

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**INDEPENDENT AUDITORS' REPORT**  
**JUNE 30, 2014**

**LE MARS COMMUNITY SCHOOL DISTRICT  
FOR THE YEAR ENDED JUNE 30, 2014  
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**LE MARS COMMUNITY SCHOOL DISTRICT**

**LIST OF OFFICIALS**

**June 30, 2014**

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**Board of Education (Before September 2013 Election)**

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

**Board of Education (After September 2013 Election)**

|                  |                |      |
|------------------|----------------|------|
| Scott Kommes     | President      | 2017 |
| Dr. Mark Stelzer | Vice President | 2015 |
| Cris Collins     | Board Member   | 2017 |
| Fred Zenk        | Board Member   | 2015 |
| Patrick Murphy   | Board Member   | 2015 |
| Todd Lancaster   | Board Member   | 2017 |
| Brenda Phelan    | Board Member   | 2017 |

**School Officials**

|                            |                    |      |
|----------------------------|--------------------|------|
| Dr. Todd Wendt             | Superintendent     | 2014 |
| Lisa Boehm                 | District Secretary | 2014 |
| Kim Clarey                 | District Treasurer | 2014 |
| Bauerly, Trotzig & Bauerly | Attorney           | 2014 |



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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Le Mars Community School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Le Mars Community School District as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the ten years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary

information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated October 21, 2014, on our consideration of the Le Mars Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Le Mars Community School District's internal control over financial reporting and compliance.

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

Le Mars, Iowa  
October 21, 2014

# LE MARS COMMUNITY MANAGEMENT DISCUSSION AND ANALYSIS

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

## FINANCIAL HIGHLIGHTS

General fund revenues increased from \$18,664,900 in fiscal year 2013 to \$19,673,274 in fiscal year 2014, while general fund expenditures increased from \$18,571,974 in fiscal year 2013 to \$19,683,282 in fiscal year 2014. The district's general fund balance increased from \$3,054,421 in fiscal year 2013 to \$3,068,572 in fiscal year 2014 a 0.46% increase. The unassigned amount of the general fund balance is \$2,859,870.

## USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.

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

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

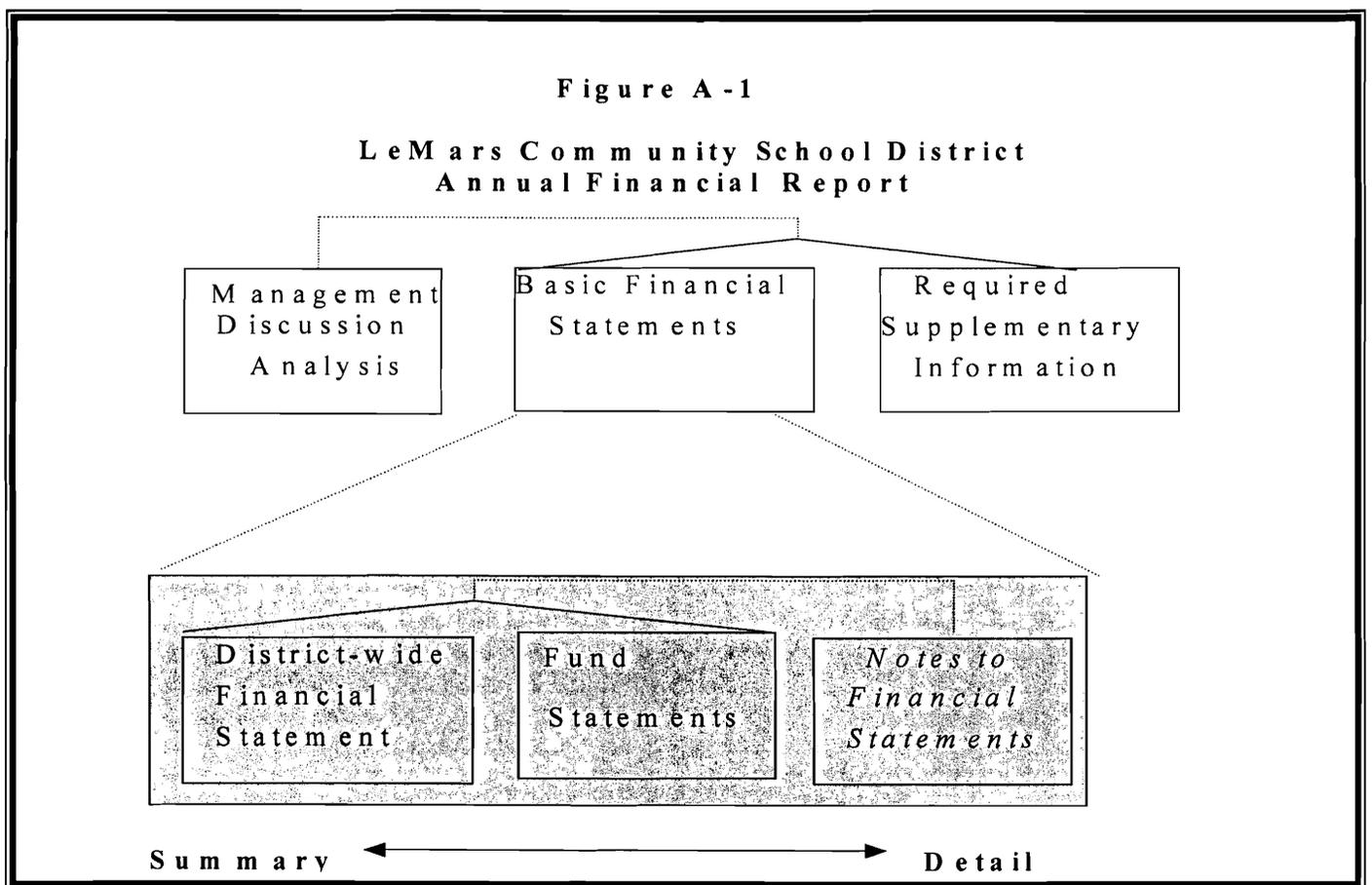


Figure A-2 below summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

| <b>Figure A-2: Major Features of the Government-Wide and Fund Financial Statements</b> |  |  |  |   |
|--|--|--|--|---|
|  | District-wide Statements   | Fund Financial Statements  |  |   |
|  |  | Governmental Funds   | Proprietary Funds  | Fiduciary Funds   |
| Scope  | Entire district (except fiduciary funds)   | The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance   | Activities the district operates similar to private businesses: food services is included here   | Instances in which the district administers resources on behalf of someone else, such as scholarship programs                                     |
| Required financial statements  | <ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul> | <ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>   | <ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses, and changes in net position</li> <li>• Statement of cash flows</li> </ul> | <ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul> |
| Accounting Basis and measurement focus   | Accrual accounting and economic resources focus  | Modified accrual accounting and current financial focus  | Accrual accounting and economic resources focus  | Accrual accounting and economic resources focus   |
| Type of asset/liability information  | All assets and liabilities, both financial and capital, short-term and long-term                                 | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included  | All assets and liabilities, both financial and capital, and short-term and long-term   | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can                       |
| Type of inflow/outflow information   | All revenues and expenses during year, regardless of when cash is received or paid                               | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid   | All additions and deductions during the year, regardless of when cash is received or paid   |

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets, liabilities, and deferred inflows of resources. All of the current

year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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

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

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

### **Fund Financial Statements**

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

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

The District has three types of funds:

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

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

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for its School Nutrition Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for the partially self-funded insurance

program. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

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

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

The required financial statements for fiduciary funds includes a statement of fiduciary net position and a statement of changes in fiduciary net position.

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

### Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District's net position for the year ended June 30, 2014.

Figure A - 3  
Condensed Statement of Net Position June 30, 2014

|                                  | Governmental Activities |              | Business-type Activities |          | Total District |              | Total % Change |
|----------------------------------|-------------------------|--------------|--------------------------|----------|----------------|--------------|----------------|
|                                  | 2013                    | 2014         | 2013                     | 2014     | 2013           | 2014         |                |
| Current and other assets         | \$19,533,193            | \$19,447,088 | \$18,479                 | \$15,743 | \$19,551,672   | \$19,462,831 | (-0.45%)       |
| Capital Assets                   | 20,458,861              | 21,058,660   | 40,262                   | 36,200   | 20,499,123     | 21,094,860   | 2.91%          |
| Total Assets                     | 39,992,054              | 40,505,748   | 58,741                   | 51,943   | 40,050,795     | 40,557,691   | 1.27%          |
| Long-term Debt Outstanding       | 7,351,804               | 6,781,603    | -                        | -        | 7,351,804      | 6,781,603    | (7.76%)        |
| Other Liabilities                | 2,924,584               | 3,074,551    | 21,245                   | 20,422   | 2,945,829      | 3,094,973    | 2.34%          |
| Total Liabilities                | 10,276,388              | 9,856,154    | 21,245                   | 20,422   | 10,297,633     | 9,876,576    | (4.08%)        |
| Deferred Inflows of Resources    | 7,760,581               | 7,663,665    | -                        | -        | 7,760,581      | 7,663,665    | 1.24%          |
| Net Position:                    |                         |              |                          |          |                |              |                |
| Net Investment in Capital Assets | 12,927,057              | 14,197,057   | 40,262                   | 36,200   | 12,967,319     | 14,233,257   | 9.76%          |
| Restricted                       | 6,346,485               | 6,230,334    | -                        | -        | 6,346,485      | 6,230,334    | (1.83%)        |
| Unrestricted                     | 2,681,543               | 2,558,538    | (2,766)                  | (4,679)  | 2,678,777      | 2,553,859    | (4.66%)        |
| Total Net Position               | \$21,955,085            | \$22,985,929 | \$37,496                 | \$31,521 | \$21,992,581   | \$23,017,450 | 4.66%          |

The District's combined net position increased by 4.66% from \$21,992,581 to \$23,017,450. The largest portion of the District's net position is the net investment in capital assets. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$116,151 or 1.83% from the prior year.

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 \$124,918 or (4.66%) from the prior year.

**Changes in net position** – Figure A-4 shows the changes in net position from operations for the year ended June 30, 2014.

