

**LE MARS COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2013**

**LE MARS COMMUNITY SCHOOL DISTRICT  
FOR THE YEAR ENDED JUNE 30, 2013  
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LE MARS COMMUNITY SCHOOL DISTRICT

LIST OF OFFICIALS

June 30, 2013

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**Board of Education (After September 2011 Election)**

		Term Expires
Brenda Phelan	President	2013
Scott Kommes	Vice President	2013
Cris Collins	Board Member	2013
Mark Hemmingson	Board Member	2015
Patrick Murphy	Board Member	2015
Dr. Mark Stelzer	Board Member	2015
Fred Zenk	Board Member	2015

**School Officials**

Dr. Todd Wendt	Superintendent	2013
Lisa Boehm	District Secretary	2013
Kim Clarey	District Treasurer	2013
Bauerly, Trotzig & Bauerly	Attorney	2013



21 1<sup>st</sup> Avenue NW  
P.O. Box 1010  
Le Mars, IA 51031  
Phone (712) 546-7801  
Fax (712) 546-6543  
www.williamscpas.com

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Le Mars Community School District  
Le Mars, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Le Mars Community School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as 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 that 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 activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Le Mars Community School District as of June 30, 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.

## Emphasis of Matter

As described in Note 11 to the financial statements, in 2013, the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information, and the schedule of funding progress for the retiree health plan on pages 5 through 15 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain

additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated October 14, 2013, on our consideration of the Le Mars Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the Le Mars Community School District's internal control over financial reporting and compliance.

*Williams + Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
October 14, 2013

## **LE MARS COMMUNITY MANAGEMENT DISCUSSION AND ANALYSIS**

Le Mars Community School District provides this Management Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

General fund revenues increased from \$18,578,000 in fiscal year 2012 to \$18,664,900 in fiscal year 2013, while general fund expenditures increased from \$17,918,564 in fiscal year 2012 to \$18,571,974 in fiscal year 2013. The district's general fund balance increased from \$2,936,659 in fiscal year 2012 to \$3,054,421 in fiscal year 2013, a 4.0% increase. The unassigned amount of the general fund balance is \$2,812,858.

### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Le Mars Community School district as a whole and present an overall view of the District's finances.

The Fund financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Le Mars Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which the 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.

Other Supplementary Information provides detailed information about the general fund, the student activity accounts, and the agency fund. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

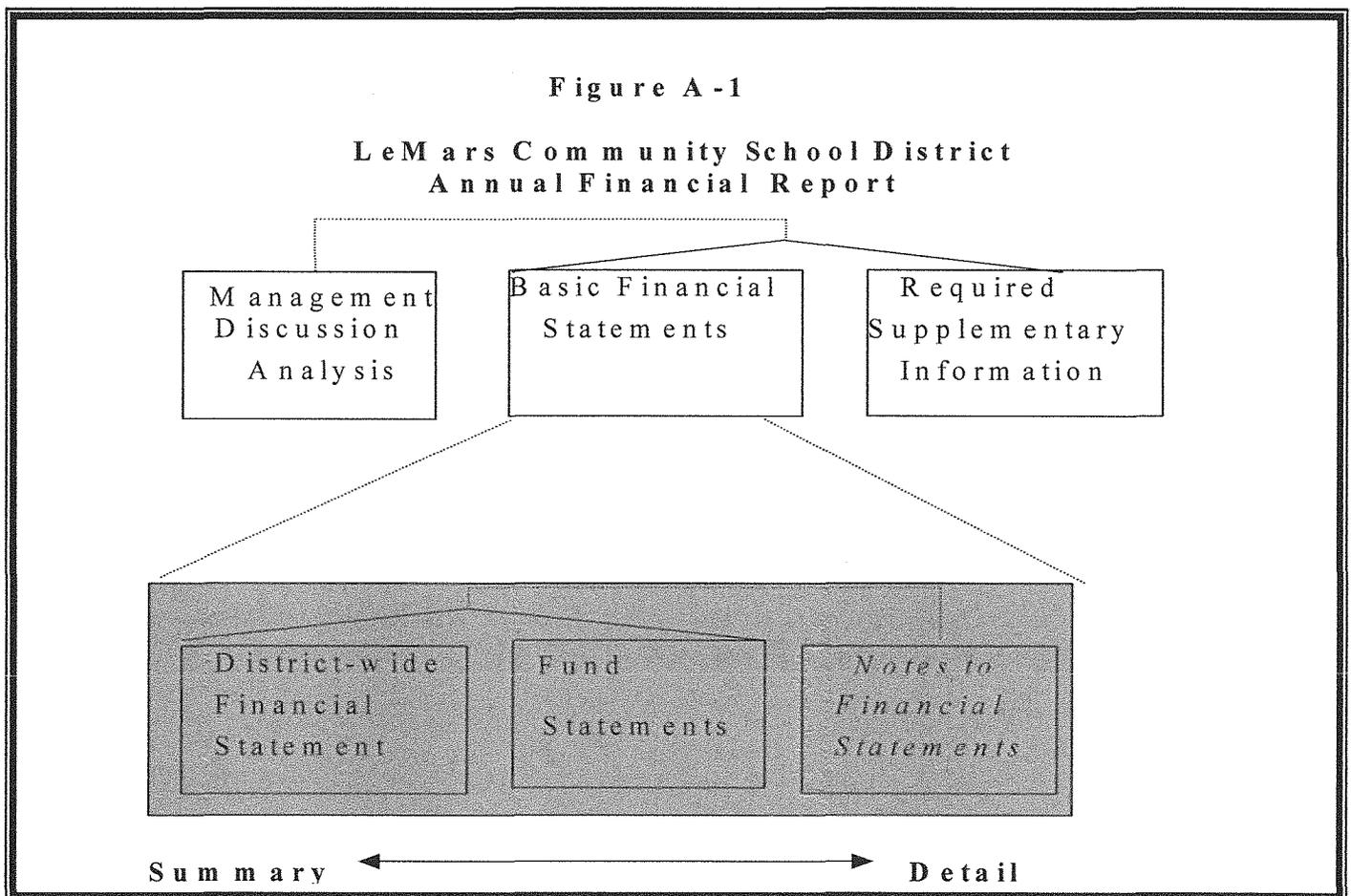


Figure A-2 below summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2: Major Features of the Government-Wide and Fund Financial Statements</b>				
	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses, and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
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 taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District's nutrition program is included here.

## **Fund Financial Statements**

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

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

The District has three types of funds:

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

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

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 maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for its School Nutrition Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for the partially self-funded insurance program. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. The District's only fiduciary fund is an agency fund for the District's flex cafeteria plan for employees. The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes this activity from the government-wide statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net 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 for the year ended June 30, 2013.

Figure A-3

Condensed Statement of Net Position June 30, 2013

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2012	2013	2012	2013	2012	2013	
Current and other assets	\$19,336,798	\$19,533,193	\$65,302	\$18,479	\$19,402,100	\$19,551,672	0.77%
Capital Assets	20,391,461	20,458,861	25,750	40,262	20,417,211	20,499,123	0.40%
Total Assets	39,728,259	39,992,054	91,052	58,741	39,819,311	40,050,795	0.58%
Long-term debt outstanding	7,895,005	7,351,804	-	-	7,895,005	7,351,804	(6.88%)
Other Liabilities	3,164,656	2,924,584	14,389	21,245	3,179,045	2,945,829	(7.34%)
Total Liabilities	11,059,661	10,276,388	14,389	21,245	11,074,050	10,297,633	(7.01%)
Deferred Inflows of Resources	7,725,889	7,760,581	-	-	7,725,889	7,760,581	.45%
Net Position:							
Net Investment in Capital Assets	12,354,456	12,927,057	25,750	40,262	12,380,206	12,967,319	4.74%
Restricted	5,813,268	6,346,485	-	-	5,813,268	6,346,485	9.17%
Unrestricted	2,774,985	2,681,543	50,913	(2,766)	2,825,898	2,678,777	(5.20%)
Total Net Assets	\$20,942,709	\$21,955,085	\$76,663	\$37,496	\$21,019,372	\$21,992,581	4.3%

The District's combined net position increased by 4.63% from \$21,019,372 to \$21,992,581. The largest portion of the District's net position is the net investment in capital assets. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net position increased approximately \$533,217 or 9.17% from the prior year.

Unrestricted net position – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased approximately \$147,121 or 5.2% from the prior year.

**Changes in net position** – Figure A-4 shows the changes in net position from operations for the year ended June 30, 2013.

