 2012

	<u>General</u>	<u>Debt Service</u>
Assets		
Cash and pooled investments	\$ 922,185	89,538
Receivables:		
Property tax:		
Delinquent	25,135	2,117
Succeeding year	1,779,000	-
Accounts	12,108	
Due from other governments	120,057	-
Total assets	<u>\$ 2,858,485</u>	<u>91,655</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 89,079	-
Salaries and benefits payable	59,586	-
Deferred revenue:		
Succeeding year property tax	1,779,000	-
Income surtax	55,969	-
Other	4,396	-
Early retirement payable	-	-
Total liabilities	<u>1,988,030</u>	<u>-</u>
Fund balances:		
Restricted for:		
Categorical funding	32,572	-
Debt service	-	91,655
Management levy purposes	-	-
Student activities	-	-
School infrastructure	-	-
Physical plant and equipment	-	-
Unassigned	837,883	-
Total fund balances	<u>870,455</u>	<u>91,655</u>
Total liabilities and fund balances	<u>\$ 2,858,485</u>	<u>91,655</u>

See notes to financial statements.

Schedule C

<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
670,008	203,629	1,885,360
2,324	2,016	31,592
189,000	250,000	2,218,000
-	-	12,108
102,175	-	222,232
<u>963,507</u>	<u>455,645</u>	<u>4,369,292</u>
2,000	-	91,079
-	-	59,586
189,000	250,000	2,218,000
55,969	-	111,938
-	-	4,396
-	2,500	2,500
<u>246,969</u>	<u>252,500</u>	<u>2,487,499</u>
-	-	32,572
-	-	91,655
-	145,857	145,857
-	57,288	57,288
482,825	-	482,825
233,713	-	233,713
-	-	837,883
<u>716,538</u>	<u>203,145</u>	<u>1,881,793</u>
<u>963,507</u>	<u>455,645</u>	<u>4,369,292</u>

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit D

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

June 30, 2012

Total fund balances of governmental funds (page 21)	\$ 1,881,793
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,552,143
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	111,938
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(9,358)
Long-term liabilities, including early retirement payable and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	(663,372)
An internal service fund is used by the District to charge costs of the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	<u>11,966</u>
Net assets of governmental activities (page 17)	<u><u>\$ 3,885,110</u></u>

See notes to financial statements.

Laurens-Marathon Community School District
 Laurens, Iowa
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year ended June 30, 2012

	<u>General</u>	<u>Debt Service</u>
Revenues:		
Local sources:		
Local tax	\$ 1,942,231	161,597
Tuition	79,979	-
Other	56,353	239
State sources	1,642,772	80
Federal sources	136,412	-
Total revenues	<u>3,857,747</u>	<u>161,916</u>
Expenditures:		
Current:		
Instruction:		
Regular	1,494,889	-
Special	473,207	-
Other	473,258	-
	<u>2,441,354</u>	<u>-</u>
Support services:		
Student	154,389	-
Instructional staff	97,547	-
Administration	442,020	-
Operation and maintenance of plant	279,832	-
Transportation	138,983	-
	<u>1,112,771</u>	<u>-</u>
Other expenditures:		
Facilities acquisition	-	-
Long-term debt:		
Principal	-	317,119
Interest and fiscal charges	-	34,161
AEA flowthrough	133,784	-
	<u>133,784</u>	<u>351,280</u>
Total expenditures	<u>3,687,909</u>	<u>351,280</u>
Excess (deficiency) of revenues over (under) expenditures	<u>169,838</u>	<u>(189,364)</u>
Other financing sources (uses):		
Operating transfer in	-	100,216
Operating transfer out	-	-
Proceeds from sale of fixed assets	500	-
Total other financing sources (uses)	<u>500</u>	<u>100,216</u>
Net change in fund balances	170,338	(89,148)
Fund balances beginning of year	<u>700,117</u>	<u>180,803</u>
Fund balances end of year	<u>\$ 870,455</u>	<u>91,655</u>

See notes to financial statements.