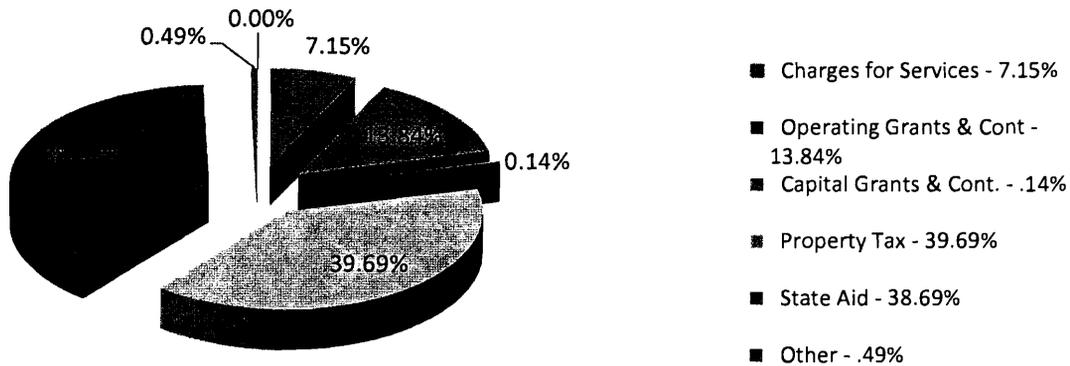
Figure A – 4  
Changes in Net Position from Operations

|                                    | Governmental Activities |                   | Business-type Activities |                | Total District    |                   | Total % Change |
|------------------------------------|-------------------------|-------------------|--------------------------|----------------|-------------------|-------------------|----------------|
|                                    | 2013                    | 2014              | 2013                     | 2014           | 2013              | 2014              |                |
| Revenue                            |                         |                   |                          |                |                   |                   |                |
| Program Revenues                   |                         |                   |                          |                |                   |                   |                |
| Charges for Services               | \$1,167,340             | \$1,327,513       | \$344,636                | \$396,004      | \$1,511,976       | \$1,723,517       | 13.99%         |
| Operating Grants & Contributions   | 2,676,003               | 2,872,370         | 410,193                  | 461,568        | 3,086,196         | 3,333,938         | 8.03%          |
| Capital Grants & Cont.             | 2,188                   | 33,879            | 18,574                   | -              | 20,762            | 33,879            | 63.17%         |
| General Revenues                   |                         |                   |                          |                |                   |                   |                |
| Property & Sales Tax               | 9,501,509               | 9,563,859         | -                        | -              | 9,501,509         | 9,563,859         | 0.66%          |
| State Aid                          | 8,540,317               | 9,320,868         | -                        | -              | 8,540,317         | 9,320,868         | 9.14%          |
| Other                              | 85,147                  | 117,542           | 175                      | 88             | 85,322            | 117,630           | 37.87%         |
| Transfers                          | (9,982)                 | (7,772)           | 9,982                    | 7,772          | -                 | -                 | -              |
| <b>TOTAL REVENUES</b>              | <b>21,962,522</b>       | <b>23,228,259</b> | <b>783,560</b>           | <b>865,432</b> | <b>22,746,082</b> | <b>24,093,691</b> | <b>5.92%</b>   |
| Expenses                           |                         |                   |                          |                |                   |                   |                |
| Instruction                        | 14,379,920              | 15,329,301        | -                        | -              | 14,379,920        | 15,329,301        | 6.60%          |
| Support Services                   | 5,278,419               | 5,641,102         | 822,727                  | 871,407        | 6,101,146         | 6,512,509         | 6.74%          |
| Debt Services                      | 219,349                 | 207,049           | -                        | -              | 219,349           | 207,049           | (5.61%)        |
| Facilities/Equip Acquisition       | 164,489                 | 133,983           | -                        | -              | 164,489           | 133,983           | (18.55%)       |
| Intergovernmental                  | 828,651                 | 885,980           | -                        | -              | 828,651           | 885,980           | 6.92%          |
| <b>TOTAL EXPENSES</b>              | <b>20,870,828</b>       | <b>22,197,415</b> | <b>822,727</b>           | <b>871,407</b> | <b>21,693,555</b> | <b>23,068,822</b> | <b>6.34%</b>   |
| <b>INCREASE(DECREASE)</b>          | <b>1,091,694</b>        | <b>1,030,844</b>  | <b>(39,167)</b>          | <b>(5,975)</b> | <b>1,052,527</b>  | <b>1,024,869</b>  | <b>(2.63%)</b> |
| Net Position – Beginning           | 20,942,709              | 21,955,085        | 76,663                   | 37,496         | 21,019,372        | 21,992,581        | 4.60%          |
| Prior Period Adjustment            | (79,318)                | -                 | -                        | -              | (79,318)          | -                 | -              |
| Net Position–Beginning as Restated | 20,836,391              | 21,955,085        | 76,663                   | 37,496         | 20,940,054        | 21,992,581        | 5.00%          |
| Net Position - Ending              | \$21,955,085            | \$22,985,929      | \$ 37,496                | \$31,521       | \$21,992,581      | \$23,017,450      | 4.60%          |

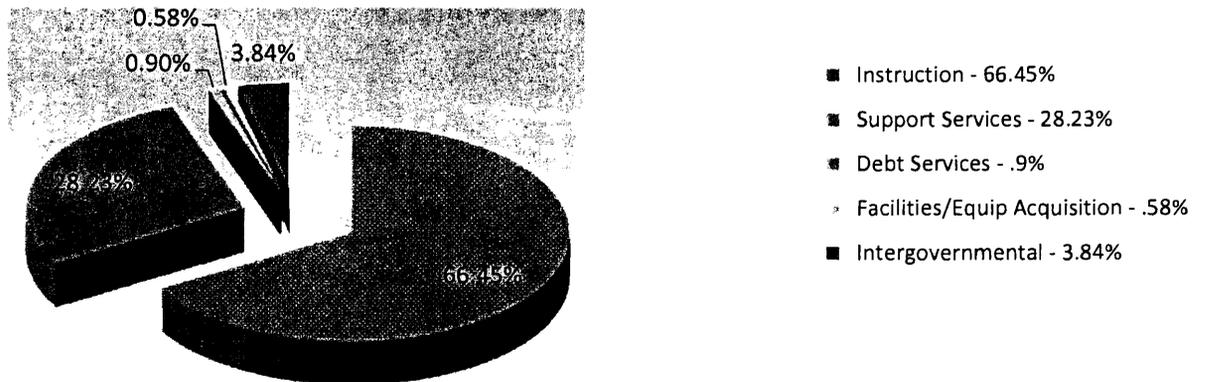
In fiscal year 2014, property tax, local option sales tax, and unrestricted state grants accounted for 81.30% of governmental activities revenue while charges for service and operating grants and contributions accounted for 99.09% of business-type activities revenue. The District’s total revenues were approximately \$24 million, of which approximately \$23.2 million was for governmental activities and less than approximately \$900,000 was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 5.92% increase in revenues and a 6.34% increase in expenses. The increase in expenses is primarily related to increases in negotiated salaries and benefits.

**Figure A - 5**  
**Sources of Revenue for Fiscal Year 2014**



**Figure A-6**  
**Expenses for Fiscal Year 2014**



## Governmental Activities

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

Figure A-7

| Net Cost of<br>Governmental<br>Activities | Total Cost of Services |                     | %            | Net Cost of Services |                     | %            |
|---|------------------------|---------------------|--------------|----------------------|---------------------|--------------|
|   | 2013                   | 2014                | Change       | 2013                 | 2014                | Change       |
|   | Instruction            | \$14,379,920        | \$15,329,301 | 6.60%                | \$11,701,011        | \$12,375,040 |
| Support Services                          | 5,278,419              | 5,641,102           | 6.87%        | 4,940,448            | 5,247,581           | 6.22%        |
| Debt Service                              | 219,349                | 207,049             | (5.61%)      | 219,349              | 207,049             | (5.61%)      |
| Other Expenditures                        | 164,489                | 133,983             | (18.55%)     | 164,489              | 133,983             | (18.55%)     |
| Intergovernmental                         | 828,651                | 885,980             | 6.92%        | -                    | -                   | -            |
| <b>TOTAL</b>                              | <b>\$20,870,828</b>    | <b>\$22,197,415</b> | <b>6.36%</b> | <b>\$17,025,297</b>  | <b>\$17,963,653</b> | <b>5.51%</b> |

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,327,513.
- Federal and state grants subsidized programs with grants totaling \$2,678,191 for 2013 compared to \$2,906,249 for 2014.
- The net cost of governmental activities was financed with \$9,563,859 in property and other taxes and \$9,320,868 in unrestricted state grants.

## Business-Type Activities

Revenues of the District's business-type activities (school food and nutrition services) totaled \$865,432 and expenses totaled \$871,407 (Refer to Figure A-4.) Revenues of these activities were comprised of charges for services, federal and state reimbursements, investment income, and transfers.

## Individual Fund Analysis

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$9,335,737 compared to a fund balance of \$9,418,036 for fiscal 2013.

## **GOVERNMENTAL FUND HIGHLIGHTS**

The increase in the District's General Fund fund balance was primarily a result of the use of the cash reserve levy resulting in an increase of 0.46%.

The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$580,563 in fiscal 2013 to \$520,505 in fiscal 2014. This decrease is due to capital expenditures continuing to exceed total property tax revenues taken in during the year.

The Statewide Sales, Services and Use Tax fund balance decreased from \$3,983,784 in fiscal 2013 to \$3,931,177 in fiscal 2014. This decrease was primarily due to an increase in expenditures related to the purchase of the Dogwood Property, as well as additional improvements made throughout the District.

The Management Fund balance increased from \$590,176 in fiscal 2013 to \$650,672 in fiscal 2014. This increase is due to the revenues generated being more than the actual expenditures.

## **PROPRIETARY FUND HIGHLIGHTS**

The School Nutrition Fund net position decreased from \$37,496 at June 30, 2013 to \$31,521 at June 30, 2014, representing a decrease of 15.94%. The decrease was largely due to the increase in costs for the lunch program. The decrease is less than FY2013 showing that costs are starting to stabilize.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year utilizing statutorily prescribed procedures. The 2014 budget was amended by the Board of Education in accordance with the Code of Iowa. During the year, the expenditures in total did not exceed the total amended published budget amounts. However, the final costs for the instruction services were higher than anticipated for FY2014 by \$361,066. This was due to classifications of expenditures anticipated to be Student Services were actually an Instruction expense.

Total actual revenue was 6.01% more than budgeted, while total actual expenditures were 2.64% less than budgeted. Detail can be found in the supplementary information section of this report as required.

## Capital Asset and Debt Administration

### Capital Assets

By the end of 2014, the District had invested \$33,232,614 in a broad range of assets, including school infrastructure and equipment. (See Figure A-8) **(More detailed information about capital assets can be found in Note 5 to the financial statements.)** Total depreciation expense for the year equaled \$884,443.

Figure A-8 - Capital Assets

|                    | Governmental Activities |                     | Business -Type<br>Activities |                 | Total District      |                     |
|--------------------|-------------------------|---------------------|------------------------------|-----------------|---------------------|---------------------|
|                    | 2013                    | 2014                | 2013                         | 2014            | 2013                | 2014                |
| Land               | \$ 196,236              | \$ 877,136          | \$ -                         | \$ -            | \$ 196,236          | \$ 877,136          |
| Land Improvements  | 205,989                 | 205,989             | -                            | -               | 205,989             | 205,989             |
| Const In Progress  | -                       | 36,239              | -                            | -               | -                   | 36,239              |
| Buildings          | 26,028,625              | 26,354,740          | -                            | -               | 26,028,625          | 26,354,740          |
| Equip/Fur/Vehicles | 5,513,097               | 5,664,921           | 93,589                       | 93,589          | 5,606,686           | 5,758,510           |
| <b>TOTAL</b>       | <b>\$31,943,947</b>     | <b>\$33,139,025</b> | <b>\$93,589</b>              | <b>\$93,589</b> | <b>\$32,037,536</b> | <b>\$33,232,614</b> |

### Long-Term Debt

At year-end, the District had statewide sales, services and use tax revenue bonds totaling \$6,820,000 compared to \$7,485,000 at June 30, 2013. Additional information about the District's long-term debt is resented in Note 8 to the financial statements.

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

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

- The declining enrollment trend the district experienced from 2005 to 2011 appears to have somewhat stabilized with more consistent numbers of students in 2012 and 2013. A similar stable number of students for 2014 is predicted with maybe a slight increase possible.
- The 2014 legislature failed to establish supplemental state aid (formerly known as allowable growth) for FY16 as required by Iowa Code. Both the legislature and Governor have indicated they will establish supplemental state aid early in the 2015 legislative session for FY16. Anything less than 4% growth in revenues will create financial stress on the district in the future.
- For FY14 and FY15 the district did maximize use of the cash reserve levy according to Iowa Code. This practice for the past several fiscal years is causing a downward trend in the unspent authorized balance of the school district. This trend needs to be slowed or reversed as the erosion of the unspent authorized balance experienced during the past several fiscal years is concerning. If revenue is not going to increase as a result of an increase in the supplemental state aid and district enrollment, expenditures will have to be reduced during the next budget year.

