

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

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

YEAR ENDED JUNE 30, 2013

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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		
Michael Olson	President	2013
Matt Tate	Vice President	2013
Dr. Brett Fehr	Board Member	2015
Pete Runneberg	Board Member	2015
Tom Schmidt	Board Member	(Resigned May 2013) 2015
Deb Kenobbie	Board Member	(Appointed June 2013) 2013
School Officials		
Iner Joelson	Superintendent	2013
Susan Wenell	District Secretary/Treasurer Business Manager	2013
Rick Engel	Attorney	Indefinite

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Certified Public Accountants

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Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An

audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Laurens-Marathon Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 16 and 51 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Laurens-Marathon Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other auditors previously audited, in accordance with the standards referred to in the third 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 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 13, 2014 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 in considering Laurens-Marathon Community School District's internal control over financial reporting and compliance.

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

January 13, 2014

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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,858,247 in fiscal year 2012 to \$3,712,986 in fiscal year 2013, while General Fund expenditures increased from \$3,687,909 in fiscal year 2012 to \$3,873,974 in fiscal year 2013. The District's General Fund balance decreased from \$870,455 at the end of fiscal year 2012 to \$709,467 at the end of fiscal year 2013, an 18% decrease.
- The fiscal year 2013 General Fund revenue decrease was attributable to decreases in local taxes, other local sources, and state revenue. The increase in expenditures was due primarily to an increase in instruction costs. As a result, the District funded a portion of the increase in expenses from the carryover fund balance.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of 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

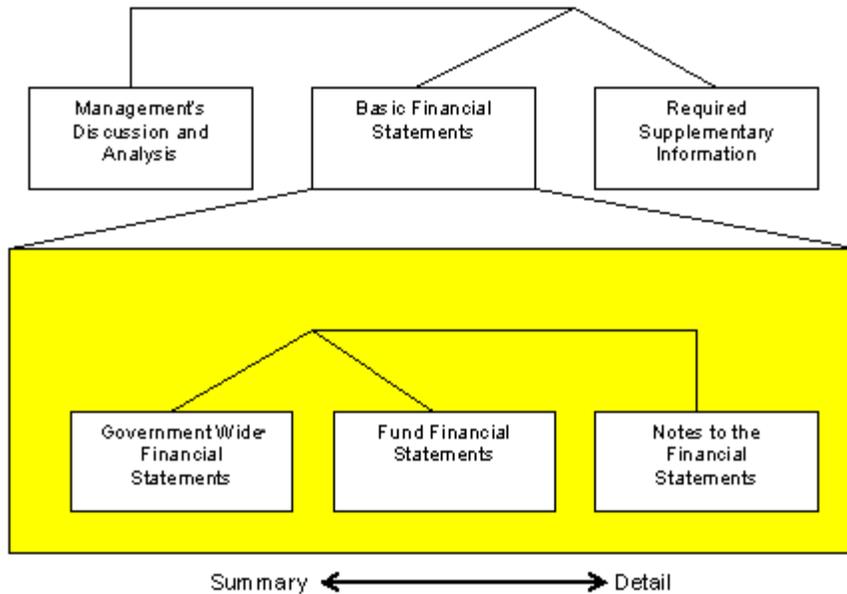


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

**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 position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net position • 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 Position 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 position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include 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 Position and a Statement of Changes in Fiduciary Net Position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2013 compared to June 30, 2012.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Current and other assets	\$ 4,290	4,381	8	14	4,298	4,395	-2.2%
Capital assets	2,633	2,552	6	8	2,639	2,560	3.1%
Total assets	<u>6,923</u>	<u>6,933</u>	<u>14</u>	<u>22</u>	<u>6,937</u>	<u>6,955</u>	<u>-0.3%</u>
Long-term liabilities	589	663	---	---	589	663	-11.2%
Other liabilities	2,195	2,385	2	2	2,197	2,387	-8.0%
Total liabilities	<u>2,784</u>	<u>3,048</u>	<u>2</u>	<u>2</u>	<u>2,786</u>	<u>3,050</u>	<u>-8.7%</u>
Net position:							
Net investment in capital assets	2,288	2,060	6	8	2,294	2,068	10.9%
Restricted	1,120	895	---	---	1,120	895	25.1%
Unrestricted	<u>731</u>	<u>930</u>	<u>6</u>	<u>22</u>	<u>737</u>	<u>942</u>	<u>-21.8%</u>
Total net position	\$ 4,139	3,885	12	20	4,151	3,905	6.3%
	=====	=====	====	====	=====	=====	=====

The District's total net position increased 6%, or approximately \$246,000 from the prior year. The largest portion of the District's net position 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 position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$225,000 or 25% from the prior year. The increase was primarily a result of an increase in unspent management funds.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$205,000 or 22%. This decrease in unrestricted net position was a result of the District's expenditures exceeding revenues.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2012-2013</u>
Revenues:							
Program revenues:							
Charges for service	\$ 287	247	77	72	364	319	14.1%
Operating grants, contributions and restricted interest	584	596	129	127	713	723	-1.4%
General revenues:							
Property tax	2,309	2,372	---	---	2,309	2,372	-2.6%
Statewide sales, services and use tax	277	273	---	---	277	273	1.5%
Income surtax	145	109	---	---	145	109	33.0%
Unrestricted state grants	1,142	1,183	---	---	1,142	1,183	-3.5%
Unrestricted investment earnings	1	1	---	---	1	1	0.0%
Other	28	46	---	1	28	47	-40.4%
Gain (loss) on disposal of capital assets	<u>1</u>	<u>1</u>	<u>---</u>	<u>---</u>	<u>1</u>	<u>1</u>	<u>0.0 %</u>
Total revenues	<u>4,774</u>	<u>4,828</u>	<u>206</u>	<u>200</u>	<u>4,980</u>	<u>5,028</u>	<u>-1.0 %</u>
Program expenses:							
Instruction	2,936	2,877	---	---	2,936	2,877	2.1%
Support services	1,340	1,239	2	3	1,342	1,242	8.1%
Non-instructional programs	---	---	212	214	212	214	-0.9%
Other expenses	<u>244</u>	<u>283</u>	<u>---</u>	<u>---</u>	<u>244</u>	<u>283</u>	<u>-13.8%</u>
Total expenses	<u>4,520</u>	<u>4,399</u>	<u>214</u>	<u>217</u>	<u>4,734</u>	<u>4,616</u>	<u>2.6%</u>
Increase (decrease) in net position	254	429	(8)	(17)	246	412	-40.3%
Net position beginning 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>
Net position end of year	\$ <u>4,139</u>	<u>3,885</u>	<u>12</u>	<u>20</u>	<u>4,151</u>	<u>3,905</u>	<u>6.3%</u>
	=====	=====	=====	=====	=====	=====	=====

