

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

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

YEAR ENDED JUNE 30, 2015

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

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Laurens-Marathon Community School District
Laurens, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

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

School Officials

Jeff Kruse	Superintendent	2015
Carol Collins	Business Manager	2015
Hilary Reed	District Secretary	2015
Rick Engel	Attorney	Indefinite

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Laurens-Marathon Community School District, Laurens, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Laurens-Marathon Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 14 to the financial statements, Laurens-Marathon Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management’s Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District’s Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 16 and 59 through 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Laurens-Marathon Community School District’s basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. Other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2011 (which are not presented herein) and expressed unmodified opinions on those financial

statements. The supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 23, 2016 on our consideration of Laurens-Marathon Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Laurens-Marathon Community School District's internal control over financial reporting and compliance.

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

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

March 23, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Laurens-Marathon Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,269,859 in fiscal year 2014 to \$3,376,519 in fiscal year 2015, while General Fund expenditures decreased from \$3,898,285 in fiscal year 2014 to \$3,438,626 in fiscal year 2015. The District's General Fund balance decreased from \$81,041 at the end of fiscal year 2014 to \$80,126 at the end of fiscal year 2015, a 1% decrease.
- The fiscal year 2015 General Fund revenue increase was attributable to increases in local tuition and other local revenue, and state revenue. The decrease in expenditures was due primarily to a decrease in instruction and support service costs. As a result, the District funded the shortfall in revenue from the carryover fund balance.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

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

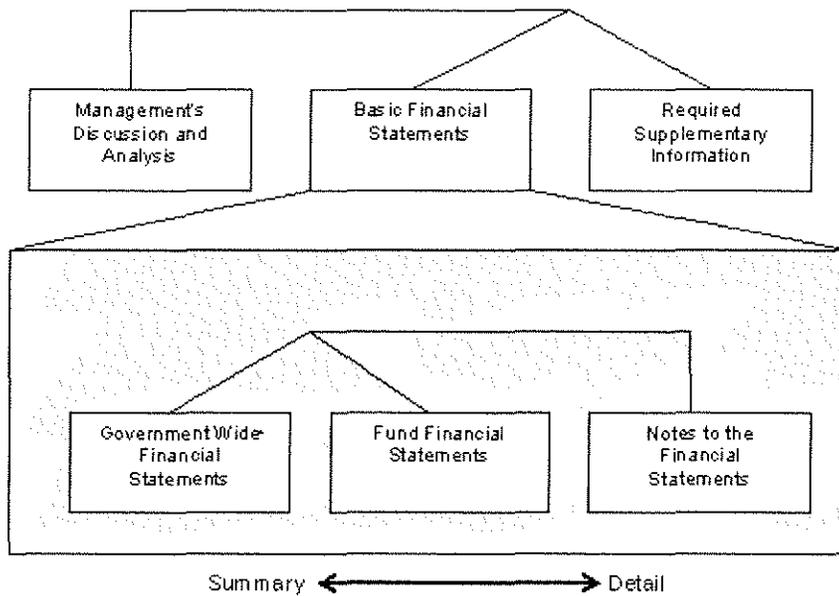


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2014 (Not restated)	2014-2015					
Current and other assets	\$ 4,954	4,462	34	25	4,988	4,487	11.2%
Capital assets	<u>2,561</u>	<u>2,515</u>	<u>7</u>	<u>10</u>	<u>2,568</u>	<u>2,525</u>	<u>1.7%</u>
Total assets	<u>7,515</u>	<u>6,977</u>	<u>41</u>	<u>35</u>	<u>7,556</u>	<u>7,012</u>	<u>7.8%</u>
Deferred outflows of resources	<u>230</u>	---	<u>7</u>	---	<u>237</u>	---	<u>100.0%</u>
Long-term liabilities	1,924	440	40	---	1,964	440	346.4%
Other liabilities	<u>187</u>	<u>170</u>	<u>4</u>	<u>8</u>	<u>191</u>	<u>178</u>	<u>7.3%</u>
Total liabilities	<u>2,111</u>	<u>610</u>	<u>44</u>	<u>8</u>	<u>2,155</u>	<u>618</u>	<u>248.7%</u>
Deferred inflows of resources	<u>2,617</u>	<u>1,784</u>	<u>18</u>	---	<u>2,635</u>	<u>1,784</u>	<u>47.7%</u>
Net position:							
Net investment in capital assets	2,257	2,325	7	10	2,264	2,335	-3.0%
Restricted	2,603	2,316	---	---	2,603	2,316	12.4%
Unrestricted	<u>(1,843)</u>	<u>(58)</u>	<u>(21)</u>	<u>17</u>	<u>(1,864)</u>	<u>(41)</u>	<u>-4,446.3%</u>
Total net position	<u>\$ 3,017</u>	<u>4,583</u>	<u>(14)</u>	<u>27</u>	<u>3,003</u>	<u>4,610</u>	<u>-34.9%</u>

The District's total net position decreased 34.9%, or approximately \$1,607,000 from the prior year. A portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$287,000 or 12% from the prior year. The increase was primarily a result of an increase in unspent categorical funding, school infrastructure funds and physical plant and equipment levy.

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 \$1,823,000 or 4,446%. This reduction in unrestricted net position was primarily a result of the District's net pension liability and pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$1,749,868 and \$54,259, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-2015
Revenues:							
Program revenues:							
Charges for service	\$ 206	258	54	72	260	330	-21.2%
Operating grants, contributions and restricted interest	613	619	149	139	762	758	0.5%
General revenues:							
Property tax	1,783	1,944	---	---	1,783	1,944	-8.3%
Statewide sales, services and use tax	297	283	---	---	297	283	4.9%
Income surtax	148	161	---	---	148	161	-8.1%
Unrestricted state grants	1,140	1,068	---	---	1,140	1,068	6.7%
Unrestricted investment earnings	1	---	---	---	1	---	100.0%
Other	66	18	---	---	66	18	266.7%
Gain (loss) on disposal of capital assets	(58)	---	---	---	(58)	---	-100.0%
Total revenues	4,196	4,351	203	211	4,399	4,562	-3.6%
Program expenses:							
Instruction	2,650	2,820	---	---	2,650	2,820	-6.0%
Support services	1,108	1,455	1	2	1,109	1,457	-23.9%
Non-instructional programs	---	---	189	201	189	201	-6.0%
Other expenses	254	229	---	---	254	229	10.9%
Total expenses	4,012	4,504	190	203	4,202	4,707	-10.7%
Change in net position	184	(153)	13	8	197	(145)	235.9%
Net position beginning of year, as restated	<u>2,833</u>	<u>4,736</u>	<u>(27)</u>	<u>19</u>	<u>2,806</u>	<u>4,755</u>	<u>-41.0%</u>
Net position end of year	\$ 3,017	4,583	(14)	27	3,003	4,610	-34.9%

In fiscal year 2015, property tax and unrestricted state grants account for 69.7% of governmental activities revenue while charges for service and operating grants and contributions account for all of the revenue from business type activities.

The District's total revenues were approximately \$4.4 million, of which approximately \$4.2 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an 3.6% decrease in revenues and a 10.7% decrease in expenses.