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

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

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

|  | Primary Government      |                        |                      | Component Unit    |
|--|-------------------------|------------------------|----------------------|-------------------|
|  | Governmental Activities | Business Type Activity | Total                | LCSD Foundation   |
| <b>ASSETS</b>  |                         |                        |                      |                   |
| Cash and Cash Equivalents  | \$ 8,914,939            | \$ 3,278               | \$ 8,918,217         | \$ 41,411         |
| Investments  | 5,190                   | -                      | 5,190                | 220,507           |
| Receivables:   |                         |                        |                      |                   |
| Property Tax   | 86,705                  | -                      | 86,705               | -                 |
| Succeeding Year Property Tax   | 7,663,665               | -                      | 7,663,665            | -                 |
| Accounts   | 104                     | -                      | 104                  | -                 |
| Due from Other Governments   | 821,668                 | -                      | 821,668              | -                 |
| Inventories  | -                       | 9,366                  | 9,366                | -                 |
| Prepaid Expenses   | 370,690                 | 3,099                  | 373,789              | -                 |
| Restricted Assets:   |                         |                        |                      |                   |
| Cash and Cash Equivalents  | 1,584,127               | -                      | 1,584,127            | -                 |
| Land   | 877,136                 | -                      | 877,136              | -                 |
| Construction in Progress   | 36,239                  | -                      | 36,239               | -                 |
| Infrastructure, Property and Equipment,<br>Net of Accumulated Depreciation | 20,145,285              | 36,200                 | 20,181,485           | -                 |
| <b>Total Assets</b>  | <b>40,505,748</b>       | <b>51,943</b>          | <b>40,557,691</b>    | <b>261,918</b>    |
| <b>LIABILITIES</b>   |                         |                        |                      |                   |
| Accounts Payable   | 248,853                 | 1,727                  | 250,580              | -                 |
| Due to Other Governments   | 1,277                   | -                      | 1,277                | -                 |
| Salaries and Benefits Payable  | 2,034,796               | 2,774                  | 2,037,570            | -                 |
| Accrued Interest Payable   | 105,625                 | -                      | 105,625              | -                 |
| Unearned Revenue   | 4,000                   | 15,921                 | 19,921               | -                 |
| Noncurrent Liabilities:  |                         |                        |                      |                   |
| Due Within One Year:   |                         |                        |                      |                   |
| Revenue Bonds  | 680,000                 | -                      | 680,000              | -                 |
| Due in More Than One Year:   |                         |                        |                      |                   |
| Revenue Bonds  | 6,181,603               | -                      | 6,181,603            | -                 |
| Net OPEB Liability   | 600,000                 | -                      | 600,000              | -                 |
| <b>Total Liabilities</b>   | <b>9,856,154</b>        | <b>20,422</b>          | <b>9,876,576</b>     | <b>-</b>          |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                       |                         |                        |                      |                   |
| Unavailable Revenue -  |                         |                        |                      |                   |
| Subsequent Year Property Taxes   | 7,663,665               | -                      | 7,663,665            | -                 |
| <b>Total Deferred Inflows of Resources</b>                                 | <b>7,663,665</b>        | <b>-</b>               | <b>7,663,665</b>     | <b>-</b>          |
| <b>NET POSITION</b>  |                         |                        |                      |                   |
| Net Investment in Capital Assets   | 14,197,057              | 36,200                 | 14,233,257           | -                 |
| Restricted for:  |                         |                        |                      |                   |
| Categorical Funding  | 68,794                  | -                      | 68,794               | -                 |
| Management Levy  | 650,672                 | -                      | 650,672              | -                 |
| School Infrastructure  | 3,132,677               | -                      | 3,132,677            | -                 |
| Physical Plant and Equipment Levy  | 520,505                 | -                      | 520,505              | -                 |
| Debt Service   | 1,478,502               | -                      | 1,478,502            | -                 |
| Other Special Revenue Purposes   | 379,184                 | -                      | 379,184              | -                 |
| Unrestricted   | 2,558,538               | (4,679)                | 2,553,859            | 261,918           |
| <b>Total Net Position</b>  | <b>\$ 22,985,929</b>    | <b>\$ 31,521</b>       | <b>\$ 23,017,450</b> | <b>\$ 261,918</b> |

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

| Functions/Programs                               | Expenses             | Program Revenues     |                                |                              |
|--|----------------------|----------------------|--------------------------------|------------------------------|
|  |                      | Charges for Services | Operating Grants Contributions | Capital Grants Contributions |
| <b>Primary Government:</b>                       |                      |                      |                                |                              |
| Governmental Activities:                         |                      |                      |                                |                              |
| Instruction:                                     |                      |                      |                                |                              |
| Regular Instruction                              | \$ 11,377,715        | \$ 278,237           | \$ 1,034,521                   | \$ -                         |
| Special Instruction                              | 2,767,461            | 100,952              | 604,043                        | -                            |
| Other Instruction                                | 1,184,125            | 871,492              | 31,137                         | 33,879                       |
| Support Services:                                |                      |                      |                                |                              |
| Student Services                                 | 565,658              | -                    | 39,293                         | -                            |
| Instructional Staff Services                     | 792,444              | -                    | 159,631                        | -                            |
| Administration Services                          | 1,884,253            | -                    | -                              | -                            |
| Operation and Maintenance                        | 1,539,050            | 61,493               | -                              | -                            |
| Transportation Services                          | 859,697              | 15,339               | 117,765                        | -                            |
| Other Expenditures:                              |                      |                      |                                |                              |
| Facilities Acquisition and Construction Services | 133,983              | -                    | -                              | -                            |
| Long-term Debt Interest                          | 207,049              | -                    | -                              | -                            |
| AEA Flowthrough                                  | 885,980              | -                    | 885,980                        | -                            |
| Total governmental activities                    | <u>22,197,415</u>    | <u>1,327,513</u>     | <u>2,872,370</u>               | <u>33,879</u>                |
| <b>Business Type Activity:</b>                   |                      |                      |                                |                              |
| Non-instructional Programs:                      |                      |                      |                                |                              |
| Food Service Operations                          | 871,407              | 396,004              | 461,568                        | -                            |
| Total Primary Government                         | <u>\$ 23,068,822</u> | <u>\$ 1,723,517</u>  | <u>\$ 3,333,938</u>            | <u>\$ 33,879</u>             |
| <b>Component Unit:</b>                           |                      |                      |                                |                              |
| LCSD Foundation                                  | <u>\$ 88,516</u>     | <u>\$ 2,630</u>      | <u>\$ 96,734</u>               | <u>\$ -</u>                  |
| General Revenues:                                |                      |                      |                                |                              |
| Property Tax Levied For:                         |                      |                      |                                |                              |
| General Purposes                                 |                      |                      |                                |                              |
| Capital Outlay                                   |                      |                      |                                |                              |
| Local Option Sales Tax                           |                      |                      |                                |                              |
| Unrestricted State Grants                        |                      |                      |                                |                              |
| Unrestricted Investment Earnings                 |                      |                      |                                |                              |
| Miscellaneous                                    |                      |                      |                                |                              |
| Transfers  |                      |                      |                                |                              |
| Total general revenues and transfers             |                      |                      |                                |                              |
| Change in net position                           |                      |                      |                                |                              |
| Net position - beginning                         |                      |                      |                                |                              |
| Net position - ending                            |                      |                      |                                |                              |

See Accompanying Notes to Financial Statements

| <b>Net (Expense) Revenue<br/>and Changes in Net Position</b> |  |                      |   |
|--|--|----------------------|---|
| <b>Governmental<br/>Activities</b>                           | <b>Primary Government<br/>Business<br/>Type Activity</b> |                      | <b>Component Unit<br/>LCSD<br/>Foundation</b> |
|  |  | <b>Total</b>         |   |
| \$ (10,064,957)  |  | \$ (10,064,957)      |   |
| (2,062,466)  |  | (2,062,466)          |   |
| (247,617)  |  | (247,617)            |   |
|  | (526,365)  | (526,365)            |   |
|  | (632,813)  | (632,813)            |   |
|  | (1,884,253)  | (1,884,253)          |   |
|  | (1,477,557)  | (1,477,557)          |   |
|  | (726,593)  | (726,593)            |   |
|  | (133,983)  | (133,983)            |   |
|  | (207,049)  | (207,049)            |   |
|  | -  | -                    |   |
| <u>(17,963,653)</u>  |  | <u>(17,963,653)</u>  |   |
|  | \$ (13,835)  | (13,835)             |   |
| <u>(17,963,653)</u>  | <u>(13,835)</u>  | <u>(17,977,488)</u>  |   |
|  |  |                      | <u>\$ 10,848</u>                              |
| 7,454,577  | -  | 7,454,577            | -   |
| 273,774  | -  | 273,774              | -   |
| 1,835,508  | -  | 1,835,508            | -   |
| 9,320,868  | -  | 9,320,868            | -   |
| 25,242   | 88   | 25,330               | 2,177   |
| 92,300   | -  | 92,300               | -   |
| (7,772)  | 7,772  | -                    | -   |
| <u>18,994,497</u>  | <u>7,860</u>   | <u>19,002,357</u>    | <u>2,177</u>                                  |
| 1,030,844  | (5,975)  | 1,024,869            | 13,025  |
| <u>21,955,085</u>  | <u>37,496</u>  | <u>21,992,581</u>    | <u>248,893</u>                                |
| <u>\$ 22,985,929</u>   | <u>\$ 31,521</u>   | <u>\$ 23,017,450</u> | <u>\$ 261,918</u>                             |

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

|  | <b>General</b>       | <b>Management<br/>Levy</b> |
|--|----------------------|----------------------------|
| <b>Assets</b>  |                      |                            |
| Cash and Pooled Investments  | \$ 4,797,265         | \$ 414,617                 |
| Investment   | -                    | -                          |
| Receivables:   |                      |                            |
| Property Tax   | 77,651               | 5,483                      |
| Succeeding Year Property Tax   | 7,085,126            | 300,001                    |
| Accounts   | 104                  | -                          |
| Due from Other Governments   | 299,495              | -                          |
| Prepaid Expenses   | 139,908              | 230,572                    |
| Restricted Assets:   |                      |                            |
| Cash and Pooled Investments  | -                    | -                          |
| Total Assets   | <u>12,399,549</u>    | <u>950,673</u>             |
| <b>Liabilities</b>   |                      |                            |
| Liabilities:   |                      |                            |
| Accounts Payable   | 207,055              | -                          |
| Due to Other Governments   | -                    | -                          |
| Salaries and Benefits Payable  | 2,034,796            | -                          |
| Unearned Revenue   | 4,000                | -                          |
| Total Liabilities  | <u>2,245,851</u>     | <u>-</u>                   |
| <b>Deferred Inflows of Resources</b>                                   |                      |                            |
| Unavailable Revenue -  |                      |                            |
| Subsequent Year Property Taxes   | 7,085,126            | 300,001                    |
| Total Deferred Inflows of Resources                                    | <u>7,085,126</u>     | <u>300,001</u>             |
| <b>Fund Balances:</b>  |                      |                            |
| Nonspendable:  |                      |                            |
| Prepaid Expenses   | 139,908              | 230,572                    |
| Restricted for:  |                      |                            |
| Categorical Funding  | 68,794               | -                          |
| Debt Service   | -                    | -                          |
| Management Levy Purposes   | -                    | 420,100                    |
| Student Activities   | -                    | -                          |
| School Infrastructure  | -                    | -                          |
| Physical Plant and Equipment   | -                    | -                          |
| Unassigned   | 2,859,870            | -                          |
| Total Fund Balances  | <u>3,068,572</u>     | <u>650,672</u>             |
| Total Liabilities, Deferred Inflows of Resources, and<br>Fund Balances | <u>\$ 12,399,549</u> | <u>\$ 950,673</u>          |