Figure A-4

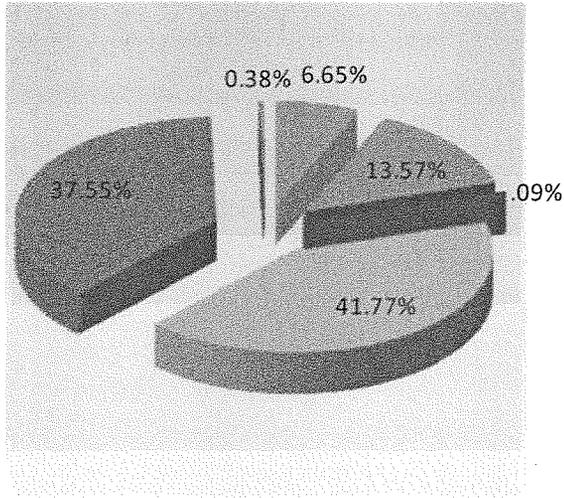
Changes in Net Position from Operation

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2012	2013	2012	2013	2012	2013	
Revenue							
Program Revenues							
Charges for Services	\$1,102,201	\$1,167,340	\$361,102	\$344,636	\$1,463,303	\$1,511,976	3.33%
Operating Grants & Contributions	2,739,324	2,676,003	383,379	410,193	3,122,703	3,086,196	(1.17%)
Capital Grants & Cont	79,715	2,188	-	18,574	79,715	20,762	(73.94%)
General Revenues							
Property & Sales Tax	9,416,399	9,501,509	-	-	9,416,399	9,501,509	0.90%
State Aid	8,719,409	8,540,317	-	-	8,719,409	8,540,317	(2.05%)
Other	100,020	85,147	357	175	100,377	85,322	15.00%
Transfers	(15,578)	(9,982)	15,578	9,982	-	-	-
Total Revenues	22,141,490	21,962,522	760,416	783,560	22,901,906	22,746,082	(0.68%)
Expenses							
Instruction	13,659,753	14,379,920	-	-	13,659,753	14,379,920	5.27%
Support Services	4,930,790	5,278,419	773,220	822,727	5,704,010	6,101,146	6.96%
Debt Services	260,891	219,349	-	-	260,891	219,349	(15.92%)
Facilities/Equip Acquisition	152,993	164,489	-	-	152,993	164,489	7.51%
Intergovernmental	826,793	828,651	-	-	826,793	828,651	0.22%
Total Expenses	19,831,220	20,870,828	773,220	822,727	20,604,440	21,693,555	5.29%
Increase (Decrease)	2,310,270	1,091,694	(12,804)	(39,167)	2,297,466	1,052,527	(54.19%)
Net Position – beginning	18,632,439	20,942,709	89,467	76,663	18,721,906	21,019,372	12.27%
Prior Period Adjustment	-	(79,318)	-	-	-	(79,318)	-
Net Position – beginning as restated	18,632,439	20,836,391	89,467	76,663	18,721,906	20,940,054	7.33%
Net Position - Ending	\$20,942,709	\$21,955,085	\$76,663	\$37,496	\$21,019,372	\$21,992,581	4.63%

In fiscal year 2013, property tax, local option sales tax, and unrestricted state grants accounted for 82.15% of governmental activities revenue while charges for service and operating grants and contributions accounted for 96.33% of business type activities revenue. The District's total revenues were approximately \$22.7 million, of which approximately \$21.9 million was for governmental activities and less than \$800,000 was for business type activities.

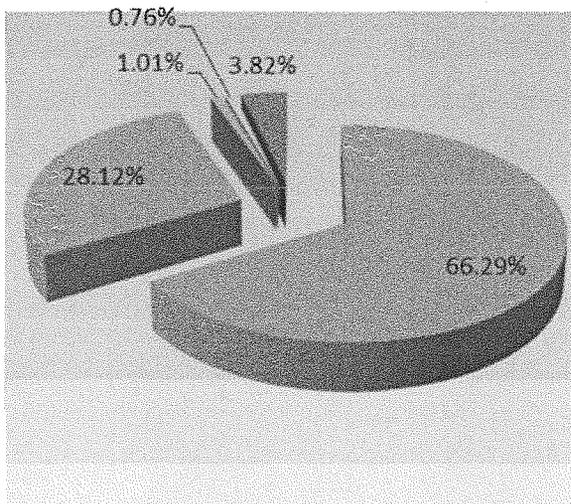
As shown in Figure A-4, the District as a whole experienced a .68% decrease in revenues and a 5.29% increase in expenses. The increase in expenses is primarily related to increases in negotiated salaries and benefits.

**Figure A - 5**  
**Sources of Revenue for Fiscal Year 2013**



- Charges for Services - 6.65%
- Operating Grants & Cont - 13.57%
- Capital Grants & Cont - .09%
- Property Tax - 41.77%
- State Aid - 37.55%
- Other - .38%

**Figure A-6**  
**Expenses for Fiscal Year 2013**



- Instruction - 66.29%
- Support Services - 28.12%
- Debt Services - 1.01%
- Facilities/Equip Acquisition - .76%
- Intergovernmental - 3.82%

## Governmental Activities

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

Figure A-7

Net Cost of Governmental Activities	Total Cost of Services			Net Cost of Services		
			% Change			% Change
	2012	2013		2012	2013	
Instruction	\$13,659,753	\$14,379,920	5.27%	\$11,000,837	\$11,701,011	6.36%
Support Services	4,930,790	5,278,419	7.05%	4,549,581	4,940,448	8.59%
Debt Service	260,891	219,349	(15.92%)	260,891	219,349	(15.92%)
Other Expend.	152,993	164,489	7.51%	98,671	164,489	66.70%
Intergovernmental	826,793	828,651	0.22%	-	-	-
<b>TOTAL</b>	<b>\$19,831,220</b>	<b>\$20,870,828</b>	<b>5.24%</b>	<b>15,909,980</b>	<b>17,025,297</b>	<b>7.01%</b>

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$1,167,340.
- Federal and state grants subsidized programs with grants totaling \$2,819,039 for 2012 compared to \$2,678,191 for 2013.
- The net cost of governmental activities was financed with \$9,501,509 in property and other taxes and \$8,540,317 in unrestricted state grants.

## Business-Type Activities

Revenues of the District's business-type activities (school food and nutrition services) totaled \$783,560 and expenses totaled \$822,727 (Refer to Figure A-4.) Revenues of these activities were comprised of charges for services, federal and state reimbursements, investment income, and transfers.

## Individual Fund Analysis

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$9,418,036 compared to a fund balance of \$8,769,164 for fiscal 2012.

## **GOVERNMENTAL FUND HIGHLIGHTS**

The increase in the District's General Fund financial position was primarily a result of the use of the cash reserve levy resulting in an increase of 4%.

The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$649,074 in fiscal 2012 to \$580,563 in fiscal 2013. This decrease is due to classification of expenditures.

The Statewide Sales, Services and Use Tax fund balance increased from \$3,716,438 in fiscal 2012 to \$3,983,784 in fiscal 2013. This increase is due to increased sales tax revenues.

The Management Fund balance increased from \$501,075 in fiscal 2012 to \$590,176 in fiscal 2013. This increase is due to the revenues generated being more than the actual expenditures.

## **PROPRIETARY FUND HIGHLIGHTS**

The School Nutrition Fund net assets decreased from \$76,663 at June 30, 2012 to \$37,496 at June 30, 2013, representing a decrease of 51.09%. The decrease was largely due to the increase in costs for the lunch program combined with a decrease in charges for services revenue.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year utilizing statutorily prescribed procedures. The 2013 budget was amended by the Board of Education in accordance with the Code of Iowa. During the year, the expenditures in total did not exceed the total amended published budget amounts. However, the final costs for the support services were higher than anticipated for FY2013 by \$97,307. This represents .39% of the total amended expenditure amount of \$24,671,851.

The variance in the District's total amended budget in comparison to actual results was largely due to the early completion of the construction project. This resulted in anticipated expenditures for FY13 being paid in FY12. Total actual revenue was .69% less than budgeted, while total actual expenditures were 10.28% less budgeted. Detail can be found in the supplementary information section of this report as required.

## Capital Asset and Debt Administration

### Capital Assets

By the end of 2013, the District had invested \$32,037,536 in a broad range of assets, including school infrastructure and equipment. (See Figure A-8) **(More detailed information about capital assets can be found in Note 5 to the financial statements.)** Total depreciation expense for the year equaled \$856,077.

Figure A-8 - Capital Assets

	Governmental Activities		Business -Type Activities		Total District	
	2012	2013	2012	2013	2012	2013
Land	\$ 196,236	\$ 196,236	\$ -	\$ -	\$ 196,236	\$ 196,236
Land Improvements	205,989	205,989	-	-	205,989	205,989
Const In Progress	7,279,655	-	-	-	7,279,655	-
Buildings	18,254,599	26,028,625	-	-	18,254,599	26,028,625
Equip/Fur/Vehicles	5,204,292	5,513,097	75,015	93,589	5,279,307	5,606,686
<b>TOTAL</b>	<b>\$31,140,771</b>	<b>\$31,943,947</b>	<b>\$ 75,015</b>	<b>\$ 93,589</b>	<b>\$ 31,215,786</b>	<b>\$ 32,037,536</b>

### Long-Term Debt

At year-end, the District had statewide sales, services and use tax revenue bonds totaling \$7,485,000 compared to \$7,985,000 at June 30, 2012. Additional information about the District's long-term debt is presented in Note 8 to the financial statements.