Governmental Activities

Revenues for governmental activities were \$4,196,347 and expenses were \$4,012,518 for the year ended June 30, 2015. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

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

	Total Cost of Services			Net Cost of Services		
	2015	2014	Change 2014-2015	2015	2014	Change 2014-2015
Instruction	\$2,650	2,820	-6.0%	1,988	2,117	-6.1%
Support services	1,108	1,455	-23.8%	1,089	1,431	-23.9%
Non-instructional programs	---	---	0.0%	---	---	0.0%
Other expenses	254	229	10.9%	117	79	48.1%
Total	\$4,012	4,504	-10.9%	3,194	3,627	-11.9%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$205,693.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$613,115.
- The net cost of governmental activities was financed with \$2,228,442 in property and other taxes and \$1,139,984 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2015 were \$203,519, representing a 3.4% decrease from the prior year, while expenses totaled \$190,246, a 6.2% decrease from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2015, the District increased meal prices. This increase resulted in keeping revenue in the School Nutrition Fund above expenses.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,596,420, above last year's restated ending fund balances of \$2,364,255.

Governmental Fund Highlights

- The General Fund balance decreased from \$81,041 to \$80,126 as the District was able to trim expenditures to match to available revenues.
- The Management Fund balance increased from \$599,484 to \$607,898. Although property tax revenue was well less than the prior year it was close to the expenditures for the year.
- The Capital Projects Fund balance increased from \$946,595 in fiscal 2014 to \$1,247,249 in fiscal 2015.

Proprietary Fund Highlights

School Nutrition Fund net position increased from deficit of \$27,275 at June 30, 2014 to a deficit \$14,002 at June 30, 2015, representing an increase of approximately 49%. Total revenue and expenses were less than last year and fee increases were enough to cover the increase in food costs resulting in an increase in the net position of the Nutrition Fund.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$11,776 more than total budgeted revenues, a variance of 0.3%.

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

In spite of the District’s budgetary practice, the certified budget was exceeded in the instruction functional area due to timing of expenditures at year-end without sufficient time to amend the certified budget. The District also exceeded its unspent authorized budget for the year ended June 30, 2015.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested approximately \$2.6 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 1.7% from last year. More detailed information about the District’s capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$212,550.

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

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$ 40	40	---	---	40	40	0.0%
Buildings	1,999	2,062	---	---	1,999	2,062	-3.1%
Improvements other than buildings	20	21	---	---	20	21	-4.8%
Furniture and equipment	<u>502</u>	<u>391</u>	<u>7</u>	<u>10</u>	<u>509</u>	<u>401</u>	<u>26.9%</u>
Total	<u>\$ 2,561</u>	<u>2,514</u>	<u>7</u>	<u>10</u>	<u>2,568</u>	<u>2,524</u>	<u>1.7%</u>

Long-Term Debt

At June 30, 2015, the District had \$354,111 in total long-term debt outstanding. This represents an increase of approximately 59% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

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

	Total District	Total Change	
	June 30,	June 30,	
	2015	2014	2014-2015
Capital loan notes	\$ 130	190	-31.6%
Computer lease purchase obligation	174	---	100.0%
Termination benefits	50	32	56.3%
Total	\$ 354	222	59.5%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Laurens-Marathon has been facing declining enrollment for the past several years. Since 2009 enrollment has declined from 353 students to 320 students. Open enrollment out has increased from 35 students in 2009 to more than 55 students in 2015 while open enrollment in students was down to 8 in 2015. Record low state supplemental rate increases have also crippled the District in recent years.
- The District will be making reductions to meet the current financial overspending of the District as required in the District's work-out plan with the SBRC. Partial day sharing for grades 9-12 will begin in the 2015-2016 school year with Pocahontas Area Schools.
- The District is working to create instructional programming to meet guidelines of the restricted funding streams such as Title I, At-Risk/Drop-out Prevention, and Preschool which meets the needs of the students. The District has accumulated larger balances of restricted funds in recent years while diligently working to improve the financial health and stability of the District. The District believes improving these additional instructional services will not only increase test scores and create a well-rounded educational program, but will also be attractive to current and prospective students.
- The District is utilizing Operational Sharing incentives for the superintendent, curriculum director, business manager, and human resources director for the current and upcoming years in order to benefit not only from the supplemental weighting but also more efficiently use qualified staff members at the District.

- The District works diligently and plans creatively to meet and exceed the needs of the students and families in the area. Low income and transient populations have different needs than what the District may have served in the past years. A recent downturn in the agricultural economy of the area also affects the income of a portion of the community.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit A

Statement of Net Position

June 30, 2015

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Assets			
Cash, cash equivalents and pooled investments	\$ 2,119,876	24,357	2,144,233
Land held in trust	474,360	-	474,360
Receivables:			
Property tax:			
Delinquent	18,815	-	18,815
Succeeding year	2,021,055	-	2,021,055
Accounts	-	929	929
Due from other governments	320,071	6,309	326,380
Inventories	-	2,555	2,555
Capital assets, net of accumulated depreciation	2,560,772	7,322	2,568,094
Total assets	7,514,949	41,472	7,556,421
Deferred Outflows of Resources			
Pension related deferred outflows	230,144	7,136	237,280
Liabilities			
Accounts payable	171,639	-	171,639
Accrued interest payable	4,334	-	4,334
Unearned revenue	-	3,842	3,842
Advances from grantors	11,548	-	11,548
Long-term liabilities:			
Portion due within one year:			
Capital loan notes	65,000	-	65,000
Computer lease payable	56,672	-	56,672
Early retirement payable	50,000	-	50,000
Portion due after one year:			
Capital loan notes	65,000	-	65,000
Computer lease payable	117,439	-	117,439
Net pension liability	1,299,617	40,298	1,339,915
Net OPEB liability	270,016	-	270,016
Total liabilities	2,111,265	44,140	2,155,405

(continued)

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit A

Statement of Net Position

June 30, 2015

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Deferred Inflows of Resources			
Unavailable property tax revenue	2,021,055	-	2,021,055
Pension related deferred inflows	<u>595,644</u>	<u>18,470</u>	<u>614,114</u>
Total deferred inflows of resources	<u>2,616,699</u>	<u>18,470</u>	<u>2,635,169</u>
 Net Position			
Net investment in capital assets	2,256,661	7,322	2,263,983
Restricted for:			
Categorical funding	136,674	-	136,674
Management levy purposes	557,898	-	557,898
Public education and recreation levy purposes	20,886	-	20,886
School infrastructure	846,085	-	846,085
Physical plant and equipment	401,164	-	401,164
Student activities	59,012	-	59,012
Debt service	91,694	-	91,694
District support trust	489,555	-	489,555
Unrestricted	<u>(1,842,500)</u>	<u>(21,324)</u>	<u>(1,863,824)</u>
Total net position	<u>\$ 3,017,129</u>	<u>(14,002)</u>	<u>3,003,127</u>

See notes to financial statements.