See Accompanying Notes to Financial Statements

| <b>Capital Projects</b>                  |  |                     |                                    |                                 |
|--|--|---------------------|------------------------------------|---------------------------------|
| <b>Physical Plant and Equipment Levy</b> | <b>Statewide Sales, Services and Use Tax</b> | <b>Debt Service</b> | <b>Nonmajor Fund Activity Fund</b> | <b>Total Governmental Funds</b> |
| \$ 518,892                               | \$ 2,646,631                                 | \$ -                | \$ 373,994                         | \$ 8,751,399                    |
| -  | -  | -                   | 5,190                              | 5,190                           |
| 3,571                                    | -  | -                   | -                                  | 86,705                          |
| 278,538                                  | -  | -                   | -                                  | 7,663,665                       |
| -  | -  | -                   | -                                  | 104                             |
| -  | 522,173                                      | -                   | -                                  | 821,668                         |
| 210                                      | -  | -                   | -                                  | 370,690                         |
| -  | 798,500                                      | 785,627             | -                                  | 1,584,127                       |
| 801,211                                  | 3,967,304                                    | 785,627             | 379,184                            | 19,283,548                      |
| 2,168                                    | 34,850                                       | -                   | -                                  | 244,073                         |
| -  | 1,277  | -                   | -                                  | 1,277                           |
| -  | -  | -                   | -                                  | 2,034,796                       |
| -  | -  | -                   | -                                  | 4,000                           |
| 2,168                                    | 36,127                                       | -                   | -                                  | 2,284,146                       |
| 278,538                                  | -  | -                   | -                                  | 7,663,665                       |
| 278,538                                  | -  | -                   | -                                  | 7,663,665                       |
| 210                                      | -  | -                   | -                                  | 370,690                         |
| -  | -  | -                   | -                                  | 68,794                          |
| -  | 798,500                                      | 785,627             | -                                  | 1,584,127                       |
| -  | -  | -                   | -                                  | 420,100                         |
| -  | -  | -                   | 379,184                            | 379,184                         |
| -  | 3,132,677                                    | -                   | -                                  | 3,132,677                       |
| 520,295                                  | -  | -                   | -                                  | 520,295                         |
| -  | -  | -                   | -                                  | 2,859,870                       |
| 520,505                                  | 3,931,177                                    | 785,627             | 379,184                            | 9,335,737                       |
| \$ 801,211                               | \$ 3,967,304                                 | \$ 785,627          | \$ 379,184                         | \$ 19,283,548                   |

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014**

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

|  |                |                      |
|--|----------------|----------------------|
| Total Fund Balance - Governmental Funds (page 20)  |                | \$ 9,335,737         |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.   |                | 21,058,660           |
| An internal service fund is used by management to fund and maintain the District's partially self-insured health insurance plan provided to user departments and is included in the statement of net position. |                | 158,760              |
| 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.                                       |                | (105,625)            |
| Long-term liabilities, including bonds payable and other postemployment benefits payable, are not due and payable in the current year and therefore are not reported in the governmental funds.                |                |                      |
|  | Revenue Bonds  | \$(6,861,603)        |
|  | OPEB Liability | (600,000)            |
|  |                | <u>(7,461,603)</u>   |
| Total Net Position - Governmental Activities (page 16)   |                | <u>\$ 22,985,929</u> |

**LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

|   | General             | Management Fund   |
|---|---------------------|-------------------|
| <b>Revenue:</b>   |                     |                   |
| Local Sources:  |                     |                   |
| Local Tax   | \$ 6,957,017        | \$ 497,560        |
| Tuition   | 308,148             | -                 |
| Other   | 223,492             | 37,586            |
| State Sources   | 11,701,629          | -                 |
| Federal Sources   | 482,988             | -                 |
| Total Revenue   | <u>19,673,274</u>   | <u>535,146</u>    |
| <b>Expenditures:</b>  |                     |                   |
| Governmental Activities:  |                     |                   |
| Instruction:  |                     |                   |
| Regular Instruction   | 10,170,257          | 389,233           |
| Special Instruction   | 2,754,033           | -                 |
| Other Instruction   | 425,310             | -                 |
| Support Services:   |                     |                   |
| Student Services  | 560,427             | -                 |
| Instructional Staff Services  | 855,575             | -                 |
| Administration Services   | 1,869,236           | -                 |
| Operation and Maintenance   | 1,438,423           | 67,618            |
| Transportation Services   | 724,041             | 17,799            |
| Other Expenditures:   |                     |                   |
| Facilities Acquisition and Construction   | -                   | -                 |
| Long-term Debt:   |                     |                   |
| Principal   | -                   | -                 |
| Interest and Fiscal Charges   | -                   | -                 |
| AEA Flowthrough   | 885,980             | -                 |
| Total Expenditures  | <u>19,683,282</u>   | <u>474,650</u>    |
| Excess (Deficiency) of Revenues Over Expenditures   | <u>(10,008)</u>     | <u>60,496</u>     |
| <b>Other Financing Sources (Uses):</b>  |                     |                   |
| Transfers In  | 24,159              | -                 |
| Transfers Out   | -                   | -                 |
| Sale of Real Property   | -                   | -                 |
| Total Other Financing Sources (Uses)  | <u>24,159</u>       | <u>-</u>          |
| Excess (Deficiency) of Revenues and Other Financing Sources<br>Over Expenditures and Other Financing Uses | 14,151              | 60,496            |
| Fund Balances - Beginning of Year   | <u>3,054,421</u>    | <u>590,176</u>    |
| Fund Balances - End of Year   | <u>\$ 3,068,572</u> | <u>\$ 650,672</u> |

See Accompanying Notes to Financial Statements

| <b>Capital Projects</b>                  |  |                     |                                    |                                 |  |
|--|--|---------------------|------------------------------------|---------------------------------|--|
| <b>Physical Plant and Equipment Levy</b> | <b>Statewide Sales, Services and Use Tax</b> | <b>Debt Service</b> | <b>Nonmajor Fund Activity Fund</b> | <b>Total Governmental Funds</b> |  |
| \$ 273,774                               | \$ 1,835,508                                 | \$ -                | \$ -                               | \$ 9,563,859                    |  |
| -  | -  | -                   | -                                  | 308,148                         |  |
| 1,452                                    | 11,193                                       | 30                  | 871,475                            | 1,145,228                       |  |
| -  | -  | -                   | -                                  | 11,701,629                      |  |
| -  | -  | -                   | -                                  | 482,988                         |  |
| <u>275,226</u>                           | <u>1,846,701</u>                             | <u>30</u>           | <u>871,475</u>                     | <u>23,201,852</u>               |  |
| -  | -  | -                   | -                                  | 10,559,490                      |  |
| -  | -  | -                   | -                                  | 2,754,033                       |  |
| -  | -  | -                   | 892,148                            | 1,317,458                       |  |
| -  | -  | -                   | -                                  | 560,427                         |  |
| -  | -  | -                   | -                                  | 855,575                         |  |
| -  | -  | -                   | -                                  | 1,869,236                       |  |
| -  | -  | -                   | -                                  | 1,506,041                       |  |
| -  | -  | -                   | -                                  | 741,840                         |  |
| 337,228                                  | 1,007,115                                    | -                   | -                                  | 1,344,343                       |  |
| -  | -  | 665,000             | -                                  | 665,000                         |  |
| -  | 1,000  | 217,900             | -                                  | 218,900                         |  |
| -  | -  | -                   | -                                  | 885,980                         |  |
| <u>337,228</u>                           | <u>1,008,115</u>                             | <u>882,900</u>      | <u>892,148</u>                     | <u>23,278,323</u>               |  |
| <u>(62,002)</u>                          | <u>838,586</u>                               | <u>(882,870)</u>    | <u>(20,673)</u>                    | <u>(76,471)</u>                 |  |
| -  | -  | 891,193             | -                                  | 915,352                         |  |
| -  | (891,193)                                    | -                   | (31,931)                           | (923,124)                       |  |
| 1,944                                    | -  | -                   | -                                  | 1,944                           |  |
| <u>1,944</u>                             | <u>(891,193)</u>                             | <u>891,193</u>      | <u>(31,931)</u>                    | <u>(5,828)</u>                  |  |
| (60,058)                                 | (52,607)                                     | 8,323               | (52,604)                           | (82,299)                        |  |
| <u>580,563</u>                           | <u>3,983,784</u>                             | <u>777,304</u>      | <u>431,788</u>                     | <u>9,418,036</u>                |  |
| <u>\$ 520,505</u>                        | <u>\$ 3,931,177</u>                          | <u>\$ 785,627</u>   | <u>\$ 379,184</u>                  | <u>\$ 9,335,737</u>             |  |

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

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

Net change in fund balances - total governmental funds (page 23) \$ (82,299)

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

|                                 |                  |         |
|---------------------------------|------------------|---------|
| Expenditures for capital assets | \$ 1,497,363     |         |
| Depreciation expense            | <u>(880,381)</u> | 616,982 |

Governmental funds report only the proceeds from the sale of capital assets as revenue whereas the statement of activities reports the gain or loss on the sale or disposal of fixed assets. This is the effect on the change in net position on the statement of activities. (17,183)

Internal service funds are used by management to fund and maintain the District's health insurance provided to user departments. The net loss of the internal service funds is reported with governmental activities. (48,507)

The effect of bond premiums when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities. 5,201

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

|                               |  |           |
|-------------------------------|--|-----------|
| Other postemployment benefits |  | (115,000) |
|-------------------------------|--|-----------|

Accrued interest expense not reported on the modified accrual basis. 6,650

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. The principal paid on long-term debt during the current year was the follow:

|                |                |                |
|----------------|----------------|----------------|
| Principal paid | <u>665,000</u> | <u>665,000</u> |
|----------------|----------------|----------------|

Change in net position of governmental activities (page 18) \$ 1,030,844

**LE MARS COMMUNITY SCHOOL DISTRICT  
COMBINING STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2014**

|  | Business Type<br>Activity | Governmental<br>Activities |
|--|---------------------------|----------------------------|
|  | School Nutrition<br>Fund  | Internal<br>Service        |
| <b>ASSETS</b>  |                           |                            |
| <b>Current Assets:</b>   |                           |                            |
| Cash and Pooled Investments  | \$ 3,278                  | \$ 163,540                 |
| Inventories  | 9,366                     | -                          |
| Prepaid Expenses   | 3,099                     | -                          |
| Total Current Assets   | 15,743                    | 163,540                    |
| <b>Noncurrent Assets:</b>  |                           |                            |
| Infrastructure, Property and Equipment, Net<br>of Accumulated Depreciation | 36,200                    | -                          |
| Total Noncurrent Assets  | 36,200                    | -                          |
| Total Assets   | 51,943                    | 163,540                    |
| <b>LIABILITIES</b>   |                           |                            |
| <b>Current Liabilities:</b>  |                           |                            |
| Accounts Payable   | 1,727                     | 4,780                      |
| Salaries and Benefits Payable  | 2,774                     | -                          |
| Unearned Revenue   | 15,921                    | -                          |
| Total Current Liabilities  | 20,422                    | 4,780                      |
| Total Liabilities  | 20,422                    | 4,780                      |
| <b>NET POSITION</b>  |                           |                            |
| Net Investment in Capital Assets   | 36,200                    | -                          |
| Unrestricted   | (4,679)                   | 158,760                    |
| Total Net Position   | \$ 31,521                 | \$ 158,760                 |