## **Factors Bearing on the District's Future**

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

- The declining enrollment trend the district has been experiencing since 2005 appears to have stopped with an increase of roughly 25 students in the 2013 certified enrollment count. This increase is a positive for the FY14 budget. A stable or slight increase in the 2014 certified enrollment count would be welcome news and a positive for the FY15 budget.
- Additionally, the 2013 legislature established a 4% increase in supplemental state aid (formerly known as allowable growth) for FY14. While the overall increase of 4% is welcome after many years of inadequate increases in funding, only 2% of the increase is on-going. The other 2% is one time funding that cannot be used to address the increases in salary and benefit costs for employees in FY14 and won't be available in FY15. Fortunately, the 2013 legislature did follow Iowa Code and establish the FY15 Supplemental State Aid at 4% and did not designate any of the increase as one time funding.
- For FY14 the district did maximize use of the cash reserve levy according to Iowa Code. This method of generating operating funds may not be available for the FY15 budget. This will cause the district to utilize reserve funds, or consider expenditure reductions, if the combination of the enrollment count and the 4% increase in supplemental state aid doesn't adequately address projected increases in expenditures for FY15.

## **Contacting the District's Financial Management**

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

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

	Primary Government			Component Unit
	Governmental Activities	Business Type Activity	Total	LCSD Foundation
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 9,094,339	\$ 3,361	\$ 9,097,700	\$ 68,681
Investments	55,190	-	55,190	180,212
Receivables:				
Property Tax	72,422	-	72,422	-
Succeeding Year Property Tax	7,760,581	-	7,760,581	-
Accounts	384	-	384	-
Due from Other Governments	612,206	-	612,206	-
Inventories	-	13,252	13,252	-
Prepaid Expenses	362,294	1,866	364,160	-
Restricted Assets:				
Cash and Cash Equivalents	1,575,777	-	1,575,777	-
Land	196,236	-	196,236	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	20,262,625	40,262	20,302,887	-
<b>Total Assets</b>	<b>39,992,054</b>	<b>58,741</b>	<b>40,050,795</b>	<b>248,893</b>
<b>LIABILITIES</b>				
Accounts Payable	158,933	2,725	161,658	-
Salaries and Benefits Payable	1,986,076	1,968	1,988,044	-
Accrued Interest Payable	112,275	-	112,275	-
Unearned Revenue	2,300	16,552	18,852	-
Noncurrent Liabilities:				
Due Within One Year:				
Revenue Bonds	665,000	-	665,000	-
Due in More Than One Year:				
Revenue Bonds	6,866,804	-	6,866,804	-
Net OPEB Liability	485,000	-	485,000	-
<b>Total Liabilities</b>	<b>10,276,388</b>	<b>21,245</b>	<b>10,297,633</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue -				
Subsequent Year Property Taxes	7,760,581	-	7,760,581	-
<b>Total Deferred Inflows of Resources</b>	<b>7,760,581</b>	<b>-</b>	<b>7,760,581</b>	<b>-</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	12,927,057	40,262	12,967,319	-
Restricted for:				
Categorical Funding	95,145	-	95,145	-
Management Levy	590,176	-	590,176	-
School Infrastructure	3,185,284	-	3,185,284	-
Physical Plant and Equipment Levy	580,563	-	580,563	-
Debt Service	1,463,529	-	1,463,529	-
Other Special Revenue Purposes	431,788	-	431,788	-
Unrestricted	2,681,543	(2,766)	2,678,777	248,893
<b>Total Net Position</b>	<b>\$ 21,955,085</b>	<b>\$ 37,496</b>	<b>\$ 21,992,581</b>	<b>\$ 248,893</b>

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants Contributions</u>	<u>Capital Grants Contributions</u>
<b>Primary Government:</b>				
Governmental Activities:				
Instruction:				
Regular Instruction	\$ 10,932,573	\$ 234,173	\$ 1,003,941	\$ -
Special Instruction	2,454,500	100,404	559,140	-
Other Instruction	992,847	749,965	29,098	2,188
Support Services:				
Student Services	568,942	-	28,875	-
Instructional Staff Services	753,248	-	162,106	-
Administration Services	1,656,788	-	-	-
Operation and Maintenance	1,469,173	62,369	-	-
Transportation Services	830,268	20,429	64,192	-
Other Expenditures:				
Facilities Acquisition and Construction Services	164,489	-	-	-
Long-term Debt Interest	219,349	-	-	-
AEA Flowthrough	828,651	-	828,651	-
Total governmental activities	<u>20,870,828</u>	<u>1,167,340</u>	<u>2,676,003</u>	<u>2,188</u>
<b>Business Type Activity:</b>				
Non-instructional Programs:				
Food Service Operations	<u>822,727</u>	<u>344,636</u>	<u>410,193</u>	<u>18,574</u>
Total Primary Government	<u>\$ 21,693,555</u>	<u>\$ 1,511,976</u>	<u>\$ 3,086,196</u>	<u>\$ 20,762</u>
<b>Component Unit:</b>				
LCSD Foundation	<u>\$ 68,887</u>	<u>\$ 2,380</u>	<u>\$ 99,657</u>	<u>\$ -</u>
General Revenues:				
Property Tax Levied For:				
General Purposes				
Capital Outlay				
Local Option Sales Tax				
Unrestricted State Grants				
Unrestricted Investment Earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Prior Period Adjustment				
Net position - beginning, as restated				
Net position - ending				

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Primary Government		Component Unit LCSD Foundation
	Business Type Activity	Total	
\$ (9,694,459)		\$ (9,694,459)	
(1,794,956)		(1,794,956)	
(211,596)		(211,596)	
(540,067)		(540,067)	
(591,142)		(591,142)	
(1,656,788)		(1,656,788)	
(1,406,804)		(1,406,804)	
(745,647)		(745,647)	
(164,489)		(164,489)	
(219,349)		(219,349)	
-		-	
<u>(17,025,297)</u>		<u>(17,025,297)</u>	
	\$ (49,324)	(49,324)	
<u>(17,025,297)</u>	<u>(49,324)</u>	<u>(17,074,621)</u>	
			<u>\$ 33,150</u>
7,230,606	-	7,230,606	-
530,262	-	530,262	-
1,740,641	-	1,740,641	-
8,540,317	-	8,540,317	-
31,478	175	31,653	7,129
53,669	-	53,669	-
(9,982)	9,982	-	-
<u>18,116,991</u>	<u>10,157</u>	<u>18,127,148</u>	<u>7,129</u>
1,091,694	(39,167)	1,052,527	40,279
20,942,709	76,663	21,019,372	208,614
(79,318)	-	(79,318)	-
<u>20,863,391</u>	<u>76,663</u>	<u>20,940,054</u>	<u>208,614</u>
<u>\$ 21,955,085</u>	<u>\$ 37,496</u>	<u>\$ 21,992,581</u>	<u>\$ 248,893</u>

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	General	Management Levy
<b>Assets</b>		
Cash and Pooled Investments	\$ 4,742,128	\$ 369,577
Investment	-	-
Receivables:		
Property Tax	65,764	4,723
Succeeding Year Property Tax	6,987,526	500,000
Accounts	384	-
Due from Other Governments	238,885	-
Prepaid Expenses	146,418	215,876
Restricted Assets:		
Cash and Pooled Investments	-	-
Total Assets	<u>12,181,105</u>	<u>1,090,176</u>
<b>Liabilities</b>		
Liabilities:		
Accounts Payable	150,782	-
Salaries and Benefits Payable	1,986,076	-
Unearned Revenue	2,300	-
Total Liabilities	<u>2,139,158</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>		
Unavailable Revenue -		
Subsequent Year Property Taxes	6,987,526	500,000
Total Deferred Inflows of Resources	<u>6,987,526</u>	<u>500,000</u>
<b>Fund Balances:</b>		
Nonspendable:		
Prepaid Expenses	146,418	215,876
Restricted for:		
Categorical Funding	95,145	-
Debt Service	-	-
Management Levy Purposes	-	374,300
Student Activities	-	-
School Infrastructure	-	-
Physical Plant and Equipment	-	-
Unassigned	2,812,858	-
Total Fund Balances	<u>3,054,421</u>	<u>590,176</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 12,181,105</u>	<u>\$ 1,090,176</u>