In fiscal year 2013, property tax and unrestricted state grants account for 72.3% 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 1.0% decrease in revenues and a 2.6% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$4,773,856 and expenses were \$4,520,351 for the year ended June 30, 2013.

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, 2013 compared to the year ended June 30, 2012.

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

	Total Cost of Services			Net Cost of Services		
	2013	2012	Change 2012-2013	2013	2012	Change 2012-2013
Instruction	\$ 2,936	2,877	2.1%	2,240	2,177	2.9%
Support services	1,340	1,239	8.2%	1,300	1,230	5.7%
Non-instructional programs	---	---	0.0%	---	---	0.0%
Other expenses	244	283	-13.8%	109	149	-26.8%
Total	\$ 4,520	4,399	2.8%	3,649	3,556	2.6%
	=====	=====	=====	=====	=====	=====

For the year ended June 30, 2013:

- The cost financed by users of the District’s programs was \$286,984.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$584,611.
- The net cost of governmental activities was financed with \$2,730,613 in property and other taxes and \$1,141,945 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2013 were \$206,520, representing a 3.1% increase over the prior year, while expenses totaled \$213,788, a 1.7% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2013, 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 \$1,971,524, above last year's ending fund balances of \$1,881,793.

Governmental Fund Highlights

- The General Fund balance decreased from \$870,455 to \$709,467 due, in part, to the negotiated salaries and benefits and existing expenditure commitments of the District.
- The Management Fund balance increased from \$145,857 to \$383,032. The increase was due mostly to an increase in property tax revenue.
- The Capital Projects Fund balance increased from \$716,538 in fiscal 2012 to \$723,878 in fiscal 2013.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$19,623 at June 30, 2012 to \$12,355 at June 30, 2013, representing a decrease of approximately 37%. Fee increases weren't enough to cover the increase in food cost resulting in a decrease in the net position of the Nutrition Fund.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$81,113 less than total budgeted revenues, a variance of 1.6%.

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 and other expenditures functional areas due to timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, 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 increase of 3.1% 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 \$236,349.

The original cost of the District’s capital assets was approximately \$5.9 million. Governmental funds account for approximately \$5.8 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,
	2013	2012	2013	2012	2013	2012	2012-2013
Land	\$ 40	40	---	---	40	40	0.0%
Buildings	2,110	2,083	---	---	2,110	2,083	1.3%
Improvements other than buildings	17	18	---	---	17	18	-5.6%
Furniture and equipment	<u>466</u>	<u>411</u>	<u>6</u>	<u>8</u>	<u>472</u>	<u>419</u>	<u>12.6%</u>
Total	\$ 2,633	2,552	6	8	2,639	2,560	3.1%
	=====	=====	====	====	=====	=====	=====

Long-Term Debt

At June 30, 2013, the District had \$421,810 in total long-term debt outstanding. This represents a decrease of approximately 23.2% 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>Change</u>
	<u>District</u>		<u>June 30.</u>
	<u>2013</u>	<u>2012</u>	<u>2012-2013</u>
Capital loan notes	\$ 250	305	-18.0%
Computer lease purchase obligation	96	187	-48.7%
Termination benefits	<u>76</u>	<u>58</u>	<u>31.0%</u>
Total	\$ 422	550	-23.3%
	=====	=====	=====

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 2013 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.
- The District will need to continue to look for ways to reduce expenditures to keep them in line with enrollment and resources.
- 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 Brittney Sweeney, 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 Position

June 30, 2013

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 2,033,280	964	2,034,244
Receivables:			
Property tax:			
Delinquent	35,118	-	35,118
Succeeding year	1,950,000	-	1,950,000
Accounts	-	560	560
Due from other governments	271,354	6,097	277,451
Inventories	-	700	700
Capital assets, net of accumulated depreciation	<u>2,633,298</u>	<u>6,014</u>	<u>2,639,312</u>
Total assets	<u>6,923,050</u>	<u>14,335</u>	<u>6,937,385</u>
Liabilities			
Accounts payable	144,423	-	144,423
Salaries and benefits payable	74,666	-	74,666
Accrued interest payable	5,121	-	5,121
Deferred revenue:			
Succeeding year property tax	1,950,000	-	1,950,000
Other	15,588	1,980	17,568
Early retirement payable	5,668	-	5,668
Long-term liabilities:			
Portion due within one year:			
Capital loan notes	60,000	-	60,000
Capital lease payable	95,645	-	95,645
Early retirement payable	34,176	-	34,176
Portion due after one year:			
Capital loan notes	190,000	-	190,000
Early retirement payable	41,989	-	41,989
Net OPEB liability	<u>167,159</u>	<u>-</u>	<u>167,159</u>
Total liabilities	<u>2,784,435</u>	<u>1,980</u>	<u>2,786,415</u>

(continued)

Laurens-Marathon Community School District
 Laurens, Iowa

Exhibit A

Statement of Net Position

June 30, 2013

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	2,287,653	6,014	2,293,667
Restricted for:			
Categorical funding	25,870	-	25,870
Management levy purposes	306,867	-	306,867
School infrastructure	488,285	-	488,285
Physical plant and equipment	235,593	-	235,593
Student activities	63,486	-	63,486
Unrestricted	730,861	6,341	737,202
Total net position	<u>\$ 4,138,615</u>	<u>12,355</u>	<u>4,150,970</u>

See notes to financial statements.