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

|   | <b>Business Type<br/>Activity</b> | <b>Governmental<br/>Activities</b> |
|---|-----------------------------------|------------------------------------|
|   | <b>School Nutrition<br/>Fund</b>  | <b>Internal<br/>Service</b>        |
| Operating Revenues:                               |                                   |                                    |
| Charges for services                              | \$ 396,004                        | \$ 301,586                         |
| Total Operating Revenue                           | 396,004                           | 301,586                            |
| Operating Expenses:                               |                                   |                                    |
| Food Service Operations:                          |                                   |                                    |
| Salaries  | 304,674                           | -                                  |
| Benefits  | 97,456                            | -                                  |
| Purchased Services                                | 5,862                             | -                                  |
| Supplies  | 459,353                           | -                                  |
| Depreciation                                      | 4,062                             | -                                  |
| Other Enterprise Operations:                      |                                   |                                    |
| Benefits  | -                                 | 309,911                            |
| Purchased Services                                | -                                 | 40,482                             |
| Total Operating Expenses                          | 871,407                           | 350,393                            |
| Operating (Loss)                                  | (475,403)                         | (48,807)                           |
| Non-Operating Revenues:                           |                                   |                                    |
| Interest Income                                   | 88                                | 300                                |
| State Lunch Reimbursements                        | 8,030                             | -                                  |
| National School Lunch Program                     | 383,972                           | -                                  |
| Federal Food Commodities Received                 | 69,566                            | -                                  |
| Total Non-Operating Revenues                      | 461,656                           | 300                                |
| (Loss) Before Capital Contributions and Transfers | (13,747)                          | (48,507)                           |
| Transfers In                                      | 7,772                             | -                                  |
| Change in net position                            | (5,975)                           | (48,507)                           |
| Net Position - Beginning of Year                  | 37,496                            | 207,267                            |
| Net Position - End of Year                        | \$ 31,521                         | \$ 158,760                         |

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

|   | Business Type<br>Activity<br>School Nutrition<br>Fund | Governmental<br>Activities<br>Internal<br>Service |
|---|---|---|
| <b>Cash flows from operating activities:</b>  |   |   |
| Cash received from sale of lunches and breakfasts   | \$ 395,373  | \$ -  |
| Cash received from miscellaneous operating activities   | -   | 301,586   |
| Cash payments for salaries and benefits   | (401,324)   | -   |
| Cash payments for goods and services  | (393,994)   | (351,045)   |
| <b>Total cash (used) by operating activities</b>  | <b>(399,945)</b>                                      | <b>(49,459)</b>                                   |
| <b>Cash flows from non-capital financing activities:</b>                                      |   |   |
| Federal and state appropriations received   | 392,002   | -   |
| Transfers from other funds  | 7,772   | -   |
| <b>Total cash provided by noncapital financing activities</b>                                 | <b>399,774</b>  | <b>-</b>  |
| <b>Cash flows from investing activities:</b>  |   |   |
| Interest on investments   | 88  | 300   |
| <b>Net (decrease) in cash and cash equivalents</b>  | <b>(83)</b>   | <b>(49,159)</b>                                   |
| Cash and cash equivalents - beginning of year   | 3,361   | 212,699   |
| Cash and cash equivalents - end of year   | <b>\$ 3,278</b>                                       | <b>\$ 163,540</b>                                 |
| <b>Reconciliation of operating (loss) to net cash used in operating activities:</b>           |   |   |
| Operating (loss)  | (475,403)   | (48,807)  |
| Adjustments to reconcile net operating loss to net cash (used) by operating activities:       |   |   |
| Depreciation Expense  | 4,062   | -   |
| Commodities Used  | 69,566  | -   |
| (Increase) decrease in assets and increase (decrease) in liabilities:                         |   |   |
| Inventory   | 3,886   | -   |
| Prepaid Expenses  | (1,233)   | -   |
| Accounts Payable  | (998)   | (652)   |
| Salaries and Benefits Payable   | 806   | -   |
| Unearned Revenue  | (631)   | -   |
| <b>Net cash (used) in operating activities</b>  | <b>\$ (399,945)</b>                                   | <b>\$ (49,459)</b>                                |
| <b>Supplemental schedule of noncash investing, capital, and related financing activities:</b> |   |   |
| Federal food commodities received   | <b>\$ 69,566</b>                                      | <b>\$ -</b>                                       |

See Accompanying Notes to Financial Statements

**LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AGENCY FUND  
JUNE 30, 2014**

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|                           | <u>2014</u>   |
|---------------------------|---------------|
| Cash and Cash Equivalents | \$ 26,805     |
| Total Net Position        | <u>26,805</u> |
| Liabilities:              |               |
| Other Payables            | <u>26,805</u> |
| Net Position              | <u>\$ -</u>   |

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2014**

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

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

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

**A. Reporting Entity**

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

In January 1992 the District established the Le Mars Community School District Foundation by appointing a board of trustees to incorporate a foundation under the Iowa Non-Profit Corporation Act, Iowa Code Chapter 504A. The focus of the Foundation is exclusively for charitable, scientific, and educational purposes of the District. The financial activity of the Foundation is included in the financial statements of the Le Mars Community School District as a discretely presented component unit for the year ended June 30, 2014. The Foundation has elected a December 31 fiscal year end and, therefore, the activity of the Foundation included in these financial statements is for the fiscal year ended December 31, 2013.

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

**B. Basis of Presentation**

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

The Statement of Net Position presents the District's nonfiduciary assets, 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:

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2014**

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

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

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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

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

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

The District reports the following major proprietary fund:

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

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2014**

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

Additionally, the District reports the following fund types:

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

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

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

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

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

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

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

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

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

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

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

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

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2014**

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

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

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

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

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2014 included certificates of deposit of \$5,190 with original maturity dates longer than three months.

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

**Property Tax Receivable** – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

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

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

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2014**

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

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

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

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

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

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

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

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

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

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

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

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2014**

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

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

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

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

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures in the instruction program function exceeded the amount budgeted.

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

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

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

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2014**

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

**Discretely Presented Component Unit –**

At June 30, 2014 the LCSD Foundation had non-negotiable certificates of deposit totaling \$163,215 and the following investments:

|                                | <b>Credit<br/>Risk</b> | <b>Fair<br/>Value</b>        |
|--------------------------------|------------------------|------------------------------|
| Mutual Fund – American Funds   | Not Rated              | \$ 31,854                    |
| Stock                          | N/A                    | \$ 17,347                    |
|                                |                        |                              |
|                                | <b>Credit<br/>Risk</b> | <b>Policy<br/>Cash Value</b> |
| New York Life Insurance Policy | Not Rated              | \$ 8,091                     |

**NOTE 3 – AREA EDUCATION AGENCY**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$885,980 for the year ended June 30, 2014, and is recorded in the General Fund.

**NOTE 4 – INTERFUND TRANSFERS**

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

| <b>Transfer To</b>    | <b>Transfer From</b>                  | <b>Amount</b> |
|-----------------------|---------------------------------------|---------------|
| Debt Service          | Statewide Sales, Services and Use Tax | \$ 891,193    |
| School Nutrition Fund | Student Activity                      | 7,772         |
| General               | Student Activity                      | 24,159        |
| Total                 |                                       | \$ 923,124    |

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

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 5 – CAPITAL ASSETS**

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

|   | <b>Balance<br/>July 1,<br/>2013</b> | <b>Additions</b>  | <b>Deletions</b>  | <b>Balance<br/>June 30,<br/>2014</b> |
|---|-------------------------------------|-------------------|-------------------|--------------------------------------|
| <b>Governmental Activities:</b>                     |                                     |                   |                   |                                      |
| Capital assets not being depreciated:               |                                     |                   |                   |                                      |
| Land  | \$ 196,236                          | \$ 680,900        | \$ -              | \$ 877,136                           |
| Construction in Progress                            | -                                   | 335,151           | 298,912           | 36,239                               |
| <b>Total capital assets not being depreciated</b>   | <b>196,236</b>                      | <b>1,016,051</b>  | <b>298,912</b>    | <b>913,375</b>                       |
| Capital assets being depreciated:                   |                                     |                   |                   |                                      |
| Land Improvements                                   | 205,989                             | -                 | -                 | 205,989                              |
| Buildings   | 26,028,625                          | 326,115           | -                 | 26,354,740                           |
| Vehicles  | 1,697,663                           | 89,721            | 71,601            | 1,715,783                            |
| Furniture and equipment                             | 3,815,434                           | 364,388           | 230,684           | 3,949,138                            |
| <b>Total Capital assets being depreciated</b>       | <b>31,747,711</b>                   | <b>780,224</b>    | <b>302,285</b>    | <b>32,225,650</b>                    |
| Less: Accumulated Depreciation for:                 |                                     |                   |                   |                                      |
| Land Improvements                                   | 131,630                             | 4,120             | -                 | 135,750                              |
| Buildings   | 7,239,579                           | 567,661           | -                 | 7,807,240                            |
| Vehicles  | 1,264,512                           | 112,068           | 71,601            | 1,304,979                            |
| Furniture and equipment                             | 2,849,365                           | 196,532           | 213,501           | 2,832,396                            |
| <b>Total Accumulated Depreciation</b>               | <b>11,485,086</b>                   | <b>880,381</b>    | <b>285,102</b>    | <b>12,080,365</b>                    |
| <b>Total capital assets being depreciated, net</b>  | <b>20,262,625</b>                   | <b>(100,157)</b>  | <b>17,183</b>     | <b>20,145,285</b>                    |
| <b>Governmental activities capital assets, net</b>  | <b>\$ 20,458,861</b>                | <b>\$ 915,894</b> | <b>\$ 316,095</b> | <b>\$ 21,058,660</b>                 |
| <br>  |                                     |                   |                   |                                      |
|   | <b>Balance<br/>July 1,<br/>2013</b> | <b>Additions</b>  | <b>Deletions</b>  | <b>Balance<br/>June 30,<br/>2014</b> |
| <b>Business-type Activities:</b>                    |                                     |                   |                   |                                      |
| Furniture and equipment                             | \$ 93,589                           | \$ -              | \$ -              | \$ 93,589                            |
| Less: Accumulated Depreciation                      | 53,327                              | 4,062             | -                 | 57,389                               |
| <b>Business-type activities capital assets, net</b> | <b>\$ 40,262</b>                    | <b>\$ (4,062)</b> | <b>\$ -</b>       | <b>\$ 36,200</b>                     |

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2014**

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

Depreciation expense was charged to governmental activities as follows:

|  |                   |
|--|-------------------|
| Governmental Activities                              |                   |
| Regular Instruction                                  | \$ 726,945        |
| Instructional Staff Services                         | 14,579            |
| Operation and Maintenance                            | 26,789            |
| Transportation Services                              | <u>112,068</u>    |
| Total depreciation expense – governmental activities | <u>\$ 880,381</u> |
| Business-type activities:                            |                   |
| Food Service Operations                              | <u>\$ 4,062</u>   |

Reconciliation of Net Investment in Capital Assets:

|  | Governmental<br>Activities | Business-type<br>Activities |
|--|----------------------------|-----------------------------|
| Land   | \$ 877,136                 | \$ -                        |
| Construction in Progress                         | 36,239                     | -                           |
| Capital Assets (net of accumulated depreciation) | 20,145,285                 | 36,200                      |
| Less: Revenue Bonds Payable                      | <u>6,861,603</u>           | -                           |
| Net Investment in Capital Assets                 | <u>\$ 14,197,057</u>       | <u>\$ 36,200</u>            |

**NOTE 6 – RETIREMENT SYSTEM**

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

Plan members are required to contribute 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$1,181,224, \$1,066,119, and \$978,624, respectively, equal to the required contributions for each year.