Exhibit E

<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
512,204	150,696	2,766,728
-	-	79,979
5,131	152,832	214,555
106	90	1,643,048
-	-	136,412
<u>517,441</u>	<u>303,618</u>	<u>4,840,722</u>
7,590	72,297	1,574,776
-	-	473,207
-	157,290	630,548
<u>7,590</u>	<u>229,587</u>	<u>2,678,531</u>
-	-	154,389
-	-	97,547
14,638	272	456,930
47,657	42,892	370,381
24,584	4,708	168,275
<u>86,879</u>	<u>47,872</u>	<u>1,247,522</u>
135,286	-	135,286
-	-	317,119
-	-	34,161
-	-	133,784
<u>135,286</u>	<u>-</u>	<u>620,350</u>
<u>229,755</u>	<u>277,459</u>	<u>4,546,403</u>
<u>287,686</u>	<u>26,159</u>	<u>294,319</u>
-	-	100,216
(100,216)	-	(100,216)
-	-	500
<u>(100,216)</u>	<u>-</u>	<u>500</u>
187,470	26,159	294,819
<u>529,068</u>	<u>176,986</u>	<u>1,586,974</u>
<u>716,538</u>	<u>203,145</u>	<u>1,881,793</u>

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit F

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

Year ended June 30, 2012

Net change in fund balances - total governmental funds (page 24) \$ 294,819

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

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

Expenditures for capital assets	\$ 140,009	
Depreciation expense	<u>(207,403)</u>	(67,394)

Certain unspent grant proceeds and income surtax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds. (13,216)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues. 317,119

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (7,689)

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit F

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

Year ended June 30, 2012

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	(57,500)	
Other postemployment benefits	<u>(38,429)</u>	(95,929)

An internal service fund is used to charge the cost of the flex spending plan to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

1,065

Change in net assets of governmental activities (page 19)

\$ 428,775

See notes to financial statements.

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit G

Statement of Net Assets
Proprietary Fund

June 30, 2012

	<u>School Nutrition</u>	<u>Governmental Activities - Internal Service Fund</u>
Assets		
Cash and cash equivalents	\$ 6,760	11,966
Accounts receivable	114	-
Due from other governments	6,640	-
Capital assets, net of accumulated depreciation	<u>8,073</u>	<u>-</u>
Total assets	<u>21,587</u>	<u>11,966</u>
Liabilities		
Deferred revenues	<u>1,964</u>	<u>-</u>
Total liabilities	<u>1,964</u>	<u>-</u>
Net Assets		
Invested in capital assets	8,073	-
Unrestricted	<u>11,550</u>	<u>11,966</u>
Total net assets	<u>\$ 19,623</u>	<u>11,966</u>

See notes to financial statements

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit H

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

Year ended June 30, 2012

	<u>Enterprise Fund School Nutrition</u>	<u>Governmental Activities - Internal Service Fund</u>
Operating revenues:		
Local sources:		
Charges for service	\$ 71,962	34,074
Miscellaneous	<u>806</u>	<u>-</u>
Total operating revenue	<u>72,768</u>	<u>34,074</u>
 Operating expenses:		
Support services:		
Administration	1,626	42
Operation and maintenance of plant	<u>1,496</u>	<u>-</u>
	<u>3,122</u>	<u>42</u>
 Non-instructional programs:		
Salaries	72,539	-
Benefits	15,013	32,975
Purchased services	17	-
Supplies	124,519	-
Depreciation	<u>2,342</u>	<u>-</u>
	<u>214,430</u>	<u>32,975</u>
Total operating expenses	<u>217,552</u>	<u>33,017</u>
 Operating income (loss)	<u>(144,784)</u>	<u>1,057</u>
 Non-operating revenues:		
State sources	1,611	-
Federal sources	125,975	-
Interest income	<u>22</u>	<u>8</u>
Total non-operating revenues	<u>127,608</u>	<u>8</u>
 Increase (decrease) in net assets	(17,176)	1,065
Net assets beginning of year	<u>36,799</u>	<u>10,901</u>
Net assets end of year	<u>\$ 19,623</u>	<u>11,966</u>
See notes to financial statements.		