Laurens-Marathon Community School District
 Laurens, Iowa
 Statement of Activities
 Year ended June 30, 2013

		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	\$ 1,822,406	95,938	252,845	-
Special instruction	469,891	35,433	46,723	-
Other instruction	644,201	152,105	113,153	-
	2,936,498	283,476	412,721	-
Support services:				
Student	116,006	-	817	-
Instructional staff	114,035	-	36,151	-
Administration	515,499	-	-	-
Operation and maintenance of plant	408,928	3,508	-	-
Transportation	185,405	-	-	-
	1,339,873	3,508	36,968	-
Other expenditures:				
Facilities acquisition	18,553	-	-	-
Long-term debt interest	17,681	-	-	-
AEA flowthrough	134,922	-	134,922	-
Depreciation (unallocated)*	72,824	-	-	-
	243,980	-	134,922	-
Total governmental activities	4,520,351	286,984	584,611	-
Business type activities:				
Support services:				
Administration	909	-	-	-
Operation and maintenance of plant	568	-	-	-
Non-instructional programs:				
Food service operations	212,311	77,698	128,816	-
Total business type activities	213,788	77,698	128,816	-
Total	\$ 4,734,139	364,682	713,427	-

General Revenues:

Property tax levied for:	
General purposes	
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 position	
Net position beginning of year	
Net position end of year	

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

See notes to financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Position		
Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
(1,473,623)	-	(1,473,623)
(387,735)	-	(387,735)
(378,943)	-	(378,943)
<u>(2,240,301)</u>	<u>-</u>	<u>(2,240,301)</u>
(115,189)	-	(115,189)
(77,884)	-	(77,884)
(515,499)	-	(515,499)
(405,420)	-	(405,420)
(185,405)	-	(185,405)
<u>(1,299,397)</u>	<u>-</u>	<u>(1,299,397)</u>
(18,553)	-	(18,553)
(17,681)	-	(17,681)
-	-	-
(72,824)	-	(72,824)
(109,058)	-	(109,058)
<u>(3,648,756)</u>	<u>-</u>	<u>(3,648,756)</u>
-	(909)	(909)
-	(568)	(568)
-	(5,797)	(5,797)
-	(7,274)	(7,274)
<u>(3,648,756)</u>	<u>(7,274)</u>	<u>(3,656,030)</u>
2,124,811	-	2,124,811
184,264	-	184,264
276,624	-	276,624
144,914	-	144,914
1,141,945	-	1,141,945
516	6	522
27,967	-	27,967
1,220	-	1,220
<u>3,902,261</u>	<u>6</u>	<u>3,902,267</u>
253,505	(7,268)	246,237
3,885,110	19,623	3,904,733
<u>\$ 4,138,615</u>	<u>12,355</u>	<u>4,150,970</u>

Laurens-Marathon Community School District
Laurens, Iowa

Balance Sheet
Governmental Funds

June 30, 2013

	<u>General</u>	<u>Special Revenue Management</u>
Assets		
Cash and pooled investments	\$ 818,049	\$ 383,366
Receivables:		
Property tax:		
Delinquent	26,993	5,334
Succeeding year	1,406,000	350,000
Due from other governments	146,892	-
Total assets	<u>\$ 2,397,934</u>	<u>738,700</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 131,308	\$ -
Salaries and benefits payable	74,666	-
Deferred revenue:		
Succeeding year property tax	1,406,000	350,000
Income surtax	60,905	-
Other	15,588	-
Early retirement payable	-	5,668
Total liabilities	<u>1,688,467</u>	<u>355,668</u>
Fund balances:		
Restricted for:		
Categorical funding	25,870	-
Debt service	-	-
Management levy purposes	-	383,032
Student activities	-	-
School infrastructure	-	-
Physical plant and equipment	-	-
Unassigned	683,597	-
Total fund balances	<u>709,467</u>	<u>383,032</u>
Total liabilities and fund balances	<u>\$ 2,397,934</u>	<u>738,700</u>

See notes to financial statements.

Schedule C

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue Student Activity</u>	<u>Total</u>
91,661	657,598	76,533	2,027,207
-	2,791	-	35,118
-	194,000	-	1,950,000
-	124,462	-	271,354
<u>91,661</u>	<u>978,851</u>	<u>76,533</u>	<u>4,283,679</u>
-	68	13,047	144,423
-	-	-	74,666
-	194,000	-	1,950,000
-	60,905	-	121,810
-	-	-	15,588
-	-	-	5,668
<u>-</u>	<u>254,973</u>	<u>13,047</u>	<u>2,312,155</u>
-	-	-	25,870
91,661	-	-	91,661
-	-	-	383,032
-	-	63,486	63,486
-	488,285	-	488,285
-	235,593	-	235,593
-	-	-	683,597
<u>91,661</u>	<u>723,878</u>	<u>63,486</u>	<u>1,971,524</u>
<u>91,661</u>	<u>978,851</u>	<u>76,533</u>	<u>4,283,679</u>