Laurens-Marathon Community School District
 Laurens, Iowa
 Statement of Activities
 Year ended June 30, 2015

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,707,614	96,291	246,816	-
Special instruction	432,404	13,554	38,025	-
Other instruction	509,879	86,746	180,705	-
	<u>2,649,897</u>	<u>196,591</u>	<u>465,546</u>	<u>-</u>
Support services:				
Student	80,444	-	6,419	-
Instructional staff	64,712	8,243	2,837	-
Administration	346,125	-	415	-
Operation and maintenance of plant	444,368	600	-	-
Transportation	172,479	259	-	-
	<u>1,108,128</u>	<u>9,102</u>	<u>9,671</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	27,657	-	-	-
Long-term debt interest	12,150	-	-	-
AEA flowthrough	137,898	-	137,898	-
Depreciation (unallocated)*	76,788	-	-	-
	<u>254,493</u>	<u>-</u>	<u>137,898</u>	<u>-</u>
Total governmental activities	<u>4,012,518</u>	<u>205,693</u>	<u>613,115</u>	<u>-</u>
Business type activities:				
Support services:				
Administration	272	-	-	-
Operation and maintenance of plant	403	-	-	-
Non-instructional programs:				
Food service operations	189,571	54,291	149,215	-
Total business type activities	<u>190,246</u>	<u>54,291</u>	<u>149,215</u>	<u>-</u>
Total	<u>\$ 4,202,764</u>	<u>259,984</u>	<u>762,330</u>	<u>-</u>
General Revenues:				
Property tax levied for:				
General purposes				
Capital outlay				
Public education and recreation purposes				
Statewide sales, services and use tax				
Income surtax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Loss on sale of fixed assets				
Total general revenues				
Change in net position				
Net position beginning of year, as restated				
Net position end of year				

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

See notes to financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business Type Activities	Total
(1,364,507)	-	(1,364,507)
(380,825)	-	(380,825)
(242,428)	-	(242,428)
<u>(1,987,760)</u>	<u>-</u>	<u>(1,987,760)</u>
(74,025)	-	(74,025)
(53,632)	-	(53,632)
(345,710)	-	(345,710)
(443,768)	-	(443,768)
(172,220)	-	(172,220)
<u>(1,089,355)</u>	<u>-</u>	<u>(1,089,355)</u>
(27,657)	-	(27,657)
(12,150)	-	(12,150)
-	-	-
(76,788)	-	(76,788)
<u>(116,595)</u>	<u>-</u>	<u>(116,595)</u>
<u>(3,193,710)</u>	<u>-</u>	<u>(3,193,710)</u>
-	(272)	(272)
-	(403)	(403)
-	13,935	13,935
-	13,260	13,260
<u>(3,193,710)</u>	<u>13,260</u>	<u>(3,180,450)</u>
\$ 1,574,929	-	1,574,929
187,650	-	187,650
20,735	-	20,735
296,625	-	296,625
148,503	-	148,503
1,139,984	-	1,139,984
996	13	1,009
66,436	-	66,436
(58,319)	-	(58,319)
<u>3,377,539</u>	<u>13</u>	<u>3,377,552</u>
183,829	13,273	197,102
<u>2,833,300</u>	<u>(27,275)</u>	<u>2,806,025</u>
<u>\$ 3,017,129</u>	<u>(14,002)</u>	<u>3,003,127</u>

Laurens-Marathon Community School District
Laurens, Iowa

Balance Sheet
Governmental Funds

June 30, 2015

Assets	<u>General</u>	<u>Special Revenue Management</u>
Cash, cash equivalents and pooled investments	\$ 112,845	606,311
Land held in trust	-	-
Receivables:		
Property tax:		
Delinquent	15,060	1,587
Succeeding year	1,727,678	75,000
Due from other governments	200,230	-
Total assets	<u>\$ 2,055,813</u>	<u>682,898</u>
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities:		
Accounts payable	\$ 162,675	-
Advances from grantors	11,548	-
Total liabilities	<u>174,223</u>	<u>-</u>
Deferred inflows of resources:		
Unavailable revenues:		
Succeeding year property tax	1,727,678	75,000
Income surtax	73,786	-
Total deferred inflows of resources	<u>1,801,464</u>	<u>75,000</u>
Fund balances:		
Restricted for:		
Categorical funding	136,674	-
Debt service	-	-
Management levy purposes	-	607,898
District support purposes	-	-
Student activities	-	-
Public education and recreation levy purposes	-	-
School infrastructure	-	-
Physical plant and equipment	-	-
Assigned	20,860	-
Unassigned	(77,408)	-
Total fund balances	<u>80,126</u>	<u>607,898</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,055,813</u>	<u>682,898</u>

See notes to financial statements.

Exhibit C

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
91,694	1,201,141	101,942	2,113,933
-	-	474,360	474,360
-	1,949	219	18,815
-	197,341	21,036	2,021,055
-	119,841	-	320,071
<u>91,694</u>	<u>1,520,272</u>	<u>597,557</u>	<u>4,948,234</u>
-	1,896	7,068	171,639
-	-	-	11,548
-	<u>1,896</u>	<u>7,068</u>	<u>183,187</u>
-	197,341	21,036	2,021,055
-	73,786	-	147,572
-	<u>271,127</u>	<u>21,036</u>	<u>2,168,627</u>
-	-	-	136,674
91,694	-	-	91,694
-	-	-	607,898
-	-	489,555	489,555
-	-	59,012	59,012
-	-	20,886	20,886
-	846,085	-	846,085
-	401,164	-	401,164
-	-	-	20,860
-	-	-	(77,408)
<u>91,694</u>	<u>1,247,249</u>	<u>569,453</u>	<u>2,596,420</u>
<u>91,694</u>	<u>1,520,272</u>	<u>597,557</u>	<u>4,948,234</u>

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit D

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

June 30, 2015

Total fund balances of governmental funds (page 22) **\$ 2,596,420**

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 2,560,772

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 147,572

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. (4,334)

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 230,144	
Deferred inflows of resources	<u>(595,644)</u>	(365,500)

Long-term liabilities, including notes and lease payable, early retirement payable, other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (1,923,744)

An internal service fund is used by the District to charge costs of the employee flexible benefit program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. 5,943

Net position of governmental activities (page 18) **\$ 3,017,129**

See notes to financial statements.

Laurens-Marathon Community School District
 Laurens, Iowa
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 Year ended June 30, 2015

	<u>General</u>	<u>Special Revenue Management</u>	<u>Debt Service</u>
Revenues:			
Local sources:			
Local tax	\$ 1,492,936	149,972	-
Tuition	66,175	-	-
Other	87,652	4,206	60
State sources	1,612,224	1,049	-
Federal sources	117,532	45	-
Total revenues	<u>3,376,519</u>	<u>155,272</u>	<u>60</u>
Expenditures:			
Current:			
Instruction:			
Regular	1,577,347	28,366	-
Special	436,560	-	-
Other	438,147	-	-
	<u>2,452,054</u>	<u>28,366</u>	<u>-</u>
Support services:			
Student	82,558	-	-
Instructional staff	63,136	-	-
Administration	323,931	-	-
Operation and maintenance of plant	249,661	118,252	-
Transportation	129,388	240	-
	<u>848,674</u>	<u>118,492</u>	<u>-</u>
Other expenditures:			
Facilities acquisition	-	-	-
Long-term debt:			
Principal	-	-	60,000
Interest and fiscal charges	-	-	8,479
AEA flowthrough	137,898	-	-
	<u>137,898</u>	<u>-</u>	<u>68,479</u>
Total expenditures	<u>3,438,626</u>	<u>146,858</u>	<u>68,479</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(62,107)</u>	<u>8,414</u>	<u>(68,419)</u>
Other financing sources (uses):			
Operating transfer in	44,898	-	68,452
Operating transfer out	-	-	-
Proceeds from sale of fixed assets	16,294	-	-
Lease purchase obligation issued	-	-	-
Total other financing sources (uses)	<u>61,192</u>	<u>-</u>	<u>68,452</u>
Change in fund balances	(915)	8,414	33
Fund balances beginning of year	81,041	599,484	91,661
Fund balances end of year	<u>\$ 80,126</u>	<u>607,898</u>	<u>91,694</u>

See notes to financial statements.

