

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2005

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Logan-Magnolia Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 Election)		
Randy Koenig	President	2004
Dennis Alvis	Vice President	2006
Kevin Mann	Board Member	2006
James Noneman	Board Member	2004
Dan Cohrs	Board Member	2005
Board of Education (After September 2003 Election)		
Dennis Alvis	President	2006
Dan Cohrs	Vice President	2005
Kevin Mann	Board Member	2006
Linda Hennessy	Board Member	2007
Mike Branstetter	Board Member	2007
School Officials		
Edwin Gambs	Superintendent	2005
Karen Jacobsen	District Secretary	2005
Mundt, Franck and Schumacher	Attorney	2005

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Logan-Magnolia Community School District:

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 Logan-Magnolia Community School District, Logan Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the Logan-Magnolia Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated August 26, 2005 on our consideration of the Logan-Magnolia Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 36 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Logan-Magnolia Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the accompanying Schedule of Expenditures of federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

August 26, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Logan-Magnolia 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, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,655,955 in fiscal 2004 to \$5,153,501 in fiscal 2005, while General Fund expenditures increased from \$4,516,087 in fiscal 2004 to \$4,818,482 in fiscal 2005. This resulted in an increase in the District's General Fund balance from \$162,772 in fiscal 2004 to a balance of \$501,160 in fiscal 2005.
- The increase in General Fund revenues was attributable to an increase in state and local revenues in fiscal 2005. The increase in expenditures cannot be attributed to any one functional area, because each area saw a gradual increase during fiscal 2005.
- An increase in interest rates during the past fiscal year, combined with more cash available to be invested, resulted in interest earnings in the General Fund to increase from \$10,468 in fiscal year 2004 to \$16,344 in fiscal year 2005.

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 Assets and a Statement of Activities. These provide information about the activities of Logan-Magnolia 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 Logan-Magnolia Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Logan-Magnolia Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the 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.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

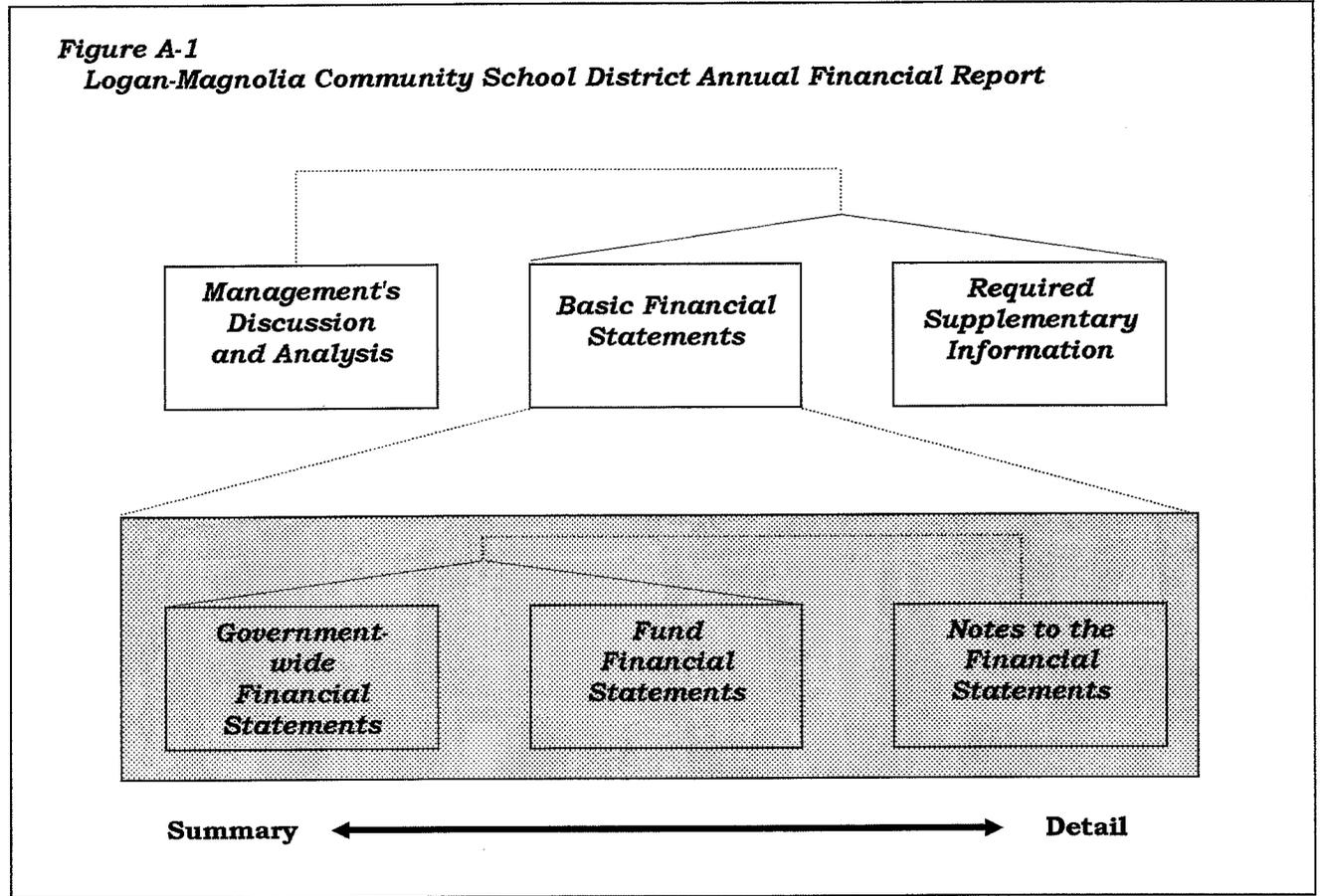


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
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
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
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
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
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

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 Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are 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 that it is properly using certain revenues such as federal grants.

The District has two 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, Special Revenue Funds, Capital Projects, and Debt Service Fund.