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit D

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

June 30, 2013

Total fund balances of governmental funds (page 22)	\$ 1,971,524
<i>Amounts reported for governmental activities in the Statement of Net Position 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.	2,633,298
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	121,810
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.	(5,121)
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.	(588,969)
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>6,073</u>
Net position of governmental activities (page 18)	<u><u>\$ 4,138,615</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, 2013

	<u>General</u>	<u>Special Revenue Management</u>
Revenues:		
Local sources:		
Local tax	\$ 1,842,092	350,239
Tuition	120,307	-
Other	23,063	3,118
State sources	1,562,529	164
Federal sources	163,775	-
Total revenues	<u>3,711,766</u>	<u>353,521</u>
Expenditures:		
Current:		
Instruction:		
Regular	1,613,710	58,804
Special	462,816	-
Other	491,973	-
	<u>2,568,499</u>	<u>58,804</u>
Support services:		
Student	113,716	-
Instructional staff	120,227	-
Administration	490,923	-
Operation and maintenance of plant	315,655	51,994
Transportation	130,032	5,548
	<u>1,170,553</u>	<u>57,542</u>
Other expenditures:		
Facilities acquisition	-	-
Long-term debt:		
Principal	-	-
Interest and fiscal charges	-	-
AEA flowthrough	134,922	-
	<u>134,922</u>	<u>-</u>
Total expenditures	<u>3,873,974</u>	<u>116,346</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(162,208)</u>	<u>237,175</u>
Other financing sources (uses):		
Operating transfer in	-	-
Operating transfer out	-	-
Proceeds from sale of fixed assets	1,220	-
Total other financing sources (uses)	<u>1,220</u>	<u>-</u>
Change in fund balances	(160,988)	237,175
Fund balances beginning of year	<u>870,455</u>	<u>145,857</u>
Fund balances end of year	<u>\$ 709,467</u>	<u>383,032</u>

See notes to financial statements.

Exhibit E

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue Student Activity</u>	<u>Total</u>
-	528,410	-	2,720,741
-	-	-	120,307
49	16,769	152,162	195,161
-	87	-	1,562,780
-	-	-	163,775
<u>49</u>	<u>545,266</u>	<u>152,162</u>	<u>4,762,764</u>
-	8,963	-	1,681,477
-	-	-	462,816
-	-	145,964	637,937
<u>-</u>	<u>8,963</u>	<u>145,964</u>	<u>2,782,230</u>
-	-	-	113,716
-	945	-	121,172
-	14,994	-	505,917
-	88,448	-	456,097
-	172,220	-	307,800
<u>-</u>	<u>276,607</u>	<u>-</u>	<u>1,504,702</u>
-	84,198	-	84,198
146,283	-	-	146,283
21,918	-	-	21,918
-	-	-	134,922
<u>168,201</u>	<u>84,198</u>	<u>-</u>	<u>387,321</u>
<u>168,201</u>	<u>369,768</u>	<u>145,964</u>	<u>4,674,253</u>
<u>(168,152)</u>	<u>175,498</u>	<u>6,198</u>	<u>88,511</u>
168,158	-	-	168,158
-	(168,158)	-	(168,158)
-	-	-	1,220
<u>168,158</u>	<u>(168,158)</u>	<u>-</u>	<u>1,220</u>
6	7,340	6,198	89,731
<u>91,655</u>	<u>716,538</u>	<u>57,288</u>	<u>1,881,793</u>
<u>91,661</u>	<u>723,878</u>	<u>63,486</u>	<u>1,971,524</u>

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

Year ended June 30, 2013

Change in fund balances - total governmental funds (page 25) \$ 89,731

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

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

Expenditures for capital assets	\$ 315,445	
Depreciation expense	<u>(234,290)</u>	81,155

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. 9,872

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 Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments exceeded issues. 146,283

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. 4,237

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, 2013

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	(18,665)	
Other postemployment benefits	<u>(53,215)</u>	(71,880)

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.

(5,893)

Change in net position of governmental activities (page 20)

\$ 253,505

See notes to financial statements.

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2013

	<u>Enterprise Fund School Nutrition</u>	<u>Governmental Activities - Internal Service Fund</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 964	6,073
Accounts receivable	560	-
Due from other governments	6,097	-
Inventories	700	-
Total current assets	8,321	6,073
Noncurrent assets:		
Capital assets, net of accumulated depreciation	6,014	-
Total noncurrent assets	6,014	-
Total assets	14,335	6,073
Liabilities		
Current liabilities:		
Deferred revenues	1,980	-
Total current liabilities	1,980	-
Total liabilities	1,980	-
Net Position		
Invested in capital assets	6,014	-
Unrestricted	6,341	6,073
Total net position	12,355	6,073
Total net position	\$ 12,355	6,073
See notes to financial statements		

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit H

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

Year ended June 30, 2013

	<u>Enterprise Fund School Nutrition</u>	<u>Governmental Activities - Internal Service Fund</u>
Operating revenues:		
Local sources:		
Charges for service	\$ 76,292	22,367
Miscellaneous	<u>1,406</u>	<u>-</u>
Total operating revenue	<u>77,698</u>	<u>22,367</u>
 Operating expenses:		
Support services:		
Administration	909	46
Operation and maintenance of plant	<u>568</u>	<u>-</u>
	<u>1,477</u>	<u>46</u>
 Non-instructional programs:		
Salaries	73,005	-
Benefits	15,810	28,216
Purchased services	336	-
Supplies	121,101	-
Depreciation	<u>2,059</u>	<u>-</u>
	<u>212,311</u>	<u>28,216</u>
Total operating expenses	<u>213,788</u>	<u>28,262</u>
 Operating loss	<u>(136,090)</u>	<u>(5,895)</u>
 Non-operating revenues:		
State sources	1,604	-
Federal sources	127,212	-
Interest income	<u>6</u>	<u>2</u>
Total non-operating revenues	<u>128,822</u>	<u>2</u>
 Decrease in net position	(7,268)	(5,893)
Net position beginning of year	<u>19,623</u>	<u>11,966</u>
Net position end of year	<u>\$ 12,355</u>	<u>6,073</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, 2013