Exhibit E

<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
255,630	20,735	1,919,273
-	-	66,175
32,487	103,299	227,704
297,916	145	1,911,334
54	6	117,637
<u>586,087</u>	<u>124,185</u>	<u>4,242,123</u>
264,009	-	1,869,722
-	-	436,560
-	78,544	516,691
<u>264,009</u>	<u>78,544</u>	<u>2,822,973</u>
-	-	82,558
-	-	63,136
13,263	-	337,194
-	76,764	444,677
<u>38,078</u>	<u>-</u>	<u>167,706</u>
<u>51,341</u>	<u>76,764</u>	<u>1,095,271</u>
75,742	-	75,742
-	-	60,000
-	-	8,479
-	-	137,898
<u>75,742</u>	<u>-</u>	<u>282,119</u>
<u>391,092</u>	<u>155,308</u>	<u>4,200,363</u>
<u>194,995</u>	<u>(31,123)</u>	<u>41,760</u>
-	-	113,350
(68,452)	(44,898)	(113,350)
-	-	16,294
174,111	-	174,111
<u>105,659</u>	<u>(44,898)</u>	<u>190,405</u>
300,654	(76,021)	232,165
<u>946,595</u>	<u>645,474</u>	<u>2,364,255</u>
<u>1,247,249</u>	<u>569,453</u>	<u>2,596,420</u>

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit F

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

Year ended June 30, 2015

Change in fund balances - total governmental funds (page 25) \$ 232,165

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

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

Expenditures for capital assets	\$ 330,388	
Depreciation expense	(209,767)	
Proceeds from sale of fixed assets	(16,294)	
Loss on sale of assets	<u>(58,319)</u>	46,008

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

12,544

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

Issued	(174,111)	
Repaid	<u>60,000</u>	(114,111)

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit F

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

Year ended June 30, 2015

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (3,671)

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 158,665

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

Early retirement	(17,576)	
Pension expense	(73,915)	
Other postemployment benefits	<u>(52,754)</u>	(144,245)

An internal service fund is used to charge the cost of the flex spending plan to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities. (3,526)

Change in net position of governmental activities (page 20) \$ 183,829

See notes to financial statements.

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit G

Statement of Net Position
Proprietary Fund

June 30, 2015

	Enterprise, School <u>Nutrition</u>	Governmental Activities - Internal <u>Service Fund</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 24,357	5,943
Accounts receivable	929	-
Due from other governments	6,309	-
Inventories	2,555	-
Total current assets	<u>34,150</u>	<u>5,943</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>7,322</u>	-
Total noncurrent assets	<u>7,322</u>	-
Total assets	<u>41,472</u>	<u>5,943</u>
Deferred Outflows of Resources		
Pension related deferred outflows	<u>7,136</u>	-
Liabilities		
Current liabilities:		
Unearned revenues	<u>3,842</u>	-
Total current liabilities	<u>3,842</u>	-
Noncurrent liabilities		
Net pension liability	<u>40,298</u>	-
Total noncurrent liabilities	<u>40,298</u>	-
Total liabilities	<u>44,140</u>	-
Deferred Inflows of Resources		
Pension related deferred inflows	<u>18,470</u>	-
Net Position		
Net investment in capital assets	7,322	-
Unrestricted	<u>(21,324)</u>	<u>5,943</u>
Total net position	<u>\$ (14,002)</u>	<u>5,943</u>
See notes to financial statements		

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit H

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

Year ended June 30, 2015

	Enterprise, School <u>Nutrition</u>	Governmental Activities - Internal <u>Service Fund</u>
Operating revenues:		
Local sources:		
Charges for service	\$ 54,290	17,080
Total operating revenues	<u>54,290</u>	<u>17,080</u>
Operating expenses:		
Support services:		
Administration	272	54
Operation and maintenance of plant	403	-
	<u>675</u>	<u>54</u>
Non-instructional programs:		
Salaries	56,953	-
Benefits	6,958	20,555
Purchased services	779	-
Supplies	122,098	-
Depreciation	2,783	-
	<u>189,571</u>	<u>20,555</u>
Total operating expenses	<u>190,246</u>	<u>20,609</u>
Operating loss	<u>(135,956)</u>	<u>(3,529)</u>
Non-operating revenues:		
State sources	1,498	-
Federal sources	147,718	-
Interest income	13	3
Total non-operating revenues	<u>149,229</u>	<u>3</u>
Increase (decrease) in net position	13,273	(3,526)
Net position beginning of year, as restated	<u>(27,275)</u>	<u>9,469</u>
Net position end of year	<u>\$ (14,002)</u>	<u>5,943</u>

See notes to financial statements.

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2015

	Enterprise, School <u>Nutrition</u>	Governmental Activities - Internal <u>Service Fund</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 55,976	-
Cash received from miscellaneous operating activities	-	17,080
Cash paid to employees for services	(66,538)	(20,555)
Cash paid to suppliers for goods or services	<u>(109,660)</u>	<u>(54)</u>
Net cash used by operating activities	<u>(120,222)</u>	<u>(3,529)</u>
Cash flows from non-capital financing activities:		
State grants received	1,498	-
Federal grants received	<u>125,278</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>126,776</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>13</u>	<u>3</u>
Net increase (decrease) in cash and cash equivalents	6,567	(3,526)
Cash and cash equivalents beginning of year	<u>17,790</u>	<u>9,469</u>
Cash and cash equivalents end of year	<u>\$ 24,357</u>	<u>5,943</u>

See notes to financial statements.

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2015

	Enterprise, School <u>Nutrition</u>	Governmental Activities - Internal <u>Service Fund</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (135,956)	(3,529)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	13,574	-
Depreciation	2,783	-
(Increase) in accounts receivable	(519)	-
Decrease in inventories	318	-
Increase in unearned revenue	2,205	-
(Decrease) in net pension liability	(19,899)	-
(Increase) in deferred outflows of resources	(1,198)	-
Increase in deferred inflows of resources	<u>18,470</u>	<u>-</u>
 Net cash used by operating activities	 <u>\$ (120,222)</u>	 <u>(3,529)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$13,574 of federal commodities.

See notes to financial statements.

Laurens-Marathon Community School District
 Laurens, Iowa

Exhibit J

Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2015

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets		
Cash, cash equivalents and pooled investments	\$ 315,453	6,900
Total assets	<u>315,453</u>	<u>6,900</u>
Liabilities		
Other payables	-	6,900
Total liabilities	<u>-</u>	<u>6,900</u>
Net position		
Reserved for scholarships	<u>\$ 315,453</u>	<u>-</u>

See notes to financial statements.

Laurens-Marathon Community School District
Laurens, Iowa

Exhibit K

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2015

	Private Purpose <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 26,566
Interest income	<u>1,138</u>
Total additions	<u>27,704</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>51,366</u>
Total deductions	<u>51,366</u>
Change in net position	(23,662)
Net position beginning of year	<u>339,115</u>
Net position end of year	<u><u>\$ 315,453</u></u>

See notes to financial statements.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2015

B. Basis of Presentation

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

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

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

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

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

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

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2015

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

The District reports the following major governmental funds:

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

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

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

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

The District reports the following major proprietary fund:

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

The District also reports the following additional proprietary fund:

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

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2015

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

Laurens-Marathon Community School District
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Notes to Financial Statements

June 30, 2015

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise 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.

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

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2015

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2015

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

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

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

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

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

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

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2015

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expenses and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Unearned Revenues – Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Position in the Proprietary, School Nutrition Fund.