**NOTE 7 – OTHER POST EMPLOYMENT BENEFITS**

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

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

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

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

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2014**

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

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

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

|  |                   |
|--|-------------------|
| Annual required contribution               | \$ 383,000        |
| Interest on net OPEB obligation            | 16,000            |
| Adjustment to annual required contribution | <u>(14,000)</u>   |
| Annual OPEB cost (Expense)                 | 385,000           |
| Contributions made                         | <u>(270,000)</u>  |
| Increase in net OPEB obligation            | 115,000           |
| Net OPEB obligation – beginning of year    | <u>485,000</u>    |
| Net OPEB obligation – end of year          | <u>\$ 600,000</u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2014 are summarized as follows:

| <b>Fiscal Year<br/>Ended</b> | <b>Annual<br/>OPEB Cost</b> | <b>Percentage of Annual OPEB<br/>Cost Contributed</b> | <b>Net OPEB<br/>Obligation</b> |
|------------------------------|-----------------------------|---|--------------------------------|
| 2014                         | \$ 385,000                  | 70.1%   | \$ 600,000                     |
| 2013                         | \$ 385,000                  | 67.0%   | \$ 485,000                     |
| 2012                         | \$ 252,000                  | 96.4%   | \$ 358,000                     |
| 2011                         | \$ 252,000                  | 113.1%  | \$ 349,000                     |
| 2010                         | \$ 352,000                  | 45.74%  | \$ 382,000                     |
| 2009                         | \$ 352,000                  | 45.74%  | \$ 191,000                     |

*Funded Status and Funding Progress.* As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$4,570,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,570,000. The covered payroll (annual payroll of the active employees covered by the plan) was approximately \$12,100,000 and the ratio of the UAAL to covered payroll was 37.8%. As of June 30, 2014, there were no trust fund assets.

*Actuarial Methods and Assumptions.* Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarial determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2014**

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

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

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

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

**NOTE 8 – LONG-TERM LIABILITIES**

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

|                          | Beginning<br>Balance | Additions         | Reductions        | Ending<br>Balance   | Due Within<br>One Year |
|--------------------------|----------------------|-------------------|-------------------|---------------------|------------------------|
| Governmental Activities: |                      |                   |                   |                     |                        |
| Revenue Bonds            | \$ 7,485,000         | \$ -              | \$ 665,000        | \$ 6,820,000*       | \$ 680,000             |
| Net OPEB Liability       | 485,000              | 115,000           | -                 | 600,000             | -                      |
| <b>Total</b>             | <b>\$ 7,970,000</b>  | <b>\$ 115,000</b> | <b>\$ 665,000</b> | <b>\$ 7,420,000</b> | <b>\$ 680,000</b>      |

\*The District's revenue bonds are shown gross with the premium of \$41,603 on the Statement of Net Position.

**Revenue Bonds**

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

| Year<br>Ending<br>June 30, | Interest<br>Rates | Bond Issue of April 6, 2011 |                     |                     |
|----------------------------|-------------------|-----------------------------|---------------------|---------------------|
|                            |                   | Principal                   | Interest            | Total               |
| 2015                       | 2.0%              | \$ 680,000                  | \$ 204,450          | \$ 884,450          |
| 2016                       | 2.0%              | 695,000                     | 187,225             | 882,225             |
| 2017                       | 3.0%              | 710,000                     | 166,150             | 876,150             |
| 2018                       | 3.0%              | 730,000                     | 144,550             | 874,550             |
| 2019                       | 3.0%              | 750,000                     | 122,350             | 872,350             |
| 2020-2023                  | 3.0%-3.625%       | 3,255,000                   | 233,656             | 3,488,656           |
|                            |                   | <b>\$ 6,820,000</b>         | <b>\$ 1,058,381</b> | <b>\$ 7,878,381</b> |

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2014**

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

The District has pledged future statewide sales, services and use tax revenues to repay the \$7,985,000 of bonds issued in April, 2011. The bonds were issued for the purpose of financing a portion of the costs of the high school/middle school expansion projects. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2023. The bonds are not a general obligation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$7,878,381. For the current year, principal and interest totaling \$882,990 was paid on the bonds. Total statewide sales, services and use tax revenues were \$1,835,508.

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

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

The District was in compliance with all of the revenue bond provisions during the year ended June 30, 2014.

**NOTE 9 – RISK MANAGEMENT**

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

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

The District's Split Funding Health Insurance Fund was established in 2011 to account for the partial self-funding of the District's health insurance plan. The plan is funded by District contributions and is administered through a service agreement with Three Rivers Benefit Corporation. The agreement is subject to automatic renewal provisions. The District assumes liability for deductible amounts of \$500 to \$1,500 depending on the coverage selected by the employee.

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

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
**June 30, 2014**

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

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

|                                   | 2014      | 2013      |
|-----------------------------------|-----------|-----------|
| Claims Payable, beginning of year | \$ 5,432  | \$ 14,045 |
| Claims Paid                       | (109,911) | (113,624) |
| Claims Incurred                   | 99,699    | 94,147    |
| Claims Payable, end of year       | \$ 4,780  | \$ 5,432  |

**NOTE 11 – CONSTRUCTION COMMITMENTS**

The District has entered into contracts totaling \$416,196 for the new elementary playgrounds and bleacher concrete coating as of June 30, 2014. Costs of \$29,867 had been incurred against these contracts. The balance of the contracts will be paid as work on the project progresses.

**NOTE 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> |
|--|---------------|
| Four-year-old Preschool State Aid                  | \$ 104        |
| Professional Development for Model Core Curriculum | 39,550        |
| Early Literacy Implementation                      | 29,140        |
|  | \$ 68,794     |

**NOTE 13 – 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2014**

|  | Budgeted Amounts    |                     | Governmental        | Proprietary      | Total               | Final to            |
|--|---------------------|---------------------|---------------------|------------------|---------------------|---------------------|
|  | Original            | Final               | Funds               | Fund             |                     |                     |
|  |                     |                     | Actual              | Actual           |                     | Variance            |
| <b>REVENUE:</b>                                      |                     |                     |                     |                  |                     |                     |
| Local Sources:                                       |                     |                     |                     |                  |                     |                     |
| Local Tax  | \$ 7,733,849        | \$ 7,733,849        | \$ 9,563,859        | \$ -             | \$ 9,563,859        | \$ 1,830,010        |
| Tuition  | 318,500             | 318,500             | 308,148             | -                | 308,148             | (10,352)            |
| Other  | 2,573,770           | 2,573,770           | 1,145,228           | 396,092          | 1,541,320           | (1,032,450)         |
| Intermediate Sources                                 | 8,000               | 8,000               | -                   | -                | -                   | (8,000)             |
| State Sources  | 11,230,983          | 11,230,983          | 11,701,629          | 8,030            | 11,709,659          | 478,676             |
| Federal Sources                                      | 830,000             | 830,000             | 482,988             | 453,538          | 936,526             | 106,526             |
| <b>Total Revenue</b>                                 | <b>22,695,102</b>   | <b>22,695,102</b>   | <b>23,201,852</b>   | <b>857,660</b>   | <b>24,059,512</b>   | <b>1,364,410</b>    |
| <b>EXPENDITURES:</b>                                 |                     |                     |                     |                  |                     |                     |
| Current:   |                     |                     |                     |                  |                     |                     |
| Instruction  | 13,900,000          | 14,269,975          | 14,630,981          | -                | 14,630,981          | (361,006)           |
| Support Services                                     | 6,243,700           | 6,243,700           | 5,533,119           | -                | 5,533,119           | 710,581             |
| Non-instructional Programs                           | 850,000             | 950,000             | -                   | 871,407          | 871,407             | 78,593              |
| Other Expenditures                                   | 2,479,927           | 3,341,228           | 3,114,223           | -                | 3,114,223           | 227,005             |
| <b>Total Expenditures</b>                            | <b>23,473,627</b>   | <b>24,804,903</b>   | <b>23,278,323</b>   | <b>871,407</b>   | <b>24,149,730</b>   | <b>655,173</b>      |
| Excess (Deficiency) of Revenues<br>Over Expenditures | (778,525)           | (2,109,801)         | (76,471)            | (13,747)         | (90,218)            | 2,019,583           |
| Other Financing Sources (Uses):                      |                     |                     |                     |                  |                     |                     |
| Transfers In   | 892,750             | 892,750             | 915,352             | 7,772            | 923,124             | 30,374              |
| Transfers Out  | (892,750)           | (892,750)           | (923,124)           | -                | (923,124)           | (30,374)            |
| Sale of Real Property                                | -                   | -                   | 1,944               | -                | 1,944               | 1,944               |
| <b>Total Other Financing<br/>    Sources (Uses)</b>  | <b>-</b>            | <b>-</b>            | <b>(5,828)</b>      | <b>7,772</b>     | <b>1,944</b>        | <b>1,944</b>        |
| <b>Net Change in Fund Balances</b>                   | <b>(778,525)</b>    | <b>(2,109,801)</b>  | <b>(82,299)</b>     | <b>(5,975)</b>   | <b>(88,274)</b>     | <b>2,021,527</b>    |
| <b>Fund Balances - Beginning of Year</b>             | <b>6,742,855</b>    | <b>6,742,855</b>    | <b>9,418,036</b>    | <b>37,496</b>    | <b>9,455,532</b>    | <b>2,712,677</b>    |
| <b>Fund Balances - End of Year</b>                   | <b>\$ 5,964,330</b> | <b>\$ 4,633,054</b> | <b>\$ 9,335,737</b> | <b>\$ 31,521</b> | <b>\$ 9,367,258</b> | <b>\$ 2,021,527</b> |

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Notes to Required Supplementary Information – Budgetary Reporting**  
**For the Year Ended June 30, 2014**

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional area level, not by fund. This level of control is at a level higher than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental funds with expenses of proprietary funds on a functional area basis and to compare such functional area totals to functional area budgeted totals in order to demonstrate legal compliance with budget. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$1,331,276. This increase in budgeted expenditures was to adjust for management expense, increase in food service costs and the purchase of new property and playground equipment.

During the year ended June 30, 2014, expenditures in the instruction program function exceeded the amount budgeted.