The required financial statements for the 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 funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and Latch Key.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business-type		Total		Total Change 2004-05
	Activities		Activities		School District		
	2005	2004	2005	2004	2005	2004	
Current and other assets	\$ 4,219,046	4,824,484	18,749	30,580	4,237,795	4,855,064	-12.71%
Capital assets	6,850,576	5,378,403	12,303	19,441	6,862,879	5,397,844	27.14%
Total assets	11,069,622	10,202,887	31,052	50,021	11,100,674	10,252,908	8.27%
Long-term obligations	3,738,423	3,976,376	0	0	3,738,423	3,976,376	-5.98%
Other liabilities	3,051,957	3,512,207	6,978	12,086	3,058,935	3,524,293	-13.20%
Total liabilities	6,790,380	7,488,583	6,978	12,086	6,797,358	7,500,669	-9.38%
Net assets:							
Invested in capital assets, net of related debt	3,469,381	2,832,662	12,303	19,441	3,481,684	2,852,103	22.07%
Restricted	236,339	289,945	0	0	236,339	289,945	-18.49%
Unrestricted	573,522	230,418	11,771	18,494	585,293	248,912	135.14%
Total net assets	\$ 4,279,242	3,353,025	24,074	37,935	4,303,316	3,390,960	26.91%

The District's combined net assets increased by \$912,356, or 26.91% over the prior year. The largest portion of the District's net assets is the 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 sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$53,606, or 18.49% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$336,381, or 135.14%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Revenues:							
Program revenues:							
Charges for services	\$ 400,444	648,374	196,565	180,682	597,009	829,056	-27.99%
Operating grants and contributions and restricted interest	832,444	587,544	129,015	118,421	961,459	705,965	36.19%
Capital grants and contributions and restricted interest	338,275	661,727	0	0	338,275	661,727	-48.88%
General revenues:							
Property tax	1,808,286	1,839,684	0	0	1,808,286	1,839,684	-1.71%
Local option sales and service tax	322,380	64,424	0	0	322,380	64,424	400.40%
Unrestricted state grants	2,513,065	2,305,574	0	0	2,513,065	2,305,574	9.00%
Other	27,740	46,493	244	162	27,984	46,655	-40.02%
Total revenues	6,242,634	6,153,820	325,824	299,265	6,568,458	6,453,085	1.79%
Program expenses:							
Governmental activities:							
Instructional	3,377,408	3,191,912	0	0	3,377,408	3,191,912	5.81%
Support services	1,468,441	1,472,525	0	0	1,468,441	1,472,525	-0.28%
Non-instructional programs	0	170	336,971	314,017	336,971	314,187	7.25%
Other expenses	470,568	578,952	0	0	470,568	578,952	-18.72%
Total expenses	5,316,417	5,243,559	336,971	314,017	5,653,388	5,557,576	1.72%
Net income (loss) before restatement and other financing uses	926,217	910,261	(11,147)	(14,752)	915,070	895,509	2.18%
Capital asset restatement (Note 10)	0	638,721	0	0	0	638,721	100.00%
Loss on disposal of assets	0	0	(2,714)	0	(2,714)	0	-100.00%
	0	638,721	(2,714)	0	(2,714)	638,721	-100.42%
Change in net assets	926,217	1,548,982	(13,861)	(14,752)	912,356	1,534,230	-40.53%
Net assets beginning of year, as restated (Note 10)	3,353,025	1,804,043	37,935	52,687	3,390,960	1,856,730	82.63%
Net assets end of year	\$ 4,279,242	3,353,025	24,074	37,935	4,303,316	3,390,960	26.91%

Property tax and unrestricted state grants account for 65.7% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 85.7% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$6,242,634 and expenses were \$5,316,417.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 3,377,408	2,329,858
Support services	1,468,441	1,465,666
Other expenses	470,568	(50,270)
Totals	<u>\$ 5,316,417</u>	<u>3,745,254</u>

- The cost financed by users of the District's programs was \$400,444.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,170,719.
- The net cost of governmental activities was financed with \$1,808,286 in local tax, \$322,380 in local option sales and service tax, \$2,513,065 in unrestricted state grants, and \$24,371 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$325,824 and expenses were \$336,971. The District's business-type activities include the School Nutrition Fund and the Latch Key Program. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Logan-Magnolia 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 balance of \$1,071,619 slightly lower than last year's ending fund balances of \$1,202,937. However, the primary reason for the decrease was the decreased revenues in the Capital Projects Fund and the nonmajor governmental funds.

Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. Increases in state grants and local source revenue caused the increase in revenues. The increase in revenues was greater than the increase in General Fund expenditures ensuring the financial position of the District increase.
- The Management, and Activity Fund combined balance decreased from \$153,057 in 2004, to \$123,867 in 2005, due to the increase in revenues in the Management Fund could not surpass the increased expenditures in the Activity Fund.
- The Physical Plant and Equipment Levy (PPEL) fund balance decreased from \$109,988 to \$86,608 due to total expenditures being more than total revenues into the fund.
- The Capital Projects fund balance decreased from \$722,439 in fiscal 2004 to \$359,084 primarily because of the transfer from Capital Projects to the Debt Service Fund to bring the fund's balance to \$0 for the year.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$25,613 at June 30, 2004 to \$12,027 at June 30, 2005, representing a decrease of approximately 53%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Logan-Magnolia Community School District amended its annual budget one time to reflect additional expenditures in the non-instructional expenditures category. To cover the increased costs in this area the amendment was a recategorization of expenditures from the other expenditures area to the non-instructional area. This amendment did not increase overall budgeted expenditures.

The District's revenues were \$175,208 less than budgeted revenues, a variance of 2.5%. The most significant variance resulted from the District receiving less in state sources than originally anticipated. The increased variance in federal sources was not enough to offset the shortfall in state source revenues.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority 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 always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$6.9 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 amount represents a net increase of 13.7% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$269,729.

