

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

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

YEAR ENDED JUNE 30, 2014

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor’s Report		2-4
Management’s Discussion and Analysis		5-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	16-17
Statement of Activities	B	18-19
Governmental Fund Financial Statements:		
Balance Sheet	C	20-21
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	22
Statement of Revenues, Expenditures and Changes in Fund Balances	E	23-24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	25-26
Proprietary Fund Financial Statements:		
Statement of Net Position	G	27
Statement of Revenues, Expenses and Changes in Fund Net Position	H	28
Statement of Cash Flows	I	29-30
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	31
Statement of Changes in Fiduciary Net Position	K	32
Notes to Financial Statements		33-50
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/ Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund		51-52
Notes to Required Supplementary Information - Budgetary Reporting		53
Schedule of Funding Progress for the Retiree Health Plan		54

Table of Contents

	<u>Schedule</u>	<u>Page</u>
Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	55
Schedule of Changes in Special Revenue Fund, Student Activity Accounts		
Capital Project Accounts:		
Combining Balance Sheet	3	58
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	59
Schedule of Changes in Fiduciary Net Position - Private Purpose Trusts	5	60
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	6	61
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	7	62-63
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 <u>Government Auditing Standards</u>		64-66
Schedule of Findings		67-72

Laurens-Marathon Community School District
Laurens, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
-------------	--------------	---------------------

Board of Education

(Before September 2013 Election)

Michael Olson	President	2013
Matt Tate	Vice President	2013
Dr. Brett Fehr	Board Member	2015
Pete Runneberg	Board Member	2015
Deb Kenobbie	Board Member	2013

(After September 2013 Election)

Matt Tate	President	2017
Dr. Brett Fehr	Vice President	2015
Charles Harrold	Board Member	2017
Deb Kenobbie	Board Member	2017
Pete Runneberg	Board Member	2015

School Officials

Iner Joelson	Superintendent	(Resigned March 2014) 2014
Tom Nugent	Interim Superintendent	(Hired March 2014) 2014
Brittini Sweeney	District Secretary/Treasurer	
	Business Manager	(Resigned May 2014) 2014
Carol Collins	Business Manager	(Hired May 2014) 2014
Hilary Reed	District Secretary	(Hired June 2014) 2014
Rick Engel	Attorney	Indefinite

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

Certified Public Accountants

714 14th Avenue North
Fort Dodge, IA 50501-7098
Phone 515.955.4805 • Fax 515.955.4673

Lowell W. Cornwell, C.P.A.
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.
jjmaher@frontiernet.net

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Laurens-Marathon Community School District, Laurens, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Laurens-Marathon Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 15 and 51 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Laurens-Marathon Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. Other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2011 (which are not presented herein) and

expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2015 on our consideration of Laurens-Marathon 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 Laurens-Marathon Community School District's internal control over financial reporting and compliance.

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

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

March 31, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Laurens-Marathon Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,712,986 in fiscal year 2013 to \$3,269,859 in fiscal year 2014, while General Fund expenditures increased from \$3,873,974 in fiscal year 2013 to \$3,898,285 in fiscal year 2014. The District's General Fund balance decreased from \$709,467 at the end of fiscal year 2013 to \$81,041 at the end of fiscal year 2014, an 89% decrease.
- The fiscal year 2014 General Fund revenue decrease was attributable to decreases in local taxes, tuition, and state revenue. The increase in expenditures was due primarily to an increase in support service costs. As a result, the District funded the shortfall in revenue from the carryover fund balance.

USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Laurens-Marathon Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide financial information about activities for which Laurens-Marathon Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

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

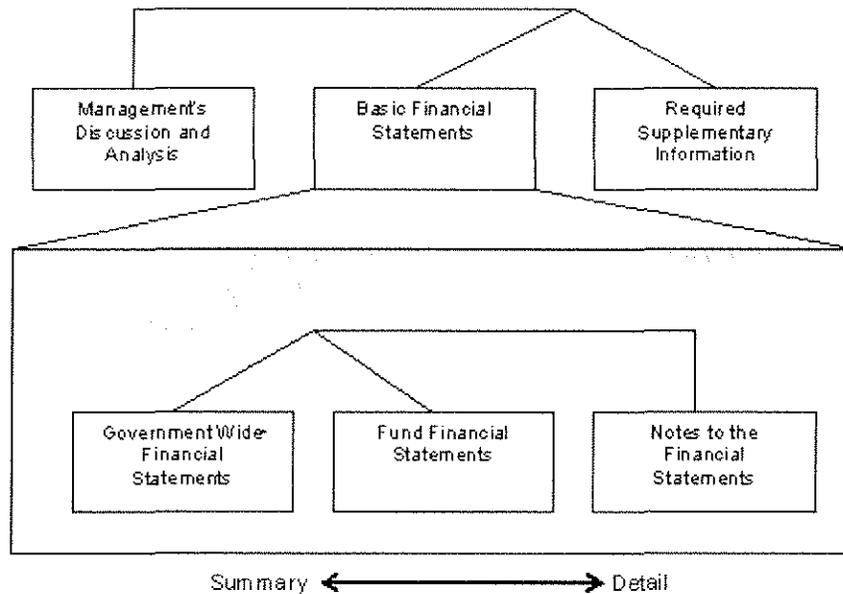


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. 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 is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$ 4,462	4,290	25	8	4,487	4,298	4.4%
Capital assets	2,515	2,633	10	6	2,525	2,639	-4.3%
Total assets	6,977	6,923	35	14	7,012	6,937	1.1%
Long-term liabilities	440	589	---	---	440	589	-25.3%
Other liabilities	170	245	8	2	178	247	-27.9%
Total liabilities	610	834	8	2	618	836	-26.3%
Deferred inflows of resources	1,784	1,950	---	---	1,784	1,950	-8.5%
Net position:							
Net investment in capital assets	2,325	2,288	10	6	2,335	2,294	1.8%
Restricted	2,316	1,212	---	---	2,316	1,212	91.1%
Unrestricted	(58)	639	17	6	(41)	645	-106.4%
Total net position	\$ 4,583	4,139	27	12	4,610	4,151	11.1%

