

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2009

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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 2008 Election)		
Dennis Alvis	President	2009
Kevin Mann	Vice President	2009
Dan Cohrs	Board Member	2008
Mike Branstetter	Board Member	2010
Kelly Gochenour	Board Member	2010
Board of Education (After September 2008 Election)		
Dennis Alvis	President	2009
Kevin Mann	Vice President	2009
Dan Cohrs	Board Member	2011
Mike Branstetter	Board Member	2011*
Kelly Gochenour	Board Member	2011*
School Officials		
James Hammrich	Superintendent	2009
Karen Jacobsen	District Secretary	2009
Mundt, Franck and Schumacher	Attorney	2009

* Board term extended per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

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, 2009, 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, 2009, 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.

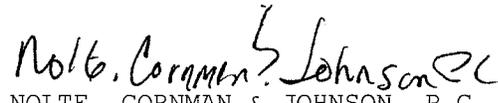
In accordance with Government Auditing Standards, we have also issued our report dated December 15, 2009 on our consideration of the Logan-Magnolia Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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. That report is 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 35 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 the eight years ended June 30, 2008 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, 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, P.C.

December 15, 2009

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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,928,466 in fiscal 2008 to \$6,190,731 in fiscal 2009, while General Fund expenditures increased from \$5,944,261 in fiscal 2008 to \$6,216,737 in fiscal 2009. This resulted in a decrease in the District's General Fund balance from \$581,658 in fiscal 2008 to a balance of \$555,652 in fiscal 2009.
- The increase in General Fund revenues was attributable to an increase in state and federal source revenues in fiscal 2009. The increase in expenditures can be attributed to increases in negotiated salaries and benefits paid to District employees.
- The decrease in General Fund balance resulted in the District's solvency ratio to decrease from 8.43% in fiscal 2008 to 7.39% in fiscal 2009.

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.

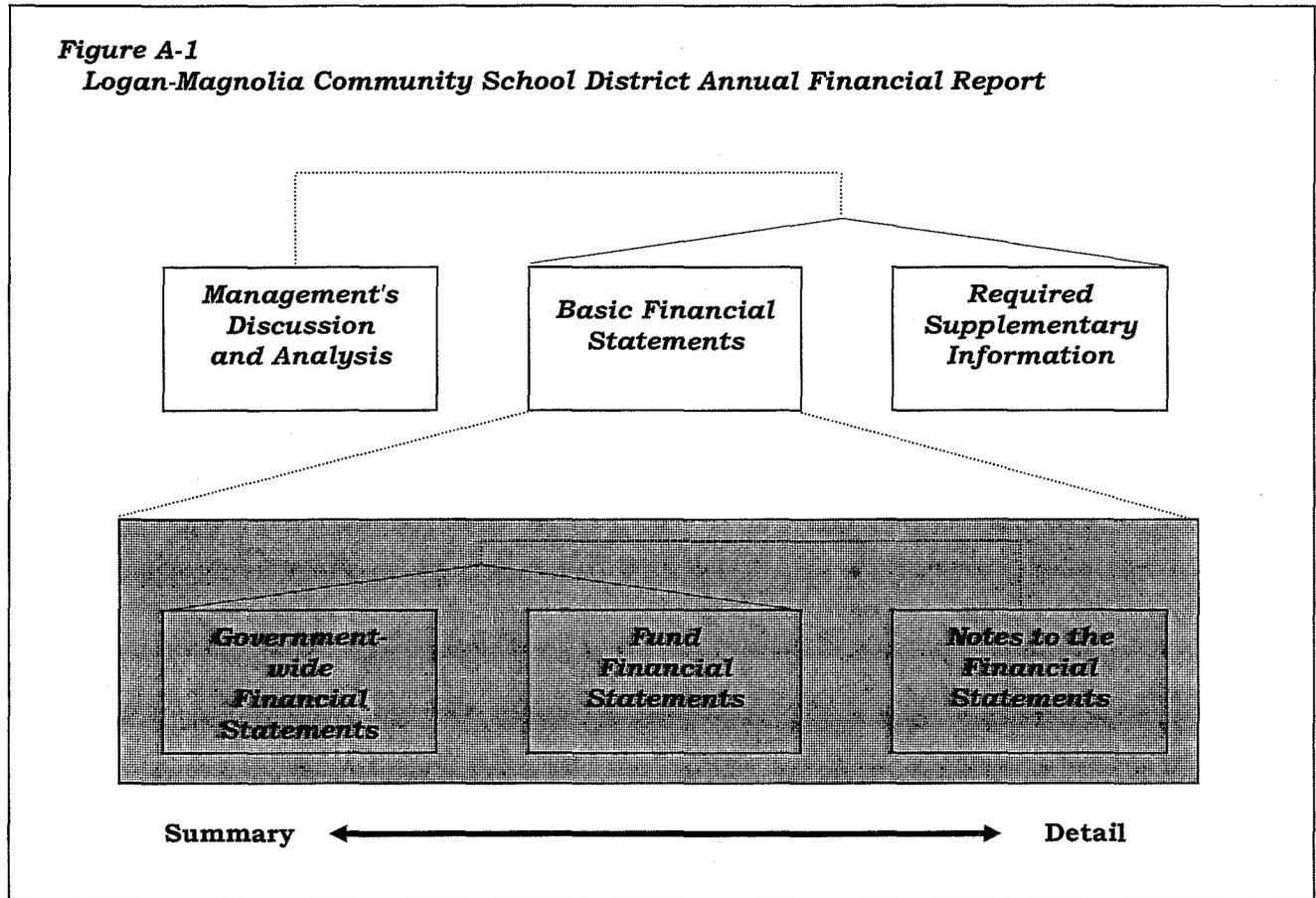


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	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, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
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 revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net 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 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, Special Revenue Funds, Debt Service and Capital Projects 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 Fund.