The original cost of the District's capital assets was \$8,967,262. Governmental funds account for \$8,806,115 with the remainder of \$161,146 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$6,146,224 at June 30, 2005. This increase resulted from finishing of the improvements made during the current year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Land	\$ 575,000	575,000	0	0	575,000	575,000	0.0%
Construction in progress	0	1,045,773	0	0	0	1,045,773	-100.0%
Buildings	6,146,224	4,225,080	0	0	6,146,224	4,225,080	45.5%
Machinery and equipment	129,352	171,271	12,303	19,441	141,655	190,712	-25.7%
Total	\$ 6,850,576	6,017,124	12,303	19,441	6,862,879	6,036,565	13.7%

Long-Term Debt

At June 30, 2005, the District had long-term debt outstanding of \$3,738,423 in general obligation bonds, and early retirement. This represents a decrease of approximately 5.7% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding general obligation bonds payable of \$3,730,000 at June 30, 2005.

The District also had total outstanding early retirement payable of \$8,423 at June 30, 2005.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2005	2004	
General obligation bonds	\$ 3,730,000	3,950,000	-5.6%
Early retirement	8,423	14,794	-43.1%
Total	<u>\$ 3,738,423</u>	<u>3,964,794</u>	<u>-5.7%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- District enrollment appears to stay the same with only minor changes. This is a definite asset to the District.
- Instructional support and local option sales tax significantly helped the financial position of the District.
- With all the new facilities and a bus fleet that is going to be updated within the next few years on a rotation basis, the District should be able to operate on a daily basis without a large amount of capital outlay.
- The District is striving to maintain a positive balance between revenues and expenditures to ensure the health of the District.

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 Karen Jacobsen, Business Manager/Board Secretary, Logan-Magnolia Community School District, 1200 North 2nd Avenue, Logan, Iowa, 51546.

BASIC FINANCIAL STATEMENTS

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments			
ISCAP(Note 4)	\$ 828,445	0	828,445
Other	1,184,764	11,610	1,196,374
Receivables:			
Property tax:			
Delinquent	27,153	0	27,153
Succeeding year	1,711,797	0	1,711,797
Income surtax	106,649	0	106,649
Accounts	539	2,228	2,767
Accrued interest			
ISCAP(Note 4)	2,905	0	2,905
Due from other governments	356,794	0	356,794
Inventories	0	4,911	4,911
Capital assets, net of accumulated depreciation(Note 5)	6,850,576	12,303	6,862,879
TOTAL ASSETS	11,069,622	31,052	11,100,674
LIABILITIES			
Accounts payable	44,999	0	44,999
Interest payable	11,179	0	11,179
Salaries and benefits payable	446,317	6,978	453,295
ISCAP warrants payable(Note 4)	825,000	0	825,000
ISCAP accrued interest payable(Note 4)	3,112	0	3,112
ISCAP premiums payable	9,553	0	9,553
Deferred revenue:			
Succeeding year property tax	1,711,797	0	1,711,797
Long-term liabilities(Note 6):			
Portion due within one year:			
General obligation bonds	240,000	0	240,000
Early retirement	6,371	0	6,371
Portion due after one year:			
General obligation bonds	3,490,000	0	3,490,000
Early retirement	2,052	0	2,052
TOTAL LIABILITIES	6,790,380	6,978	6,797,358
NET ASSETS			
Investment in capital assets, net of related debt	3,469,381	12,303	3,481,684
Restricted for:			
Talented and gifted	34,287	0	34,287
Physical plant & equipment levy	86,608	0	86,608
Management levy	52,812	0	52,812
Other special revenue purposes	62,632	0	62,632
Unrestricted	573,522	11,771	585,293
TOTAL NET ASSETS	\$ 4,279,242	24,074	4,303,316

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

Functions/Programs	Program Revenues			
	Expenses	Operating Charges for Services	Grants and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	\$ 2,288,871	295,856	649,416	0
Special instruction	762,837	102,278	0	0
Other instruction	325,700	0	0	0
	<u>3,377,408</u>	<u>398,134</u>	<u>649,416</u>	<u>0</u>
Support services:				
Student services	163,577	0	0	0
Instructional staff services	170,882	0	0	0
Administration services	517,787	0	0	0
Operation and maintenance of plant services	298,689	0	0	0
Transportation services	301,010	2,310	465	0
Other	16,496	0	0	0
	<u>1,468,441</u>	<u>2,310</u>	<u>465</u>	<u>0</u>
Other expenditures:				
Facilities acquisitions	0	0	0	338,275
Long-term debt interest	138,257	0	0	0
AEA flowthrough	182,563	0	182,563	0
Depreciation (unallocated)*	149,748	0	0	0
	<u>470,568</u>	<u>0</u>	<u>182,563</u>	<u>338,275</u>
Total governmental activities	<u>5,316,417</u>	<u>400,444</u>	<u>832,444</u>	<u>338,275</u>
Business-Type activities:				
Non-instructional programs:				
Nutrition services	301,606	161,603	129,015	0
	<u>35,365</u>	<u>34,962</u>	<u>0</u>	<u>0</u>
Total business-type activities	<u>336,971</u>	<u>196,565</u>	<u>129,015</u>	<u>0</u>
Total	<u>\$ 5,653,388</u>	<u>597,009</u>	<u>961,459</u>	<u>338,275</u>

General Revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
 Local option sales and services
 Unrestricted state grants
 Unrestricted investment earnings