The District's total net position increased 11%, or approximately \$459,000 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$1,104,000 or 91% from the prior year. The increase was primarily a result of an increase in unspent management and school infrastructure funds and adding the District Support Trust Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$686,000 or 106%. This decrease in unrestricted net position was a result of the District's expenditures exceeding revenues.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for service	\$ 258	287	72	77	330	364	-9.3%
Operating grants, contributions and restricted interest	619	584	139	129	758	713	6.3%
General revenues:							
Property tax	1,944	2,309	---	---	1,944	2,309	-15.8%
Statewide sales, services and use tax	283	277	---	---	283	277	2.2%
Income surtax	161	145	---	---	161	145	11.0%
Unrestricted state grants	1,068	1,142	---	---	1,068	1,142	-6.5%
Unrestricted investment earnings	---	1	---	---	---	1	-100.0%
Other	18	28	---	---	18	28	-35.7%
Gain (loss) on disposal of capital assets	---	1	---	---	---	1	-100.0%
Total revenues	<u>4,351</u>	<u>4,774</u>	<u>211</u>	<u>206</u>	<u>4,562</u>	<u>4,980</u>	<u>-8.4%</u>
Program expenses:							
Instruction	2,820	2,936	---	---	2,820	2,936	-4.0%
Support services	1,455	1,340	2	2	1,457	1,342	8.6%
Non-instructional programs	---	---	201	212	201	212	-5.2%
Other expenses	<u>229</u>	<u>244</u>	<u>---</u>	<u>---</u>	<u>229</u>	<u>244</u>	<u>-6.1%</u>
Total expenses	<u>4,504</u>	<u>4,520</u>	<u>203</u>	<u>214</u>	<u>4,707</u>	<u>4,734</u>	<u>-0.6%</u>
Change in net position	(153)	254	8	(8)	(145)	246	-158.9%
Net position beginning of year, as restated	<u>4,736</u>	<u>3,885</u>	<u>19</u>	<u>20</u>	<u>4,755</u>	<u>3,905</u>	<u>21.8%</u>
Net position end of year	\$ <u>4,583</u>	<u>4,139</u>	<u>27</u>	<u>12</u>	<u>4,610</u>	<u>4,151</u>	<u>11.1%</u>

In fiscal year 2014, property tax and unrestricted state grants account for 69.2% of governmental activities revenue while charges for service and operating grants and contributions account for all of the revenue from business type activities.

The District's total revenues were approximately \$4.6 million, of which approximately \$4.4 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an 8.4% decrease in revenues and a 0.6% decrease in expenses.

Governmental Activities

Revenues for governmental activities were \$4,351,122 and expenses were \$4,503,550 for the year ended June 30, 2014.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

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

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-2014	2014	2013	Change 2013-2014
Instruction	\$ 2,820	2,936	-4.0%	2,117	2,240	-5.5%
Support services	1,455	1,340	8.6%	1,431	1,300	10.1%
Non-instructional programs	---	---	0.0%	---	---	0.0%
Other expenses	229	244	-6.1%	79	109	-27.5%
Total	\$ 4,504	4,520	.35%	3,627	3,649	-0.6%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$257,622.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$619,035.
- The net cost of governmental activities was financed with \$2,388,099 in property and other taxes and \$1,067,906 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2014 were \$210,626, representing a 2.0% increase over the prior year, while expenses totaled \$202,871, a 5.1% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2014, the District increased meal prices. This increase resulted in increased revenue to the School Nutrition Fund and helped offset some of the increase in food costs.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,364,256, below last year's restated ending fund balances of \$2,568,505.

Governmental Fund Highlights

- The General Fund balance decreased from \$709,467 to \$81,041 due, in part, to negotiated salaries and benefits and existing expenditure commitments of the District.
- The Management Fund balance increased from \$383,032 to \$599,484. The increase was due mostly to an increase in property tax revenue exceeding expenditures.
- The Capital Projects Fund balance increased from \$723,878 in fiscal 2013 to \$946,595 in fiscal 2014.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$19,229 as restated at June 30, 2013 to \$26,984 at June 30, 2014, representing an increase of approximately 40%. Fee increases were enough to cover the increase in food cost resulting in an increase in the net position of the Nutrition Fund.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$43,442 more than total budgeted revenues, a variance of 1.0%.

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested approximately \$2.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 4.3% from last year. More detailed information about the District’s capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$236,043.

The original cost of the District’s capital assets was approximately \$6.1 million. Governmental funds account for approximately \$6.0 million, with the remainder of approximately \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$ 40	40	---	---	40	40	0.0%
Buildings	2,062	2,110	---	---	2,062	2,110	-2.3%
Improvements other than buildings	21	17	---	---	21	17	23.5%
Furniture and equipment	<u>391</u>	<u>466</u>	<u>10</u>	<u>6</u>	<u>401</u>	<u>472</u>	<u>-15.0%</u>
Total	\$ 2,514	2,633	10	6	2,524	2,639	-4.4%

Long-Term Debt

At June 30, 2014, the District had \$222,424 in total long-term debt outstanding. This represents a decrease of approximately 47.4% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

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

	<u>Total</u>		<u>Total</u>
	<u>District</u>		<u>Change</u>
	<u>June 30,</u>		<u>June 30,</u>
	<u>2014</u>	<u>2013</u>	<u>2013-2014</u>
Capital loan notes	\$ 190	250	-24.0%
Computer lease purchase obligation	---	96	-100.0%
Termination benefits	<u>32</u>	<u>76</u>	<u>-57.9%</u>
Total	<u>\$ 222</u>	<u>422</u>	<u>-47.4%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Laurens-Marathon has been facing declining enrollment for the past several years. Since 2009 enrollment has declined from 353 students to 320 students. Open enrollment out has increased from 35 students in 2009 to more than 50 students in 2014 while open enrollment in students has decreased by 20 students during the same time period. Record state low supplemental rate increases have also crippled the District in recent years.
- The District will be making reductions to meet the current financial overspending of the District as required in the District's work-out plan with the SBRC. In addition, partial day sharing is being explored with a neighboring District for high school students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit A

Statement of Net Position

June 30, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash, cash equivalents and pooled investments	\$ 1,806,632	17,790	1,824,422
Land held in trust	549,819	-	549,819
Receivables:			
Property tax:			
Delinquent	31,731	-	31,731
Succeeding year	1,783,764	-	1,783,764
Accounts	27,878	410	28,288
Due from other governments	262,460	3,438	265,898
Inventories	-	2,873	2,873
Capital assets, net of accumulated depreciation	2,514,764	10,105	2,524,869
Total assets	<u>6,977,048</u>	<u>34,616</u>	<u>7,011,664</u>
Liabilities			
Accounts payable	139,389	-	139,389
Compensated absences	24,710	-	24,710
Accrued interest payable	663	-	663
Unearned revenue	-	7,632	7,632
Early retirement payable	5,668	-	5,668
Long-term liabilities:			
Portion due within one year:			
Capital loan notes	60,000	-	60,000
Early retirement payable	28,258	-	28,258
Portion due after one year:			
Capital loan notes	130,000	-	130,000
Early retirement payable	4,166	-	4,166
Net OPEB liability	217,262	-	217,262
Total liabilities	<u>610,116</u>	<u>7,632</u>	<u>617,748</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	<u>1,783,764</u>	<u>-</u>	<u>1,783,764</u>

(continued)

Laurens-Marathon Community School District
 Laurens, Iowa

Exhibit A

Statement of Net Position

June 30, 2014

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Net Position			
Net investment in capital assets	2,324,764	10,105	2,334,869
Restricted for:			
Categorical funding	65,729	-	65,729
Management levy purposes	567,060	-	567,060
School infrastructure	671,411	-	671,411
Physical plant and equipment	275,184	-	275,184
Student activities	50,757	-	50,757
Debt service	91,662	-	91,662
District support trust	594,717	-	594,717
Unrestricted	(58,116)	16,879	(41,237)
Total net position	<u>\$ 4,583,168</u>	<u>26,984</u>	<u>4,610,152</u>

See notes to financial statements.