	Enterprise Fund School Nutrition	Governmental Activities - Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 76,404	-
Cash received from miscellaneous operating activities	1,406	22,367
Cash paid to employees for services	(88,815)	(28,216)
Cash paid to suppliers for goods or services	<u>(112,293)</u>	<u>(46)</u>
Net cash used by operating activities	<u>(123,298)</u>	<u>(5,895)</u>
Cash flows from non-capital financing activities:		
State grants received	1,604	-
Federal grants received	<u>115,892</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>117,496</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>6</u>	<u>2</u>
Net decrease in cash and cash equivalents	(5,796)	(5,893)
Cash and cash equivalents beginning of year	<u>6,760</u>	<u>11,966</u>
Cash and cash equivalents end of year	<u>\$ 964</u>	<u>6,073</u>

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2013

	Enterprise <u>Fund</u> School <u>Nutrition</u>	Governmental Activities - Internal <u>Service Fund</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (136,090)	(5,895)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	11,321	-
Depreciation	2,059	-
Decrease in accounts receivable	96	-
(Increase) in inventories	(700)	-
Increase in deferred revenue	<u>16</u>	<u>-</u>
Net cash used by operating activities	<u>\$ (123,298)</u>	<u>(5,895)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received \$11,321 of federal commodities.

See notes to financial statements.

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit J

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2013

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets		
Cash and pooled investments	\$ 345,608	19,459
Land held in scholarship trust	<u>73,980</u>	<u>-</u>
Total assets	<u>419,588</u>	<u>19,459</u>
Liabilities		
Other payables	<u>-</u>	<u>19,459</u>
Total liabilities	<u>-</u>	<u>19,459</u>
Net position		
Reserved for scholarships	<u>\$ 419,588</u>	<u>-</u>

See notes to financial statements.

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit K

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2013

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 23,247
Land rent	15,625
Interest income	<u>836</u>
Total additions	<u>39,708</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	37,215
Other	7,259
Support services:	
Operation and maintenance of plant	<u>1,226</u>
Total deductions	<u>45,700</u>
Change in net position	(5,992)
Net position beginning of year	<u>425,580</u>
Net position end of year	<u>\$ 419,588</u>

See notes to financial statements.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2013

(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, 2013

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position (previously referred to as 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 Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has 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, 2013

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

The District reports the following major governmental funds:

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

The Special Revenue, Management Levy Fund is used to account for the cost of unemployment benefits, liability insurance and agreements, costs of judgments and certain early retirement benefits.

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 Fund is used to account for the food service operations of the District.

The District also reports the following additional proprietary fund:

An Internal Service Fund is used to account for the District's flex spending plan. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Position and the Statement of Activities.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2013

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

The 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.

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.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2013

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 position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

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

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2013

D. Assets, Liabilities and Fund Equity

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

Cash, Cash Equivalents and Pooled Investments – 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.

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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2013

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

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

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

<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

Laurens-Marathon Community School District
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Notes to Financial Statements

June 30, 2013

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current 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 Position 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, 2013.

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

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

Restricted – Amounts restricted to specific purposes when constraints placed on the use of 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, 2013

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures exceeded the amounts budgeted in the non-instructional programs and other expenditures functions.

(2) **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2013 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, 2013, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$1,487,789 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, 2013

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ <u>168,158</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, 2013 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	3,409,320	95,117	---	3,504,437
Improvements other than buildings	186,224	---	---	186,224
Furniture and equipment	<u>1,965,116</u>	<u>220,328</u>	---	<u>2,185,444</u>
Total capital assets being depreciated	<u>5,560,660</u>	<u>315,445</u>	---	<u>5,876,105</u>
Less accumulated depreciation for:				
Buildings	1,326,521	67,760	---	1,394,281
Improvements other than buildings	168,101	973	---	169,074
Furniture and equipment	<u>1,554,108</u>	<u>165,557</u>	---	<u>1,719,665</u>
Total accumulated depreciation	<u>3,048,730</u>	<u>234,290</u>	---	<u>3,283,020</u>
Total capital assets being depreciated, net	<u>2,511,930</u>	<u>81,155</u>	---	<u>2,593,085</u>
Governmental activities capital assets, net	\$ <u>2,552,143</u>	<u>81,155</u>	---	<u>2,633,298</u>

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2013

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 65,722	---	---	65,722
Less accumulated depreciation	<u>57,649</u>	<u>2,059</u>	---	<u>59,708</u>
Business type activities capital assets, net	<u>\$ 8,073</u>	<u>(2,059)</u>	---	<u>6,014</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

 Regular \$ 109,648

 Other 304

Support services:

 Instructional staff 2,023

 Operation and maintenance of plant 1,560

 Transportation 47,931

161,466

Unallocated 72,824

Total depreciation expense – governmental activities \$ 234,290

Business type activities:

 Food service operations \$ 2,059

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Capital loan notes	\$ 305,000	---	55,000	250,000	60,000
Computer lease purchase obligation	186,928	---	91,283	95,645	95,645
Termination benefits	57,500	49,707	31,042	76,165	34,176
Net OPEB liability	<u>113,944</u>	<u>53,215</u>	---	<u>167,159</u>	---
Total	<u>\$ 663,372</u>	<u>102,922</u>	<u>177,325</u>	<u>588,969</u>	<u>189,821</u>

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2013

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, 2013 capital loan indebtedness are as follows:

Year Ending <u>June 30,</u>	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>250,000</u>	<u>26,560</u>	<u>276,560</u>

Capital Lease Purchase Obligation

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, 2013:

<u>Year ending June 30,</u>	<u>Amount</u>
2014	\$ 100,216
Less amount representing interest	<u>(4,571)</u>
Net present value of minimum lease payments	\$ <u>95,645</u>

Payments under the agreement totaled \$100,216 for the year ended June 30, 2013.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2013

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.