Total general revenues

Changes in net assets before other financing uses

Other financing sources uses

 Loss on disposal of assets

Total other financing uses

Changes in net assets

Net assets beginning of year, as restated Note 10

Net assets end of year

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(1,343,599)	0	(1,343,599)
(660,559)	0	(660,559)
(325,700)	0	(325,700)
<u>(2,329,858)</u>	<u>0</u>	<u>(2,329,858)</u>
(163,577)	0	(163,577)
(170,882)	0	(170,882)
(517,787)	0	(517,787)
(298,689)	0	(298,689)
(298,235)	0	(298,235)
(16,496)	0	(16,496)
<u>(1,465,666)</u>	<u>0</u>	<u>(1,465,666)</u>
338,275	0	338,275
(138,257)	0	(138,257)
0	0	0
(149,748)	0	(149,748)
<u>50,270</u>	<u>0</u>	<u>50,270</u>
<u>(3,745,254)</u>	<u>0</u>	<u>(3,745,254)</u>
0	(10,988)	(10,988)
0	(403)	(403)
<u>0</u>	<u>(11,391)</u>	<u>(11,391)</u>
<u>(3,745,254)</u>	<u>(11,391)</u>	<u>(3,756,645)</u>
\$ 1,672,700	0	1,672,700
102,589	0	102,589
32,997	0	32,997
322,380	0	322,380
2,513,065	0	2,513,065
24,371	244	24,615
3,369	0	3,369
<u>4,671,471</u>	<u>244</u>	<u>4,671,715</u>
926,217	(11,147)	915,070
0	(2,714)	(2,714)
0	(2,714)	(2,714)
926,217	(13,861)	912,356
3,353,025	37,935	3,390,960
<u>\$ 4,279,242</u>	<u>24,074</u>	<u>4,303,316</u>

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2005

	General	Capital Projects	Other Governmental Funds	Total
ASSETS				
Cash and pooled investments				
ISCAP(Note 4)	\$ 828,445	0	0	828,445
Other	849,204	118,432	217,128	1,184,764
Receivables:				
Property tax				
Delinquent	23,717	0	3,436	27,153
Succeeding year	1,345,149	0	366,648	1,711,797
Income surtax	106,649	0	0	106,649
Accounts	220	0	319	539
Accrued interest				
ISCAP(Note 4)	2,905	0	0	2,905
Due from other governments	95,242	261,552	0	356,794
TOTAL ASSETS	\$ 3,251,531	379,984	587,531	4,219,046
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 14,591	20,000	10,408	44,999
Salaries and benefits payable	446,317	0	0	446,317
ISCAP warrants payable(Note 4)	825,000	0	0	825,000
ISCAP accrued interest payable(Note 4)	3,112	0	0	3,112
ISCAP premiums payable	9,553	0	0	9,553
Deferred revenue:				
Succeeding year property tax	1,345,149	0	366,648	1,711,797
Income surtax	106,649	0	0	106,649
Total liabilities	2,750,371	20,000	377,056	3,147,427
Fund balances:				
Reserved for:				
Talented and gifted	34,287	0	0	34,287
Unreserved:				
Designated for special purposes	4,009	0	0	4,009
Undesignated	462,864	359,984	210,475	1,033,323
Total fund balances	501,160	359,984	210,475	1,071,619
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,251,531	379,984	587,531	4,219,046

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2005

Total fund balances of governmental funds (page 16)	\$	1,071,619
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.		6,850,576
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(11,179)
Long-term liabilities, including bonds payable and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(3,738,423)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		<u>106,649</u>
Net assets of governmental activites (page 13)	\$	<u>4,279,242</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General	Capital Projects	Other Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,595,571	0	215,406	1,810,977
LOSST	0	322,380	0	322,380
Tuition	398,134	0	0	398,134
Other	65,308	3,181	209,051	277,540
State sources	2,890,053	0	162	2,890,215
Federal sources	204,435	338,275	0	542,710
Total revenues	<u>5,153,501</u>	<u>663,836</u>	<u>424,619</u>	<u>6,241,956</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,015,541	0	276,559	2,292,100
Special instruction	762,837	0	0	762,837
Other instruction	325,700	0	0	325,700
	<u>3,104,078</u>	<u>0</u>	<u>276,559</u>	<u>3,380,637</u>
Support services:				
Student services	163,577	0	0	163,577
Instructional staff services	170,882	0	0	170,882
Administration services	517,787	0	0	517,787
Operation and maintenance of plant services	439,679	0	37,955	477,634
Transportation services	239,916	0	26,867	266,783
Other	0	0	16,496	16,496
	<u>1,531,841</u>	<u>0</u>	<u>81,318</u>	<u>1,613,159</u>
Other expenditures:				
Facilities acquisitions	0	825,861	15,763	841,624
Long-term debt:				
Principal	0	0	220,000	220,000
Interest and fiscal charges	0	0	138,660	138,660
AEA flowthrough	182,563	0	0	182,563
	<u>182,563</u>	<u>825,861</u>	<u>374,423</u>	<u>1,382,847</u>
Total expenditures	<u>4,818,482</u>	<u>825,861</u>	<u>732,300</u>	<u>6,376,643</u>
Excess(deficiency) of revenues over(under) expenditures	335,019	(162,025)	(307,681)	(134,687)
Other financing sources(uses):				
Transfers in	0	0	200,430	200,430
Transfers out	0	(200,430)	0	(200,430)
Compensation for loss of fixed assets	3,369	0	0	3,369
Total other financing sources(uses)	<u>3,369</u>	<u>(200,430)</u>	<u>200,430</u>	<u>3,369</u>
Net change in fund balances	338,388	(362,455)	(107,251)	(131,318)
Fund balance beginning of year	162,772	722,439	317,726	1,202,937
Fund balance end of year	<u>\$ 501,160</u>	<u>359,984</u>	<u>210,475</u>	<u>1,071,619</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds (page 18) \$ (131,318)

*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 reported in the Statement of Net Assets are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlays expenditures exceeded depreciation expense in the current year, as follows:

Capital expenditures	\$ 1,098,757	
Depreciation expense	<u>(265,305)</u>	833,452

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 Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Repaid	220,000
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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 funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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

Early retirement	6,371
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Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.