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

- Agency Fund - These are funds for which the District administers and accounts for a leadership academy on the behalf of participating Districts.

The District is responsible for ensuring that 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 the Agency Fund include a statement of fiduciary net assets.

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 at June 30, 2009 compared to June 30, 2008.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Current and other assets	\$ 4,712,995	4,429,383	44,554	27,736	4,757,549	4,457,119	6.74%
Capital assets	6,828,778	6,913,681	9,145	9,577	6,837,923	6,923,258	-1.23%
Total assets	11,541,773	11,343,064	53,699	37,313	11,595,472	11,380,377	1.89%
Long-term obligations	2,899,037	3,074,697	0	0	2,899,037	3,074,697	-5.71%
Other liabilities	3,257,346	3,005,762	10,264	12,953	3,267,610	3,018,715	8.25%
Total liabilities	6,156,383	6,080,459	10,264	12,953	6,166,647	6,093,412	1.20%
Net assets:							
Invested in capital assets, net of related debt	4,063,778	3,898,681	9,145	9,577	4,072,923	3,908,258	4.21%
Restricted	786,254	752,763	0	0	786,254	752,763	4.45%
Unrestricted	535,358	611,161	34,290	14,783	569,648	625,944	-8.99%
Total net assets	\$ 5,385,390	5,262,605	43,435	24,360	5,428,825	5,286,965	2.68%

The District's combined net assets increased by \$141,860, or 2.68% 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 increased \$33,491, or 4.45% 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 – decreased \$56,296, or 8.99%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2009	2008	2009	2008	2009	2008	2008-09
Revenues:							
Program revenues:							
Charges for services	\$ 723,748	751,501	234,605	226,438	958,353	977,939	-2.00%
Operating grants and contributions and restricted interest	957,502	746,391	140,065	120,725	1,097,567	867,116	26.58%
General revenues:							
Local tax	1,867,011	1,870,143	0	0	1,867,011	1,870,143	-0.17%
Income surtax	162,274	36,269	0	0	162,274	36,269	347.42%
Statewide sales and service tax	380,002	371,474	0	0	380,002	371,474	2.30%
Unrestricted state grants	3,065,522	2,980,700	0	0	3,065,522	2,980,700	2.85%
Other	53,587	65,490	143	494	53,730	65,984	-18.57%
Total revenues	7,209,646	6,821,968	374,813	347,657	7,584,459	7,169,625	5.79%
Program expenses:							
Governmental activities:							
Instruction	4,443,321	4,073,835	0	0	4,443,321	4,073,835	9.07%
Support services	2,069,472	1,937,944	494	1,126	2,069,966	1,939,070	6.75%
Non-instructional programs	0	0	355,244	357,455	355,244	357,455	-0.62%
Other expenses	574,068	499,878	0	0	574,068	499,878	14.84%
Total expenses	7,086,861	6,511,657	355,738	358,581	7,442,599	6,870,238	8.33%
Change in net assets	122,785	310,311	19,075	(10,924)	141,860	299,387	-52.62%
Net assets beginning of year	5,262,605	4,952,294	24,360	35,284	5,286,965	4,987,578	6.00%
Net assets end of year	\$ 5,385,390	5,262,605	43,435	24,360	5,428,825	5,286,965	2.68%

In fiscal 2009 the local tax, statewide sales and services tax and unrestricted state grants account for 73.69% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.96% of the revenue from business type activities.

The District's total revenues were approximately \$7.58 million of which \$7.21 million was for governmental activities and \$0.37 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.79% increase in revenues and an 8.33% increase in expenses. Operating grants and contributions and restricted interest increased \$230,451 to fund increases in expenditures. The increase in expenses related to increases in the negotiated salary and benefits as well as increases in expenses funded by grants received by the District.

Governmental Activities

Revenues for governmental activities were \$7,209,646 and expenses were \$7,086,861.

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		
	2009	2008	Change	2009	2008	Change
			2008-09			2008-09
Instruction	\$ 4,443,321	4,073,835	9.07%	3,054,439	2,874,944	6.24%
Support services	2,069,472	1,937,944	6.79%	2,013,110	1,855,682	8.48%
Other expenses	574,068	499,878	14.84%	338,062	283,139	19.40%
Totals	\$ 7,086,861	6,511,657	8.83%	5,405,611	5,013,765	7.82%

- The cost financed by users of the District's programs was \$723,748.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$957,502.
- The net cost of governmental activities was financed with \$1,867,011 in local tax, \$162,274 in income surtax, \$380,002 in statewide sales and service tax, \$3,065,522 in unrestricted state grants, \$31,395 in unrestricted investment earnings and \$22,192 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$374,813 and expenses were \$355,738. 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 \$1,329,592, above last year's ending fund balances of \$1,317,366. The primary reason for the increase was the increase in the Capital Projects Fund balance.

Governmental Fund Highlights

- The District's decreasing General Fund financial position is the product of many factors. Increases in state and federal grants caused the increase in revenues. The increase in revenues was less than enough to offset the increase in expenditures thus ensuring the decrease in General Fund balance.
- The Capital Projects fund balance increased from \$536,517 in fiscal 2008 to \$607,001 in fiscal 2009 primarily because of the decrease in expenditures.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$11,237 at June 30, 2008 to \$33,257 at June 30, 2009, representing an increase of 195.96%. Most of this increase is attributable to the increased federal grants.