See Accompanying Notes to Financial Statements

<b>Capital Projects</b>					
<b>Physical Plant and Equipment Levy</b>	<b>Statewide Sales, Services and Use Tax</b>	<b>Debt Service</b>	<b>Nonmajor Fund Activity Fund</b>	<b>Total Governmental Funds</b>	
\$ 581,347	\$ 2,811,963	\$ 27	\$ 376,598	\$ 8,881,640	
-	-	-	55,190	55,190	
1,935	-	-	-	72,422	
273,055	-	-	-	7,760,581	
-	-	-	-	384	
-	373,321	-	-	612,206	
-	-	-	-	362,294	
-	798,500	777,277	-	1,575,777	
856,337	3,983,784	777,304	431,788	19,320,494	
2,719	-	-	-	153,501	
-	-	-	-	1,986,076	
-	-	-	-	2,300	
2,719	-	-	-	2,141,877	
273,055	-	-	-	7,760,581	
273,055	-	-	-	7,760,581	
-	-	-	-	362,294	
-	-	-	-	95,145	
-	798,500	777,304	-	1,575,804	
-	-	-	-	374,300	
-	-	-	431,788	431,788	
-	3,185,284	-	-	3,185,284	
580,563	-	-	-	580,563	
-	-	-	-	2,812,858	
580,563	3,983,784	777,304	431,788	9,418,036	
\$ 856,337	\$ 3,983,784	\$ 777,304	\$ 431,788	\$ 19,320,494	

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013**

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

Total Fund Balance - Governmental Funds (page 20)		\$ 9,418,036
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		20,458,861
An internal service fund is used by management to fund and maintain the District's partially self-insured health insurance plan provided to user departments and is included in the statement of net assets.		207,267
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.		(112,275)
Long-term liabilities, including bonds payable and other postemployment benefits payable, are not due and payable in the current year and therefore are not reported in the governmental funds.		
	Revenue Bonds	\$(7,531,804)
	OPEB Liability	(485,000)
		<u>(8,016,804)</u>
Total Net Position - Governmental Activities (page 16)		<u>\$ 21,955,085</u>

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	General	Management Fund
<b>Revenue:</b>		
Local Sources:		
Local Tax	\$ 6,993,462	\$ 502,275
Tuition	267,948	-
Other	187,171	30,274
State Sources	10,720,020	-
Federal Sources	496,299	-
Total Revenue	<u>18,664,900</u>	<u>532,549</u>
<b>Expenditures:</b>		
Governmental Activities:		
Instruction:		
Regular Instruction	9,825,989	364,650
Special Instruction	2,446,884	-
Other Instruction	388,854	-
Support Services:		
Student Services	567,100	-
Instructional Staff Services	811,071	-
Administration Services	1,645,674	-
Operation and Maintenance	1,374,619	62,513
Transportation Services	683,132	16,285
Other Expenditures:		
Facilities Acquisition and Construction	-	-
Long-term Debt:		
Principal	-	-
Interest and Fiscal Charges	-	-
AEA Flowthrough	828,651	-
Total Expenditures	<u>18,571,974</u>	<u>443,448</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>92,926</u>	<u>89,101</u>
<b>Other Financing Sources (Uses):</b>		
Transfers In	24,836	-
Transfers Out	-	-
Total Other Financing Sources (Uses)	<u>24,836</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	117,762	89,101
Fund Balances - Beginning of Year	<u>2,936,659</u>	<u>501,075</u>
Fund Balances - End of Year	<u>\$ 3,054,421</u>	<u>\$ 590,176</u>

See Accompanying Notes to Financial Statements

<b>Capital Projects</b>				
<b>Physical Plant and Equipment Levy</b>	<b>Statewide Sales, Services and Use Tax</b>	<b>Debt Service</b>	<b>Nonmajor Fund Activity Fund</b>	<b>Total Governmental Funds</b>
\$ 265,131	\$ 1,740,641	\$ -	\$ -	\$ 9,501,509
-	-	-	-	267,948
2,129	14,554	60	749,965	984,153
-	-	-	-	10,720,020
-	-	-	-	496,299
267,260	1,755,195	60	749,965	21,969,929
-	-	-	-	10,190,639
-	-	-	-	2,446,884
-	-	-	631,973	1,020,827
-	-	-	-	567,100
-	-	-	-	811,071
-	-	-	-	1,645,674
-	-	-	-	1,437,132
-	-	-	-	699,417
335,771	598,359	-	-	934,130
-	-	500,000	-	500,000
-	-	229,550	-	229,550
-	-	-	-	828,651
335,771	598,359	729,550	631,973	21,311,075
(68,511)	1,156,836	(729,490)	117,992	658,854
-	-	889,490	-	914,326
-	(889,490)	-	(34,818)	(924,308)
-	(889,490)	889,490	(34,818)	(9,982)
(68,511)	267,346	160,000	83,174	648,872
649,074	3,716,438	617,304	348,614	8,769,164
\$ 580,563	\$ 3,983,784	\$ 777,304	\$ 431,788	\$ 9,418,036

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

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

Net change in fund balances - total governmental funds (page 23)	\$	648,872
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$	922,812	
Depreciation expense		<u>(852,015)</u>	70,797

Governmental funds report only the proceeds from the sale of capital assets as revenue whereas the statement of activities reports the gain or loss on the sale or disposal of fixed assets. This is the effect on the change in net position on the statement of activities.	(3,397)
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Internal service funds are used by management to fund and maintain the District's health insurance provided to user departments. The net loss of the internal service funds is reported with governmental activities.	(7,779)
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The effect of bond premiums when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities.	5,201
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:	
Other postemployment benefits	(127,000)

Accrued interest expense not reported on the modified accrual basis.	5,000
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Proceeds from the issuance of long-term liabilities provide current financial resources to governmental funds, but the issuance of debt increases long-term liabilities in the Statement of Net 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 payments exceeded issuances, as follows:	
Long-term debt issued	-
Principal paid	<u>500,000</u>
	<u>500,000</u>

Change in net position of governmental activities (page 18)	\$	<u><u>1,091,694</u></u>
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**LE MARS COMMUNITY SCHOOL DISTRICT  
COMBINING STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013**

	Business Type Activity	Governmental Activities
	School Nutrition Fund	Internal Service
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Pooled Investments	\$ 3,361	\$ 212,699
Inventories	13,252	-
Prepaid Expenses	1,866	-
Total Current Assets	18,479	212,699
<b>Noncurrent Assets:</b>		
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	40,262	-
Total Noncurrent Assets	40,262	-
Total Assets	58,741	212,699
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	2,725	5,432
Salaries and Benefits Payable	1,968	-
Unearned Revenue	16,552	-
Total Current Liabilities	21,245	5,432
Total Liabilities	21,245	5,432
<b>NET POSITION</b>		
Net Investment in Capital Assets	40,262	-
Unrestricted	(2,766)	207,267
Total Net Position	\$ 37,496	\$ 207,267

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	Business Type Activity School Nutrition Fund	Governmental Activities Internal Service
Operating Revenues:		
Charges for services	\$ 344,636	\$ 317,392
Total Operating Revenue	344,636	317,392
Operating Expenditures:		
Food Service Operations:		
Salaries	288,887	-
Benefits	68,361	-
Purchased Services	15,069	-
Supplies	446,348	-
Depreciation	4,062	-
Other Enterprise Operations:		
Benefits	-	294,147
Purchased Services	-	31,411
Total Operating Expenditures	822,727	325,558
Operating (Loss)	(478,091)	(8,166)
Non-Operating Revenues:		
Interest Income	175	387
State Lunch Reimbursements	7,667	-
National School Lunch Program	346,617	-
Federal Food Commodities Received	55,909	-
Total Non-Operating Revenues	410,368	387
(Loss) Before Capital Contributions and Transfers	(67,723)	(7,779)
Transfers In	9,982	-
Capital Contributions	18,574	-
Change in net position	(39,167)	(7,779)
Net Position - Beginning of Year	76,663	215,046
Net Position - End of Year	\$ 37,496	\$ 207,267