(2,691)

Changes in net assets of governmental activities (page 15)

\$ 926,217

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2005

	School Nutrition	Latch Key	Total
ASSETS			
Cash and cash equivalents	\$ (760)	12,370	11,610
Accounts receivable	464	1,764	2,228
Inventories	4,911	0	4,911
Capital assets, net of accumulated depreciation	12,303	0	12,303
TOTAL ASSETS	16,918	14,134	31,052
LIABILITIES			
Salaries and benefits payable	4,891	2,087	6,978
TOTAL LIABILITES	4,891	2,087	6,978
NET ASSETS			
Invested in capital assets, net of related debt	12,303	0	12,303
Unrestricted	(276)	12,047	11,771
TOTAL NET ASSETS	\$ 12,027	12,047	24,074

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	School Nutrition	Latch Key	Total
OPERATING REVENUE:			
Local sources:			
Other local sources:			
Sale of lunches and breakfasts:			
Students	\$ 141,506	0	141,506
Adults	10,432	0	10,432
A la carte	5,829	0	5,829
Miscellaneous	3,836	34,962	38,798
TOTAL OPERATING REVENUES	<u>161,603</u>	<u>34,962</u>	<u>196,565</u>
OPERATING EXPENSES:			
Non-instructional programs:			
Salaries	141,515	25,535	167,050
Benefits	24,594	2,912	27,506
Services	7,076	0	7,076
Supplies	123,426	6,918	130,344
Depreciation	4,424	0	4,424
Other	571	0	571
TOTAL OPERATING EXPENSES	<u>301,606</u>	<u>35,365</u>	<u>336,971</u>
OPERATING LOSS	<u>(140,003)</u>	<u>(403)</u>	<u>(140,406)</u>
NON-OPERATING REVENUES:			
Interest	116	128	244
State sources	4,446	0	4,446
Federal sources	124,569	0	124,569
TOTAL NON-OPERATING REVENUES	<u>129,131</u>	<u>128</u>	<u>129,259</u>
Loss before other financing uses	(10,872)	(275)	(11,147)
OTHER FINANCING USES:			
Loss on asset disposal	(2,714)	0	(2,714)
TOTAL OTHER FINANCING USES	<u>(2,714)</u>	<u>0</u>	<u>(2,714)</u>
Change in net assets	(13,586)	(275)	(13,861)
Net assets at beginning of year	25,613	12,322	37,935
Net assets end of year	<u>\$ 12,027</u>	<u>12,047</u>	<u>24,074</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	School Nutrition	Latch Key	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 157,878	291	158,169
Cash received from miscellaneous operating activities	3,836	34,962	38,798
Cash payments to employees for services	(165,906)	(28,318)	(194,224)
Cash payments to suppliers for goods or services	(113,101)	(7,213)	(120,314)
Net cash used in operating activities	<u>(117,293)</u>	<u>(278)</u>	<u>(117,571)</u>
Cash flows from non-capital financing activities:			
State grants received	4,446	0	4,446
Federal grants received	100,383	0	100,383
Net cash provided by non-capital financing activities	<u>104,829</u>	<u>0</u>	<u>104,829</u>
Cash flows from investing activities:			
Interest on investments	116	128	244
Net cash provided by investing activities	<u>116</u>	<u>128</u>	<u>244</u>
Net decrease in cash and cash equivalents	(12,348)	(150)	(12,498)
Cash and cash equivalents at beginning of year	11,588	12,520	24,108
Cash and cash equivalents at end of year	<u>\$ (760)</u>	<u>12,370</u>	<u>11,610</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (140,003)	(403)	(140,406)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	24,186	0	24,186
Depreciation	4,424	0	4,424
Increase in inventories	(1,069)	0	(1,069)
Decrease in accounts receivables	111	291	402
Decrease in accounts payable	(5,145)	(295)	(5,440)
Increase in salaries and benefits payable	203	129	332
Net cash used in operating activities	<u>\$ (117,293)</u>	<u>(278)</u>	<u>(117,571)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	<u>\$ (760)</u>	<u>12,370</u>	<u>11,610</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
During the year ended June 30, 2005, the District received Federal commodities valued at \$24,186.			
SEE NOTES TO FINANCIAL STATEMENTS.			

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

(1) Summary of Significant Accounting Policies

The Logan-Magnolia Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Logan and Magnolia, Iowa, and the predominate agricultural territory in Harrison County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Logan-Magnolia Community School District has included all funds, organizations, account groups, 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 Logan-Magnolia Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do 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 Harrison County Assessors' Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which

normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but 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 that 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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are 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 expenses, including instructional, support and other costs.

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

The District's proprietary funds include the School Nutrition Fund and Latch Key. The School Nutrition Fund is used to account for the food service operations of the District. Latch Key is used to account for child care services for the District.

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under 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 assets 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.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating 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.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for 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, they have a maturity date no longer than three months.

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

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

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

January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs 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.

Asset Class	Amount
Land	\$ 1,500
Buildings	1,500
Improvements other than buildings	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment	5-12 years

Salaries and benefits payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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 assets.

Designated For Special Purposes by the Board - In the governmental fund financial statements, the District's board designated \$4,009 of the General Fund's unreserved balance for special purposes by the Board.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, budgeted amounts were not exceeded.

(2) **Cash and Pooled Investments**

The District's deposits in bank at June 30, 2005 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, 2005, the district had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 1,186,440</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 200,430

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

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2005 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2004-05A	6/30/2004	6/30/2005	105	0	0	0
2004-05B	1/28/2005	1/27/2006	204,589	2,772	204,000	2,993
2005-06A	6/28/2005	6/28/2006	623,751	133	621,000	119
Total			\$ 828,445	2,905	825,000	3,112

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2005 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2004-05A	\$ 0	75,000	75,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2004-05A	3.000%	2.463%
2004-05B	3.500%	3.232%
2005-06A	3.500%	3.903%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year as Restated (Note 10)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	575,000	0	0	575,000
Construction in progress	\$ 1,045,773	0	1,045,773	0
Total capital assets not being depreciated	1,620,773	0	1,045,773	575,000
Capital assets being depreciated:				
Buildings	5,416,500	2,070,892	0	7,487,392
Machinery and equipment	670,085	73,638	0	743,723
Total capital assets being depreciated	6,086,585	2,144,530	0	8,231,115
Less accumulated depreciation for:				
Buildings	1,191,420	149,748	0	1,341,168
Machinery and equipment	498,814	115,557	0	614,371
Total accumulated depreciation	1,690,234	265,305	0	1,955,539
Total capital assets being depreciated, net	4,396,351	1,879,225	0	6,275,576
Governmental activities capital assets, net	\$ 6,017,124	1,879,225	1,045,773	6,850,576
Business-type activities:				
Machinery and equipment	\$ 164,765	0	3,619	161,146
Less accumulated depreciation	145,324	4,424	905	148,843
Business-type activities capital assets, net	\$ 19,441	(4,424)	2,714	12,303