Advances from Grantors – Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation hours for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. There is no liability at June 30, 2015.

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.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Laurens-Marathon Community School District
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Notes to Financial Statements

June 30, 2015

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

Assigned – Amounts the Board intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the instruction function and the District exceeded its General Fund unspent authorized budget.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2015

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$444,795 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standards & Poor's Financial Services.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: District Support Trust	\$ 44,898
Debt Service	Capital Projects	<u>68,452</u>
Total		\$ <u>113,350</u>

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

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2015

(4) Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ <u>40,213</u>	---	---	<u>40,213</u>
Capital assets being depreciated:				
Buildings	3,525,547	4,792	---	3,530,339
Improvements other than buildings	191,303	---	---	191,303
Furniture and equipment	<u>2,273,981</u>	<u>325,596</u>	<u>(373,073)</u>	<u>2,226,504</u>
Total capital assets being depreciated	<u>5,990,831</u>	<u>330,388</u>	<u>(373,073)</u>	<u>5,948,146</u>
Less accumulated depreciation for:				
Buildings	1,463,097	68,120	---	1,531,217
Improvements other than buildings	170,301	1,227	---	171,528
Furniture and equipment	<u>1,882,882</u>	<u>140,420</u>	<u>(298,460)</u>	<u>1,724,842</u>
Total accumulated depreciation	<u>3,516,280</u>	<u>209,767</u>	<u>(298,460)</u>	<u>3,427,587</u>
Total capital assets being depreciated, net	<u>2,474,551</u>	<u>120,621</u>	<u>(74,613)</u>	<u>2,520,559</u>
Governmental activities capital assets, net	<u>\$ 2,514,764</u>	<u>120,621</u>	<u>(74,613)</u>	<u>2,560,772</u>
Business type activities:				
Furniture and equipment	\$ 70,227	---	---	70,227
Less accumulated depreciation	<u>60,122</u>	<u>2,783</u>	---	<u>62,905</u>
Business type activities capital assets, net	<u>\$ 10,105</u>	<u>(2,783)</u>	---	<u>7,322</u>

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2015

Depreciation expense was charged to the following functions:

Governmental activities:		
Instruction:		
Regular		\$ 76,277
Other		1,339
Support services:		
Instructional staff		2,023
Administration		7,419
Operation and maintenance of plant		1,560
Transportation		<u>44,361</u>
		132,979
Unallocated		<u>76,788</u>
Total depreciation expense – governmental activities		\$ <u>209,767</u>
Business type activities:		
Food service operations		\$ <u>2,783</u>

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Capital loan notes	\$ 190,000	---	60,000	130,000	65,000
Computer lease purchase obligation	---	174,111	---	174,111	56,672
Termination benefits	32,424	50,000	32,424	50,000	50,000
Net pension liability	1,941,355	---	641,738	1,299,617	---
Net OPEB liability	<u>217,262</u>	<u>52,754</u>	<u>---</u>	<u>270,016</u>	<u>---</u>
Total	\$ <u>2,381,041</u>	<u>276,865</u>	<u>734,162</u>	<u>1,923,744</u>	<u>171,672</u>
Business type activities:					
Net pension liability	\$ <u>60,197</u>	<u>---</u>	<u>19,899</u>	<u>40,298</u>	<u>---</u>

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2015

Capital Loan Notes

The District issued \$515,000 of Capital Loan Notes on August 25, 2008 for the remodeling of the existing facility. Details of the District's June 30, 2015 capital loan indebtedness are as follows:

Year Ending <u>June 30,</u>	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	4.20%	\$ 65,000	5,492	70,492
2017	4.25	<u>65,000</u>	<u>2,763</u>	<u>67,763</u>
Total		\$ <u>130,000</u>	<u>8,255</u>	<u>138,255</u>

Capital Lease Purchase Obligation

In July 2014, the District entered into a capital lease-purchase agreement with Apple Inc. to finance the purchase of computer equipment totaling \$174,111. The lease is financed for three years at an interest rate of 2.39%. The following is a schedule of the future minimum lease payments, including interest per annum, and the net present value of future minimum lease payments under the agreement at June 30, 2015:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ 60,833
2017	60,833
2018	60,833
Less amount representing interest	<u>(8,388)</u>
Net present value of minimum lease payments	\$ <u>174,111</u>

There were no payments under the agreement for the year ended June 30, 2015.

Termination Benefits

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

Laurens-Marathon Community School District
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Notes to Financial Statements

June 30, 2015

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

In fiscal year 2015, the District offered a voluntary early retirement plan to its certified staff. Employees must have reached the age of 55 on or before July 31, 2015 and have served as a certified employee of the District for twenty years. The benefit consists of \$25,000, or a pro-rated amount for employees that are not currently full time, which will be paid in one payment in November or sooner if the retiree reaches the age of Medicare eligibility.

At June 30, 2015, the District has obligations to two participants with a total liability of \$50,000. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$24,932.

(6) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2015

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012 the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

Laurens-Marathon Community School District
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Notes to Financial Statements

June 30, 2015

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$163,585.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the District reported a liability of \$1,339,915 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.033786 percent, which was a decrease of .001074 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$76,207. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 14,562	\$ -
Changes of assumptions	59,133	-
Net difference between projected and actual earnings on pension plan investments	-	511,005
Changes in proportion and differences between District contributions and proportionate share of contributions	-	103,109
District contributions subsequent to the measurement date	<u>163,585</u>	<u>-</u>
Total	<u>\$ 237,280</u>	<u>\$ 614,114</u>

Laurens-Marathon Community School District
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Notes to Financial Statements

June 30, 2015

\$163,585 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (134,624)
2017	(134,624)
2018	(134,624)
2019	(134,624)
2020	<u>(1,923)</u>
Total	<u>\$ (540,419)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2015

future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocations</u>	<u>Long-Term Expected Real Rate Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
District’s proportionate share of the net pension liability	\$ 2,531,732	\$ 1,339,915	\$ 333,898

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2015

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

Payables to the Pension Plan – At June 30, 2015, the District reported no payables to the defined benefit pension plan.

(7) Other Postemployment Benefits (OPEB)

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

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

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

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

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2015

Annual required contribution	\$ 95,425
Interest on net OPEB obligation	5,432
Adjustment to annual required contribution	<u>(17,022)</u>
Annual OPEB cost	83,835
Contributions made	<u>(31,081)</u>
Increase in net OPEB obligation	52,754
Net OPEB obligation beginning of year	<u>217,262</u>
Net OPEB obligation end of year	\$ <u>270,016</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. 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, 2015.

For the year ended June 30, 2015, the District contributed \$31,081 to the medical plan. Plan members eligible for benefits contributed \$12,599, or 39% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 82,066	35.2%	\$167,159
2014	80,101	37.5%	217,262
2015	83,835	37.1%	270,016

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$418,917, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$418,917. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,475,000 and the ratio of the UAAL to covered payroll was 28.4%. As of June 30, 2015, there were no trust fund assets.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2015

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

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

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

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

Projected claim costs of the medical plan are \$627 per month for retirees less than age 65. The UAAL is being amortized as a level dollar funding over 30 years.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2015

(8) Risk Management

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$137,898 for the year ended June 30, 2015, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Operating Leases

The District entered into an operating lease with GE Capital for the rental of three copiers on May 5, 2013, for a period of 60 months. The amount paid for the fiscal year ended June 30, 2015 was \$7,409. The fixed future rentals are as follows:

<u>Years Ending June 30,</u>	<u>Lease Payment</u>
2016	\$ 3,936
2017	3,936
2018	<u>2,952</u>
	<u>\$ 10,824</u>

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2015

(11) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Gifted and talented	\$ 14,791
Dropout prevention	32,402
Preschool	47,582
Beginning teacher mentoring	558
Teacher salary supplement	5,508
Early readers	25,385
Professional development – core curriculum	2,113
Professional development	3,635
Teacher leadership	<u>4,700</u>
	\$ <u>136,674</u>

(12) District Support Trust Contribution

The District received a contribution of 49.32 acres of farm land in 1986. The land is being rented by the District to the highest responsible bidder and all proceeds are being used to support the Laurens-Marathon Community School District. The land had a fair value of \$474,360 at June 30, 2015 based on comparable land values from the Iowa State Extension office, and is reported as an investment in the District's Special Revenue, District Support Trust Fund.