The Latch Key Fund net assets decreased from \$13,123 at June 30, 2008 to \$10,178 at June 30, 2009.

BUDGETARY HIGHLIGHTS

The District's revenues were \$467,088 less than budgeted revenues, a variance of 5.82%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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, 2009, the District had invested \$6.84 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 decrease of 1.23% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$312,104.

The original cost of the District's capital assets was \$9,801,230. Governmental funds account for \$9,641,185 with the remainder of \$160,045 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$479,142 at June 30, 2008 as compared to \$552,988 at June 30, 2009. This increase is a result of the purchasing of new equipment made during the year. Major equipment purchases included bleachers and two new school buses.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 575,000	575,000	0	0	575,000	575,000	0.00%
Buildings	5,683,886	5,841,499	0	0	5,683,886	5,841,499	-2.70%
Land improvements	26,049	27,617	0	0	26,049	27,617	-5.68%
Machinery and equipment	543,843	469,565	9,145	9,577	552,988	479,142	15.41%
Total	\$ 6,828,778	6,913,681	9,145	9,577	6,837,923	6,923,258	-1.23%

Long-Term Debt

At June 30, 2009, the District had long-term debt outstanding of \$2,899,037 in general obligation bonds and early retirement. This represents a decrease of 5.71% 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 \$2,765,000 at June 30, 2009.

At June 30, 2009, the District also had total outstanding early retirement payable of \$134,037 which will be paid from the Special Revenue, Management Levy Fund.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30, 2009	2008	June 30, 2008-09
General obligation bonds	\$ 2,765,000	3,015,000	-8.29%
Early retirement	134,037	59,697	124.53%
Total	\$ 2,899,037	3,074,697	-5.71%

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.
- 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, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP	\$ 574,962	0	574,962
Other	1,630,831	26,708	1,657,539
Receivables:			
Property tax:			
Delinquent	31,847	0	31,847
Succeeding year	1,993,617	0	1,993,617
Income surtax	135,037	0	135,037
Accounts	6,458	3,116	9,574
Accrued ISCAP interest	71	0	71
Due from other governments	340,172	0	340,172
Inventories	0	14,730	14,730
Capital assets, net of accumulated depreciation	6,828,778	9,145	6,837,923
TOTAL ASSETS	11,541,773	53,699	11,595,472
LIABILITIES			
Accounts payable	90,235	0	90,235
Salaries and benefits payable	568,663	9,224	577,887
Interest payable	8,980	0	8,980
ISCAP warrants payable	566,000	0	566,000
ISCAP accrued interest payable	194	0	194
ISCAP unamortized premiums payable	10,957	0	10,957
Deferred revenue:			
Succeeding year property tax	1,993,617	0	1,993,617
Other	18,700	0	18,700
Unearned revenue	0	1,040	1,040
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	255,000	0	255,000
Early retirement	27,990	0	27,990
Portion due after one year:			
General obligation bonds	2,510,000	0	2,510,000
Early retirement	106,047	0	106,047
TOTAL LIABILITIES	6,156,383	10,264	6,166,647
NET ASSETS			
Invested in capital assets, net of related debt	4,063,778	9,145	4,072,923
Restricted for:			
Categorical funding	70,563	0	70,563
Debt service	19,094	0	19,094
Capital projects	607,001	0	607,001
Physical plant and equipment levy	26,867	0	26,867
Other special revenue purposes	62,729	0	62,729
Unrestricted	535,358	34,290	569,648
TOTAL NET ASSETS	\$ 5,385,390	43,435	5,428,825