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 28,039
Support services:		
Operation and maintenance of plant services		4,550
Transportation		82,968
		115,557
Unallocated depreciation		149,748
Total governmental activities depreciation expense		\$ 265,305
Business-type activities:		
Food services		\$ 4,424

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 3,950,000	0	220,000	3,730,000	240,000
Early retirement	14,794	0	6,371	8,423	6,371
Total	\$ 3,964,794	0	226,371	3,738,423	246,371

General Obligation Bonds Payable

Details of the District's June 30, 2005 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue November 1, 2002		
		Principal	Interest	Total
2006	2.20-2.50 %	\$ 240,000	77,570	317,570
2007	2.50-2.80	240,000	71,750	311,750
2008	2.80-3.00	235,000	65,280	300,280
2009	3.00-3.05	250,000	58,270	308,270
2010	3.05-3.25	255,000	50,599	305,599
2011	3.25-3.35	270,000	42,274	312,274
2012	3.35-3.45	280,000	33,297	313,297
2013	3.45-3.55	285,000	23,616	308,616
2014	3.55-3.70	295,000	13,392	308,392
2015	3.70	145,000	2,683	147,683
Total		\$ 2,495,000	438,731	2,933,731

Year Ending June 30,	Interest Rate	Bond issue August 1, 2003		
		Principal	Interest	Total
2006	-	\$ -	55,257	55,257
2007	-	-	55,258	55,258
2008	-	-	55,257	55,257
2009	-	-	55,258	55,258
2010	-	-	55,257	55,257
2011	-	-	55,258	55,258
2012	-	-	55,257	55,257
2013	-	-	55,258	55,258
2014	-	-	55,257	55,257
2015	-	-	55,258	55,258
2016	4.00	130,000	55,257	185,257
2017	4.10	140,000	50,058	190,058
2018	4.25	145,000	44,318	189,318
2019	4.40	150,000	38,155	188,155
2020	4.50	155,000	31,555	186,555
2021	4.60	165,000	24,580	189,580
2022	4.70	170,000	16,990	186,990
2023	5.00	180,000	9,000	189,000
Total		\$ 3,730,000	1,261,218	4,991,218

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement benefits paid during the year ended June 30, 2005, totaled \$6,371.

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$172,860, \$167,231, and \$161,998, respectively, equal to the required contributions for each year.

(8) Risk Management

Logan-Magnolia Community School 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 \$182,563 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Restate Capital Assets/Net Assets Beginning Balances

This restatement is due to an updated fixed asset listing by the District. The restatement of the capital assets and net assets are as follows:

	Balance 6/30/2004 as Previously Reported	Increases	Decreases	Balance 7/1/2004 as restated
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 0	575,000	0	575,000
Construction in progress	1,045,773	0	0	1,045,773
Total capital assets not being depreciated	<u>1,045,773</u>	<u>575,000</u>	<u>0</u>	<u>1,620,773</u>
Capital assets being depreciated:				
Buildings	5,416,500	0	0	5,416,500
Machinery and equipment	1,158,716	0	488,631	670,085
Total capital assets being depreciated	<u>6,575,216</u>	<u>0</u>	<u>488,631</u>	<u>6,086,585</u>
Less accumulated depreciation for:				
Buildings	1,191,420	0	0	1,191,420
Machinery and equipment	1,051,166	0	552,352	498,814
Total accumulated depreciation	<u>2,242,586</u>	<u>0</u>	<u>552,352</u>	<u>1,690,234</u>
Total capital assets being depreciated, net	<u>4,332,630</u>	<u>0</u>	<u>(63,721)</u>	<u>4,396,351</u>
Governmental activities capital assets, net	<u>\$ 5,378,403</u>	<u>575,000</u>	<u>(63,721)</u>	<u>6,017,124</u>

The effect of the adjustments to restate the capital assets results in a change to the previously reported governmental activities net assets as follows:

Net assets, June 30, 2004, as previously reported	\$ 2,714,304
Capital assets net adjustments	<u>638,721</u>
Net assets, July 1, 2004, as restated for governmental funds	<u>\$ 3,353,025</u>

(11) Deficit Fund Balance/Net Assets

The Nutrition Fund had a negative unrestricted fund balance of \$276.

REQUIRED SUPPLEMENTAL INFORMATION

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF RECEIPTS, DISBURSEMENTS AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 2,856,505	197,211
State sources	2,708,618	4,446
Federal sources	1,087,593	124,569
Total receipts	<u>6,652,716</u>	<u>326,226</u>
Disbursements:		
Instruction	3,399,332	0
Support services	1,639,613	0
Non-instructional programs	0	336,010
Other expenditures	1,601,477	0
Total disbursements	<u>6,640,422</u>	<u>336,010</u>
Excess(deficiency) of receipts over(under) disbursements	12,294	(9,784)
Other financing sources(uses), net	<u>3,369</u>	<u>(2,714)</u>
Excess(deficiency) of receipts and other financing sources over(under) disbursements	15,663	(12,498)
Balance beginning of year	<u>1,169,101</u>	<u>24,108</u>
Balance end of year	<u>\$ 1,184,764</u>	<u>11,610</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
3,053,716	2,967,667	2,967,667	86,049
2,713,064	4,036,483	4,036,483	(1,323,419)
1,212,162	150,000	150,000	1,062,162
<u>6,978,942</u>	<u>7,154,150</u>	<u>7,154,150</u>	<u>(175,208)</u>
3,399,332	3,974,442	3,974,442	575,110
1,639,613	1,925,605	1,925,605	285,992
336,010	289,000	425,000	88,990
1,601,477	2,662,317	2,526,317	924,840
<u>6,976,432</u>	<u>8,851,364</u>	<u>8,851,364</u>	<u>1,874,932</u>
2,510	(1,697,214)	(1,697,214)	1,699,724
655	0	0	655
3,165	(1,697,214)	(1,697,214)	1,700,379
1,193,209	1,785,716	1,785,716	(592,507)
<u>1,196,374</u>	<u>88,502</u>	<u>88,502</u>	<u>1,107,872</u>