(13) Deficit Fund Balance

The Enterprise, School Nutrition Fund had a deficit net position of \$14,002 at June 30, 2015. The reason for the deficit net position was due to the implementation of Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 during the fiscal year, which requires all school districts and other governmental entities in the state of Iowa who contribute to IPERS to show their proportionate share of the IPERS funding deficit as a liability on each entity's financials beginning in fiscal year 2015. (See Note 14, Accounting Change/Restatement).

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2015

(14) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental <u>Activities</u>	Business Type <u>Activities</u>
Net position June 30, 2014, as previously reported	\$ 4,583,168	26,984
Net pension liability at June 30, 2014	(1,941,355)	(60,197)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>191,487</u>	<u>5,938</u>
Net position July 1, 2014, as restated	<u>\$ 2,833,300</u>	<u>(27,275)</u>

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Financial Statements

June 30, 2015

(15) New Governmental Accounting Standards Board (GASB) Statements

As of June 30, 2015, GASB had issued several statements not yet required to be implemented by the District. The Statement which might impact the District is as follows:

GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015, will be effective for the District beginning with its year ending June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Management has not yet determined the effect this GASB Statement will have on the District's financial statements.

(16) Subsequent Events

Subsequent events have been evaluated through March 23, 2016 which is the date the financial statements were available to be issued.

Required Supplementary Information

Laurens-Marathon Community School District
Laurens, Iowa

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

Required Supplementary Information

Year ended June 30, 2015

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 2,213,152	54,303
State sources	1,911,334	1,498
Federal sources	<u>117,637</u>	<u>147,718</u>
Total revenues	<u>4,242,123</u>	<u>203,519</u>
Expenditures/Expenses:		
Instruction	2,822,973	-
Support services	1,095,271	675
Non-instructional programs	-	189,571
Other expenditures	<u>282,119</u>	<u>-</u>
Total expenditures/expenses	<u>4,200,363</u>	<u>190,246</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	41,760	13,273
Other financing sources, net	<u>190,405</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	232,165	13,273
Balances beginning of year	<u>2,364,255</u>	<u>(27,275)</u>
Balances end of year	<u>\$ 2,596,420</u>	<u>(14,002)</u>

See accompanying independent auditor's report.

Total Actual	Budgeted Amounts		Final to Actual Variance
	Original	Final	
2,267,455	2,534,067	2,534,067	(266,612)
1,912,832	1,624,799	1,624,799	288,033
265,355	275,000	275,000	(9,645)
<u>4,445,642</u>	<u>4,433,866</u>	<u>4,433,866</u>	<u>11,776</u>
2,822,973	2,446,884	2,446,884	(376,089)
1,095,946	1,871,925	1,871,925	775,979
189,571	195,000	195,000	5,429
282,119	434,078	434,078	151,959
<u>4,390,609</u>	<u>4,947,887</u>	<u>4,947,887</u>	<u>557,278</u>
55,033	(514,021)	(514,021)	569,054
<u>190,405</u>	<u>(4,355)</u>	<u>(4,335)</u>	<u>194,740</u>
245,438	(518,376)	(518,356)	763,794
<u>2,336,980</u>	<u>1,178,498</u>	<u>1,178,498</u>	<u>1,158,482</u>
<u><u>2,582,418</u></u>	<u><u>660,122</u></u>	<u><u>660,142</u></u>	<u><u>1,922,276</u></u>

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2015

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

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

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

During the year ended June 30, 2015, expenditures in the instruction function exceeded the amount budgeted and the District exceeded its General Fund unspent authorized budget.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.004662%
District's proportionate share of the net pension liability	\$ 1,340
District's covered-employee payroll	\$ 2,185
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	61.33%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule of District Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 163	197	198
Contributions in relation to the statutorily required contribution	<u>(163)</u>	<u>(197)</u>	<u>(198)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 1,820	2,185	2,174
Contributions as a percentage of covered-employee payroll	8.96%	9.02%	9.11%

See accompanying independent auditor's report.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
167	147	151	136	135	126	124
<u>(167)</u>	<u>(147)</u>	<u>(151)</u>	<u>(136)</u>	<u>(136)</u>	<u>(126)</u>	<u>(124)</u>
-	-	-	-	-	-	-
1,992	2,026	2,192	2,121	2,136	2,108	2,065
8.38%	7.26%	6.89%	6.41%	6.32%	5.98%	6.00%

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

Laurens-Marathon Community School District
Laurens, Iowa

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Laurens-Marathon Community School District

Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$417,740	417,740	0.0%	\$2,270,000	18.4%
2011	July 1, 2009	-	389,590	389,590	0.0%	2,151,000	18.1%
2012	July 1, 2009	-	347,529	347,529	0.0%	1,764,000	19.7%
2013	July 1, 2012	-	584,435	584,435	0.0%	1,829,000	32.0%
2014	July 1, 2012	-	492,255	492,255	0.0%	1,720,000	28.6%
2015	July 1, 2012	-	418,917	418,917	0.0%	1,475,000	28.4%

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

See accompanying independent auditor's report.

Supplementary Information

Laurens, Iowa

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2015

	Special Revenue			
	Student Activity	Public Education and Recreation Levy	District Support Trust	Total
Assets				
Cash, cash equivalents and pooled investments	\$ 66,080	20,667	15,195	101,942
Land held in trust	-	-	474,360	474,360
Receivables:				
Property tax:				
Delinquent	-	219		219
Succeeding year	-	21,036	-	21,036
Total assets	<u>\$ 66,080</u>	<u>41,922</u>	<u>489,555</u>	<u>597,557</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 7,068	-	-	7,068
Total liabilities	<u>7,068</u>	<u>-</u>	<u>-</u>	<u>7,068</u>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	21,036	-	21,036
Fund balances:				
Restricted for:				
District support purposes			489,555	489,555
Student activities	59,012	-	-	59,012
Public education and recreation levy purposes	-	20,886	-	20,886
Total fund balances	<u>59,012</u>	<u>20,886</u>	<u>489,555</u>	<u>569,453</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 66,080</u>	<u>41,922</u>	<u>489,555</u>	<u>597,557</u>

See accompanying independent auditor's report.