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2012

	<u>Enterprise Fund School Nutrition</u>	<u>Governmental Activities - Internal Service Fund</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 67,172	-
Cash received from miscellaneous operating activities	806	34,074
Cash paid to employees for services	(87,552)	(32,975)
Cash paid to suppliers for goods or services	<u>(120,374)</u>	<u>(42)</u>
Net cash provided by (used by) operating activities	<u>(139,948)</u>	<u>1,057</u>
Cash flows from non-capital financing activities:		
State grants received	1,611	-
Federal grants received	<u>118,691</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>120,302</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>22</u>	<u>8</u>
Net increase (decrease) in cash and cash equivalents	(19,624)	1,065
Cash and cash equivalents beginning of year	<u>26,384</u>	<u>10,901</u>
Cash and cash equivalents end of year	<u>\$ 6,760</u>	<u>11,966</u>

Laurens-Marathon Community School District
 Laurens, Iowa

Exhibit I

Statement of Cash Flows
 Proprietary Fund

Year ended June 30, 2012

	Enterprise <u>Fund</u> School <u>Nutrition</u>	Governmental Activities - Internal <u>Service Fund</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:		
Operating income (loss)	\$ (144,784)	1,057
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Commodities used	7,284	-
Depreciation	2,342	-
Decrease in accounts receivable	(6,754)	-
Increase in deferred revenue	<u>1,964</u>	<u>-</u>
Net cash provided by (used by) operating activities	<u>(139,948)</u>	<u>1,057</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2012, the District received \$7,284 of federal commodities.

See notes to financial statements.

Laurens-Marathon Community School District
 Laurens, Iowa

Exhibit J

Statement of Fiduciary Net Assets
 Fiduciary Funds

June 30, 2012

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets		
Cash and pooled investments	\$ 351,350	6,883
Land held in scholarship trust	<u>73,980</u>	<u>-</u>
Total assets	<u>425,330</u>	<u>6,883</u>
Liabilities		
Other payables	<u>-</u>	<u>6,883</u>
Total liabilities	<u>-</u>	<u>6,883</u>
Net assets		
Reserved for scholarships	<u>\$ 425,330</u>	<u>-</u>

See notes to financial statements.

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit K

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2012

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 167,404
Interest income	<u>2,286</u>
Total additions	<u>169,690</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	38,801
Other	1,890
Support services:	
Operation and maintenance of plant	<u>1,180</u>
Total deductions	<u>41,871</u>
Change in net assets	127,819
Net assets beginning of year	<u>297,761</u>
Net assets end of year	<u>\$ 425,580</u>

See notes to financial statements.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

Laurens-Marathon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. The geographic area served includes the cities of Laurens and Marathon, Iowa, and the predominately agricultural territory in Buena Vista, Clay, Palo Alto and Pocahontas counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Laurens-Marathon Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Pocahontas County Assessor's Conference Board.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2012

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 the following categories:

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

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

Unrestricted net assets consist of net assets not meeting the definition of the 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.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2012

Fund Financial Statements— Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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

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

The District reports the following major proprietary fund:

The Enterprise, School Nutrition is used to account for the food service operations of the District.

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

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

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

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2012

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there 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.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2012

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

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 Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2012

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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

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

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2012

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,500
Buildings	1,500
Improvements other than buildings	1,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,500

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50
Improvements other than buildings	20
Furniture and equipment	5-12

Benefits Payable – Payroll taxes and insurance for the current year which are payable in July and August have been accrued as liabilities.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2012

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

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales, and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation hours for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. There is no liability at June 30, 2012.

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, fund balance are classified as follows:

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

Unassigned – All amounts not included in other spendable classifications.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2012

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012 expenditures exceeded the amount budgeted in the non-instructional programs function.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$1,260,502 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAAM by Standards & Poor's Financial Services.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2012

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ <u>100,216</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ <u>40,213</u>	---	---	<u>40,213</u>
Capital assets being depreciated:				
Buildings	3,347,618	61,702	---	3,409,320
Improvements other than buildings	170,368	15,856	---	186,224
Furniture and equipment	<u>1,902,665</u>	<u>62,451</u>	---	<u>1,965,116</u>
Total capital assets being depreciated	<u>5,420,651</u>	<u>140,009</u>	---	<u>5,560,660</u>
Less accumulated depreciation for:				
Buildings	1,264,991	61,530	---	1,326,521
Improvements other than buildings	167,128	973	---	168,101
Furniture and equipment	<u>1,409,208</u>	<u>144,900</u>	---	<u>1,554,108</u>
Total accumulated depreciation	<u>2,841,327</u>	<u>207,403</u>	---	<u>3,048,730</u>
Total capital assets being depreciated, net	<u>2,579,324</u>	<u>(67,394)</u>	---	<u>2,511,930</u>
Governmental activities capital assets, net	\$ <u>2,619,537</u>	<u>(67,394)</u>	---	<u>2,552,143</u>