Laurens-Marathon Community School District
 Laurens, Iowa
 Statement of Activities
 Year ended June 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<u>Functions/Programs:</u>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,651,187	103,761	255,409	-
Special instruction	523,119	14,488	44,791	-
Other instruction	645,395	138,618	145,493	-
	<u>2,819,701</u>	<u>256,867</u>	<u>445,693</u>	<u>-</u>
Support services:				
Student	186,080	-	6,706	-
Instructional staff	99,358	-	16,087	-
Administration	600,810	-	216	-
Operation and maintenance of plant	417,677	500	-	-
Transportation	150,541	255	-	-
	<u>1,454,466</u>	<u>755</u>	<u>23,009</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	2,119	-	11,568	-
Long-term debt interest	11,015	-	-	-
AEA flowthrough	138,765	-	138,765	-
Depreciation (unallocated)*	77,484	-	-	-
	<u>229,383</u>	<u>-</u>	<u>150,333</u>	<u>-</u>
Total governmental activities	<u>4,503,550</u>	<u>257,622</u>	<u>619,035</u>	<u>-</u>
Business type activities:				
Support services:				
Administration	1,198	-	-	-
Operation and maintenance of plant	518	-	-	-
Non-instructional programs:				
Food service operations	201,155	71,647	138,501	-
Total business type activities	<u>202,871</u>	<u>71,647</u>	<u>138,501</u>	<u>-</u>
Total	\$ 4,706,421	329,269	757,536	-
General Revenues:				
Property tax levied for:				
General purposes				
Capital outlay				
Statewide sales, services and use tax				
Income surtax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net position				
Net position beginning of year, as restated				
Net position end of year				

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

See notes to financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business Type Activities	Total
(1,292,017)	-	(1,292,017)
(463,840)	-	(463,840)
(361,284)	-	(361,284)
<u>(2,117,141)</u>	<u>-</u>	<u>(2,117,141)</u>
(179,374)	-	(179,374)
(83,271)	-	(83,271)
(600,594)	-	(600,594)
(417,177)	-	(417,177)
(150,286)	-	(150,286)
<u>(1,430,702)</u>	<u>-</u>	<u>(1,430,702)</u>
9,449	-	9,449
(11,015)	-	(11,015)
-	-	-
(77,484)	-	(77,484)
(79,050)	-	(79,050)
<u>(3,626,893)</u>	<u>-</u>	<u>(3,626,893)</u>
-	(1,198)	(1,198)
-	(518)	(518)
-	8,993	8,993
-	7,277	7,277
<u>(3,626,893)</u>	<u>7,277</u>	<u>(3,619,616)</u>
\$ 1,756,671	-	1,756,671
187,437	-	187,437
283,163	-	283,163
160,828	-	160,828
1,067,906	-	1,067,906
382	5	387
18,078	473	18,551
<u>3,474,465</u>	<u>478</u>	<u>3,474,943</u>
(152,428)	7,755	(144,673)
<u>4,735,596</u>	<u>19,229</u>	<u>4,754,825</u>
<u>\$ 4,583,168</u>	<u>26,984</u>	<u>4,610,152</u>

Laurens-Marathon Community School District
Laurens, Iowa

Balance Sheet
Governmental Funds

June 30, 2014

	Special Revenue		
	General	Management	District Support Trust
Assets			
Cash, cash equivalents and pooled investments	\$ 157,706	599,437	44,898
Land held in trust	-	-	549,819
Receivables:			
Property tax:			
Delinquent	22,965	5,715	-
Succeeding year	1,425,255	150,000	-
Accounts	27,878	-	-
Due from other governments	104,105	-	-
Total assets	\$ 1,737,909	755,152	594,717
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 139,389	-	-
Compensated absences	24,710	-	-
Early retirement payable	-	5,668	-
Total liabilities	164,099	5,668	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	1,425,255	150,000	-
Income surtax	67,514	-	-
Total deferred inflows of resources	1,492,769	150,000	-
Fund balances:			
Restricted for:			
Categorical funding	65,729	-	-
Debt service	-	-	-
Management levy purposes	-	599,484	-
District support purposes	-	-	594,717
Student activities	-	-	-
School infrastructure	-	-	-
Physical plant and equipment	-	-	-
Unassigned	15,312	-	-
Total fund balances	81,041	599,484	594,717
Total liabilities, deferred inflows of resources and fund balances	\$ 1,737,909	755,152	594,717

See notes to financial statements.

Exhibit C

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
91,662	852,703	50,757	1,797,163
-	-	-	549,819
-	3,051	-	31,731
-	187,771	20,738	1,783,764
-	-	-	27,878
-	158,355	-	262,460
<u>91,662</u>	<u>1,201,880</u>	<u>71,495</u>	<u>4,452,815</u>
-	-	-	139,389
-	-	-	24,710
-	-	-	5,668
-	-	-	169,767
-	187,771	20,738	1,783,764
-	67,514	-	135,028
-	255,285	20,738	1,918,792
-	-	-	65,729
91,662	-	-	91,662
-	-	-	599,484
-	-	-	594,717
-	-	50,757	50,757
-	671,411	-	671,411
-	275,184	-	275,184
-	-	-	15,312
<u>91,662</u>	<u>946,595</u>	<u>50,757</u>	<u>2,364,256</u>
<u>91,662</u>	<u>1,201,880</u>	<u>71,495</u>	<u>4,452,815</u>

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit D

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

June 30, 2014

Total fund balances of governmental funds (page 21) \$ 2,364,256

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 2,514,764

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 135,028

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. (663)

Long-term liabilities, including early retirement payable and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (439,686)

An internal service fund is used by the District to charge costs of the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. 9,469

Net position of governmental activities (page 17) \$ 4,583,168

See notes to financial statements.