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE-
 BUDGET TO GAAP RECONCILIATION
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types		
	Cash Basis	Accrual	
		Adjust- ments	Accrual Basis
Revenues	\$ 6,652,716	(410,760)	6,241,956
Expenses	6,640,422	(263,779)	6,376,643
Net	12,294	(146,981)	(134,687)
Other financing sources, net	3,369	0	3,369
Beginning fund balances	1,169,101	33,836	1,202,937
Ending fund balances	\$ 1,184,764	(113,145)	1,071,619

	Proprietary Fund Type		
	Enterprise		
	Cash Basis	Accrual	
Adjust- ments		Accrual Basis	
Revenues	\$ 326,226	(402)	325,824
Expenses	336,010	961	336,971
Net	(9,784)	(1,363)	(11,147)
Other financing sources, net	(2,714)	0	(2,714)
Beginning retained earnings	24,108	13,827	37,935
Ending retained earnings	\$ 11,610	12,464	24,074

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2005

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 the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment that was a category change in expenses. The amendment did not increase budgeted expenses as a whole.

OTHER SUPPLEMENTAL INFORMATION

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2005

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Manage- ment	Physical Plant & Equipment Levy	Student Activity	Special Revenue- Total	Debt Service	
ASSETS						
Cash and pooled investments	\$ 59,835	88,701	70,229	218,765	(1,637)	217,128
Receivables:						
Property tax:						
Current year delinquent	1,273	526	0	1,799	1,637	3,436
Succeeding year	60,000	33,248	0	93,248	273,400	366,648
Accounts	127	192	0	319	0	319
TOTAL ASSETS	\$ 121,235	122,667	70,229	314,131	273,400	587,531
LIABILITIES AND FUND EQUITY						
Liabilities:						
Accounts payable	\$ 0	2,811	7,597	10,408	0	10,408
Deferred revenue:						
Succeeding year property tax	60,000	33,248	0	93,248	273,400	366,648
	60,000	36,059	7,597	103,656	273,400	377,056
Fund equity:						
Fund balances:						
Unreserved:						
Undesignated	61,235	86,608	62,632	210,475	0	210,475
Total fund balances	61,235	86,608	62,632	210,475	0	210,475
TOTAL LIABILITIES AND FUND EQUITY	\$ 121,235	122,667	70,229	314,131	273,400	587,531

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2005

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Physical Plant & Manage- ment Levy	Equipment	Student Activity	Special Revenue- Total	Debt Service	
REVENUES:						
Local sources:						
Local tax	\$ 79,820	32,997	0	112,817	102,589	215,406
Other	8,769	1,911	197,488	208,168	883	209,051
State sources	60	25	0	85	77	162
TOTAL REVENUES	88,649	34,933	197,488	321,070	103,549	424,619
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	33,626	3,299	239,634	276,559	0	276,559
	33,626	3,299	239,634	276,559	0	276,559
Support services:						
Operation and maintenance of plant services	14,881	23,074	0	37,955	0	37,955
Transportation services	10,690	16,177	0	26,867	0	26,867
Other	16,496	0	0	16,496	0	16,496
	42,067	39,251	0	81,318	0	81,318
Other expenditures:						
Facilities acquisition	0	15,763	0	15,763	0	15,763
Long-term debt:						
Principle	0	0	0	0	220,000	220,000
Interest and fiscal charges	0	0	0	0	138,660	138,660
	0	15,763	0	15,763	358,660	374,423
TOTAL EXPENDITURES	75,693	58,313	239,634	373,640	358,660	732,300
Excess (deficiency) of revenues over (under) expenditures	12,956	(23,380)	(42,146)	(52,570)	(255,111)	(307,681)
Other financing sources:						
Transfer in	0	0	0	0	200,430	200,430
Excess(deficiency) of revenues and other financing sources over(under) expenditures	12,956	(23,380)	(42,146)	(52,570)	(54,681)	(107,251)
Fund balance beginning of year	48,279	109,988	104,778	263,045	54,681	317,726
Fund balance end of year	\$ 61,235	86,608	62,632	210,475	0	210,475

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2005

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 1,482	5,049	3,814	2,717
Cross country	577	1,381	1,676	282
Golf	(698)	15	696	(1,379)
Drill team	895	1,761	1,265	1,391
Football cheerleading	1,301	1,469	1,927	843
Basketball cheerleading	259	575	760	74
Wrestling cheerleading	556	1,332	1,233	655
Basketball	7,739	6,250	6,225	7,764
Basketball fundraiser	1,061	1,136	1,029	1,168
JH uniforms fundraiser	(18)	0	2,132	(2,150)
Boys football	11,865	10,121	9,982	12,004
All sports activity pass	4,008	2,520	1,065	5,463
District football	1,598	0	394	1,204
Flag football	3,429	4,455	5,996	1,888
Boys baseball	(285)	3,392	3,806	(699)
Baseball fundraiser	1,456	393	1,039	810
Track	(1,324)	1,335	5,632	(5,621)
Girls track fundraiser	450	50	0	500
Wrestling	(3,698)	10,421	13,450	(6,727)
Wrestling fundraiser	2,039	13,168	12,990	2,217
Elementary basketball	0	1,007	860	147
Girls basketball fundraiser	639	1,850	1,386	1,103
Volleyball	(114)	2,210	2,447	(351)
Volleyball fundraiser	1,103	5,858	5,100	1,861
Softball	3,022	730	3,567	185
Softball fundraiser	474	1,282	2,616	(860)
Concessions	8,946	29,940	26,483	12,403
Petty cash	400	132	307	225
Interest	5,282	1,299	2,175	4,406
Art club	322	0	97	225
Chess club fundraiser	109	372	374	107
Annual	3,822	7,675	4,750	6,747
Swing choir	(910)	1,345	932	(497)
Band uniform fundraiser	30	0	20	10
Band fundraiser	1,070	11,616	10,135	2,551
Vocal music fundraiser	29	8,463	7,034	1,458
Instrumental music	464	0	25	439
Flag corp fundraiser	434	480	503	411
AMOL	1,216	50	233	1,033
Science club	1,684	1,539	3,216	7
Spanish club	357	73	0	430
Spanish class fundraiser	822	0	0	822
Student council	(12)	2,155	814	1,329
Community bank grant	0	1,002	483	519
Key club	466	20	0	486
JH key club	80	0	0	80
S.A.D.D.	586	0	0	586
FCCLA	2,527	16,535	18,394	668
HS class of 2009	460	822	1,019	263
HS class of 2005	4,979	0	2,881	2,098
HS class of 2006	115	16,322	14,396	2,041
HS class of 2007	(143)	0	0	(143)
HS class of 2008	(3,137)	2,706	0	(431)
Graduates	6,509	0	6,639	(130)
Washington D.C. trip	30,455	17,182	47,637	0
Total	\$ 104,778	197,488	239,634	62,632