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2012

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 65,722	---	---	65,722
Less accumulated depreciation	<u>55,307</u>	<u>2,342</u>	---	<u>57,649</u>
Business type activities capital assets, net	<u>\$ 10,415</u>	<u>(2,342)</u>	---	<u>8,073</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

 Regular \$ 117,900

 Other 304

Support services:

 Operation and maintenance of plant 1,560

 Transportation 23,250

Unallocated 143,014

Total depreciation expense – governmental activities \$ 207,403

Business type activities:

 Food service operations \$ 2,342

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 175,000	---	175,000	---	---
Capital loan notes	360,000	---	55,000	305,000	55,000
Computer lease purchase obligation	274,047	---	87,119	186,928	91,283
Termination benefits	97,101	1,987	41,588	57,500	30,000
Net OPEB liability	<u>75,515</u>	<u>38,429</u>	---	<u>113,944</u>	---
Total	<u>\$ 981,663</u>	<u>40,416</u>	<u>358,707</u>	<u>663,372</u>	<u>176,283</u>

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2012

Capital Loan Notes

The District issued \$515,000 of Capital Loan Notes on August 25, 2008 for the remodeling of the existing facility. Details of the District's June 30, 2012 capital loan indebtedness are as follows:

Year Ending <u>June 30,</u>	Interest Rates	Principal	Interest	Total
2013	3.80%	\$ 55,000	12,443	67,443
2014	4.00	60,000	10,352	70,352
2015	4.10	60,000	7,953	67,953
2016	4.20	65,000	5,492	70,492
2017	4.25	<u>65,000</u>	<u>2,763</u>	<u>67,763</u>
Total		\$ <u>305,000</u>	<u>39,003</u>	<u>344,003</u>

Capital Lease Purchase Obligations

In June 2010, the District entered into a capital lease-purchase agreement with Apple Inc. to finance the purchase of computer equipment totaling \$373,073. The lease is financed for three years at an interest rate of 4.779%. The following is a schedule of the future minimum lease payments, including interest per annum, and the net present value of future minimum lease payments under the agreement at June 30, 2012:

<u>Year ending June 30,</u>	<u>Amount</u>
2013	\$ 100,216
2014	<u>100,216</u>
Total minimum lease payments	200,432
Less amount representing interest	<u>(13,504)</u>
Net present value of minimum lease payments	\$ <u>186,928</u>

Payments under the agreement totaled \$100,216 for the year ended June 30, 2012.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2012

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible licensed employees must have completed fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 of the year in which they retire. The benefit consists of \$5,000 per year for five years of health care benefits.

At June 30, 2012 the District has obligations to six participants with a total liability of \$57,500. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$41,588.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$167,532, \$146,839 and \$150,849, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 42 active and 4 retired members in the plan. Participants must be age 55 or older at retirement.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2012

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 50,004
Interest on net OPEB obligation	1,888
Adjustment to annual required contribution	<u>(4,768)</u>
Annual OPEB cost	47,174
Contributions made	<u>(8,745)</u>
Increase in net OPEB obligation	38,429
Net OPEB obligation beginning of year	<u>75,515</u>
Net OPEB obligation end of year	<u>\$113,944</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the 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, 2012.

For the year ended June 30, 2012, the District contributed \$8,745 to the medical plan. Plan members eligible for benefits contributed \$17,090, or 66% of the premium costs.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2012

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 44,606	13.5%	\$ 38,562
2011	44,258	16.5%	75,515
2012	47,174	18.5%	113,944

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$347,529, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$347,529. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,764,000 and the ratio of the UAAL to covered payroll was 19.7%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2012

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the District.

Projected claim costs of the medical plan are \$607 per month for retirees less than age 65. The UAAL is being amortized as a level dollar funding over 30 years.

(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$133,784 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Operating Leases

The District entered into an operating lease with United Leasing for the rental of three copiers on January 10, 2008 for a period of 60 months. The amount paid for the fiscal year ended June 30, 2012 was \$15,660. The fixed future rentals are as follows:

<u>Years Ending June 30,</u>	<u>Lease Payment</u>
2013	\$ <u>7,830</u>

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2012

(12) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following program:

<u>Program</u>	<u>Amount</u>
Preschool	\$ <u>32,572</u>

(13) Subsequent Events

Subsequent events have been evaluated through June 26, 2013 which is the date the financial statements were available to be issued.

On July 13, 2012 the board approved an air conditioning bid for \$53,900 plus speedy shipment and crane expense.