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,990,495	381,977	651,725	(1,956,793)	0	(1,956,793)
Special instruction	791,383	43,521	52,078	(695,784)	0	(695,784)
Other instruction	661,443	242,073	17,508	(401,862)	0	(401,862)
	<u>4,443,321</u>	<u>667,571</u>	<u>721,311</u>	<u>(3,054,439)</u>	<u>0</u>	<u>(3,054,439)</u>
Support services:						
Student services	176,766	0	0	(176,766)	0	(176,766)
Instructional staff services	196,080	0	0	(196,080)	0	(196,080)
Administration services	599,225	0	0	(599,225)	0	(599,225)
Operation and maintenance of plant services	627,506	0	0	(627,506)	0	(627,506)
Transportation services	469,895	56,177	185	(413,533)	0	(413,533)
	<u>2,069,472</u>	<u>56,177</u>	<u>185</u>	<u>(2,013,110)</u>	<u>0</u>	<u>(2,013,110)</u>
Other expenditures:						
Facilities acquisitions	65,185	0	0	(65,185)	0	(65,185)
Long-term debt interest	113,696	0	0	(113,696)	0	(113,696)
AEA flowthrough	236,006	0	236,006	0	0	0
Depreciation(unallocated)*	159,181	0	0	(159,181)	0	(159,181)
	<u>574,068</u>	<u>0</u>	<u>236,006</u>	<u>(338,062)</u>	<u>0</u>	<u>(338,062)</u>
Total governmental activities	7,086,861	723,748	957,502	(5,405,611)	0	(5,405,611)
Business-type activities:						
Support services:						
Administration services	204	0	0	0	(204)	(204)
Transportation services	290	0	0	0	(290)	(290)
Non-instructional programs:						
Nutrition services	306,873	188,788	140,065	0	21,980	21,980
Latch key services	46,371	45,817	0	0	(2,554)	(2,554)
Total business-type activities	<u>355,738</u>	<u>234,605</u>	<u>140,065</u>	<u>0</u>	<u>18,932</u>	<u>18,932</u>
Total	<u>\$ 7,442,599</u>	<u>958,353</u>	<u>1,097,567</u>	<u>(5,405,611)</u>	<u>18,932</u>	<u>(5,386,679)</u>
General Revenues:						
Local tax for:						
General purposes				\$ 1,641,562	0	1,641,562
Debt service				189,275	0	189,275
Capital outlay				36,174	0	36,174
Income surtax				162,274	0	162,274
Statewide sales and services tax				380,002	0	380,002
Unrestricted state grants				3,065,522	0	3,065,522
Unrestricted investment earnings				31,395	143	31,538
Other				22,192	0	22,192
Total general revenues				<u>5,528,396</u>	<u>143</u>	<u>5,528,539</u>
Changes in net assets				122,785	19,075	141,860
Net assets beginning of year				5,262,605	24,360	5,286,965
Net assets end of year				<u>\$ 5,385,390</u>	<u>43,435</u>	<u>5,428,825</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP	\$ 574,962	0	0	574,962
Other	1,048,667	419,775	162,389	1,630,831
Receivables:				
Property tax				
Delinquent	25,784	0	6,063	31,847
Succeeding year	1,594,332	0	399,285	1,993,617
Income surtax	135,037	0	0	135,037
Accounts	6,458	0	0	6,458
Accrued ISCAP interest	71	0	0	71
Due from other governments	152,946	187,226	0	340,172
TOTAL ASSETS	\$ 3,538,257	607,001	567,737	4,712,995
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 88,722	0	1,513	90,235
Salaries and benefits payable	568,663	0	0	568,663
ISCAP warrants payable	566,000	0	0	566,000
ISCAP accrued interest payable	194	0	0	194
ISCAP unamortized premiums payable	10,957	0	0	10,957
Deferred revenue:				
Succeeding year property tax	1,594,332	0	399,285	1,993,617
Income surtax	135,037	0	0	135,037
Other	18,700	0	0	18,700
Total liabilities	2,982,605	0	400,798	3,383,403
Fund balances:				
Reserved for:				
Categorical funding	70,563	0	0	70,563
Debt service	0	0	19,094	19,094
Unreserved:				
Designated for special purposes	27,679	0	0	27,679
Undesignated	457,410	607,001	147,845	1,212,256
Total fund balances	555,652	607,001	166,939	1,329,592
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,538,257	607,001	567,737	4,712,995

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, 2009

Total fund balances of governmental funds (page 15) \$ 1,329,592

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 6,828,778

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. (8,980)

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. (2,899,037)

Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period. 135,037

Net assets of governmental activities (page 13) \$ 5,385,390

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, 2009

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,654,701	380,002	355,413	2,390,116
Tuition	406,425	0	0	406,425
Other	138,417	5,549	261,155	405,121
State sources	3,735,678	0	0	3,735,678
Federal sources	253,135	0	0	253,135
Total revenues	<u>6,188,356</u>	<u>385,551</u>	<u>616,568</u>	<u>7,190,475</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,891,426	0	120	2,891,546
Special instruction	703,326	0	87,494	790,820
Other instruction	443,795	0	268,624	712,419
	<u>4,038,547</u>	<u>0</u>	<u>356,238</u>	<u>4,394,785</u>
Support services:				
Student services	176,766	0	0	176,766
Instructional staff services	198,330	0	0	198,330
Administration services	599,225	0	0	599,225
Operation and maintenance of plant services	606,811	0	24,307	631,118
Transportation services	361,052	140,067	11,388	512,507
	<u>1,942,184</u>	<u>140,067</u>	<u>35,695</u>	<u>2,117,946</u>
Other expenditures:				
Facilities acquisitions	0	0	67,560	67,560
Long-term debt:				
Principal	0	0	250,000	250,000
Interest and fiscal charges	0	0	114,327	114,327
AEA flowthrough	236,006	0	0	236,006
	<u>236,006</u>	<u>0</u>	<u>431,887</u>	<u>667,893</u>
Total expenditures	<u>6,216,737</u>	<u>140,067</u>	<u>823,820</u>	<u>7,180,624</u>
Excess(deficiency) of revenues over(under) expenditures	(28,381)	245,484	(207,252)	9,851
Other financing sources(uses):				
Transfers in	0	0	175,000	175,000
Transfers out	0	(175,000)	0	(175,000)
Proceeds from the disposal of property	2,375	0	0	2,375
Total other financing sources(uses)	<u>2,375</u>	<u>(175,000)</u>	<u>175,000</u>	<u>2,375</u>
Net change in fund balances	(26,006)	70,484	(32,252)	12,226
Fund balance beginning of year	581,658	536,517	199,191	1,317,366
Fund balance end of year	<u>\$ 555,652</u>	<u>607,001</u>	<u>166,939</u>	<u>1,329,592</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, 2009

Net change in fund balances - total governmental funds (page 17) \$ 12,226

*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, depreciation expense and loss on disposal of capital assets in the current year are as follows:

Capital expenditures	\$ 226,769	
Depreciation expense	<u>(311,672)</u>	(84,903)

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. 250,000

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 19,171

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. 631

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	<u>(74,340)</u>	
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Changes in net assets of governmental activities (page 14) \$ 122,785