Laurens-Marathon Community School District
 Laurens, Iowa
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year ended June 30, 2014

	Special Revenue		
	General	Management	District Support Trust
Revenues:			
Local sources:			
Local tax	\$ 1,480,506	349,971	-
Tuition	87,821	-	-
Other	41,397	2,619	17,500
State sources	1,512,871	-	-
Federal sources	147,264	-	-
Total revenues	3,269,859	352,590	17,500
Expenditures:			
Current:			
Instruction:			
Regular	1,521,724	36,891	500
Special	518,121	-	-
Other	487,050	-	600
	2,526,895	36,891	1,100
Support services:			
Student	184,990	-	-
Instructional staff	96,134	-	-
Administration	543,182	-	17,410
Operation and maintenance of plant	299,827	99,247	1,254
Transportation	108,492	-	-
	1,232,625	99,247	18,664
Other expenditures:			
Facilities acquisition	-	-	-
Long-term debt:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
AEA flowthrough	138,765	-	-
	138,765	-	-
Total expenditures	3,898,285	136,138	19,764
Excess (deficiency) of revenues over (under) expenditures	(628,426)	216,452	(2,264)
Other financing sources (uses):			
Operating transfer in	-	-	-
Operating transfer out	-	-	-
Total other financing sources (uses)	-	-	-
Change in fund balances	(628,426)	216,452	(2,264)
Fund balances beginning of year, as restated	709,467	383,032	596,981
Fund balances end of year	\$ 81,041	599,484	594,717

See notes to financial statements.

Exhibit E

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue Student Activity</u>	<u>Total</u>
-	261,242	-	2,091,719
-	-	-	87,821
51	14,815	138,684	215,066
-	283,163	-	1,796,034
-	-	-	147,264
<u>51</u>	<u>559,220</u>	<u>138,684</u>	<u>4,337,904</u>
-	81,982	-	1,641,097
-	-	-	518,121
-	-	151,413	639,063
<u>-</u>	<u>81,982</u>	<u>151,413</u>	<u>2,798,281</u>
-	-	-	184,990
-	-	-	96,134
-	36,536	-	597,128
-	18,572	-	418,900
-	1,924	-	110,416
<u>-</u>	<u>57,032</u>	<u>-</u>	<u>1,407,568</u>
-	26,421	-	26,421
155,645	-	-	155,645
15,473	-	-	15,473
-	-	-	138,765
<u>171,118</u>	<u>26,421</u>	<u>-</u>	<u>336,304</u>
<u>171,118</u>	<u>165,435</u>	<u>151,413</u>	<u>4,542,153</u>
<u>(171,067)</u>	<u>393,785</u>	<u>(12,729)</u>	<u>(204,249)</u>
171,068	-	-	171,068
-	(171,068)	-	(171,068)
<u>171,068</u>	<u>(171,068)</u>	<u>-</u>	<u>-</u>
1	222,717	(12,729)	(204,249)
<u>91,661</u>	<u>723,878</u>	<u>63,486</u>	<u>2,568,505</u>
<u>91,662</u>	<u>946,595</u>	<u>50,757</u>	<u>2,364,256</u>

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit F

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

Year ended June 30, 2014

Change in fund balances - total governmental funds (page 24) \$ (204,249)

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

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

Expenditures for capital assets	\$ 114,726	
Depreciation expense	<u>(233,260)</u>	(118,534)

Certain delinquent property tax and income surtax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 13,218

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments are as follows: 155,645

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 4,458

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit F

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

Year ended June 30, 2014

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

Early retirement	43,741	
Other postemployment benefits	<u>(50,103)</u>	(6,362)

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

3,396

Change in net position of governmental activities (page 19)

\$ (152,428)

See notes to financial statements.

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2014

	<u>Enterprise, School Nutrition</u>	<u>Governmental Activities - Internal Service Fund</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 17,790	9,469
Accounts receivable	410	-
Due from other governments	3,438	-
Inventories	<u>2,873</u>	<u>-</u>
Total current assets	<u>24,511</u>	<u>9,469</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>10,105</u>	<u>-</u>
Total noncurrent assets	<u>10,105</u>	<u>-</u>
Total assets	<u>34,616</u>	<u>9,469</u>
Liabilities		
Current liabilities:		
Unearned revenues	<u>7,632</u>	<u>-</u>
Total current liabilities	<u>7,632</u>	<u>-</u>
Total liabilities	<u>7,632</u>	<u>-</u>
Net Position		
Net investment in capital assets	10,105	-
Unrestricted	<u>16,879</u>	<u>9,469</u>
Total net position	<u>\$ 26,984</u>	<u>9,469</u>
See notes to financial statements		

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit H

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

Year ended June 30, 2014

	Enterprise, School <u>Nutrition</u>	Governmental Activities - Internal <u>Service Fund</u>
Operating revenues:		
Local sources:		
Charges for service	\$ 71,647	23,120
Miscellaneous	473	-
Total operating revenue	<u>72,120</u>	<u>23,120</u>
Operating expenses:		
Support services:		
Administration	1,198	54
Operation and maintenance of plant	518	-
	<u>1,716</u>	<u>54</u>
Non-instructional programs:		
Salaries	64,634	-
Benefits	11,287	19,674
Purchased services	4,489	-
Supplies	117,962	-
Depreciation	2,783	-
	<u>201,155</u>	<u>19,674</u>
Total operating expenses	<u>202,871</u>	<u>19,728</u>
Operating income (loss)	<u>(130,751)</u>	<u>3,392</u>
Non-operating revenues:		
State sources	1,667	-
Federal sources	136,834	-
Interest income	5	4
Total non-operating revenues	<u>138,506</u>	<u>4</u>
Increase in net position	7,755	3,396
Net position beginning of year, as restated	<u>19,229</u>	<u>6,073</u>
Net position end of year	<u>\$ 26,984</u>	<u>9,469</u>

See notes to financial statements.

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2014

	Enterprise, School <u>Nutrition</u>	Governmental Activities - Internal <u>Service Fund</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 74,113	-
Cash received from miscellaneous operating activities	473	23,120
Cash paid to employees for services	(75,921)	(19,674)
Cash paid to suppliers for goods or services	<u>(114,088)</u>	<u>(54)</u>
Net cash provided by (used by) operating activities	<u>(115,423)</u>	<u>3,392</u>
Cash flows from non-capital financing activities:		
State grants received	1,667	-
Federal grants received	<u>130,577</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>132,244</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>5</u>	<u>4</u>
Net increase in cash and cash equivalents	16,826	3,396
Cash and cash equivalents beginning of year	<u>964</u>	<u>6,073</u>
Cash and cash equivalents end of year	<u>\$ 17,790</u>	<u>9,469</u>

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2014

	Enterprise, School <u>Nutrition</u>	Governmental Activities - Internal <u>Service Fund</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:		
Operating income (loss)	\$ (130,751)	3,392
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Commodities used	12,252	-
Depreciation	2,783	-
Decrease in accounts receivable	2,809	-
(Increase) in inventories	(2,173)	-
Decrease in unearned revenue	(343)	-
	<u> </u>	<u> </u>
Net cash provided by (used by) operating activities	<u>\$ (115,423)</u>	<u>3,392</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$12,252 of federal commodities.