On September 10, 2012 the board approved the purchase of two Blue Bird 72 passenger buses.

Required Supplementary Information

Laurens-Marathon Community School District
Laurens, Iowa

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2012

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 3,061,262	72,790
State sources	1,643,048	1,611
Federal sources	<u>136,412</u>	<u>125,975</u>
Total revenues	<u>4,840,722</u>	<u>200,376</u>
Expenditures/Expenses:		
Instruction	2,678,531	-
Support services	1,247,522	3,122
Non-instructional programs	-	214,430
Other expenditures	<u>620,350</u>	<u>-</u>
Total expenditures/expenses	<u>4,546,403</u>	<u>217,552</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	294,319	(17,176)
Other financing sources, net	<u>500</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	294,819	(17,176)
Balances beginning of year	<u>1,586,974</u>	<u>36,799</u>
Balances end of year	<u>\$ 1,881,793</u>	<u>19,623</u>

See accompanying independent auditor's report.

Total <u>Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
	<u>Original</u>	<u>Final</u>	
3,134,052	2,968,460	2,968,460	165,592
1,644,659	1,978,351	1,978,351	(333,692)
262,387	285,000	285,000	(22,613)
<u>5,041,098</u>	<u>5,231,811</u>	<u>5,231,811</u>	<u>(190,713)</u>
2,678,531	2,906,225	2,906,225	227,694
1,250,644	1,759,413	1,759,413	508,769
214,430	200,002	200,002	(14,428)
620,350	446,982	630,725	10,375
<u>4,763,955</u>	<u>5,312,622</u>	<u>5,496,365</u>	<u>732,410</u>
277,143	(80,811)	(264,554)	541,697
<u>500</u>	<u>-</u>	<u>-</u>	<u>500</u>
277,643	(80,811)	(264,554)	542,197
<u>1,623,773</u>	<u>740,534</u>	<u>740,534</u>	<u>883,239</u>
<u>1,901,416</u>	<u>659,723</u>	<u>475,980</u>	<u>1,425,436</u>

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$183,743.

During the year ended June 30, 2012, expenditures in the non-instructional programs function exceeded the budget.

Laurens-Marathon Community School District

Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$417,740	417,740	0.0%	\$2,270,000	18.4%
2011	July 1, 2009	-	389,590	389,590	0.0%	2,151,000	18.1%
2012	July 1, 2009	-	347,529	347,529	0.0%	1,764,000	19.7%

See Note 7 In the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

Laurens-Marathon Community School District
Laurens, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	<u>Special Revenue</u>		
	<u>Manage- ment Levy</u>	<u>Student Activity</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 146,341	57,288	203,629
Receivables:			
Property tax:			
Delinquent	2,016	-	2,016
Succeeding year	<u>250,000</u>	<u>-</u>	<u>250,000</u>
Total assets	<u>\$ 398,357</u>	<u>57,288</u>	<u>455,645</u>
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 250,000	-	250,000
Early retirement payable	<u>2,500</u>	<u>-</u>	<u>2,500</u>
Total liabilities	<u>252,500</u>	<u>-</u>	<u>252,500</u>
Fund balances:			
Restricted for:			
Management levy purposes	145,857	-	145,857
Student activities	<u>-</u>	<u>57,288</u>	<u>57,288</u>
Total fund balances	<u>145,857</u>	<u>57,288</u>	<u>203,145</u>
Total liabilities and fund balances	<u>\$ 398,357</u>	<u>57,288</u>	<u>455,645</u>

See accompanying independent auditor's report.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule 2

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2012

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 150,696	-	150,696
Other	5,902	146,930	152,832
State sources	90	-	90
Total revenues	156,688	146,930	303,618
Expenditures:			
Current:			
Instruction:			
Regular	72,297	-	72,297
Other	-	157,290	157,290
Support services:			
Administration	272	-	272
Operation and maintenance of plant	42,892	-	42,892
Transportation	4,708	-	4,708
Total expenditures	120,169	157,290	277,459
Excess (deficiency) of revenues over (under) expenditures	36,519	(10,360)	26,159
Fund balances beginning of year	109,338	67,648	176,986
Fund balances end of year	\$ 145,857	57,288	203,145