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

	School Nutrition	Latch Key	Total
ASSETS			
Cash and cash equivalents	\$ 15,777	10,931	26,708
Accounts receivable	0	3,116	3,116
Inventories	14,730	0	14,730
Capital assets, net of accumulated depreciation	9,145	0	9,145
TOTAL ASSETS	39,652	14,047	53,699
LIABILITIES			
Salaries and benefits payable	5,355	3,869	9,224
Unearned revenue	1,040	0	1,040
TOTAL LIABILITES	6,395	3,869	10,264
NET ASSETS			
Invested in capital assets	9,145	0	9,145
Unrestricted	24,112	10,178	34,290
TOTAL NET ASSETS	\$ 33,257	10,178	43,435

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, 2009

	School Nutrition	Latch Key	Total
OPERATING REVENUE:			
Charges for service	\$ 188,788	45,817	234,605
TOTAL OPERATING REVENUES	188,788	45,817	234,605
OPERATING EXPENSES:			
Support services:			
Administration services:			
Services	0	204	204
Transportation services:			
Salaries	0	254	254
Benefits	0	36	36
	0	290	290
Total support services	0	494	494
Non-instructional programs:			
Food service operations:			
Salaries	143,288	0	143,288
Benefits	25,457	0	25,457
Services	3,383	0	3,383
Supplies	134,313	0	134,313
Depreciation	432	0	432
	306,873	0	306,873
Other enterprise operations:			
Salaries	0	36,453	36,453
Benefits	0	4,192	4,192
Supplies	0	7,726	7,726
	0	48,371	48,371
Total non-instructional programs	306,873	48,371	355,244
TOTAL OPERATING EXPENSES	306,873	48,865	355,738
OPERATING LOSS	(118,085)	(3,048)	(121,133)
NON-OPERATING REVENUES:			
Interest	40	103	143
State sources	3,969	0	3,969
Federal sources	136,096	0	136,096
TOTAL NON-OPERATING REVENUES	140,105	103	140,208
Change in net assets	22,020	(2,945)	19,075
Net assets at beginning of year	11,237	13,123	24,360
Net assets end of year	\$ 33,257	10,178	43,435

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2009

	School Nutrition	Latch Key	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 185,406	0	185,406
Cash received from miscellaneous operating activities	445	45,420	45,865
Cash payments to employees for services	(168,492)	(40,328)	(208,820)
Cash payments to suppliers for goods or services	(115,481)	(8,511)	(123,992)
Net cash used in operating activities	(98,122)	(3,419)	(101,541)
Cash flows from non-capital financing activities:			
State grants received	3,969	0	3,969
Federal grants received	106,256	0	106,256
Net cash provided by non-capital financing activities	110,225	0	110,225
Cash flows from investing activities:			
Interest on investments	40	103	143
Net cash provided by investing activities	40	103	143
Net increase(decrease) in cash and cash equivalents	12,143	(3,316)	8,827
Cash and cash equivalents at beginning of year	3,634	14,247	17,881
Cash and cash equivalents at end of year	\$ 15,777	10,931	26,708
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (118,085)	(3,048)	(121,133)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	29,971	0	29,971
Depreciation	432	0	432
Increase in inventories	(7,756)	0	(7,756)
(Increase)Decrease in accounts receivables	31	(397)	(366)
Decrease in accounts payable	0	(581)	(581)
Increase in salaries and benefits payable	253	607	860
Decrease in unearned revenues	(2,968)	0	(2,968)
Net cash used in operating activities	\$ (98,122)	(3,419)	(101,541)

RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR
 END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE
 SHEET:

Current assets:

Cash and pooled investments	\$ 15,777	10,931	26,708
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NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2009, the District received Federal commodities valued at \$29,971.

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	<u>Agency</u>
ASSETS	
Cash and pooled investments	\$ <u>849</u>
LIABILITIES	
Due to other groups	\$ <u>849</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(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, 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.

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

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 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 Balances

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, 2007 assessed property valuations; is for the tax

accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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
Land improvements	1,500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,500

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	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.

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 Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances - 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.

Designated Fund Balances - In the governmental fund financial statements, designated funds are not available for appropriation but are set aside for a specific purpose. The designated fund balances are of accelerated reading, leadership academy and a reserve for medicaid administration.

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.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2009 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, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 1,400,625

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, 2009 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 175,000

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

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, 2009 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2009-10A	6/25/09	6/23/10	\$ 574,962	71	566,000	194

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. No ISCAP advance activity was noted in the General Fund for the year ended June 30, 2009.

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
2009-10A	2.500%	0.902%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 575,000	0	0	575,000
Total capital assets not being depreciated	575,000	0	0	575,000
Capital assets being depreciated:				
Buildings	7,644,696	0	0	7,644,696
Land improvements	31,367	0	0	31,367
Machinery and equipment	1,217,120	226,769	53,767	1,390,122
Total capital assets being depreciated	8,893,183	226,769	53,767	9,066,185
Less accumulated depreciation for:				
Buildings	1,803,197	157,613	0	1,960,810
Land improvements	3,750	1,568	0	5,318
Machinery and equipment	747,555	152,491	53,767	846,279
Total accumulated depreciation	2,554,502	311,672	53,767	2,812,407
Total capital assets being depreciated, net	6,338,681	(84,903)	0	6,253,778
Governmental activities capital assets, net	\$ 6,913,681	(84,903)	0	6,828,778
Business-type activities:				
Machinery and equipment	\$ 160,045	0	0	160,045
Less accumulated depreciation	150,468	432	0	150,900
Business-type activities capital assets, net	\$ 9,577	(432)	0	9,145