Laurens, Iowa

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

Year ended June 30, 2015

	Special Revenue			Total
	Student Activity	Public Education and Recreation Levy	District Support Trust	
Revenues:				
Local sources:				
Local tax	\$ -	20,735	-	20,735
Other	86,799	-	16,500	103,299
State sources	-	145	-	145
Federal sources	-	6	-	6
Total revenues	<u>86,799</u>	<u>20,886</u>	<u>16,500</u>	<u>124,185</u>
Expenditures:				
Current:				
Instruction:				
Other	78,544	-	-	78,544
Support services:				
Operation and maintenance of plant	-	-	76,764	76,764
Total expenditures	<u>78,544</u>	<u>-</u>	<u>76,764</u>	<u>155,308</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,255</u>	<u>20,886</u>	<u>(60,264)</u>	<u>(31,123)</u>
Other financing sources (uses):				
Operating transfer out	-	-	(44,898)	(44,898)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(44,898)</u>	<u>(44,898)</u>
Change in fund balances	8,255	20,886	(105,162)	(76,021)
Fund balances beginning of year	<u>50,757</u>	<u>-</u>	<u>594,717</u>	<u>645,474</u>
Fund balances end of year	<u>\$ 59,012</u>	<u>20,886</u>	<u>489,555</u>	<u>569,453</u>

See accompanying independent auditor's report.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
Speech Trip	\$ 277	5,519	5,287	-	509
Speech	404	1,404	596	-	1,212
TAG	91	-	-	-	91
Computer Club	317	-	-	-	317
Vocal Music	2,359	3,722	4,570	-	1,511
Music Trip 16	2,928	454	312	-	3,070
Band	(975)	3,310	2,753	-	(418)
Spanish Trip	1,723	-	-	-	1,723
Industrial Tech	422	1,072	1,800	456	150
Band Uniforms	329	-	-	-	329
Book Fair	13	-	-	-	13
Towel Fees	73	-	-	-	73
Wrestling Cheerleaders	261	-	-	-	261
Athletic Fund	6	1,140	-	-	1,146
Athletic Uniforms	29	-	-	-	29
Athletics	2,655	9,244	6,534	(2,322)	3,043
Cross Country	29	-	-	-	29
Golf	(1,340)	-	-	-	(1,340)
Boys Basketball	2,786	435	-	-	3,221
Football	162	4,444	5,767	1,161	-
Baseball	669	-	-	-	669
Boys Track	1,819	-	46	-	1,773
Wrestling	(316)	-	129	-	(445)
Girls Basketball	1,689	-	-	-	1,689
Volleyball	(36)	181	249	-	(104)
Softball	(3,587)	518	677	-	(3,746)
Girls Track	(1,790)	-	46	-	(1,836)

Laurens-Marathon Community School District
Laurens, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Intra- Fund Transfers</u>	<u>Balance End of Year</u>
Football Cheerleaders	711	1,490	1,389	-	812
Basketball Cheerleaders	432	1,000	382	-	1,050
Drill Team	347	6,812	5,073	-	2,086
Interest	(29)	53	54	-	(30)
HS Special Needs	2,576	-	-	-	2,576
Annual	5,170	-	89	-	5,081
Annual General	3,809	1,742	3,159	-	2,392
Annual 12	660	-	-	-	660
Annual 13	2,982	-	1,847	-	1,135
Annual 14	(62)	-	-	-	(62)
Concessions	-	14,772	7,648	-	7,124
MS Guidance	1,528	-	-	-	1,528
Student Council	88	184	297	25	-
Graduated Seniors	971	-	-	-	971
Class of 2014	1,645	-	450	-	1,195
Class of 2015	482	122	131	-	473
Class of 2016	418	2,129	2,938	391	-
Class of 2017	116	50	-	-	166
National Honor Society	96	156	541	289	-
FFA	6,586	24,093	23,489	-	7,190
Y Teens	2,771	852	1,177	-	2,446
Home Ec	162	-	90	-	72
Charger Supports	516	189	93	-	612
Fundraisers	2,739	-	-	-	2,739
Charger Pride	-	1,712	931	-	781
PBIS	5,046	-	-	-	5,046
Total	<u>\$ 50,757</u>	<u>86,799</u>	<u>78,544</u>	<u>-</u>	<u>59,012</u>

See accompanying independent auditor's report.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule 4

Combining Balance Sheet

Capital Project Accounts

June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 801,926	399,215	1,201,141
Receivables:			
Property tax:			
Delinquent	-	1,949	1,949
Succeeding year	-	197,341	197,341
Due from other governments	46,055	73,786	119,841
Total assets	\$ 847,981	672,291	1,520,272
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,896	-	1,896
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	197,341	197,341
Income surtax	-	73,786	73,786
Total deferred inflows of resources	-	271,127	271,127
Fund balances:			
Restricted for:			
School infrastructure	846,085	-	846,085
Physical plant and equipment	-	401,164	401,164
Total fund balances	846,085	401,164	1,247,249
Total liabilities, deferred inflows of resources and fund balances	\$ 847,981	672,291	1,520,272

See accompanying independent auditor's report.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule 5

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances

Capital Project Accounts

Year ended June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	255,630	255,630
Other	32,487	-	32,487
State sources	296,625	1,291	297,916
Federal sources	-	54	54
Total revenues	329,112	256,975	586,087
Expenditures:			
Instruction:			
Regular	245,401	18,608	264,009
Support services:			
Administration	12,219	1,044	13,263
Transportation	693	37,385	38,078
Other expenditures:			
Facilities acquisition	70,236	5,506	75,742
Total expenditures	328,549	62,543	391,092
Excess of revenues over expenditures	563	194,432	194,995
Other financing sources (uses):			
Lease purchase obligation issued	174,111	-	174,111
Operating transfers out	-	(68,452)	(68,452)
Total other financing sources (uses)	174,111	(68,452)	105,659
Change in fund balances	174,674	125,980	300,654
Fund balances beginning of year	671,411	275,184	946,595
Fund balances end of year	\$ 846,085	401,164	1,247,249

See accompanying independent auditor's report.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule 6

Schedule of Changes in Fiduciary Net Position
Private Purpose Trusts

Year ended June 30, 2015

	Balance Beginning of Year	<u>Additions</u>	<u>Deductions</u>	Balance End of Year
Aschenbrenner Trust	\$ 60,265	-	5,000	55,265
Blomgren Fund	-	1,000	-	1,000
Scholarship Fund	4,743	11,060	27,559	(11,756)
Marker Fund	30	-	-	30
Huey Korrekt Band Fund	208	-	-	208
Playground Fund	112	-	-	112
Doug DeYoung Memorial	51	1,500	-	1,551
Medicaid Reserve	354	-	-	354
Hakes Scholarship	13,006	-	-	13,006
Nonneman Scholarship	10,000	-	500	9,500
Gilchrist Scholarship	10,000	-	40	9,960
Halder Scholarship	1,725	9	500	1,234
Ludwig Scholarship	10,449	1,046	1,000	10,495
Hovenden Scholarship	25,000	-	200	24,800
Whitfield Scholarship	3,012	-	-	3,012
Ryon Scholarship	9,540	-	500	9,040
Wright Scholarship	5,269	74	300	5,043
Hoffman Scholarship	15,000	-	750	14,250
Kees Scholarship	10,000	-	960	9,040
Braunschweig Scholarship	1,475	8	50	1,433
B Peterson Scholarship	41,589	-	-	41,589
Thoma Scholarship	117,287	-	1,000	116,287
Total	<u>\$ 339,115</u>	<u>14,697</u>	<u>38,359</u>	<u>315,453</u>

See accompanying independent auditor's report.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule 7

Schedule of Changes in Fiduciary Assets and Liabilities -
Agency Fund

Year ended June 30, 2015

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ 8,390	7,094	8,584	6,900
Total assets	<u>\$ 8,390</u>	<u>7,094</u>	<u>8,584</u>	<u>6,900</u>
Liabilities				
Other payables	\$ 8,390	7,094	8,584	6,900
Total liabilities	<u>\$ 8,390</u>	<u>7,094</u>	<u>8,584</u>	<u>6,900</u>

See accompanying independent auditor's report.