See accompanying independent auditor's report.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
Speech Trip	\$ 277	-	-	-	277
Speech	1,282	1,140	2,414	-	8
TAG	91	-	-	-	91
Computer Club	317	-	-	-	317
Vocal Music	1,245	3,628	3,387	2,329	3,815
Music Trip 12	7,953	14,908	18,168	(4,693)	-
Music Trip 16	391	795	-	1,159	2,345
Band	46	7,615	8,258	1,204	607
Spanish Trip	1,723	-	-	-	1,723
Industrial Tech	1,500	-	-	-	1,500
Band Uniforms	328	1	-	-	329
Book Fair	-	3,007	3,007	-	-
Towel Fees	73	-	-	-	73
Wrestling Cheerleaders	875	-	195	-	680
Athletic Fund	497	522	-	(177)	842
Athletic Uniforms	-	4,000	3,362	-	638
Athletics	8,047	22,868	27,797	(3,118)	-
Cross Country	-	400	320	(80)	-
Golf	-	28	550	522	-
Boys Basketball	243	4,093	2,271	(2,065)	-
Football	-	6,332	8,414	2,082	-
Baseball	-	29	2,250	2,221	-
Boys Track	-	5,686	4,087	(1,599)	-
Wrestling	-	1,529	1,966	437	-
Girls Basketball	581	4,989	3,946	(1,624)	-
Volleyball	-	2,998	3,443	445	-
Softball	-	668	2,821	2,153	-

Laurens-Marathon Community School District
Laurens, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
Girls Track	-	2,069	2,873	804	-
Football Cheerleaders	4	580	1,446	875	13
Basketball Cheerleaders	168	212	-	-	380
Drill Team	3,432	9,554	11,319	(875)	792
Interest	43	132	157	-	18
HS Special Needs	2,855	-	179	-	2,676
Annual	3,814	-	271	1,726	5,269
Annual General	3,777	97	5	-	3,869
Annual 10	1,248	-	-	(1,248)	-
Annual 11	278	200	-	(478)	-
Annual 12	-	5,103	4,631	-	472
Annual 13	-	-	-	2,000	2,000
MS Guidance	1,552	8	32	-	1,528
Student Council	329	587	684	-	232
Graduated Seniors	1,624	-	72	-	1,552
Class of 2013	1,711	4,092	3,751	(2,000)	52
Class of 2014	-	1,923	647	-	1,276
Class of 2011	1,121	-	-	-	1,121
Class of 2012	1,299	533	838	-	994
National Honor Society	71	24	85	-	10
FFA	9,282	28,511	29,037	-	8,756
Y Teens	1,650	2,315	2,531	-	1,434
Home Ec	63	-	-	-	63
Charger Supports	3,152	279	180	-	3,251
MS Service Project	-	939	939	-	-
Fundraisers	-	2,427	265	-	2,162
PBIS	4,706	2,109	692	-	6,123
Total	<u>\$ 67,648</u>	<u>146,930</u>	<u>157,290</u>	<u>-</u>	<u>57,288</u>

See accompanying independent auditor's report.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule 4

Combining Balance Sheet
Capital Projects Accounts

June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	<u>Total</u>
Assets			
Cash and pooled investments	\$ 436,619	233,389	670,008
Receivables:			
Property tax:			
Delinquent	-	2,324	2,324
Succeeding year	-	189,000	189,000
Due from other governments	46,206	55,969	102,175
Total assets	\$ 482,825	480,682	963,507
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	2,000	2,000
Deferred revenue:			
Succeeding year property tax	-	189,000	189,000
Income surtax	-	55,969	55,969
Total liabilities	-	246,969	246,969
Fund balances:			
Restricted for:			
School infrastructure	482,825	-	482,825
Physical plant and equipment	-	233,713	233,713
Total fund balances	482,825	233,713	716,538
Total liabilities and fund balances	\$ 482,825	480,682	963,507

See accompanying independent auditor's report.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule 5

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 273,109	239,095	512,204
Other	99	5,032	5,131
State sources	-	106	106
Total revenues	273,208	244,233	517,441
Expenditures:			
Current:			
Instruction:			
Regular	-	7,590	7,590
Support services:			
Administration	-	14,638	14,638
Operation and maintenance of plant	-	47,657	47,657
Transportation	23,141	1,443	24,584
Other expenditures:			
Facilities acquisition	23,691	111,595	135,286
Total expenditures	46,832	182,923	229,755
Excess of revenues over expenditures	226,376	61,310	287,686
Other financing sources (uses):			
Operating transfers out	(100,216)	-	(100,216)
Total other financing sources (uses)	(100,216)	-	(100,216)
Excess of revenues over expenditures and other financing uses	126,160	61,310	187,470
Fund balances beginning of year	356,665	172,403	529,068
Fund balances end of year	\$ 482,825	233,713	716,538