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 24,609
Special		2,222
Other		17,368
Support services:		
Operation and maintenance of plant services		10,837
Transportation		97,455
		<u>152,491</u>
Unallocated depreciation		<u>159,181</u>
Total governmental activities depreciation expense		<u>\$ 311,672</u>
Business-type activities:		
Food services		<u>\$ 432</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 3,015,000	0	250,000	2,765,000	255,000
Early retirement	59,697	85,431	11,091	134,037	27,990
Total	<u>\$ 3,074,697</u>	<u>85,431</u>	<u>261,091</u>	<u>2,899,037</u>	<u>282,990</u>

General Obligation Bonds Payable

Details of the District's June 30, 2009 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Bond issue November 1, 2002			Bond issue August 1, 2003			Total		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest	Total
2010	3.05-3.25 %	\$ 255,000	50,599	-	\$ -	55,257	\$ 255,000	105,856	360,856
2011	3.25-3.35	270,000	42,274	-	-	55,258	270,000	97,532	367,532
2012	3.35-3.45	280,000	33,297	-	-	55,257	280,000	88,554	368,554
2013	3.45-3.55	285,000	23,616	-	-	55,258	285,000	78,874	363,874
2014	3.55-3.70	295,000	13,393	-	-	55,257	295,000	68,650	363,650
2015-2019	3.70	145,000	2,683	4.00-4.40	565,000	243,045	710,000	245,728	955,728
2020-2023	-	-	-	4.50-5.00	670,000	82,125	670,000	82,125	752,125
Total		<u>\$ 1,530,000</u>	<u>165,862</u>		<u>\$ 1,235,000</u>	<u>601,457</u>	<u>\$ 2,765,000</u>	<u>767,319</u>	<u>3,532,319</u>

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, 2009, totaled \$11,091.

(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 4.10% of their annual salary and the District is required to contribute 6.35% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$250,040, \$218,875 and \$196,012, 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) Other Postemployment Benefits (OPEB)

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The District is in the process of obtaining an actuarial opinion to be in compliance with GASB Statement No. 45 for the year ended June 30, 2010.

(10) 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 \$236,006 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Categorical Funding

The District's ending balances for categorical funding by project as of the year ended June 30, 2009 are as follows:

<u>Project</u>	<u>Amount</u>
Home school assistance program	\$ 4,458
Talented and gifted	53,444
Empowerment	1,173
Model core curriculum	8,120
Market factor incentives	3,368
Total	<u>\$ 70,563</u>

REQUIRED SUPPLEMENTARY INFORMATION

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2009

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,201,662	234,748	3,436,410	3,640,094	3,640,094	(203,684)
State sources	3,735,678	3,969	3,739,647	4,029,282	4,029,282	(289,635)
Federal sources	253,135	136,096	389,231	363,000	363,000	26,231
Total revenues	<u>7,190,475</u>	<u>374,813</u>	<u>7,565,288</u>	<u>8,032,376</u>	<u>8,032,376</u>	<u>(467,088)</u>
Expenditures:						
Instruction	4,394,785	0	4,394,785	5,284,679	5,284,679	889,894
Support services	2,117,946	494	2,118,440	2,677,502	2,677,502	559,062
Non-instructional programs	0	355,244	355,244	465,783	465,783	110,539
Other expenditures	667,893	0	667,893	756,182	756,182	88,289
Total expenditures	<u>7,180,624</u>	<u>355,738</u>	<u>7,536,362</u>	<u>9,184,146</u>	<u>9,184,146</u>	<u>1,647,784</u>
Excess(deficiency) of revenues over(under) expenditures	9,851	19,075	28,926	(1,151,770)	(1,151,770)	1,180,696
Other financing sources, net	2,375	0	2,375	10,000	10,000	(7,625)
Excess(deficiency) of revenues and other financing sources over(under) expenditures	12,226	19,075	31,301	(1,141,770)	(1,141,770)	1,173,071
Balance beginning of year	1,317,366	24,360	1,341,726	1,158,206	1,158,206	183,520
Balance end of year	<u>\$ 1,329,592</u>	<u>43,435</u>	<u>1,373,027</u>	<u>16,436</u>	<u>16,436</u>	<u>1,356,591</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

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 functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2009

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Debt Service	Other Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 56,032	64,242	26,250	146,524	15,865	162,389
Receivables:						
Property tax:						
Current year delinquent	2,217	0	617	2,834	3,229	6,063
Succeeding year	175,000	0	37,629	212,629	186,656	399,285
TOTAL ASSETS	\$ 233,249	64,242	64,496	361,987	205,750	567,737
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 0	1,513	0	1,513	0	1,513
Deferred revenue:						
Succeeding year property tax	175,000	0	37,629	212,629	186,656	399,285
Total liabilities	175,000	1,513	37,629	214,142	186,656	400,798
Fund balances:						
Reserved for debt service	0	0	0	0	19,094	19,094
Unreserved fund balances	58,249	62,729	26,867	147,845	0	147,845
Total fund balances	58,249	62,729	26,867	147,845	19,094	166,939
TOTAL LIABILITIES AND FUND BALANCES	\$ 233,249	64,242	64,496	361,987	205,750	567,737