See notes to financial statements.

Laurens-Marathon Community School District
 Laurens, Iowa

Exhibit J

Statement of Fiduciary Net Position
 Fiduciary Funds

June 30, 2014

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets		
Cash, cash equivalents and pooled investments	\$ 339,115	<u>8,390</u>
Total assets	<u>339,115</u>	<u>8,390</u>
Liabilities		
Other payables	<u>-</u>	<u>8,390</u>
Total liabilities	<u>-</u>	<u>8,390</u>
Net position		
Reserved for scholarships	<u>\$ 339,115</u>	<u>-</u>

See notes to financial statements.

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit K

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2014

	Private Purpose Trust <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 56,459
Interest income	<u>1,404</u>
Total additions	<u>57,863</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>34,604</u>
Total deductions	<u>34,604</u>
Change in net position	23,259
Net position beginning of year, as restated	<u>315,856</u>
Net position end of year	<u><u>\$ 339,115</u></u>

See notes to financial statements.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2014

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 Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

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

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2014

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

The District reports the following major governmental funds:

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

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

The Special Revenue, District Support Trust Fund is used to account for moneys received in trust where those moneys, both principal and interest, are to benefit the District.

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

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

The District reports the following major proprietary fund:

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

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2014

The District also reports the following additional proprietary fund:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2014

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

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

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

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

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

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

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2014

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2014

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

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

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

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

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

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

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2014

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation hours for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

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.

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

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

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

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

Unassigned – All amounts not included in other spendable classifications.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2014

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the non-instructional programs and other expenditures functions and the District exceeded its General Fund unspent authorized budget.

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$1,929,894.15 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Schools Joint Investment Trust were rated AAAM by Standards & Poor's Financial Services.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2014

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ <u>171,068</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ <u>40,213</u>	---	---	<u>40,213</u>
Capital assets being depreciated:				
Buildings	3,504,437	21,110	---	3,525,547
Improvements other than buildings	186,224	5,079	---	191,303
Furniture and equipment	<u>2,185,444</u>	<u>88,537</u>	---	<u>2,273,981</u>
Total capital assets being depreciated	<u>5,876,105</u>	<u>114,726</u>	---	<u>5,990,831</u>
Less accumulated depreciation for:				
Buildings	1,394,281	68,816	---	1,463,097
Improvements other than buildings	169,074	1,227	---	170,301
Furniture and equipment	<u>1,719,665</u>	<u>163,217</u>	---	<u>1,882,882</u>
Total accumulated depreciation	<u>3,283,020</u>	<u>233,260</u>	---	<u>3,516,280</u>
Total capital assets being depreciated, net	<u>2,593,085</u>	<u>(118,534)</u>	---	<u>2,474,551</u>
Governmental activities capital assets, net	\$ <u>2,633,298</u>	<u>(118,534)</u>	---	<u>2,514,764</u>

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2014

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 75,700	---	(5,473)	70,227
Less accumulated depreciation	<u>62,812</u>	<u>2,783</u>	<u>(5,473)</u>	<u>60,122</u>
Business type activities capital assets, net	<u>\$ 12,888</u>	<u>(2,783)</u>	<u>---</u>	<u>10,105</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 112,089
Other	909

Support services:

Instructional staff	2,023
Operation and maintenance of plant	1,560
Transportation	<u>39,195</u>
	155,776
Unallocated	<u>77,484</u>

Total depreciation expense – governmental activities \$ 233,260

Business type activities:

Food service operations	\$ <u>2,783</u>
-------------------------	-----------------

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Capital loan notes	\$ 250,000	---	60,000	190,000	60,000
Computer lease purchase obligation	95,645	---	95,645	---	---
Termination benefits	76,165	---	43,741	32,424	28,258
Net OPEB liability	<u>167,159</u>	<u>50,103</u>	<u>---</u>	<u>217,262</u>	<u>---</u>
Total	<u>\$ 588,969</u>	<u>50,103</u>	<u>199,386</u>	<u>439,686</u>	<u>88,258</u>

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2014

Capital Loan Notes

The District issued \$515,000 of Capital Loan Notes on August 25, 2008 for the remodeling of the existing facility. Details of the District's June 30, 2014 capital loan indebtedness are as follows:

Year Ending <u>June 30,</u>	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	4.10%	\$ 60,000	7,953	67,953
2016	4.20	65,000	5,492	70,492
2017	4.25	<u>65,000</u>	<u>2,763</u>	<u>67,763</u>
Total		\$ <u>190,000</u>	<u>16,208</u>	<u>206,208</u>

Capital Lease Purchase Obligation

In June 2010, the District entered into a capital lease-purchase agreement with Apple Inc. to finance the purchase of computer equipment totaling \$373,073. The lease is financed for three years at an interest rate of 4.779%. There are no future lease payments under the agreement at June 30, 2014.

Payments under the agreement totaled \$100,216 for the year ended June 30, 2014.

Termination Benefits

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

In fiscal year 2013, the District offered a voluntary early retirement plan to its employees. The benefit consists of the cost of insurance for two years.

At June 30, 2014, the District has obligations to six participants with a total liability of \$32,424. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$34,642.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2014

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$197,378, \$198,241 and \$167,532, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 37 active and 6 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2014

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 92,234
Interest on net OPEB obligation	4,179
Adjustment to annual required contribution	<u>(16,312)</u>
Annual OPEB cost	80,101
Contributions made	<u>(29,998)</u>
Increase in net OPEB obligation	50,103
Net OPEB obligation beginning of year	<u>167,159</u>
Net OPEB obligation end of year	<u>\$ 217,262</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$29,998 to the medical plan. Plan members eligible for benefits contributed \$15,287, or 34% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 47,174	18.5%	\$113,944
2013	82,066	35.2%	167,159
2014	80,101	37.5%	217,262

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$492,255, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$492,255. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,720,000 and the ratio of the UAAL to covered payroll was 28.6%. As of June 30, 2014, there were no trust fund assets.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2014

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

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

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement and termination probabilities were developed based on IPERS normal retirement age for each employee and information provided by the District.