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

| Required Supplementary Information |                                |  |   |                                    |                          |                           |   |
|------------------------------------|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| Year Ended<br>June 30,             | Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((b-a)/c) |
| 2009                               | July 1, 2008                   | -                                      | \$ 3,918  | \$ 3,918                           | 0.00%                    | \$ 11,415                 | 34.32%  |
| 2010                               | July 1, 2008                   | -                                      | \$ 3,918  | \$ 3,918                           | 0.00%                    | \$ 11,510                 | 34.04%  |
| 2011                               | July 1, 2010                   | -                                      | \$ 3,455  | \$ 3,455                           | 0.00%                    | \$ 11,070                 | 31.21%  |
| 2012                               | July 1, 2010                   | -                                      | \$ 3,455  | \$ 3,455                           | 0.00%                    | \$ 11,200                 | 30.8%   |
| 2013                               | July 1, 2012                   | -                                      | \$ 4,570  | \$ 4,570                           | 0.00%                    | \$ 11,300                 | 40.4%   |
| 2014                               | July 1, 2012                   | -                                      | \$ 4,570  | \$ 4,570                           | 0.00%                    | \$ 12,100                 | 37.8%   |

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

**OTHER SUPPLEMENTARY INFORMATION**

**LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2014**

Schedule 1

|   |               |
|---|---------------|
| <b>Revenues:</b>  |               |
| Local Sources:  |               |
| Local Tax:  |               |
| Property Tax  | \$ 6,944,389  |
| Mobile Home Tax   | 12,628        |
|   | 6,957,017     |
| Other Local Sources:  |               |
| Interest on Investments   | 12,267        |
| Tuition from Other Districts  | 263,579       |
| Tuition from Individuals  | 44,569        |
| Transportation Fees   | 15,339        |
| Rent  | 61,493        |
| Miscellaneous   | 134,393       |
|   | 531,640       |
|   | 7,488,657     |
| State Sources:  |               |
| State Foundation Aid  | 10,606,595    |
| Foster Care State Aid   | 10,447        |
| Teacher Leadership Grants   | 12,765        |
| Administrator Mentoring Program                                       | 7,800         |
| Successful Progression for Early Readers Grant                        | 29,140        |
| Non-Public Transportation Aid   | 117,765       |
| Non-Public Textbook and Technology Aid                                | 8,941         |
| Vocational Education Aid  | 22,196        |
| AEA Flow-Through  | 885,980       |
|   | 11,701,629    |
| Federal Sources:  |               |
| Title I Grants to Local Educational Agencies                          | 225,224       |
| Improving Teacher Quality State Grants                                | 55,866        |
| Cooperative Agreement to Support Comprehensive School Health Programs | 170           |
| Career and Technical Education - Basic Grants to States               | 18,697        |
| Special Education Pass-Through - IDEA Grant                           | 112,450       |
| English Language Acquisition Grants                                   | 4,926         |
| Title VI Grants for Assessments and Related Activities                | 11,105        |
| Medicaid  | 54,550        |
|   | 482,988       |
| Total Revenue   | \$ 19,673,274 |

Continued

**LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2014**

Schedule 1 (Continued)

**Expenditures:**

**Instruction:**

Regular Instruction:

|          |              |
|----------|--------------|
| Salaries | \$ 7,151,200 |
| Benefits | 2,319,240    |
| Services | 497,390      |
| Supplies | 169,434      |
| Property | 32,993       |
|          | 10,170,257   |

Special Education Instruction:

|          |           |
|----------|-----------|
| Salaries | 1,611,996 |
| Benefits | 597,060   |
| Services | 303,702   |
| Supplies | 14,918    |
| Property | 226,357   |
|          | 2,754,033 |

Vocational Instruction:

|          |        |
|----------|--------|
| Supplies | 15,210 |
| Property | 3,794  |
|          | 19,004 |

Co-curricular Instruction:

|          |         |
|----------|---------|
| Salaries | 327,022 |
| Benefits | 53,700  |
| Services | 15,941  |
| Supplies | 702     |
|          | 397,365 |

Nonpublic Instruction:

|          |       |
|----------|-------|
| Supplies | 8,941 |
|          | 8,941 |

**Total Instruction**

13,349,600

**Support Services:**

**Student Services:**

Guidance Services:

|          |            |
|----------|------------|
| Salaries | 317,519    |
| Benefits | 108,390    |
| Supplies | 19,890     |
| Property | 205        |
|          | \$ 446,004 |

Continued

**LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2014**

Schedule 1 (Continued)

**Support Services (Continued):**

**Student Services (Continued):**

Health Services:

|          |    |         |
|----------|----|---------|
| Salaries | \$ | 69,562  |
| Benefits |    | 39,432  |
| Services |    | 237     |
| Supplies |    | 5,192   |
|          |    | 114,423 |

**Total Student Services**

560,427

**Support Services:**

**Instructional Staff Services:**

Improvement of Instruction Services:

|          |  |         |
|----------|--|---------|
| Salaries |  | 245,227 |
| Benefits |  | 76,679  |
| Services |  | 5,324   |
| Supplies |  | 3,785   |
|          |  | 331,015 |

Educational Media Services:

|          |  |         |
|----------|--|---------|
| Salaries |  | 170,790 |
| Benefits |  | 41,581  |
| Supplies |  | 22,629  |
|          |  | 235,000 |

Other Instructional Staff Support Services:

|          |  |         |
|----------|--|---------|
| Salaries |  | 132,700 |
| Benefits |  | 46,748  |
| Services |  | 18,387  |
| Supplies |  | 66,334  |
| Property |  | 25,391  |
|          |  | 289,560 |

**Total Instructional Staff Services**

855,575

**Support Services:**

**Administration Services:**

Executive Administration:

|          |    |         |
|----------|----|---------|
| Salaries |    | 263,778 |
| Benefits |    | 127,019 |
| Services |    | 76,508  |
| Supplies |    | 7,823   |
| Property |    | 195     |
|          | \$ | 475,323 |

Continued

**LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2014**

Schedule 1 (Continued)

**Support Services (Continued):**

**Administration Services (Continued):**

School Administration:

|          |    |           |
|----------|----|-----------|
| Salaries | \$ | 815,569   |
| Benefits |    | 398,686   |
| Services |    | 4,388     |
| Supplies |    | 3,272     |
| Property |    | 5,424     |
|          |    | 1,227,339 |

Business Administration:

|          |  |        |
|----------|--|--------|
| Salaries |  | 31,981 |
| Benefits |  | 16,546 |
| Services |  | 3,273  |
| Supplies |  | 31,681 |
| Property |  | 536    |
|          |  | 84,017 |

Board of Education:

|          |  |        |
|----------|--|--------|
| Services |  | 80,342 |
| Supplies |  | 2,215  |
|          |  | 82,557 |

**Total Administration Services:**

1,869,236

**Support Services:**

**Plant Operation and Maintenance:**

|          |  |           |
|----------|--|-----------|
| Salaries |  | 642,744   |
| Benefits |  | 262,008   |
| Services |  | 68,926    |
| Supplies |  | 459,831   |
| Property |  | 4,914     |
|          |  | 1,438,423 |

**Support Services:**

**Student Transportation:**

|          |  |         |
|----------|--|---------|
| Salaries |  | 428,432 |
| Benefits |  | 95,009  |
| Services |  | 34,488  |
| Supplies |  | 165,788 |
| Property |  | 324     |
|          |  | 724,041 |

**Total Support Services**

\$ 5,447,702

Continued

LE MARS COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
GENERAL FUND - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2014

Schedule 1 (Continued)

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|  |                            |
|--|----------------------------|
| <b>Other Expenditures:</b>                                       |                            |
| AEA Flow-Through   | \$ 885,980                 |
| Total Expenditures   | <u>19,683,282</u>          |
| (Deficiency) of Revenues Over Expenditures                       | <u>(10,008)</u>            |
| Other Financing Sources:   |                            |
| Transfers From Other Funds                                       | <u>24,159</u>              |
| Excess of Revenues and Other Financing Sources Over Expenditures | 14,151                     |
| Fund Balance - Beginning of Year                                 | <u>3,054,421</u>           |
| Fund Balance - End of Year                                       | <u><u>\$ 3,068,572</u></u> |

**LE MARS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2014**

|                            | Balance<br>June 30,<br>2013 | Revenues          | Expenditures      | Operating/<br>Intrafund<br>Transfers | Schedule 2<br>Balance<br>June 30,<br>2014 |
|----------------------------|-----------------------------|-------------------|-------------------|--------------------------------------|---|
| <b>Senior High</b>         |                             |                   |                   |                                      |   |
| Bark                       | \$ 5,844                    | \$ 14,234         | \$ 17,481         | \$ -                                 | \$ 2,597                                  |
| F.F.A.                     | 19,224                      | 35,720            | 35,513            | -                                    | 19,431                                    |
| Miscellaneous Music        | 6,632                       | 16,421            | 15,045            | -                                    | 8,008                                     |
| F.C.A.                     | 308                         | 694               | 500               | -                                    | 502                                       |
| Library Club               | 2,371                       | 463               | 808               | -                                    | 2,026                                     |
| Vocal Music                | 14,762                      | 157,321           | 168,833           | -                                    | 3,250                                     |
| Instrumental Music         | 11,115                      | 25,120            | 21,339            | -                                    | 14,896                                    |
| Music Orchestra            | 2,294                       | 12,062            | 8,899             | -                                    | 5,457                                     |
| Dance Team                 | 1,372                       | 21,467            | 18,719            | -                                    | 4,120                                     |
| Student Council            | 27,466                      | 85,353            | 71,116            | -                                    | 41,703                                    |
| Thespians                  | 3,000                       | 315               | 140               | -                                    | 3,175                                     |
| Spanish Club               | 2,558                       | 2,150             | 2,042             | -                                    | 2,666                                     |
| Drama                      | 8,023                       | 4,997             | 3,505             | -                                    | 9,515                                     |
| Trades and Industries      | 14,453                      | 3,231             | 7,836             | -                                    | 9,848                                     |
| Miscellaneous Athletics    | 59,130                      | 236,789           | 238,369           | -                                    | 57,550                                    |
| Clearing                   | -                           | 89,708            | 81,666            | (8,042)                              | -   |
| Cheerleaders               | 6,422                       | 11,366            | 9,069             | -                                    | 8,719                                     |
| Senior Class               | 938                         | 1,169             | 1,361             | -                                    | 746                                       |
| Junior Class               | -                           | 1,382             | 1,382             | -                                    | -   |
| Miscellaneous              | 141,777                     | 38,876            | 102,418           | -                                    | 78,235                                    |
| Technology Club            | 907                         | 355               | 609               | -                                    | 653                                       |
| Home Economics Club        | 752                         | 274               | 64                | -                                    | 962                                       |
| Math Club                  | 400                         | -                 | 153               | -                                    | 247                                       |
| Science Club               | 487                         | 2,660             | 3,045             | -                                    | 102                                       |
| Large Group Speech         | 8,096                       | 6,789             | 5,911             | -                                    | 8,974                                     |
| Individual Speech          | 8,811                       | 704               | 826               | -                                    | 8,689                                     |
| Basketball Scoreboard Club | 30,191                      | -                 | 1,778             | -                                    | 28,413                                    |
| Adaptive PE                | 43                          | -                 | -                 | -                                    | 43  |
| Make-A-Wish Club           | 2,939                       | -                 | 1,000             | -                                    | 1,939                                     |
| Madrigal Club              | 245                         | 5,060             | 4,608             | -                                    | 697                                       |
|                            | <b>\$ 380,560</b>           | <b>\$ 774,680</b> | <b>\$ 824,035</b> | <b>\$ (8,042)</b>                    | <b>\$ 323,163</b>                         |

(Continued)