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, 2009

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue	Debt Service	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 129,964	0	36,174	166,138	189,275	355,413
Other	13,335	247,175	202	260,712	443	261,155
TOTAL REVENUES	143,299	247,175	36,376	426,850	189,718	616,568
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	0	120	0	120	0	120
Special instruction	87,477	17	0	87,494	0	87,494
Other instruction	0	268,624	0	268,624	0	268,624
Support services:						
Operation and maintenance of plant services	24,307	0	0	24,307	0	24,307
Transportation services	11,388	0	0	11,388	0	11,388
Other expenditures:						
Facilities acquisition	0	0	67,560	67,560	0	67,560
Long-term debt:						
Principal	0	0	0	0	250,000	250,000
Interest and fiscal charges	0	0	0	0	114,327	114,327
TOTAL EXPENDITURES	123,172	268,761	67,560	459,493	364,327	823,820
Excess(deficiency) of revenues over(under) expenditures	20,127	(21,586)	(31,184)	(32,643)	(174,609)	(207,252)
Other financing sources:						
Transfer in	0	0	0	0	175,000	175,000
Total other financing sources	0	0	0	0	175,000	175,000
Excess(deficiency) of revenues and other financing sources over(under) expenditures	20,127	(21,586)	(31,184)	(32,643)	391	(32,252)
Fund balance beginning of year	38,122	84,315	58,051	180,488	18,703	199,191
Fund balance end of year	\$ 58,249	62,729	26,867	147,845	19,094	166,939

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, 2009

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ (1,730)	2,566	2,303	(1,467)
Cross country	(265)	934	819	(150)
All sports fundraiser	0	48,393	53,411	(5,018)
Drill team	371	3,489	2,911	949
Football cheerleading	1,061	640	413	1,288
Basketball cheerleading	1,287	3,030	2,648	1,669
Wrestling cheerleading	(1,018)	853	357	(522)
Basketball fundraiser	1,199	4,051	4,257	993
All sports activity pass	4,911	3,240	8,151	0
District football	1,400	200	704	896
Flag football	5,676	8,209	3,351	10,534
Baseball fundraiser	3,513	8,566	9,976	2,103
Girls track fundraiser	1,151	2,594	4,404	(659)
Wrestling fundraiser	1,318	2,114	2,318	1,114
Girls basketball fundraiser	(1,891)	2,195	0	304
Elementary basketball	285	0	160	125
Volleyball fundraiser	3,688	1,493	1,656	3,525
Softball fundraiser	2,151	10,099	9,439	2,811
Concessions	4,983	31,399	30,965	5,417
Petty cash	225	0	0	225
Interest	1,459	634	612	1,481
Art club	225	0	0	225
Chess club fundraiser	147	510	537	120
Annual	12,633	6,956	9,114	10,475
Swing choir	13	1,117	614	516
Band uniform fundraiser	95	180	121	154
Band fundraiser	6,758	10,057	10,281	6,534
Vocal music fundraiser	2,636	8,006	5,794	4,848
Instrumental music	419	0	0	419
Flag corp fundraiser	387	275	874	(212)
AMOL	687	45	16	716
Science club	(70)	2,316	2,260	(14)
Spanish club	241	22	42	221
Spanish class fundraiser	806	0	0	806
Student council	331	1,744	722	1,353
Community bank grant	0	786	135	651
Business professionals	908	20	281	647
Key club	476	85	180	381
JH key club	80	0	0	80
S.A.D.D.	586	0	0	586
Elementary pool	5,377	0	5,377	0
FCCLA	2,208	8,865	9,457	1,616
HS class of 2008	11	412	364	59
HS class of 2009	1,596	253	476	1,373
HS class of 2010	2,294	15,204	13,908	3,590
HS class of 2011	289	0	0	289
HS class of 2012	2,508	0	0	2,508
Washington D.C. trip	12,900	55,623	69,353	(830)
Total	\$ 84,315	247,175	268,761	62,729

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2009

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>LEADERSHIP ACADEMY</u>				
<u>ASSETS</u>				
Cash and pooled investments	\$ 849	0	0	849
<u>LIABILITIES</u>				
Due to other groups	\$ 849	0	0	849

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 NINE YEARS

	Modified Accrual Basis								
	Years Ended June 30,								
	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenues:									
Local sources:									
Local tax	\$ 2,390,116	2,277,886	2,350,551	2,016,915	2,133,357	1,794,768	1,647,583	1,534,509	1,433,146
Tuition	406,425	407,990	352,693	331,392	398,134	354,575	343,835	376,962	440,908
Other	405,121	434,153	522,178	414,214	277,540	318,645	281,241	295,308	244,651
State sources	3,735,678	3,556,861	3,397,183	3,137,954	2,890,215	2,666,137	2,662,263	2,492,814	2,615,687
Federal sources	253,135	145,078	161,114	164,370	542,710	888,708	132,939	176,244	97,280
Total	\$ 7,190,475	6,821,968	6,783,719	6,064,845	6,241,956	6,022,833	5,067,861	4,875,837	4,831,672
Expenditures:									
Instruction:									
Regular instruction	\$ 2,891,546	2,488,810	2,465,935	2,457,997	2,292,100	2,013,911	1,918,918	2,019,230	1,829,226
Special instruction	790,820	873,884	774,728	739,041	762,837	677,270	621,235	709,408	583,767
Other instruction	712,419	699,640	738,028	473,612	325,700	493,618	541,453	472,933	474,116
Support services:									
Student services	176,766	158,744	161,302	147,020	163,577	156,440	133,670	116,919	108,459
Instructional staff services	198,330	179,324	204,441	148,876	170,882	122,858	116,621	121,707	142,868
Administration services	599,225	571,907	579,851	567,910	517,787	521,660	488,533	449,768	413,133
Operation and maintenance of plant services	631,118	585,635	558,481	489,007	477,634	467,182	410,085	458,524	454,183
Transportation services	512,507	643,348	342,413	434,423	266,783	221,415	193,060	198,297	264,164
Other	0	0	0	0	16,496	0	14,448	3,411	17,595
Non-instructional programs	0	0	0	0	0	170	162	108	659
Other expenditures:									
Facilities acquisitions	67,560	125,622	30,794	134,985	841,624	1,201,073	13,419	52,425	78,018
Long-term debt:									
Principal	250,000	235,000	240,000	240,000	220,000	215,000	170,000	145,000	135,000
Interest	114,327	121,337	127,808	133,627	138,660	133,748	137,365	173,550	181,525
AEA flowthrough	236,006	216,739	208,214	191,247	182,563	177,364	187,784	181,887	191,426
Total	\$ 7,180,624	6,899,990	6,431,995	6,157,745	6,376,643	6,401,709	4,946,753	5,103,167	4,874,139