In fiscal year 2013, the District offered a voluntary early retirement plan to its employees. The benefit consists of 60% of the cost of insurance for five years with a maximum benefit of \$50,000.

At June 30, 2013, the District has obligations to seven participants with a total liability of \$76,165. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$31,042.

(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 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$198,241, \$167,532 and \$146,839, 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 37 active and 6 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, 2013

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 benefits 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, 2013, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 91,105
Interest on net OPEB obligation	2,849
Adjustment to annual required contribution	<u>(11,888)</u>
Annual OPEB cost	82,066
Contributions made	<u>(28,851)</u>
Increase in net OPEB obligation	53,215
Net OPEB obligation beginning of year	<u>113,944</u>
Net OPEB obligation end of year	<u>\$167,159</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, 2013.

For the year ended June 30, 2013, the District contributed \$28,851 to the medical plan. Plan members eligible for benefits contributed \$10,334, or 26% of the premium costs.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2013

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 44,258	16.5%	\$ 75,515
2012	47,174	18.5%	113,944
2013	82,066	35.2%	167,159

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$584,435, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$584,435. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,829,000 and the ratio of the UAAL to covered payroll was 32.0%. As of June 30, 2013, 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, 2013

As of the July 1, 2012 actuarial valuation date, the 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 Projected to 2000, applied on a gender-specific basis. Annual retirement and termination probabilities were developed based on IPERS normal retirement age for each employee and information provided by the District.

Projected claim costs of the medical plan are \$617 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 \$134,922 for the year ended June 30, 2013, 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, 2013 was \$9,136. There are no future fixed future rentals.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2013

The District entered into an operating lease with GE Capital for the rental of three copiers on May 5, 2013, for a period of 60 months. The amount paid for the fiscal year ended June 30, 2013 was \$1,060. The fixed future rentals are as follows:

<u>Years Ending June 30,</u>	<u>Lease Payment</u>
2014	\$ 4,212
2015	4,212
2016	4,212
2017	4,212
2018	<u>3,159</u>
	\$ <u>20,007</u>

(12) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Preschool	\$ 14,768
Professional development – core curriculum	1,095
Professional development	<u>10,007</u>
	\$ <u>25,870</u>

(13) Subsequent Events

Subsequent events have been evaluated through January 13, 2014 which is the date the financial statements were available to be issued.

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, 2013

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 3,036,209	77,704
Intermediate sources	-	-
State sources	1,562,780	1,604
Federal sources	<u>163,775</u>	<u>127,212</u>
Total revenues	<u>4,762,764</u>	<u>206,520</u>
Expenditures/Expenses:		
Instruction	2,782,230	-
Support services	1,504,702	1,477
Non-instructional programs	-	212,311
Other expenditures	<u>387,321</u>	<u>-</u>
Total expenditures/expenses	<u>4,674,253</u>	<u>213,788</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	88,511	(7,268)
Other financing sources, net	<u>1,220</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	89,731	(7,268)
Balances beginning of year	<u>1,881,793</u>	<u>19,623</u>
Balances end of year	<u>\$ 1,971,524</u>	<u>12,355</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>	
3,113,913	3,176,523	3,176,523	(62,610)
-	2,200	2,200	(2,200)
1,564,384	1,581,674	1,581,674	(17,290)
<u>290,987</u>	<u>290,000</u>	<u>290,000</u>	<u>987</u>
<u>4,969,284</u>	<u>5,050,397</u>	<u>5,050,397</u>	<u>(81,113)</u>
2,782,230	3,300,000	3,300,000	517,770
1,506,179	1,716,500	1,716,500	210,321
212,311	210,000	210,000	(2,311)
<u>387,321</u>	<u>275,754</u>	<u>275,754</u>	<u>(111,567)</u>
<u>4,888,041</u>	<u>5,502,254</u>	<u>5,502,254</u>	<u>614,213</u>
81,243	(451,857)	(451,857)	533,100
<u>1,220</u>	<u>-</u>	<u>-</u>	<u>1,220</u>
82,463	(451,857)	(451,857)	534,320
<u>1,901,416</u>	<u>731,911</u>	<u>731,911</u>	<u>1,169,505</u>
<u>1,983,879</u>	<u>280,054</u>	<u>280,054</u>	<u>1,703,825</u>

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2013

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 ended June 30, 2013, expenditures in the non-instructional programs and other expenditures functions exceeded the amounts budgeted.