**LE MARS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2014**

|                                 | Schedule 2 (Continued)      |                   |                   |                                      |                             |
|---------------------------------|-----------------------------|-------------------|-------------------|--------------------------------------|-----------------------------|
|                                 | Balance<br>June 30,<br>2013 | Revenues          | Expenditures      | Operating/<br>Intrafund<br>Transfers | Balance<br>June 30,<br>2014 |
| <b>Middle School</b>            |                             |                   |                   |                                      |                             |
| Miscellaneous                   | \$ 3,260                    | \$ 2,328          | \$ 1,663          | \$ -                                 | \$ 3,925                    |
| Student Council                 | 10,595                      | 13,157            | 8,766             | -                                    | 14,986                      |
| Library                         | 990                         | 3,646             | 3,667             | -                                    | 969                         |
| Clearing                        | 665                         | 17,586            | 8,916             | (8,466)                              | 869                         |
| Music                           | 1,591                       | 7,649             | 4,990             | -                                    | 4,250                       |
| Musical                         | 5,096                       | 5,601             | 6,736             | -                                    | 3,961                       |
| Instrument Rental               | 4,083                       | 125               | 227               | -                                    | 3,981                       |
| Family & Consumer Science       | 302                         | 6,188             | 6,017             | -                                    | 473                         |
| Art                             | 511                         | -                 | -                 | -                                    | 511                         |
|                                 | <u>27,093</u>               | <u>56,280</u>     | <u>40,982</u>     | <u>(8,466)</u>                       | <u>33,925</u>               |
| <b>Elementary School</b>        | <u>24,135</u>               | <u>40,515</u>     | <u>27,131</u>     | <u>(15,423)</u>                      | <u>22,096</u>               |
| <b>Total for Activity Funds</b> | <u>\$ 431,788</u>           | <u>\$ 871,475</u> | <u>\$ 892,148</u> | <u>\$ (31,931)</u>                   | <u>\$ 379,184</u>           |

**LEMARS COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
 AGENCY FUND  
 FOR THE YEAR ENDED JUNE 30, 2014**

|                             |                     |                   |                   | <b>Schedule 3</b>    |
|-----------------------------|---------------------|-------------------|-------------------|----------------------|
|                             | <b>Balance</b>      |                   |                   | <b>Balance</b>       |
|                             | <b>July 1, 2013</b> | <b>Additions</b>  | <b>Deductions</b> | <b>June 30, 2014</b> |
| <b><u>FLEX</u></b>          |                     |                   |                   |                      |
| <u>Assets</u>               |                     |                   |                   |                      |
| Cash and Pooled Investments | \$ 18,116           | \$ 120,732        | \$ 112,043        | \$ 26,805            |
| Total Assets                | <u>18,116</u>       | <u>120,732</u>    | <u>112,043</u>    | <u>26,805</u>        |
| <u>Liabilities</u>          |                     |                   |                   |                      |
| Other Payables              | 18,116              | 120,732           | 112,043           | 26,805               |
| Total Liabilities           | <u>\$ 18,116</u>    | <u>\$ 120,732</u> | <u>\$ 112,043</u> | <u>\$ 26,805</u>     |

**LE MARS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE TEN YEARS ENDED JUNE 30, 2014**

|                                    | Modified Accrual Basis of Accounting |                      |                     |                      |                      |
|------------------------------------|--------------------------------------|----------------------|---------------------|----------------------|----------------------|
|                                    | 2014                                 | 2013                 | 2012                | 2011                 | 2010                 |
| <b>Revenues:</b>                   |                                      |                      |                     |                      |                      |
| Local Sources:                     |                                      |                      |                     |                      |                      |
| Local Tax                          | \$ 9,563,859                         | \$ 9,501,509         | \$ 9,416,399        | \$ 8,851,041         | \$ 8,107,279         |
| Tuition                            | 308,148                              | 267,948              | 384,513             | 341,877              | 418,088              |
| Other                              | 1,145,228                            | 984,153              | 826,638             | 1,022,808            | 971,973              |
| Intermediate Sources               | -                                    | -                    | -                   | -                    | -                    |
| State Sources                      | 11,701,629                           | 10,720,020           | 10,953,395          | 10,681,236           | 9,496,323            |
| Federal Sources                    | 482,988                              | 496,299              | 549,936             | 1,306,757            | 1,631,881            |
| <b>Total</b>                       | <b>23,201,852</b>                    | <b>21,969,929</b>    | <b>22,130,881</b>   | <b>22,203,719</b>    | <b>20,625,544</b>    |
| <b>Expenditures:</b>               |                                      |                      |                     |                      |                      |
| Instruction:                       |                                      |                      |                     |                      |                      |
| Regular                            | 10,559,490                           | 10,190,639           | 9,897,332           | 9,448,027            | 9,654,607            |
| Special                            | 2,754,033                            | 2,446,884            | 2,369,532           | 2,359,238            | 2,409,307            |
| Other                              | 1,317,458                            | 1,020,827            | 924,902             | 969,477              | 1,024,017            |
| Support Services:                  |                                      |                      |                     |                      |                      |
| Student                            | 560,427                              | 564,480              | 505,454             | 524,518              | 516,667              |
| Instructional Staff                | 855,575                              | 813,691              | 772,058             | 758,813              | 765,408              |
| Administration                     | 1,869,236                            | 1,645,674            | 1,568,346           | 1,453,631            | 1,525,895            |
| Operation and maintenance of plant | 1,506,041                            | 1,437,132            | 1,309,084           | 1,248,967            | 1,252,760            |
| Transportation                     | 741,840                              | 699,417              | 704,515             | 701,634              | 701,436              |
| Non-instructional programs         | -                                    | -                    | -                   | -                    | -                    |
| Other Expenditures:                |                                      |                      |                     |                      |                      |
| Facilities Acquisition             | 1,344,343                            | 934,130              | 5,903,328           | 3,267,019            | 998,090              |
| Long-term debt:                    |                                      |                      |                     |                      |                      |
| Principal                          | 665,000                              | 500,000              | 575,000             | 530,000              | 515,000              |
| Interest and other charges         | 218,900                              | 229,550              | 198,338             | 132,328              | 63,180               |
| AEA Flowthrough                    | 885,980                              | 828,651              | 826,793             | 913,065              | 905,931              |
| <b>Total</b>                       | <b>\$ 23,278,323</b>                 | <b>\$ 21,311,075</b> | <b>\$25,554,682</b> | <b>\$ 22,306,717</b> | <b>\$ 20,332,298</b> |

**Schedule 4**

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

**LE MARS COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Schedule 5**

| <b>Grantor/Program</b>  | <b>CFDA<br/>Number</b> | <b>Grant<br/>Number</b> | <b>Expenditures</b>      |
|---|------------------------|-------------------------|--------------------------|
| Indirect:   |                        |                         |                          |
| U.S. Department of Agriculture:   |                        |                         |                          |
| Iowa Department of Education:   |                        |                         |                          |
| School Nutrition Cluster Programs:  |                        |                         |                          |
| School Breakfast Program  | 10.553                 | FY14                    | \$ 55,317                |
| National School Lunch Program   | 10.555                 | FY14                    | 398,223 *                |
|   |                        |                         | <u>453,540</u>           |
| U.S. Department of Education:   |                        |                         |                          |
| Iowa Department of Education:   |                        |                         |                          |
| Title I Grants to Local Educational Agencies  | 84.010                 | FY14                    | 225,224                  |
| Career and Technical Education - Basic Grants to States   | 84.048                 | FY14                    | 18,697                   |
| Improving Teacher Quality State Grants  | 84.367                 | FY14                    | 55,866                   |
| Grants for State Assessments and Related Activities   | 84.369                 | FY14                    | 11,105                   |
| Northwest Area Education Agency   |                        |                         |                          |
| Special Education - Grants to States  | 84.027                 | FY14                    | 112,450                  |
| English Language Acquisition Grants   | 84.365                 | FY14                    | 4,926                    |
| U.S. Department of Health & Human Services  |                        |                         |                          |
| Iowa Department of Education:   |                        |                         |                          |
| Cooperative Agreements to Support Comprehensive<br>School Health Programs to Prevent the Spread of HIV<br>and Other Important Health Problems | 93.938                 | FY14                    | <u>169</u>               |
| <b>Total</b>  |                        |                         | <u><u>\$ 881,977</u></u> |

\* - Includes \$69,566 of non-cash awards.

**BASIS OF PRESENTATION**

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

**LE MARS COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014**

**Schedule 6**

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

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

**LE MARS COMMUNITY SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2014**

Schedule 6 (Continued)

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

**INSTANCES OF NON-COMPLIANCE:**

**No matters were reported.**

**There were no prior year audit findings.**

**MATERIAL WEAKNESS:**

**II-A-14 Financial Reporting**

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

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

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

Conclusion – Response accepted.

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

**INSTANCES OF NON-COMPLIANCE:**

**No matters were reported.**

**SIGNIFICANT DEFICIENCIES:**

**No matters were reported.**

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

IV-A-14      Certified Budget – Expenditures for the year ended June 30, 2014 exceeded the amounts budgeted in the instruction program function.

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

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

Conclusion – Response accepted.

IV-B-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.

**LE MARS COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014**

**Schedule 6 (Continued)**

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

- IV-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.
- IV-D-14      Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-14      Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-14      Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-14      Certified Enrollment – A variance of (0.10) was identified in basic enrollment data certified to the Iowa Department of Education in October, 2013. This variance was discovered by the Department of Education and the District agrees with the variance.
- IV-H-14      Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-14      Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-14      Certified Annual Report – The Certified Annual Report was certified timely to the Department of Education.
- IV-K-14      Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-14      Construction Contracts – The District did not advertise for sealed bids or publish notice of the public hearing in accordance with Chapter 26.3, Chapter 26.12 and Chapter 362.3 of the Code of Iowa for a public improvement with total cost exceeding the competitive bid threshold established under Chapter 26.3 of the Code of Iowa
- Recommendation – Construction contracts in excess of competitive bid threshold as set by Chapters 26.3 should be properly published in accordance with Chapter 26.3, Chapter 26.12 and Chapter 362.3 of the Code of Iowa.
- Response – Future construction contracts will be published as required by the Code of Iowa.
- Conclusion – Response accepted.

**LE MARS COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014**

**Schedule 6 (Continued)**

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

IV-L-14      Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

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

|                                    |                |                  |                     |
|------------------------------------|----------------|------------------|---------------------|
| Beginning Balance                  |                | \$ 3,983,784     |                     |
| Revenues:                          |                |                  |                     |
| Sales tax revenues                 | \$ 1,835,508   |                  |                     |
| Other local revenues               | <u>11,193</u>  | <u>1,846,701</u> |                     |
|                                    |                |                  | 5,830,485           |
| Expenditures:                      |                |                  |                     |
| School infrastructure construction | 1,007,115      |                  |                     |
| Other                              | 1,000          |                  |                     |
| Transfers to debt service fund     | <u>891,193</u> | <u>1,899,308</u> |                     |
| Ending Balance                     |                |                  | <u>\$ 3,931,177</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.

IV-M-14      Student Activity Fund – In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. All accounts reported in the Special Revenue, Student Activity Fund appear to be extracurricular or co-curricular in nature.

**Part V: Findings – Year Ended June 30, 2013**

There were no prior year audit findings.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the LE MARS COMMUNITY SCHOOL DISTRICT, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Le Mars Community School District's basic financial statements, and have issued our report thereon dated October 21, 2014.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item II-A-14 to be a material weakness.

**Compliance and Other Matters**

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

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

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

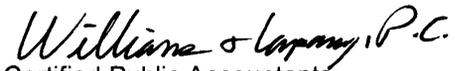
### **Le Mars Community School District's Response to Findings**

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

### **Purpose of this Report**

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

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

  
Certified Public Accountants

Le Mars, Iowa  
October 21, 2014



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

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

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

We have audited the LE MARS COMMUNITY SCHOOL DISTRICT's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. Le Mars Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

### **Opinion on Each Major Federal Program**

In our opinion, the Le Mars Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

### **Report on Internal Control Over Compliance**

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

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

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

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

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

*Williams & Langley, P.L.L.C.*  
Certified Public Accountants

Le Mars, Iowa  
October 21, 2014