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	Business Type Activity School Nutrition Fund	Governmental Activities Internal Service
<b>Cash flows from operating activities:</b>		
Cash received from sale of lunches and breakfasts	\$ 347,198	\$ -
Cash received from miscellaneous operating activities	-	317,392
Cash payments for salaries and benefits	(355,666)	-
Cash payments for goods and services	(405,890)	(334,171)
<b>Total cash (used) by operating activities</b>	<u>(414,358)</u>	<u>(16,779)</u>
<b>Cash flows from non-capital financing activities:</b>		
Federal and state appropriations received	354,284	-
Transfers from other funds	9,982	-
<b>Total cash provided by noncapital financing activities</b>	<u>364,266</u>	<u>-</u>
<b>Cash flows from investing activities:</b>		
Interest on investments	175	387
<b>Net (decrease) in cash and cash equivalents</b>	(49,917)	(16,392)
Cash and cash equivalents - beginning of year	53,278	229,091
Cash and cash equivalents - end of year	<u>\$ 3,361</u>	<u>\$ 212,699</u>
<b>Reconciliation of operating (loss) to net cash used in operating activities:</b>		
Operating (loss)	(478,091)	(8,166)
Adjustments to reconcile net operating loss to net cash provided by operating activities:		
Depreciation Expense	4,062	-
Commodities Used	55,909	-
(Increase) decrease in assets and increase (decrease) in liabilities:		
Inventory	(3,581)	-
Prepaid Expenses	487	-
Accounts Payable	2,712	(8,613)
Salaries and Benefits Payable	1,582	-
Unearned Revenue	2,562	-
<b>Net cash (used) in operating activities</b>	<u>\$ (414,358)</u>	<u>\$ (16,779)</u>
<b>Supplemental schedule of noncash investing, capital, and related financing activities:</b>		
Federal food commodities received	\$ 55,909	\$ -
Capital Contributions	<u>\$ 18,574</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AGENCY FUND  
JUNE 30, 2013**

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	<u>2013</u>
Cash and Cash Equivalents	\$ 18,116
Total Net Assets	<u>18,116</u>
Liabilities:	
Other Payables	<u>18,116</u>
Net Position	<u><u>\$ -</u></u>

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Le Mars Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Le Mars, Merrill and Brunsville and a large part of the agricultural community in Plymouth County. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

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

**A. Reporting Entity**

For financial reporting purposes, Le Mars Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District.

In January 1992 the District established the Le Mars Community School District Foundation by appointing a board of trustees to incorporate a foundation under the Iowa Non-Profit Corporation Act, Iowa Code Chapter 504A. The focus of the Foundation is exclusively for charitable, scientific, and educational purposes of the District. The financial activity of the Foundation is included in the financial statements of the Le Mars Community School District as a discretely presented component unit for the year ended June 30, 2013. The Foundation has elected a December 31 fiscal year end and, therefore, the activity of the Foundation included in these financial statements is for the fiscal year ended December 31, 2012.

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

**B. Basis of Presentation**

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

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 and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2013**

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

*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 two 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.

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

The District reports the following major governmental funds:

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

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

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

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

The Capital Project – Statewide Sales, Services and Use Tax Fund is used to account for the collection of the 1% statewide sales and services tax to be expended for school infrastructure purposes.

The District reports the following major proprietary fund:

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

Additionally, the District reports the following fund types:

Internal Service Funds – Internal Service Funds account for operations that provide services to other departments or agencies of the government, or to other governments on a cost-reimbursement basis.

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2013**

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

The District's internal service fund is presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the financial statements of the internal service fund are consolidated into the governmental activities column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

A description of the District's internal service fund is as follows:

Split-Funding Health Insurance – To account for the funding and maintenance of the District's partial self-funded health insurance provided to District employees.

Fiduciary Funds – Fiduciary Funds focus on net assets and changes in net assets. The District's fiduciary fund is as follows:

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

**C. Basis of Accounting/Measurement Focus**

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

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

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

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

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

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2013**

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

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

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

**D. Assets, Liabilities, and Fund Equity**

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

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2013 included certificates of deposit of \$55,190 with original maturity dates longer than three months.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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.

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

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2013**

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

**Prepaid Expenses** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** – Capital assets, which include property, furniture, and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$1,000 for governmental capital assets and \$500 for school nutrition capital assets.

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

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

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

**Deferred Outflow/Inflows of Resources** – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item that qualifies for reporting in this category. The governmental activities in the government-wide statements and the governmental funds report unavailable revenues from subsequent year property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**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:

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2013**

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

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

*Unassigned* – All amounts not included in other spendable classification.

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

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures in the support services service function exceeded the amount budgeted.

**NOTE 2 – CASH 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; and certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

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

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 2 – CASH AND POOLED INVESTMENTS (CONTINUED)**

**Discretely Presented Component Unit –**

At June 30, 2013 the LCSD Foundation had non-negotiable certificates of deposit totaling \$127,308 and the following investments:

	<b>Credit Risk</b>	<b>Fair Value</b>
Mutual Fund – American Funds	Not Rated	\$ 29,015
Stock	N/A	\$ 16,077
	<b>Credit Risk</b>	<b>Policy Cash Value</b>
New York Life Insurance Policy	Not Rated	\$ 7,812

**NOTE 3 – AREA EDUCATION AGENCY**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$828,651 for the year ended June 30, 2013, and is recorded in the General Fund.

**NOTE 4 – INTERFUND TRANSFERS**

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Debt Service	Statewide Sales, Services and Use Tax	\$ 889,490
School Nutrition Fund	Student Activity	9,982
General	Student Activity	24,836
Total		\$ 924,308

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

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2013**

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013 was as follows:

	<b>Balance July 1, 2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2013</b>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 196,236	\$ -	\$ -	\$ 196,236
Construction in Progress	7,279,655	533,286	7,812,941	-
Total capital assets not being depreciated	<u>7,475,891</u>	<u>533,286</u>	<u>7,812,941</u>	<u>196,236</u>
Capital assets being depreciated:				
Land Improvements	205,989	-	-	205,989
Buildings	18,254,599	7,774,026	-	26,028,625
Vehicles	1,626,669	151,670	80,676	1,697,663
Furniture and equipment	3,577,623	276,771	38,960	3,815,434
Total Capital assets being depreciated	<u>23,664,880</u>	<u>8,202,467</u>	<u>119,636</u>	<u>31,747,711</u>
Less: Accumulated Depreciation for:				
Land Improvements	127,510	4,120	-	131,630
Buildings	6,700,203	539,376	-	7,239,579
Vehicles	1,219,051	126,137	80,676	1,264,512
Furniture and equipment	2,702,546	182,382	35,563	2,849,365
Total Accumulated Depreciation	<u>10,749,310</u>	<u>852,015</u>	<u>116,239</u>	<u>11,485,086</u>
Total capital assets being depreciated, net	<u>12,915,570</u>	<u>7,350,452</u>	<u>3,397</u>	<u>20,262,625</u>
Governmental activities capital assets, net	<u>\$20,391,461</u>	<u>\$ 7,883,738</u>	<u>\$ 7,816,338</u>	<u>\$ 20,458,861</u>
	<b>Balance July 1, 2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2013</b>
<b>Business-type Activities:</b>				
Furniture and equipment	\$ 75,015	\$ 18,574	\$ -	\$ 93,589
Less: Accumulated Depreciation	49,265	4,062	-	53,327
Business-type activities capital assets, net	<u>\$ 25,750</u>	<u>\$ 14,512</u>	<u>\$ -</u>	<u>\$ 40,262</u>

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 5 – CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to governmental activities as follows:

Governmental Activities	
Regular Instruction	\$ 672,967
Instructional Staff Services	15,361
Operation and Maintenance	37,550
Transportation Services	<u>126,137</u>
Total depreciation expense – governmental activities	<u>\$ 852,015</u>
Business-type activities:	
Food Service Operations	<u>\$ 4,062</u>

Reconciliation of Net Investment in Capital Assets:

	Governmental Activities	Business-type Activities
Land	\$ 196,236	\$ -
Capital Assets (net of accumulated depreciation)	20,262,625	40,262
Less: Revenue Bonds Payable	<u>7,531,804</u>	<u>-</u>
Net Investment in Capital Assets	<u>\$ 12,927,057</u>	<u>\$ 40,262</u>

**NOTE 6 – RETIREMENT SYSTEM**

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

Plan members are required to contribute 5.78% of their annual salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$1,066,119, \$978,624, and \$808,397, respectively, equal to the required contributions for each year.

**NOTE 7 – OTHER POST EMPLOYMENT BENEFITS**

*Plan Description.* The District operates a single-employer retiree benefit plan. Beginning in 2011, an employee who has a minimum of 10 years of service and age 55 is provided \$300 per month toward health insurance until they reach the age of Medicare eligibility.

Prior to 2011, an employee who met the years of service and age requirement was provided single coverage health insurance until the age of Medicare eligibility. Premiums are based on the full active employee premium rate.

The health insurance is provided through a partially self-funded plan through Wellmark and administered by Three Rivers Benefit Corporation.

*Funding Policy.* The District currently finances the retiree benefit plan on a pay-as-you-go basis.