Projected claim costs of the medical plan are \$635 per month for retirees less than age 65. The UAAL is being amortized as a level dollar funding over 30 years.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2014

(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$138,765 for the year ended June 30, 2014, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Operating Leases

The District entered into an operating lease with GE Capital for the rental of three copiers on May 5, 2013, for a period of 60 months. The amount paid for the fiscal year ended June 30, 2014 was \$8,139. The fixed future rentals are as follows:

<u>Years Ending June 30,</u>	<u>Lease Payment</u>
2015	\$ 3,936
2016	3,936
2017	3,936
2018	<u>2,952</u>
	\$ <u>14,760</u>

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2014

(12) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Gifted and talented	\$ 2,560
Dropout prevention	19,151
Beginning teacher mentoring	919
Early readers	14,256
Professional development – core curriculum	2,728
Professional development	21,230
Teacher leadership	<u>4,885</u>
	\$ <u>65,729</u>

(13) District Support Trust Contribution

The District received a contribution of 49.32 acres of farm land in 1986. The land is being rented by the District to the highest responsible bidder and all proceeds are being used to support the Laurens-Marathon Community School District.

The land had a fair value of \$549,819 at June 30, 2014 based on comparable land values from the Iowa State Extension office, and is reported as an investment in the District's Special Revenue, District Support Trust Fund.

(14) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2014

(15) Prior Period Adjustment

The District restated the beginning net position of the Governmental Activities and Private Purpose Trust and the beginning fund balance of the District Support Trust. The beginning balances were restated to record donated land and related income and expenses in the District Support Trust Fund to more accurately reflect how the District intends to use this gift based on the donors request and also to properly reflect the land value.

	Governmental Activities	District Support Trust	Private Purpose Trust
Net position/fund balance June 30, 2013, as previously reported	\$ 4,138,615	---	419,588
Prior period adjustment	103,732	103,732	(103,732)
Net land value adjustment	493,249	493,249	---
Net position/fund balance June 30, 2013 as restated	\$ 4,735,596	596,981	315,856

The District restated the beginning net position of the School Nutrition Fund. The beginning balances were restated to record capital asset additions that were not previously capitalized.

Net position June 30, 2013, as previously reported	\$ 12,355
Net capital asset value adjustment	<u>6,874</u>
Net position June 30, 2013, as restated	\$ <u>19,229</u>

(16) Subsequent Events

Subsequent events have been evaluated through March 31, 2015 which is the date the financial statements were available to be issued.

On August 11, 2014 the Board approved an Activities Sharing Agreement with Pocahontas Area Community School District.

On October 13, 2014 the Board approved the purchase of a suburban for \$36,159.

Required Supplementary Information

Laurens-Marathon Community School District
Laurens, Iowa

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

Required Supplementary Information

Year ended June 30, 2014

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 2,394,606	72,125
State sources	1,796,034	1,667
Federal sources	<u>147,264</u>	<u>136,834</u>
Total revenues	<u>4,337,904</u>	<u>210,626</u>
 Expenditures/Expenses:		
Instruction	2,798,281	-
Support services	1,407,568	1,716
Non-instructional programs	-	201,155
Other expenditures	<u>336,304</u>	<u>-</u>
Total expenditures/expenses	<u>4,542,153</u>	<u>202,871</u>
 Excess (deficiency) of revenues over (under) expenditures/expenses	(204,249)	7,755
 Balances beginning of year	<u>2,568,505</u>	<u>19,229</u>
 Balances end of year	<u>\$ 2,364,256</u>	<u>26,984</u>

See accompanying independent auditor's report.

Total <u>Actual</u>	<u>Budgeted Amounts</u>		Final to Actual <u>Variance</u>
	<u>Original</u>	<u>Final</u>	
2,466,731	2,779,950	2,779,950	(313,219)
1,797,701	1,490,138	1,490,138	307,563
284,098	235,000	235,000	49,098
<u>4,548,530</u>	<u>4,505,088</u>	<u>4,505,088</u>	<u>43,442</u>
2,798,281	3,055,000	3,055,000	256,719
1,409,284	1,828,000	1,828,000	418,716
201,155	195,000	195,000	(6,155)
336,304	227,468	227,468	(108,836)
<u>4,745,024</u>	<u>5,305,468</u>	<u>5,305,468</u>	<u>560,444</u>
(196,494)	(800,380)	(800,380)	603,886
<u>2,587,734</u>	<u>1,399,922</u>	<u>1,399,922</u>	<u>1,187,812</u>
<u>2,391,240</u>	<u>599,542</u>	<u>599,542</u>	<u>1,791,698</u>

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2014

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

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

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

During the year ended June 30, 2014, expenditures in the non-instructional programs and other expenditures functions exceeded the amounts budgeted and the District exceeded its General Fund unspent authorized budget.

Laurens-Marathon Community School District

Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$417,740	417,740	0.0%	\$2,270,000	18.4%
2011	July 1, 2009	-	389,590	389,590	0.0%	2,151,000	18.1%
2012	July 1, 2009	-	347,529	347,529	0.0%	1,764,000	19.7%
2013	July 1, 2012	-	584,435	584,435	0.0%	1,829,000	32.0%
2014	July 1, 2012	-	492,255	492,255	0.0%	1,720,000	28.6%

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

See accompanying independent auditor's report.

Supplementary Information

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2014

	Special Revenue		
	Student Activity	Public Education and Recreation Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 50,757	-	50,757
Receivables:			
Property tax:			
Succeeding year	-	20,738	20,738
Total assets	\$ 50,757	20,738	71,495
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	20,738	20,738
Fund balances:			
Restricted for:			
Student activities	50,757	-	50,757
Total fund balances	50,757	-	50,757
Total liabilities, deferred inflows of resources and fund balances	\$ 50,757	\$ 20,738	71,495

See accompanying independent auditor's report.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule 2

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
Speech Trip	\$ 277	-	-	-	277
Speech	125	3,008	2,729	-	404
TAG	91	-	-	-	91
Computer Club	317	-	-	-	317
Vocal Music	3,281	6,496	7,418	-	2,359
Music Trip I6	2,928	-	-	-	2,928
Band	(17)	2,696	3,654	-	(975)
Spanish Trip	1,723	-	-	-	1,723
Industrial Tech	1,332	900	1,810	-	422
Band Uniforms	329	-	-	-	329
Book Fair	-	2,237	2,224	-	13
Towel Fees	73	-	-	-	73
Wrestling Cheerleaders	680	2,379	2,798	-	261
Athletic Fund	40	-	34	-	6
Athletic Uniforms	29	-	-	-	29
Athletics	(4,285)	35,673	28,733	-	2,655
Cross Country	93	232	296	-	29
Golf	-	311	1,651	-	(1,340)
Boys Basketball	861	8,405	6,480	-	2,786
Football	2,382	4,074	6,294	-	162
Baseball	-	930	261	-	669
Boys Track	3,035	1,709	2,925	-	1,819
Wrestling	-	686	1,002	-	(316)
Girls Basketball	(18)	3,375	1,668	-	1,689
Volleyball	548	3,868	4,452	-	(36)
Softball	(2,510)	1,265	2,342	-	(3,587)
Girls Track	(1,304)	3,633	4,119	-	(1,790)