Laurens-Marathon Community School District
Laurens, Iowa

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

For the Last Ten Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues:				
Local sources:				
Local tax	\$ 1,919,273	2,091,719	2,720,741	2,766,728
Tuition	66,175	87,821	120,307	79,979
Other	227,704	215,066	195,161	214,555
State sources	1,911,334	1,796,034	1,562,780	1,643,048
Federal sources	117,637	147,264	163,775	136,412
Total	<u>\$ 4,242,123</u>	<u>4,337,904</u>	<u>4,762,764</u>	<u>4,840,722</u>
Expenditures:				
Instruction	\$ 2,822,973	2,798,281	2,782,230	2,678,531
Support services:				
Student	82,558	184,990	113,716	154,389
Instructional staff	63,136	96,134	121,172	97,547
Administration	337,194	597,128	505,917	456,930
Operation and maintenance of plant	444,677	418,900	456,097	370,381
Transportation	167,706	110,416	307,800	168,275
Other expenditures:				
Facilities acquisition	75,742	26,421	84,198	135,286
Long-term debt:				
Principal	60,000	155,645	146,283	317,119
Interest and other charges	8,479	15,473	21,918	34,161
AEA flowthrough	137,898	138,765	134,922	133,784
Total	<u>\$ 4,200,363</u>	<u>4,542,153</u>	<u>4,674,253</u>	<u>4,546,403</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
2,489,662	2,212,250	2,056,942	2,007,594	1,901,617	1,901,986
105,710	149,645	136,881	216,609	257,389	250,577
378,844	234,606	264,997	288,841	303,441	328,135
1,768,574	1,500,435	1,986,969	1,821,031	1,597,361	1,717,069
<u>258,607</u>	<u>235,795</u>	<u>108,858</u>	<u>136,703</u>	<u>133,014</u>	<u>135,684</u>
<u>5,001,397</u>	<u>4,332,731</u>	<u>4,554,647</u>	<u>4,470,778</u>	<u>4,192,822</u>	<u>4,333,451</u>
2,584,537	2,542,751	2,575,166	2,677,060	2,623,664	2,574,498
177,059	227,388	69,395	103,545	99,420	92,788
151,383	79,596	126,727	80,423	93,772	104,835
417,056	389,211	375,257	386,443	471,423	348,812
350,846	353,494	372,641	330,495	339,015	352,989
192,669	102,618	130,398	134,088	261,534	133,601
488,909	146,079	1,110,269	205,094	106,123	129,897
324,026	215,000	210,000	140,000	135,000	130,000
28,770	34,055	36,858	40,075	46,650	53,172
<u>152,230</u>	<u>151,073</u>	<u>141,358</u>	<u>137,621</u>	<u>132,835</u>	<u>130,755</u>
<u>4,867,485</u>	<u>4,241,265</u>	<u>5,148,069</u>	<u>4,234,844</u>	<u>4,309,436</u>	<u>4,051,347</u>

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Laurens-Marathon Community School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 23, 2016.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-15 and I-B-15 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as item I-C-15 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

Purpose of this Report

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

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

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

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

March 23, 2016

Laurens-Marathon Community School District
Laurens, Iowa

Schedule of Findings

Year ended June 30, 2015

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-15 Segregation of Duties - The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District has taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

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

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

I-B-15 Preparation of Financial Statements – The District does not have an internal control system designed to provide for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for an entity similar in size to Laurens-Marathon Community School District. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule of Findings

Year ended June 30, 2015

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

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

Conclusion – Response accepted.

I-C-15 Disbursement Approval – For three disbursements tested, there was no evidence of Board approval. Also for one disbursement tested there was no invoice.

Recommendation –The District should ensure all expenditures are properly approved. The District should review the list of bills presented to the Board at regular meetings to ensure all claims are included. The District should have copies of invoices as backup documentation for all payments.

Response – We will ensure all expenditures are properly approved and will have all the invoices.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule of Findings

Year ended June 30, 2015

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget - Expenditures for the year ended June 30, 2015, exceeded the certified budget amounts in the instruction function. The District also exceeded its General Fund unspent authorized budget for the year ended June 30, 2015 by approximately \$99,000.

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. The District should contract the Iowa Department of Education and the School Budget Review Committee to resolve the General Fund unspent authorized budget over-expenditure.

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

Conclusion - Response accepted.

II-B-15 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-15 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-15 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Brett Fehr, Board Member Owns Fehr Chiropractic	Chiropractic services	\$ 30

Laurens-Marathon Community School District
Laurens, Iowa

Schedule of Findings

Year ended June 30, 2015

The transaction with Board Member, Fehr, does not appear to violate Chapter 279.7A as the transaction is less than \$2,500 in a fiscal year.

II-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to ensure the coverage is adequate for current operations.

II-F-15 Board Minutes - As previously noted, three disbursements requiring Board approval had not been approved by the Board as required by Chapter 279.29 of the Code of Iowa.

Certain minutes were not published and did not include the schedule of all bills as required by Chapter 279.35 of the Code of Iowa.

Recommendation – All disbursements should be approved by the Board. The Board Secretary should furnish monthly a copy of the Board proceedings to be published within two weeks of the meeting including a schedule of all bills allowed.

Response – All disbursements will be approved by the Board. Procedures have been revised to ensure the minutes are published as required and include a schedule of all bills allowed at least monthly.

Conclusion – Response accepted.

II-G-15 Certified Enrollment - The number of home school assistance students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for October 2014 was overstated. The District included a student that should not have been counted.

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

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

Conclusion – Response accepted.

Laurens-Marathon Community School District
Laurens, Iowa

Schedule of Findings

Year ended June 30, 2015

- II-H-15 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

- II-I-15 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

- II-J-15 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.

- II-K-15 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

- II-L-15 Statewide Sales, Services, and Use Tax – No instances of non-compliance with the allowable use of the statewide sales, services, and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District’s CAR including adjustments identified during the fiscal year 2015 audit:

Beginning balance		\$ 671,411
Revenues/transfer in:		
Sales tax revenues	\$ 296,625	
Other local revenues	32,487	
Lease purchase proceeds	<u>174,111</u>	<u>503,223</u>
		1,174,634
Expenditures/transfers out:		
School infrastructure construction	28,027	
Equipment	288,303	
Other	<u>12,219</u>	<u>328,549</u>
Ending balance		\$ <u>846,085</u>

Laurens-Marathon Community School District
Laurens, Iowa

Schedule of Findings

Year ended June 30, 2015

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- II-M-15 Deficit Net Position and Balances – The Enterprise, Nutrition Fund had a deficit net position at June 30, 2015. The primary reason for this deficit net position is due to the implementation of GASB Statement No. 68 during the year. Also eight student activity accounts had deficit balances at June 30, 2015.

Recommendation – The District should take steps to ensure the District’s administration and Board of Education understand this accounting change/restatement and how GASB Statement 68 will affect the District’s financials moving forward. The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response – The District’s business-type activities went into a deficit in fiscal year 2015 due to the implementation of GASB Statement No. 68 which required the District to show its proportionate share of the IPERS funding deficit as a liability on the Statement of Net Position. If GASB Statement 68 has not been implemented the Enterprise Fund net position would have been a positive \$37,630. The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion – Response accepted.