See accompanying independent auditor's report.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule 6

Schedule of Changes in Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2012

	Balance Beginning of Year	<u>Additions</u>	<u>Deductions</u>	Balance End of Year
Blomgren Fund	\$ 87,162	12,000	3,237	95,925
Aschenbrenner Trust	69,118	795	500	69,413
Scholarship Fund	(189)	33,690	24,185	9,316
Marker Fund	30	-	-	30
Huey Korrekt Band Fund	791	-	168	623
Playground Fund	112	-	-	112
Doug DeYoung Memorial	51	-	-	51
Medicaid Reserve	354	-	-	354
Halterman Scholarship	9,500	528	10,028	-
Hakes Scholarship	12,928	274	257	12,945
Nonneman Scholarship	9,500	500	-	10,000
Gilchrist Scholarship	9,815	185	-	10,000
Halder Scholarship	3,179	32	500	2,711
Ludwig Scholarship	13,254	133	1,000	12,387
Hovenden Scholarship	24,953	47	-	25,000
Whitfield Schoalrship	2,980	20	-	3,000
Ryon Scholarship	9,635	365	-	10,000
Sindergard Scholarship	371	-	371	-
Wright Scholarship	4,700	550	-	5,250
Hoffman Scholarship	14,250	750	-	15,000
Kees Scholarship	9,500	500	-	10,000
Braunschweig Scholarship	2,933	30	500	2,463
A Peterson Scholarship	5,059	7	-	5,066
B Peterson Scholarship	7,775	217	125	7,867
Thoma Scholarship	-	118,817	1,000	117,817
Total	<u>\$ 297,761</u>	<u>169,440</u>	<u>41,871</u>	<u>425,330</u>

See accompanying independent auditor's report.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule 7

Schedule of Changes in Fiduciary Assets and Liabilities -
Agency Fund

Year ended June 30, 2012

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 17,764	42,966	53,847	6,883
Total assets	<u>\$ 17,764</u>	<u>42,966</u>	<u>53,847</u>	<u>6,883</u>
Liabilities				
Other payables	\$ 17,764	42,966	53,847	6,883
Total liabilities	<u>\$ 17,764</u>	<u>42,966</u>	<u>53,847</u>	<u>6,883</u>

See accompanying independent auditor's report.

Laurens-Marathon Community School District
Laurens, Iowa

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

For the Last Nine Years

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenues:				
Local sources:				
Local tax	\$ 2,766,728	2,489,662	2,212,250	2,056,942
Tuition	79,979	105,710	149,645	136,881
Other	214,555	378,844	234,606	264,997
State sources	1,643,048	1,768,574	1,500,435	1,986,969
Federal sources	136,412	258,607	235,795	108,858
Total	<u>\$ 4,840,722</u>	<u>5,001,397</u>	<u>4,332,731</u>	<u>4,554,647</u>
Expenditures:				
Instruction	\$ 2,678,531	2,584,537	2,542,751	2,575,166
Support services:				
Student	154,389	177,059	227,388	69,395
Instructional staff	97,547	151,383	79,596	126,727
Administration	456,930	417,056	389,211	375,257
Operation and maintenance of plant	370,381	350,846	353,494	372,641
Transportation	168,275	192,669	102,618	130,398
Central support	-	-	-	-
Other expenditures:				
Facilities acquisition	135,286	488,909	146,079	1,110,269
Long-term debt:				
Principal	317,119	324,026	215,000	210,000
Interest and other charges	34,161	28,770	34,055	36,858
AEA flowthrough	133,784	152,230	151,073	141,358
Total	<u>\$ 4,546,403</u>	<u>4,867,485</u>	<u>4,241,265</u>	<u>5,148,069</u>

See accompanying independent auditor's report.