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2013**

**NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

*Annual OPEB Cost and NET OPEB Obligation.* The District's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

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

Annual required contribution	\$ 383,000
Interest on net OPEB obligation	16,000
Adjustment to annual required contribution	<u>(14,000)</u>
Annual OPEB cost (Expense)	385,000
Contributions made	<u>(258,000)</u>
Increase in net OPEB obligation	127,000
Net OPEB obligation – beginning of year	<u>358,000</u>
Net OPEB obligation – end of year	<u>\$ 485,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 385,000	67.0%	\$ 485,000
2012	\$ 252,000	96.4%	\$ 358,000
2011	\$ 252,000	113.1%	\$ 349,000
2010	\$ 352,000	45.74%	\$ 382,000
2009	\$ 352,000	45.74%	\$ 191,000

*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 \$4,570,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,570,000. The covered payroll (annual payroll of the active employees covered by the plan) was approximately \$11,300,000 and the ratio of the UAAL to covered payroll was 40.4%. 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 healthcare cost trend. Actuarial 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, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and 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.

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2013**

**NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% interest discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. Assumptions include a 3.5% growth in payroll per annum. An inflation rate of 0% is assumed for the purpose of this computation. Mortality rates are from the RP 2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2012 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2012. The participation assumed is 100% for all employees eligible for the District's subsidy and 30% otherwise. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**NOTE 8 – LONG-TERM LIABILITIES**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Revenue Bonds	\$ 7,985,000	\$ -	\$ 500,000	\$ 7,485,000*	\$ 665,000
Net OPEB Liability	358,000	127,000	-	485,000	-
Total	<u>\$ 8,343,000</u>	<u>\$ 127,000</u>	<u>\$ 500,000</u>	<u>\$ 7,970,000</u>	<u>\$ 665,000</u>

\*The District's revenue bonds are shown gross with the premium of \$46,804 on the Statement of Net Position.

**Revenue Bonds**

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	<u>Bond Issue of April 6, 2011</u>			
	Interest Rates	Principal	Interest	Total
2014	2.0%	\$ 665,000	\$ 217,900	\$ 882,900
2015	2.0%	680,000	204,450	884,450
2016	3.0%	695,000	187,225	882,225
2017	3.0%	710,000	166,150	876,150
2018	3.0%	730,000	144,550	874,550
2019-2023	3.0%-3.625%	4,005,000	356,006	4,361,006
		<u>\$ 7,485,000</u>	<u>\$ 1,276,281</u>	<u>\$ 8,761,281</u>

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)**

The District has pledged future statewide sales, services and use tax revenues to repay the \$7,985,000 of bonds issued in April, 2011. The bonds were issued for the purpose of financing a portion of the costs of the high school/middle school expansion projects. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2023. The bonds are not a general obligation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$8,761,281. For the current year, principal and interest was paid totaling \$729,550 was paid on the bonds. Total statewide sales, services and use tax revenues were \$1,740,641.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$798,500 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District was in compliance with all of the revenue bond provisions during the year ended June 30, 2013.

**NOTE 9 – RISK MANAGEMENT**

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

**NOTE 10 – SPLIT FUNDING HEALTH INSURANCE PLAN**

The District's Split Funding Health Insurance Fund was established in 2011 to account for the partial self-funding of the District's health insurance plan. The plan is funded by District contributions and is administered through a service agreement with Three Rivers Benefit Corporation. The agreement is subject to automatic renewal provisions. The District assumes liability for deductible amounts of \$1,000 to \$1,800 depending on the coverage selected by the employee.

Monthly payments of service fees and plan contributions to the District's Split Funding Health Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims are paid from the Split Funding Health Insurance Fund. The District records the plan assets and related liabilities of the Split Funding Health Insurance Fund as an Internal Service Fund.

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 10 – SPLIT FUNDING HEALTH INSURANCE PLAN (CONTINUED)**

Claims payable and estimated claims incurred but not reported are recorded as liabilities of the Internal Services Fund.

	<u>2013</u>	<u>2012</u>
Claims Payable, beginning of year	\$ 14,045	\$ 9,802
Claims Paid	(113,624)	(100,289)
Claims Incurred	94,147	104,532
Claims Payable, end of year	<u>\$ 5,432</u>	<u>\$ 14,045</u>

**NOTE 11 – PRIOR PERIOD ADJUSTMENT**

In previous years bond issuance costs were deferred and amortized over the term of the bonds. During the year ended June 30, 2013, the District implemented Governmental Accounting Standards Board Statement No. 65 requiring these costs to be recognized in the period the loan was originated. A prior period adjustment was reported on the financial statements to recognize the effect of the removal of the unamortized bond issuance costs. The prior period adjustment decreased the beginning balance of the net position of the governmental activities by \$79,318.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Governmental	Proprietary	Total	Final to
	Original	Final	Funds	Fund		
			Actual	Actual	Actual	Variance
<b>REVENUE:</b>						
Local Sources:						
Local Tax	\$ 7,725,889	\$ 7,725,889	\$ 9,501,509	\$ -	\$ 9,501,509	\$ 1,775,620
Tuition	304,000	304,000	267,948	-	267,948	(36,052)
Other	2,773,250	2,773,250	984,153	344,811	1,328,964	(1,444,286)
Intermediate Sources	8,000	8,000	-	-	-	(8,000)
State Sources	10,950,740	10,950,740	10,720,020	7,667	10,727,687	(223,053)
Federal Sources	807,000	807,000	496,299	402,526	898,825	91,825
<b>Total Revenue</b>	<b>22,568,879</b>	<b>22,568,879</b>	<b>21,969,929</b>	<b>755,004</b>	<b>22,724,933</b>	<b>156,054</b>
<b>EXPENDITURES:</b>						
Current:						
Instruction	14,057,264	14,057,264	13,658,350	-	13,658,350	398,914
Support Services	5,063,087	5,063,087	5,160,394	-	5,160,394	(97,307)
Non-instructional Programs	830,000	900,000	-	822,727	822,727	77,273
Other Expenditures	4,651,500	4,651,500	2,492,331	-	2,492,331	2,159,169
<b>Total Expenditures</b>	<b>24,601,851</b>	<b>24,671,851</b>	<b>21,311,075</b>	<b>822,727</b>	<b>22,133,802</b>	<b>2,538,049</b>
Excess (Deficiency) of Revenues Over Expenditures	(2,032,972)	(2,102,972)	658,854	(67,723)	591,131	2,694,103
Other Financing Sources (Uses):						
Transfers In	891,050	-	914,326	9,982	924,308	924,308
Transfers Out	(891,050)	-	(924,308)	-	(924,308)	(924,308)
Total Other Financing Sources (Uses)	-	-	(9,982)	28,556	18,574	18,574
Net Change in Fund Balances	(2,032,972)	(2,102,972)	648,872	(39,167)	609,705	2,712,677
Fund Balances - Beginning of Year	8,845,827	8,845,827	8,769,164	76,663	8,845,827	-
Fund Balances - End of Year	\$ 6,812,855	\$ 6,742,855	\$ 9,418,036	\$ 37,496	\$ 9,455,532	\$ 2,712,677

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**For the Year Ended June 30, 2013**

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional area level, not by fund. This level of control is at a level higher than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental funds with expenses of proprietary funds on a functional area basis and to compare such functional area totals to functional area budgeted totals in order to demonstrate legal compliance with budget. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$70,000.

During the year ended June 30, 2013, expenditures in the support services function exceeded the amount budgeted.

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	July 1, 2008	-	\$ 3,918	\$ 3,918	0.00%	\$ 11,415	34.32%
2010	July 1, 2008	-	\$ 3,918	\$ 3,918	0.00%	\$ 11,510	34.04%
2011	July 1, 2010	-	\$ 3,455	\$ 3,455	0.00%	\$ 11,070	31.21%
2012	July 1, 2010	-	\$ 3,455	\$ 3,455	0.00%	\$ 11,200	30.8%
2013	July 1, 2012	-	\$ 4,570	\$ 4,570	0.00%	\$ 11,300	40.4%

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

**OTHER SUPPLEMENTARY INFORMATION**

**LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

Schedule 1

<b>Revenues:</b>	
Local Sources:	
Local Tax:	
Property Tax	\$ 6,979,514
Mobile Home Tax	13,948
	6,993,462
Other Local Sources:	
Interest on Investments	14,348
Tuition from Other Districts	224,061
Tuition from Individuals	43,887
Transportation Fees	20,428
Rent	62,369
Miscellaneous	90,026
	455,119
	7,448,581
State Sources:	
State Foundation Aid	9,793,407
Beginning Teacher Mentoring Program	4,673
Non-Public Transportation Aid	64,192
Non-Public Textbook and Technology Aid	7,219
Vocational Education Aid	21,878
AEA Flow-Through	828,651
	10,720,020
Federal Sources:	
Title I Grants to Local Educational Agencies	228,210
Improving Teacher Quality State Grants	59,320
Career and Technical Education - Basic Grants to States	18,829
Special Education Pass-Through - IDEA Grant	123,528
English Language Acquisition Grants	5,130
Title VI Grants for Assessments and Related Activities	13,098
Medicaid	48,184
	496,299
Total Revenue	\$ 18,664,900