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%
2013	July 1, 2012	-	584,435	584,435	0.0%	1,829,000	32.0%

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

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

<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	8	4,134	4,017	-	125
TAG	91	-	-	-	91
Computer Club	317	-	-	-	317
Vocal Music	3,815	9,334	10,168	300	3,281
Music Trip 16	2,345	-	-	583	2,928
Band	607	5,744	5,785	(583)	(17)
Spanish Trip	1,723	-	-	-	1,723
Industrial Tech	1,500	649	817	-	1,332
Band Uniforms	329	-	-	-	329
Book Fair	-	2,605	2,605	-	-
Towel Fees	73	-	-	-	73
Wrestling Cheerleaders	680	-	-	-	680
Athletic Fund	842	-	-	(802)	40
Athletic Uniforms	638	4,000	-	(4,609)	29
Athletics	-	24,319	23,326	(5,278)	(4,285)
Cross Country	-	544	451	-	93
Golf	-	308	1,372	1,064	-
Boys Basketball	-	4,595	3,734	-	861
Football	-	10,590	8,208	-	2,382
Baseball	-	15	2,304	2,289	-
Boys Track	-	5,666	2,631	-	3,035
Wrestling	-	2,144	2,286	142	-
Girls Basketball	-	3,881	5,071	1,172	(18)
Volleyball	-	7,351	6,803	-	548
Softball	-	1,550	5,169	1,109	(2,510)
Girls Track	-	1,449	7,055	4,302	(1,304)

Laurens-Marathon Community School District
Laurens, Iowa

Schedule 1

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

<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>
Football Cheerleaders	13	3,672	3,210	-	475
Basketball Cheerleaders	380	798	680	-	498
Drill Team	792	11,310	11,041	311	1,372
Interest	18	57	68	-	7
HS Special Needs	2,676	17	117	-	2,576
Annual	5,269	-	69	-	5,200
Annual General	3,869	-	60	-	3,809
Annual 12	472	188	-	-	660
Annual 13	2,000	5,171	4,854	-	2,317
MS Guidance	1,528	-	-	-	1,528
Student Council	232	289	356	-	165
Graduated Seniors	1,552	-	2,084	1,503	971
Class of 2011	1,121	-	-	(1,121)	-
Class of 2012	994	-	-	(994)	-
Class of 2013	52	-	664	612	-
Class of 2014	1,276	2,826	1,726	-	2,376
Class of 2015	-	1,016	248	-	768
Class of 2017	-	116	-	-	116
National Honor Society	10	121	356	225	-
FFA	8,756	34,093	26,277	-	16,572
Y Teens	1,434	2,839	1,491	-	2,782
Home Ec	63	-	-	-	63
Charger Supports	3,251	-	162	-	3,089
Fundraisers	2,162	-	-	-	2,162
PBIS	6,123	771	699	(225)	5,970
Total	<u>\$ 57,288</u>	<u>152,162</u>	<u>145,964</u>	<u>-</u>	<u>63,486</u>

See accompanying independent auditor's report.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule 2

Combining Balance Sheet
Capital Project Accounts

June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	<u>Total</u>
Assets			
Cash and pooled investments	\$ 424,728	232,870	657,598
Receivables:			
Property tax:			
Delinquent	-	2,791	2,791
Succeeding year	-	194,000	194,000
Due from other governments	<u>63,557</u>	<u>60,905</u>	<u>124,462</u>
Total assets	<u>\$ 488,285</u>	<u>490,566</u>	<u>978,851</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	68	68
Deferred revenue:			
Succeeding year property tax	-	194,000	194,000
Income surtax	<u>-</u>	<u>60,905</u>	<u>60,905</u>
Total liabilities	<u>-</u>	<u>254,973</u>	<u>254,973</u>
Fund balances:			
Restricted for:			
School infrastructure	488,285	-	488,285
Physical plant and equipment	<u>-</u>	<u>235,593</u>	<u>235,593</u>
Total fund balances	<u>488,285</u>	<u>235,593</u>	<u>723,878</u>
Total liabilities and fund balances	<u>\$ 488,285</u>	<u>490,566</u>	<u>978,851</u>

See accompanying independent auditor's report.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule 3

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

Year ended June 30, 2013

	Capital Projects		
	Statewide Sales, Services <u>and Use Tax</u>	Physical Plant and Equipment <u>Levy</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 276,624	251,786	528,410
Other	47	16,722	16,769
State sources	-	87	87
Total revenues	276,671	268,595	545,266
Expenditures:			
Instruction:			
Regular	-	8,963	8,963
Support services:			
Instructional staff	-	945	945
Administration	-	14,994	14,994
Operation and maintenance of plant	-	88,448	88,448
Transportation	168,980	3,240	172,220
Other expenditures:			
Facilities acquisition	2,015	82,183	84,198
Total expenditures	170,995	198,773	369,768
Excess of revenues over expenditures	105,676	69,822	175,498
Other financing sources (uses):			
Operating transfers out	(100,216)	(67,942)	(168,158)
Total other financing sources (uses)	(100,216)	(67,942)	(168,158)
Excess of revenues over expenditures and other financing uses	5,460	1,880	7,340
Fund balances beginning of year	482,825	233,713	716,538
Fund balances end of year	\$ 488,285	235,593	723,878

See accompanying independent auditor's report.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule 4

Schedule of Changes in Fiduciary Net Position
Private Purpose Trusts

Year ended June 30, 2013

	Balance Beginning of Year	<u>Additions</u>	<u>Deductions</u>	Balance End of Year
Blomgren Fund	\$ 95,925	15,625	7,819	103,731
Aschenbrenner Trust	69,413	592	5,000	65,005
Scholarship Fund	9,316	22,999	29,810	2,505
Marker Fund	30	-	-	30
Huey Korrekt Band Fund	623	-	415	208
Playground Fund	112	-	-	112
Doug DeYoung Memorial	51	-	-	51
Medicaid Reserve	354	-	-	354
Hakes Scholarship	12,945	65	55	12,955
Nonneman Scholarship	10,000	-	-	10,000
Gilchrist Scholarship	10,000	-	-	10,000
Halder Scholarship	2,711	14	500	2,225
Ludwig Scholarship	12,387	62	1,000	11,449
Hovenden Scholarship	25,000	-	-	25,000
Whitfield Scholarship	3,000	-	-	3,000
Ryon Scholarship	10,000	-	-	10,000
Wright Scholarship	5,250	19	-	5,269
Hoffman Scholarship	15,000	-	-	15,000
Kees Scholarship	10,000	-	-	10,000
Braunschweig Scholarship	2,463	12	500	1,975
A Peterson Scholarship	5,066	2	-	5,068
B Peterson Scholarship	7,867	67	100	7,834
Thoma Scholarship	117,817	-	-	117,817
Total	<u>\$ 425,330</u>	<u>39,457</u>	<u>45,199</u>	<u>419,588</u>