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 2,133,357	1,794,768	1,647,583	1,534,509
Tuition	398,134	354,575	343,835	376,962
Other	277,540	318,645	281,241	295,308
State sources	2,890,215	2,666,137	2,662,263	2,492,814
Federal sources	542,710	888,708	132,939	176,244
Total	<u>\$ 6,241,956</u>	<u>6,022,833</u>	<u>5,067,861</u>	<u>4,875,837</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 2,292,100	2,013,911	1,918,918	2,019,230
Special instruction	762,837	677,270	621,235	709,408
Other instruction	325,700	493,618	541,453	472,933
Support services:				
Student services	163,577	156,440	133,670	116,919
Instructional staff services	170,882	122,858	116,621	121,707
Administration services	517,787	521,660	488,533	449,768
Operation and maintenance of plant services	477,634	467,182	410,085	458,524
Transportation services	266,783	221,415	193,060	198,297
Other	16,496	0	14,448	3,411
Non-instructional	0	170	162	108
Other expenditures:				
Facilities acquisitions	841,624	1,201,073	13,419	52,425
Long Term Debt:				
Principal	220,000	215,000	170,000	145,000
Interest	138,660	133,748	137,365	173,550
AEA flow-through	182,563	177,364	187,784	181,887
Total	<u>\$ 6,376,643</u>	<u>6,401,709</u>	<u>4,946,753</u>	<u>5,103,167</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2005

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURE
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DISTRIBUTION (non-cash)	10.550	FY 05	\$ 24,186
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 05	19,229
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 05	81,154
			<u>100,383</u>
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	3798-G-O	60,881
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	3798-GC-O	9,144
			<u>70,025</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 05	<u>24,533</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 04	<u>4,212</u>
FUND FOR THE IMPROVEMENT OF EDUCATION (IOWA DEMONSTRATION)	84.215	FY 05	<u>338,275</u>
IOWA WESTERN COMMUNITY COLLEGE: VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 04	<u>3,901</u>
INNOVATIVE EDUCATION PROGRAM STRATEGIES (TITLE V PROGRAM)	84.298	FY 05	<u>2,583</u>
AREA EDUCATION AGENCY: SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 05	<u>32,223</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 05	<u>732</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES (TITLE VI PROGRAM)	84.369	FY 05	<u>4,308</u>
TOTAL			<u>\$ 605,361</u>

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Reportable conditions in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
 - CFDA Number 84.215 - Iowa Demonstration Grant
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Logan-Magnolia Community School District did not qualify as a low-risk auditee.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

II-B-05 Gate Admissions - The gate admissions were not reconciled to pre-numbered tickets.

Recommendation - The District should establish reconciliation procedures for gate admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the admissions to the number of tickets issued.

Response - We are working on this procedure. There are two people who take tickets, count and document money collected which is turned into the office to verify and deposit.

Conclusion - Response accepted.

II-C-05 Student Activity Fund - We noted during our audit that the Student Activity Fund had several accounts with deficit balances.

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

Response - We will combine all of our sports accounts into one account, as not all sports can maintain a positive balance.

Conclusion - Response accepted.

II-D-05 Checks Outstanding - We noted during our audit that the District had a check included in the Nutrition Fund bank reconciliation which has been outstanding for over a year.

Recommendation – The District should research the outstanding checks to determine if they should be reissued, voided or submitted to the Treasurer of Iowa as unclaimed property.

Response – We will stop payment on the outstanding check in the Nutrition Fund and reissue to the payee.

Conclusion – Response accepted.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number 84.215: Iowa Demonstration Grant
Federal Award Year: 2005
U.S. Department of Education
Passed Through the Iowa Department of Education

III-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005

Part IV: Other Findings Related to Statutory Reporting

- IV-A-05 Official Depositories - A resolution naming official depositories has been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- IV-B-05 Certified Budget - District disbursements for the year ended June 30, 2005, did not exceed the amount budgeted.
- IV-C-05 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-D-05 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-E-05 Business Transactions - No business transactions between the District and District officials were noted.
- IV-F-05 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.
- Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.
- Response - We are working on publishing our minutes timely.
- Conclusion - Response accepted.
- IV-H-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-I-05 Deposits and Investments - We noted 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.
- IV-J-05 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

IV-K-05 Financial Condition – The District’s Nutrition Fund had a negative unrestricted fund balance of \$276. It was also noted that the Student Activity Fund had several individual accounts with negative balances.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits.

Response – We are researching the cash flow of the Nutrition Fund and will monitor to bring to a positive position. We will combine all of our sports accounts into one account, as not all sports can maintain a positive balance.

Conclusion – Response accepted.