Continued

LE MARS COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
 GENERAL FUND - CONTINUED  
 FOR THE YEAR ENDED JUNE 30, 2013

Schedule 1 (Continued)

Expenditures:	
<b>Instruction:</b>	
Regular Instruction:	
Salaries	\$ 6,823,018
Benefits	2,265,783
Services	541,402
Supplies	179,675
Property	16,111
	9,825,989
Special Education Instruction:	
Salaries	1,671,018
Benefits	549,981
Services	191,024
Supplies	20,134
Property	14,727
	2,446,884
Vocational Instruction:	
Supplies	16,806
Property	2,862
	19,668
Co-curricular Instruction:	
Salaries	292,124
Benefits	54,695
Services	9,775
Supplies	1,825
	358,419
Nonpublic Instruction:	
Supplies	7,220
	7,220
Adult Continuing Education	
Salaries	2,338
Benefits	179
Supplies	1,030
	3,547
<b>Total Instruction</b>	12,661,727
<b>Support Services:</b>	
<b>Student Services:</b>	
Guidance Services:	
Salaries	302,876
Benefits	105,657
Services	98
Supplies	14,640
Property	711
	\$ 423,982

Continued

LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013

Schedule 1 (Continued)

**Support Services (Continued):**

**Student Services (Continued):**

Health Services:

Salaries	\$	83,149
Benefits		49,599
Services		271
Supplies		7,100
Property		379
		140,498

**Total Student Services**

564,480

**Support Services:**

**Instructional Staff Services:**

Improvement of Instruction Services:

Salaries		233,458
Benefits		61,318
Services		7,271
Supplies		10,001
		312,048

Educational Media Services:

Salaries		171,524
Benefits		40,998
Supplies		25,567
Property		178
		238,267

Other Instructional Staff Support Services:

Salaries		127,011
Benefits		44,501
Services		16,539
Supplies		71,402
Property		3,923
		263,376

**Total Instructional Staff Services**

813,691

**Support Services:**

**Administration Services:**

Executive Administration:

Salaries		233,476
Benefits		112,700
Services		83,998
Supplies		11,116
Property		600
		441,890

\$

Continued

LE MARS COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
 GENERAL FUND - CONTINUED  
 FOR THE YEAR ENDED JUNE 30, 2013

Schedule 1 (Continued)

**Support Services (Continued):**

**Administration Services (Continued):**

School Administration:

Salaries	\$	697,121
Benefits		346,197
Services		4,329
Supplies		3,132
Property		1,287
		1,052,066

Business Administration:

Salaries		30,965
Benefits		16,811
Services		2,889
Supplies		29,264
Property		110
		80,039

Board of Education:

Services		57,505
Supplies		14,174
		71,679

**Total Administration Services:**

1,645,674

**Support Services:**

**Plant Operation and Maintenance:**

Salaries		618,221
Benefits		230,401
Services		95,813
Supplies		425,331
Property		4,853
		1,374,619

**Support Services:**

**Student Transportation:**

Salaries		407,809
Benefits		88,526
Services		40,753
Supplies		145,854
Property		190
		683,132

**Total Support Services**

\$ 5,081,596

Continued

LE MARS COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
 GENERAL FUND - CONTINUED  
 FOR THE YEAR ENDED JUNE 30, 2013

Schedule 1 (Continued)

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<b>Other Expenditures:</b>	
AEA Flow-Through	\$ 828,651
Total Expenditures	18,571,974
Excess of Revenues Over Expenditures	92,926
 Other Financing Uses:	
Transfers From Other Funds	24,836
Excess of Revenues Over Expenditures and Other Financing Uses	117,762
Fund Balance - Beginning of Year	2,936,659
Fund Balance - End of Year	\$ 3,054,421

**LE MARS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2013**

				Schedule 2	
	Balance June 30, 2012	Revenues	Expenditures	Operating/ Intrafund Transfers	Balance June 30, 2013
<b>Senior High</b>					
Bark	\$ 4,027	\$ 15,375	\$ 13,558	\$ -	\$ 5,844
F.F.A.	28,690	28,782	38,248	-	19,224
Miscellaneous Music	3,213	25,560	22,141	-	6,632
F.C.A.	174	584	450	-	308
Library Club	2,038	333	-	-	2,371
Vocal Music	8,631	22,569	16,438	-	14,762
Instrumental Music	5,655	22,177	16,717	-	11,115
Music Orchestra	3,398	31,334	32,438	-	2,294
National Honor Society	-	617	617	-	-
Dance Team	893	12,438	11,959	-	1,372
Student Council	20,934	77,995	71,463	-	27,466
Thespians	2,192	1,214	406	-	3,000
Spanish Club	3,092	3,022	3,556	-	2,558
Drama	10,400	1,747	4,124	-	8,023
Trades and Industries	13,957	4,085	3,589	-	14,453
Miscellaneous Athletics	30,091	253,134	224,095	-	59,130
Clearing	-	61,446	53,106	(8,340)	-
Cheerleaders	3,953	9,421	6,952	-	6,422
Senior Class	1,419	1,374	1,855	-	938
Junior Class	59	2,011	2,070	-	-
Sophomore Class	-	98	98	-	-
Freshman Class	-	53	53	-	-
Miscellaneous	131,347	13,777	3,347	-	141,777
Technology Club	589	733	415	-	907
Home Economics Club	752	-	-	-	752
Math Club	2,696	-	2,296	-	400
Science Club	378	6,759	6,650	-	487
Large Group Speech	10,571	5,997	8,472	-	8,096
Individual Speech	39	9,000	228	-	8,811
Basketball Scoreboard Club	89	40,000	9,898	-	30,191
Adaptive PE	43	-	-	-	43
Make-A-Wish Club	3,939	-	1,000	-	2,939
Madrigal Club	245	-	-	-	245
	<b>\$ 293,504</b>	<b>\$ 651,635</b>	<b>\$ 556,239</b>	<b>\$ (8,340)</b>	<b>\$ 380,560</b>

(Continued)

**LE MARS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Schedule 2 (Continued)</b>				
	<b>Balance June 30, 2012</b>	<b>Revenues</b>	<b>Expenditures</b>	<b>Operating/ Intrafund Transfers</b>	<b>Balance June 30, 2013</b>
<b>Middle School</b>					
Miscellaneous	\$ 4,521	\$ 6,594	\$ 7,855	\$ -	\$ 3,260
Student Council	12,173	9,396	10,974	-	10,595
Library	507	5,123	4,640	-	990
Clearing	797	15,820	9,527	(6,425)	665
Music	1,265	6,075	5,749	-	1,591
Musical	5,096	-	-	-	5,096
Instrument Rental	5,842	1,570	3,329	-	4,083
Family & Consumer Science	62	6,251	6,011	-	302
Art	511	-	-	-	511
	<u>30,774</u>	<u>50,829</u>	<u>48,085</u>	<u>(6,425)</u>	<u>27,093</u>
<b>Elementary School</b>	<u>24,336</u>	<u>47,501</u>	<u>27,649</u>	<u>(20,053)</u>	<u>24,135</u>
<b>Total for Activity Funds</b>	<u>\$ 348,614</u>	<u>\$ 749,965</u>	<u>\$ 631,973</u>	<u>\$ (34,818)</u>	<u>\$ 431,788</u>

**LEMARS COMMUNITY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -**  
**AGENCY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Schedule 3

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<b><u>FLEX</u></b>				
<u>Assets</u>				
Cash and Pooled Investments	\$ 13,669	\$ 123,676	\$ 119,229	\$ 18,116
Total Assets	<u>13,669</u>	<u>123,676</u>	<u>119,229</u>	<u>18,116</u>
<u>Liabilities</u>				
Other Payables	13,669	123,676	119,229	18,116
Total Liabilities	<u>\$ 13,669</u>	<u>\$ 123,676</u>	<u>\$ 119,229</u>	<u>\$ 18,116</u>