Schedule 8

Modified Accrual Basis				
<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
2,007,594	1,901,617	1,901,986	1,776,631	1,801,554
216,609	257,389	250,577	203,539	195,282
288,841	303,441	328,135	878,915	363,338
1,821,031	1,597,361	1,717,069	1,724,948	1,615,230
<u>136,703</u>	<u>133,014</u>	<u>135,684</u>	<u>147,539</u>	<u>147,745</u>
<u>4,470,778</u>	<u>4,192,822</u>	<u>4,333,451</u>	<u>4,731,572</u>	<u>4,123,149</u>
2,677,060	2,623,664	2,574,498	2,474,264	2,531,073
103,545	99,420	92,788	65,597	86,780
80,423	93,772	104,835	137,467	75,874
386,443	471,423	348,812	526,245	429,107
330,495	339,015	352,989	320,242	527,658
134,088	261,534	133,601	98,505	82,213
-	-	-	58,055	55,897
205,094	106,123	129,897	698,401	50,803
140,000	135,000	130,000	120,000	115,000
40,075	46,650	53,172	60,734	68,085
<u>137,621</u>	<u>132,835</u>	<u>130,755</u>	<u>130,364</u>	<u>131,938</u>
<u>4,234,844</u>	<u>4,309,436</u>	<u>4,051,347</u>	<u>4,689,874</u>	<u>4,154,428</u>

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Laurens-Marathon Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated June 26, 2013. 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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-12 and I-B-12 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as item I-C-12 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Laurens-Marathon Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Laurens-Marathon Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

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

June 26, 2013

Laurens-Marathon Community School District
Laurens, Iowa

Schedule of Findings

Year ended June 30, 2012

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-12 Segregation of Duties - The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District has taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

Response - We are continuing to review our procedures and implement additional controls where possible.

Conclusion - Response acknowledged. The District should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-12 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to Laurens-Marathon Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule of Findings

Year ended June 30, 2012

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, it is the responsibility of the District’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue to evaluate the risks to be accepted in preparation of the financial statements.

Conclusion – Response accepted.

I-C-12 Disbursement Approval – For one nutrition disbursement tested there was no evidence of Board approval. For two activity and one nutrition disbursement, there was insufficient documentation to determine the date the disbursement was approved for advance payment in accordance with District’s policy.

Recommendation – The District should ensure all expenditures are properly approved. For payments made in advance of Board approval, the District should maintain documentation of the Superintendent’s approval of claims for payment, such as the Superintendent or his designee’s initials and date of approval. The District should also review the list of bills presented to the Board at regular meetings to ensure all claims are included.

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

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule of Findings

Year ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 Certified Budget - Expenditures for the year ended June 30, 2012, exceeded the certified budget amount in the non-instructional program function.

Recommendation - The certified budget should have been amended in sufficient amounts 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 and in proper functional areas to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

II-B-12 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

II-C-12 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-12 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Nancy Fuchs, Board Member Husband owns Fuchs Construction	Repairs	\$ 3,522

In accordance with an Attorney General’s Opinion dated November 9, 1976, the above transaction with Board Member Fuchs’ husband does not appear to represent a conflict of interest.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule of Findings

Year ended June 30, 2012

II-E-12 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to ensure the coverage is adequate for current operations.

II-F-12 Board Minutes - As previously noted, one disbursement requiring Board approval had not been approved by the Board as required by Chapter 279.29 of the Code of Iowa and an additional three disbursements had insufficient documentation they had been approved for payment by the Superintendent in advance of Board approval as allowed by Chapter 279.30 of the Code of Iowa.

Certain minutes were not published as required by Chapter 279.35 of the Code of Iowa.

Recommendation – All disbursements should be approved by the Board and sufficient documentation should be maintained to evidence proper Superintendent approval of disbursements paid in advance of Board approval. The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting.

Response – All disbursements will be approved by the Board and procedures have been revised to ensure the Superintendent’s approval of disbursements prior to Board meetings is adequately documented. Procedures have been revised to ensure the minutes are published as required.

Conclusion – Response accepted.

II-G-12 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-12 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule of Findings

Year ended June 30, 2012

- II-I-12 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.

- II-J-12 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

- II-K-12 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

- II-L-12 Statewide Sales, Services, and Use Tax – No instances of non-compliance with the allowable use of the statewide sales, services, and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2012 audit:

Beginning balance		\$ 356,665
Revenues:		
Sales tax revenues	\$ 273,109	
Other local revenues	<u>99</u>	<u>273,208</u>
		629,873
Expenditures/transfers out:		
Equipment	46,832	
Transfers to other funds:		
Debt service	<u>100,216</u>	<u>147,048</u>
Ending balance		\$ <u>482,825</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.