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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

To the Board of Education of the
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 as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 15, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Logan-Magnolia Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Logan-Magnolia Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Logan-Magnolia Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Logan-Magnolia Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Logan-Magnolia Community School District's financial statements that is more than inconsequential will not be prevented or detected by Logan-Magnolia Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Logan-Magnolia Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all

significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-09 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Logan-Magnolia 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, 2009 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.

Logan-Magnolia Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Logan-Magnolia Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Logan-Magnolia Community School District and other parties to whom Logan-Magnolia Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Logan-Magnolia 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.


NOLTE, CORNMAN & JOHNSON, P.C.

December 15, 2009

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-09 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.

I-B-09 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 will reconcile pre-numbered tickets.

Conclusion - Response accepted.

I-C-09 Purchase Orders - We noted during our audit that the District currently uses purchase orders in the purchase process; however, many of the purchase orders are actually completed after the product has been ordered and at times may be completed after the receipt of the products. In addition, we noted purchase orders had handwritten numbers and were not pre-numbered.

Recommendation - The advantage of using a purchase order system is that the approval of items being purchased is noted prior to ordering. When purchase orders are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding obligation. When monitoring the actual expenses it can be a helpful tool in knowing the outstanding orders which will be subsequently paid. This allows the person who approves the purchase order a greater insight of knowing if funds are available prior to making the purchase.

The District's current purchase order system should be reviewed and the necessary changes made so that all disbursements are approved by the appropriated administrator before the purchase of supplies takes place. The purchase order should be included with the invoice as support for approval of the purchase. The purchase orders should be pre-numbered in order to maintain a system of control for outstanding purchases.

Response - We have reminded staff that purchase orders should be completed before making purchases.

Conclusion - Response accepted.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-09 Certified Budget - District disbursements for the year ended June 30, 2009, did not exceed the amount budgeted.
- II-B-09 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.
- II-C-09 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-09 Business Transactions - No business transactions between the District and District officials were noted.
- II-E-09 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.
- II-F-09 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-09 Certified Enrollment - We noted that the number of basic resident student reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for October 2008 was overstated. The District's certified enrollment count on line 1 was overstated by 1.7 students and line 3 was overstated by 1.0 students. This resulted in overstating the total actual enrollment on line 7 by 2.7 students.
- Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.
- Response - We will contact the Iowa Department of Education and the Department of Management.
- Conclusion - Response accepted.
- II-H-09 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.
- II-I-09 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.
- II-J-09 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-K-09 Statewide Sales and Services Tax - No instances of non-compliance with the used of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.3 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance		\$	0
Statewide sales and services tax revenue			380,002
Expenditures/transfers out:			
School infrastructure:			
Equipment	\$	140,067	
Debt service for school infrastructure:			
General obligation debt		<u>175,000</u>	<u>315,067</u>
Ending balance			<u>\$ 64,935</u>

Levies reduced as result of statewide sales and services tax received:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 1.59596	\$ 175,000

II-L-09 Financial Condition -The Student Activity Fund contained eight negative account balances totaling \$8,872.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should investigate alternatives to eliminate these deficit balances.

Response - We have spoken to Activity sponsors about procedures to reduce the deficit.

Conclusion - Response accepted.

II-M-09 Check Signatures - We noted during our audit, instances of checks clearing the bank with only one or no signature. Chapter 291.1 of the Code of Iowa requires the Board President and Board Secretary to sign all checks. Also pursuant to this section, the Board President may designate an individual to sign warrants on his/her behalf. However, the Board Secretary may not designate an individual to sign in their absence.

Recommendation - The District should review their procedures to ensure that the proper signatures are on all checks before sending them out, in order to be in compliance with Chapter 291.1 and 291.8 of the Code of Iowa.

Response - We will tighten controls to ensure all checks are signed by both the Board President and the Board Secretary.

Conclusion - Response accepted.

II-N-09 Official Depositories - Banker's Trust was not approved by the Board as an official depository. Chapter 12C.2 of the Code of Iowa requires approval of each financial institution used as a depository of public funds.

Recommendation - The District should approve each financial institution used as an official depository.

Response - We will approve Banker's Trust as a depository at our December Board meeting.

Conclusion - Response accepted.

II-O-09 Payroll Authorization - We noted during our audit, the District does not have written authorization to mail employee's payroll checks. Chapter 91A.3 of the Code of Iowa requires that an employer have a written request from an employee before wages can be sent to an employee by mail.

Recommendation - The District should obtain written authorization from each employee who desires to receive a payroll check by mail.

Response - We have received several written authorization letters and will continue to receive authorization letters from the remaining employees.

Conclusion - Response accepted.