See accompanying independent auditor's report.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule 5

Schedule of Changes in Fiduciary Assets and Liabilities -
Agency Fund

Year ended June 30, 2013

	Balance Beginning of Year	<u>Additions</u>	<u>Deductions</u>	Balance End of Year
Assets				
Cash	\$ 11,275	52,150	43,966	19,459
Total assets	<u>\$ 11,275</u>	<u>52,150</u>	<u>43,966</u>	<u>19,459</u>
Liabilities				
Other payables	\$ 11,275	52,150	43,966	19,459
Total liabilities	<u>\$ 11,275</u>	<u>52,150</u>	<u>43,966</u>	<u>19,459</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 Ten Years

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues:				
Local sources:				
Local tax	\$ 2,720,741	2,766,728	2,489,662	2,212,250
Tuition	120,307	79,979	105,710	149,645
Other	195,161	214,555	378,844	234,606
State sources	1,562,780	1,643,048	1,768,574	1,500,435
Federal sources	163,775	136,412	258,607	235,795
Total	<u>\$ 4,762,764</u>	<u>4,840,722</u>	<u>5,001,397</u>	<u>4,332,731</u>
Expenditures:				
Instruction	\$ 2,782,230	2,678,531	2,584,537	2,542,751
Support services:				
Student	113,716	154,389	177,059	227,388
Instructional staff	121,172	97,547	151,383	79,596
Administration	505,917	456,930	417,056	389,211
Operation and maintenance of plant	456,097	370,381	350,846	353,494
Transportation	307,800	168,275	192,669	102,618
Central support	-	-	-	-
Other expenditures:				
Facilities acquisition	84,198	135,286	488,909	146,079
Long-term debt:				
Principal	146,283	317,119	324,026	215,000
Interest and other charges	21,918	34,161	28,770	34,055
AEA flowthrough	134,922	133,784	152,230	151,073
Total	<u>\$ 4,674,253</u>	<u>4,546,403</u>	<u>4,867,485</u>	<u>4,241,265</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
2,056,942	2,007,594	1,901,617	1,901,986	1,776,631	1,801,554
136,881	216,609	257,389	250,577	203,539	195,282
264,997	288,841	303,441	328,135	878,915	363,338
1,986,969	1,821,031	1,597,361	1,717,069	1,724,948	1,615,230
<u>108,858</u>	<u>136,703</u>	<u>133,014</u>	<u>135,684</u>	<u>147,539</u>	<u>147,745</u>
<u>4,554,647</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>
2,575,166	2,677,060	2,623,664	2,574,498	2,474,264	2,531,073
69,395	103,545	99,420	92,788	65,597	86,780
126,727	80,423	93,772	104,835	137,467	75,874
375,257	386,443	471,423	348,812	526,245	429,107
372,641	330,495	339,015	352,989	320,242	527,658
130,398	134,088	261,534	133,601	98,505	82,213
-	-	-	-	58,055	55,897
1,110,269	205,094	106,123	129,897	698,401	50,803
210,000	140,000	135,000	130,000	120,000	115,000
36,858	40,075	46,650	53,172	60,734	68,085
<u>141,358</u>	<u>137,621</u>	<u>132,835</u>	<u>130,755</u>	<u>130,364</u>	<u>131,938</u>
<u>5,148,069</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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Laurens-Marathon Community School District as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 13, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-13 and I-B-13 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-13 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, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Laurens-Marathon Community School District's Responses to Findings

Laurens-Marathon Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Laurens-Marathon Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of the audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of 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

January 13, 2014

Laurens-Marathon Community School District
Laurens, Iowa

Schedule of Findings

Year ended June 30, 2013

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-13 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 utilizing currently available staff, including elected officials.

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-13 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, 2013

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-13 Disbursement Approval – For one disbursement tested there was no evidence of Board approval. For four disbursements tested, there was insufficient documentation to determine the date the disbursement was approved for advance payment in accordance with the District’s policy. Also there were two disbursements that didn’t have an invoice to support the transaction.

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. All disbursements also should have an invoice to support them.

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. We will obtain invoices for all disbursements.

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, 2013

Part II: Other Findings Related to Required Statutory Reporting:

II-A-13 Certified Budget - Expenditures for the year ended June 30, 2013, exceeded the certified budget amounts in the non-instructional program and other expenditures functions.

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-13 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-13 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-13 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-13 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-13 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.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule of Findings

Year ended June 30, 2013

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-13 Certified Enrollment - The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for October 2012 was overstated. The District included on line 1 a student who was never enrolled for the current year.

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

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

Conclusion – Response accepted.

II-H-13 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-13 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-13 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

II-K-13 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule of Findings

Year ended June 30, 2013

- II-L-13 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, 2013, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$ 482,825
Revenues:		
Sales tax revenues	\$ 276,624	
Other local revenues	47	<u>276,671</u>
		759,496
Expenditures/transfers out:		
Equipment	170,995	
Transfers to other funds:		
Debt service	<u>100,216</u>	<u>271,211</u>
Ending balance		\$ <u>488,285</u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- II-M-13 Deficit Balances – Five student activity accounts had deficit balances at June 30, 2013.

Recommendation – The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response – The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion – Response accepted.