Laurens-Marathon Community School District
Laurens, Iowa

Schedule 2

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
Football Cheerleaders	475	1,884	1,648	-	711
Basketball Cheerleaders	498	852	918	-	432
Drill Team	1,372	6,601	7,626	-	347
Interest	7	66	102	-	(29)
HS Special Needs	2,576	-	-	-	2,576
Annual	5,200	-	30	-	5,170
Annual General	3,809	-	-	-	3,809
Annual 12	660	-	-	-	660
Annual 13	2,317	665	-	-	2,982
Annual 14	-	4,434	4,496	-	(62)
MS Guidance	1,528	-	-	-	1,528
Student Council	165	1,129	1,206	-	88
Graduated Seniors	971	-	-	-	971
Class of 2014	2,376	156	887	-	1,645
Class of 2015	768	2,455	2,741	-	482
Class of 2016	-	418	-	-	418
Class of 2017	116	-	-	-	116
National Honor Society	-	2,245	2,149	-	96
FFA	16,572	30,891	40,877	-	6,586
Y Teens	2,782	2,368	2,379	-	2,771
Home Ec	63	99	-	-	162
Charger Supports	3,089	279	2,852	-	516
Fundraisers	2,162	979	402	-	2,739
PBIS	5,970	1,286	2,210	-	5,046
Total	<u>\$ 63,486</u>	<u>138,684</u>	<u>151,413</u>	<u>-</u>	<u>50,757</u>

See accompanying independent auditor's report.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule 3

Combining Balance Sheet
Capital Project Accounts

June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 580,570	272,133	852,703
Receivables:			
Property tax:			
Delinquent	-	3,051	3,051
Succeeding year	-	187,771	187,771
Due from other governments	<u>90,841</u>	<u>67,514</u>	<u>158,355</u>
Total assets	<u>\$ 671,411</u>	<u>530,469</u>	<u>1,201,880</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	187,771	187,771
Income surtax	<u>-</u>	<u>67,514</u>	<u>67,514</u>
Total deferred inflows of resources	<u>-</u>	<u>255,285</u>	<u>255,285</u>
Fund balances:			
Restricted for:			
School infrastructure	671,411	-	671,411
Physical plant and equipment	<u>-</u>	<u>275,184</u>	<u>275,184</u>
Total fund balances	<u>671,411</u>	<u>275,184</u>	<u>946,595</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 671,411</u>	<u>530,469</u>	<u>1,201,880</u>

See accompanying independent auditor's report.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule 4

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

Year ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	261,242	261,242
Other	11,650	3,165	14,815
State sources	283,163	-	283,163
Total revenues	<u>294,813</u>	<u>264,407</u>	<u>559,220</u>
Expenditures:			
Instruction:			
Regular	-	81,982	81,982
Support services:			
Administration	4,073	32,463	36,536
Operation and maintenance of plant	6,706	11,866	18,572
Transportation	-	1,924	1,924
Other expenditures:			
Facilities acquisition	692	25,729	26,421
Total expenditures	<u>11,471</u>	<u>153,964</u>	<u>165,435</u>
Excess of revenues over expenditures	<u>283,342</u>	<u>110,443</u>	<u>393,785</u>
Other financing sources (uses):			
Operating transfers out	(100,216)	(70,852)	(171,068)
Total other financing sources (uses)	<u>(100,216)</u>	<u>(70,852)</u>	<u>(171,068)</u>
Excess of revenues over expenditures and other financing uses	183,126	39,591	222,717
Fund balances beginning of year	488,285	235,593	723,878
Fund balances end of year	<u>\$ 671,411</u>	<u>275,184</u>	<u>946,595</u>

See accompanying independent auditor's report.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule 5

Schedule of Changes in Fiduciary Net Position
Private Purpose Trusts

Year ended June 30, 2014

	Balance Beginning <u>of Year</u>	<u>Additions</u>	<u>Deductions</u>	Balance End <u>of Year</u>
Aschenbrenner Trust	\$ 65,005	260	5,000	60,265
Scholarship Fund	2,505	23,620	21,382	4,743
Marker Fund	30	-	-	30
Huey Korrect Band Fund	208	-	-	208
Playground Fund	112	-	-	112
Doug DeYoung Memorial	51	-	-	51
Medicaid Reserve	354	-	-	354
Hakes Scholarship	12,955	51	-	13,006
Nonneman Scholarship	10,000	-	-	10,000
Gilchrist Scholarship	10,000	-	-	10,000
Halder Scholarship	2,225	-	500	1,725
Ludwig Scholarship	11,449	-	1,000	10,449
Hovenden Scholarship	25,000	-	-	25,000
Whitfield Scholarship	3,000	12	-	3,012
Ryon Scholarship	10,000	40	500	9,540
Wright Scholarship	5,269	-	-	5,269
Hoffman Scholarship	15,000	-	-	15,000
Kees Scholarship	10,000	-	-	10,000
Braunschweig Scholarship	1,975	-	500	1,475
A Peterson Scholarship	5,067	-	5,067	-
B Peterson Scholarship	7,834	33,880	125	41,589
Thoma Scholarship	117,817	-	530	117,287
Total	<u>\$ 315,856</u>	<u>57,863</u>	<u>34,604</u>	<u>339,115</u>

See accompanying independent auditor's report.

Laurens-Marathon Community School District
 Laurens, Iowa

Schedule 6

Schedule of Changes in Fiduciary Assets and Liabilities -
 Agency Fund

Year ended June 30, 2014

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ 19,459	28,663	39,732	8,390
Total assets	<u>\$ 19,459</u>	<u>28,663</u>	<u>39,732</u>	<u>8,390</u>
Liabilities				
Other payables	\$ 19,459	28,663	39,732	8,390
Total liabilities	<u>\$ 19,459</u>	<u>28,663</u>	<u>39,732</u>	<u>8,390</u>

See accompanying independent auditor's report.