**LE MARS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE TEN YEARS ENDED JUNE 30, 2013**

	Modified Accrual Basis of Accounting			
	2013	2012	2011	2010
<b>Revenues:</b>				
Local Sources:				
Local Tax	\$ 9,501,509	\$ 9,416,399	\$ 8,851,041	\$ 8,107,279
Tuition	267,948	384,513	341,877	418,088
Other	984,153	826,638	1,022,808	971,973
Intermediate Sources	-	-	-	-
State Sources	10,720,020	10,953,395	10,681,236	9,496,323
Federal Sources	496,299	549,936	1,306,757	1,631,881
<b>Total</b>	<b>21,969,929</b>	<b>22,130,881</b>	<b>22,203,719</b>	<b>20,625,544</b>
<b>Expenditures:</b>				
Instruction:				
Regular	10,190,639	9,897,332	9,448,027	9,654,607
Special	2,446,884	2,369,532	2,359,238	2,409,307
Other	1,020,827	924,902	969,477	1,024,017
Support Services:				
Student	567,100	505,454	524,518	516,667
Instructional Staff	811,071	772,058	758,813	765,408
Administration	1,645,674	1,568,346	1,453,631	1,525,895
Operation and maintenance of plant	1,437,132	1,309,084	1,248,967	1,252,760
Transportation	699,417	704,515	701,634	701,436
Non-instructional programs	-	-	-	-
Other Expenditures:				
Facilities Acquisition	934,130	5,903,328	3,267,019	998,090
Long-term debt:				
Principal	500,000	575,000	530,000	515,000
Interest and other charges	229,550	198,338	132,328	63,180
AEA Flowthrough	828,651	826,793	913,065	905,931
<b>Total</b>	<b>\$ 21,311,075</b>	<b>\$ 25,554,682</b>	<b>\$ 22,306,717</b>	<b>\$ 20,332,298</b>

## Schedule 4

## Modified Accrual Basis of Accounting

2009	2008	2007	2006	2005	2004
\$ 7,509,783	\$ 7,319,695	\$ 6,879,567	\$ 6,604,110	\$ 6,628,157	\$ 5,878,035
364,507	291,281	348,482	370,821	329,692	303,384
960,246	1,076,052	1,098,699	1,048,247	914,625	867,964
-	-	-	34,263	9,705	-
10,830,511	10,778,651	10,150,311	9,570,986	9,156,434	8,531,215
758,845	502,542	480,901	485,875	447,639	405,558
20,423,892	19,968,221	18,957,960	18,114,302	17,486,252	15,986,156
9,747,060	9,612,172	8,964,243	8,321,990	7,930,904	7,941,756
2,084,682	2,139,082	2,030,077	1,806,407	1,677,212	1,695,325
973,705	895,369	948,924	360,416	362,484	476,896
483,120	608,896	590,864	1,186,511	1,124,852	1,031,719
774,973	831,430	773,251	843,276	537,380	480,195
1,491,463	1,563,202	1,499,834	1,505,878	1,467,137	1,365,529
1,227,116	1,199,054	1,137,232	1,142,788	1,076,236	1,093,933
686,796	696,615	640,820	651,374	588,434	557,706
-	-	-	143,645	74,133	123,537
1,385,729	4,082,584	895,540	972,783	434,504	-
490,000	90,000	290,000	400,000	785,000	755,000
82,290	53,864	13,486	30,686	64,700	95,958
804,981	785,738	749,734	685,660	662,771	657,856
\$ 20,231,915	\$ 22,558,006	\$ 18,534,005	\$ 18,051,414	\$ 16,785,747	\$ 16,275,410

**LE MARS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

<b>Grantor/Program</b>	<b>CFDA Number</b>	<b>Grant Number</b>	<b>Schedule 5 Expenditures</b>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY13	\$ 49,132
National School Lunch Program	10.555	FY13	353,394 *
			<u>402,526</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY13	228,210
Career and Technical Education - Basic Grants to States	84.048	FY13	18,829
Improving Teacher Quality State Grants	84.367	FY13	59,320
Grants for State Assessments and Related Activities	84.369	FY13	13,098
Northwest Area Education Agency			
Special Education - Grants to States	84.027	FY13	123,528
English Language Acquisition Grants	84.365	FY13	<u>5,130</u>
 Total			 <u>\$ 850,641</u>

\* - Includes \$55,909 of non-cash awards.

**BASIS OF PRESENTATION**

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

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2013**

**Schedule 6**

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**Part I: Summary of the Independent Auditor's Results**

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over major programs were disclosed.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Clustered Programs:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
  - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Le Mars Community School District did not qualify as a low-risk auditee.

LE MARS COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013

Schedule 6 (Continued)

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**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

There were no prior year audit findings.

**MATERIAL WEAKNESS:**

**II-A-13 Financial Reporting**

Observation – During the audit, we identified material audit adjustments relating to various liability accounts as well as the recording of capital assets in the District's financial statements. Adjustments were subsequently made by the District to properly include and correct these amounts in the financial statements.

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

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

Conclusion – Response accepted.

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**SIGNIFICANT DEFICIENCIES:**

No matters were reported.

**Part IV: Other Findings Related to Statutory Reporting:**

IV-A-13      Certified Budget – Expenditures for the year ended June 30, 2013 exceeded the amounts budgeted in the support services program function.

Recommendation – The Certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be reviewed to ensure proper classification of the amendment.

Conclusion – Response accepted.

IV-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.

LE MARS COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013

Schedule 6 (Continued)

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**Part IV: Other Findings Related to Statutory Reporting (Continued)**

- |         |  |
|---------|--|
| IV-C-13 | <u>Travel Expense</u> – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.                                      |
| IV-D-13 | <u>Business Transactions</u> – No business transactions between the District and District officials or employees were noted.   |
| IV-E-13 | <u>Bond Coverage</u> – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations. |
| IV-F-13 | <u>Board Minutes</u> – No transactions requiring Board approval which had not been approved by the Board were noted.   |
| IV-G-13 | <u>Certified Enrollment</u> – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.  |
| IV-H-13 | <u>Supplementary Weighting</u> – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.  |
| IV-I-13 | <u>Deposits and Investments</u> – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.                                |
| IV-J-13 | <u>Certified Annual Report</u> – The Certified Annual Report was certified timely to the Department of Education.  |
| IV-K-13 | <u>Categorical funding</u> – No instances were noted of categorical funding being used to supplant rather than supplement other funds.   |

**LE MARS COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013**

Schedule 6 (Continued)

**Part IV: Other Findings Related to Statutory Reporting (Continued)**

IV-L-13      Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. 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		\$ 3,716,438	
Revenues:			
Sales tax revenues	\$ 1,740,641		
Other local revenues	<u>14,554</u>	<u>1,755,195</u>	
			5,471,633
Expenditures:			
School infrastructure construction	499,972		
Equipment purchased	95,877		
Other	2,510		
Transfers to debt service fund	<u>889,490</u>	<u>1,487,849</u>	
Ending Balance			<u>\$ 3,983,784</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.

IV-M-13      Student Activity Fund – In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. All accounts reported in the Special Revenue, Student Activity Fund appear to be extracurricular or co-curricular in nature.

LE MARS COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Prior Year Ended June 30, 2012

Schedule 6 (Continued)

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**Part V: Findings – Year Ended June 30, 2012**

INSTANCES OF NON-COMPLIANCE:

CFDA # 10.553: School Breakfast Program  
CFDA # 10.555: National School Lunch Program  
Federal Award Year: 2012  
U.S. Department of Agriculture  
Passed through the Iowa Department of Education

**III-A-12** Observation – During our testing of eligibility for free/reduced lunches we noted one instance of noncompliance where a student was initially awarded free lunch status but was not eligible. The school did catch this error and made the appropriate correction to the child's status in November, 2011.

Recommendation – The District should insure that all applications for the Free/Reduced Lunch Program are properly completed. All employees involved in computing eligibility should be properly trained. To insure proper completion the District should continue to review the completed applications on a timely basis before students are awarded free or reduced status.

Response – We have reviewed with the District employees the proper completion of the free/reduced lunch applications. We are ensuring that the income calculations are made correctly by adding an extra step in our verification process. All applications are entered in the state's online calculation program and printed out and attached to each application to ensure proper calculations.

Conclusion – This finding has been resolved as of June 30, 2013.



21 1<sup>st</sup> Avenue NW  
P.O. Box 1010  
Le Mars, IA 51031  
Phone (712) 546-7801  
Fax (712) 546-6543  
www.williamscpas.com

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the  
Le Mars 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 activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the LE MARS COMMUNITY SCHOOL DISTRICT, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Le Mars Community School District's basic financial statements, and have issued our report thereon dated October 14, 2012.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Le Mars Community School District's internal control over financial reporting (internal control) to determine the audit procedures that are 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 the Le Mars Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Le Mars 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 and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item II-A-13 to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Le Mars Community School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported

under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying schedule of findings and questioned costs.

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

### **Le Mars Community School District's Response to Findings**

The Le Mars Community School District's response to findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Le Mars Community School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City'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 Le Mars Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

*Williams & Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
October 14, 2013



21 1<sup>st</sup> Avenue NW  
P.O. Box 1010  
Le Mars, IA 51031  
Phone (712) 546-7801  
Fax (712) 546-6543  
www.williamscpas.com

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited the LE MARS COMMUNITY SCHOOL DISTRICT's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. Le Mars Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Le Mars Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Le Mars Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

**Report on Internal Control Over Compliance**

The management of the Le Mars Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Le Mars Community School District's internal

control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Le Mars Community School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Williams + Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
October 14, 2013