Laurens-Marathon Community School District
Laurens, Iowa

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

For the Last Ten Years

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues:				
Local sources:				
Local tax	\$ 2,091,719	2,720,741	2,766,728	2,489,662
Tuition	87,821	120,307	79,979	105,710
Other	215,066	195,161	214,555	378,844
State sources	1,796,034	1,562,780	1,643,048	1,768,574
Federal sources	147,264	163,775	136,412	258,607
Total	<u>\$ 4,337,904</u>	<u>4,762,764</u>	<u>4,840,722</u>	<u>5,001,397</u>
Expenditures:				
Instruction	\$ 2,798,281	2,782,230	2,678,531	2,584,537
Support services:				
Student	184,990	113,716	154,389	177,059
Instructional staff	96,134	121,172	97,547	151,383
Administration	597,128	505,917	456,930	417,056
Operation and maintenance of plant	418,900	456,097	370,381	350,846
Transportation	110,416	307,800	168,275	192,669
Central support	-	-	-	-
Other expenditures:				
Facilities acquisition	26,421	84,198	135,286	488,909
Long-term debt:				
Principal	155,645	146,283	317,119	324,026
Interest and other charges	15,473	21,918	34,161	28,770
AEA flowthrough	138,765	134,922	133,784	152,230
Total	<u>\$ 4,542,153</u>	<u>4,674,253</u>	<u>4,546,403</u>	<u>4,867,485</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
2,212,250	2,056,942	2,007,594	1,901,617	1,901,986	1,776,631
149,645	136,881	216,609	257,389	250,577	203,539
234,606	264,997	288,841	303,441	328,135	878,915
1,500,435	1,986,969	1,821,031	1,597,361	1,717,069	1,724,948
235,795	108,858	136,703	133,014	135,684	147,539
<u>4,332,731</u>	<u>4,554,647</u>	<u>4,470,778</u>	<u>4,192,822</u>	<u>4,333,451</u>	<u>4,731,572</u>
2,542,751	2,575,166	2,677,060	2,623,664	2,574,498	2,474,264
227,388	69,395	103,545	99,420	92,788	65,597
79,596	126,727	80,423	93,772	104,835	137,467
389,211	375,257	386,443	471,423	348,812	526,245
353,494	372,641	330,495	339,015	352,989	320,242
102,618	130,398	134,088	261,534	133,601	98,505
-	-	-	-	-	58,055
146,079	1,110,269	205,094	106,123	129,897	698,401
215,000	210,000	140,000	135,000	130,000	120,000
34,055	36,858	40,075	46,650	53,172	60,734
151,073	141,358	137,621	132,835	130,755	130,364
<u>4,241,265</u>	<u>5,148,069</u>	<u>4,234,844</u>	<u>4,309,436</u>	<u>4,051,347</u>	<u>4,689,874</u>

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

Certified Public Accountants

714 14th Avenue North
Fort Dodge, LA 50501-7098
Phone 515.955.4805 • Fax 515.955.4673

Lowell W. Cornwell, C.P.A.
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.
jjmaher@frontiernet.net

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Laurens-Marathon Community School District as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 31, 2015.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-14 and I-B-14 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as item I-C-14 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Laurens-Marathon Community School District's Responses to the Findings

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

Purpose of this Report

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

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

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

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

March 31, 2015

Laurens-Marathon Community School District
Laurens, Iowa

Schedule of Findings

Year ended June 30, 2014

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Segregation of Duties - The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District has taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

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

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

I-B-14 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to Laurens-Marathon Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule of Findings

Year ended June 30, 2014

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

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

Conclusion – Response accepted.

I-C-14 Disbursement Approval – For three disbursements tested, there was insufficient documentation to determine the date the disbursement was approved for advance payment in accordance with the District’s policy.

Recommendation –For payments made in advance of Board approval, the District should maintain documentation of the Superintendent’s approval of claims for payment, such as the Superintendent or his designee’s initials and date of approval.

Response – We will maintain documentation of the approval of disbursements made in advance of Board approval by having the Superintendent or his designee initial and date the claims. We will obtain invoices for all disbursements.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule of Findings

Year ended June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - Expenditures for the year ended June 30, 2014, exceeded the certified budget amounts in the non-instructional program and other expenditures functions. The District also exceeded its General Fund unspent authorized budget for the year ended June 30, 2014 by approximately \$339,000.

Recommendation - The certified budget should have been amended in sufficient amounts in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget. The District should contract the Iowa Department of Education and the School Budget Review Committee to resolve the General Fund unspent authorized budget over expenditure.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded. We will contract the Iowa Department of Education and the School Budget Review Committee to resolve the issue regarding the unspent authorized budget.

Conclusion - Response accepted.

II-B-14 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-14 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to ensure the coverage is adequate for current operations.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule of Findings

Year ended June 30, 2014

- II-F-14 Board Minutes - As previously noted, three disbursements had insufficient documentation they had been approved for payment by the Superintendent in advance of Board approval as allowed by Chapter 279.30 of the Code of Iowa.

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

The minutes did not specify the exemption and reason to enter into a closed sessions as required by Chapter 21.5 of the Code of Iowa. Also roll call votes to enter into and come out of a closed session were not documented.

Recommendation –Sufficient documentation should be maintained to evidence proper Superintendent approval of disbursements paid in advance of Board approval. The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting. The Code section and reason for entering into closed sessions should be cited and roll call votes should be taken to enter into and out of closed sessions and then documented.

Response –Procedures have been revised to ensure the Superintendent’s approval of disbursements prior to Board meetings is adequately documented. Procedures have been revised to ensure the minutes are published as required. We will cite the Code section and reason for the closed session and document the roll call vote to enter into and come out of a closed session.

Conclusion – Response accepted.

- II-G-14 Certified Enrollment - The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for October 2013 was understated. The District did not include on line 1 a student that lived in the District.

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

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

Conclusion – Response accepted.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule of Findings

Year ended June 30, 2014

II-H-14 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-14 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B of the Code of Iowa and the District's investment policy were noted. However, one instance of non-compliance with Chapter 12C was noted. The District did not approve a resolution naming approved depositories and the maximum depository amount.

Recommendation – As per its board policy, the District should approve at its annual meeting a resolution naming approved depositories and the maximum depository amounts.

Response - We have approved the name of the depositories and the maximum depository amount at our board meeting in September 2014.

Conclusion - Response accepted.

II-J-14 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

II-K-14 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-14 Statewide Sales, Services, and Use Tax – No instances of non-compliance with the allowable use of the statewide sales, services, and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Laurens-Marathon Community School District
Laurens, Iowa

Schedule of Findings

Year ended June 30, 2014

Beginning balance		\$ 488,285	
Revenues/transfer in:			
Sales tax revenues	\$ 283,163		
Other local revenues	<u>11,650</u>	<u>294,813</u>	
			783,098
Expenditures/transfers out:			
Equipment	2,951		
Other	8,520		
Transfers to other funds:			
Debt service	<u>100,216</u>	<u>111,687</u>	
Ending balance			\$ <u>671,411</u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-14 Deficit Balances – Eight student activity accounts had deficit balances at June 30, 2014.

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

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

Conclusion – Response accepted.