

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2010

| Contents   | <u>Page</u>     |
|--|-----------------|
| Officials  | 3               |
| Independent Auditor's Report   | 5-5             |
| Management's Discussion and Analysis (MD&A)  | 7-15            |
| Basic Financial Statements:  | <u>Exhibit</u>  |
| Government-wide Financial Statements:  |                 |
| Statement of Net Assets  | A 18            |
| Statement of Activities  | B 19            |
| Governmental Fund Financial Statements:  |                 |
| Balance Sheet  | C 20            |
| Reconciliation of the Balance Sheet - Governmental<br>Funds to the Statement of Net Assets   | D 21            |
| Statement of Revenues, Expenditures and Changes in<br>Fund Balances  | E 22            |
| Reconciliation of the Statement of Revenues,<br>Expenditures and Changes in Fund Balances -<br>Governmental Funds to the Statement of Activities   | F 23            |
| Proprietary Fund Financial Statements:   |                 |
| Statement of Net Assets  | G 24            |
| Statement of Revenues, Expenses and Changes in<br>Net Assets   | H 25            |
| Statement of Cash Flows  | I 26            |
| Notes to Financial Statements  | 27-38           |
| Required Supplementary Information:  |                 |
| Budgetary Comparison Schedule of Revenues,<br>Expenditures and Changes in Balances - Budget<br>and Actual - All Governmental Funds<br>and Proprietary Fund   | 40              |
| Notes to Required Supplementary Information -<br>Budgetary Reporting   | 41              |
| Schedule of Funding Progress for the Retiree Health Plan   | 42              |
| Other Supplementary Information:   | <u>Schedule</u> |
| Nonmajor Governmental Funds:   |                 |
| Combining Balance Sheet  | 1 44            |
| Combining Statement of Revenues, Expenditures and<br>Changes in Fund Balances  | 2 45            |
| Schedule of Changes in Special Revenue Fund,<br>Student Activity Accounts  | 3 46            |
| Capital Project Funds:   |                 |
| Combining Balance Sheet  | 4 47            |
| Combining Statement of Revenues, Expenditures and<br>Changes in Fund Balances  | 5 48            |
| Schedule of Changes in Fiduciary Net Assets and<br>Liabilities - Agency Fund   | 6 49            |
| Schedule of Revenues by Source and Expenditures by<br>Function - All Governmental Fund Types   | 7 50            |
| Schedule of Expenditures of Federal Awards   | 8 51            |
| Independent Auditor's Report on Internal Control over<br>Financial Reporting and on Compliance and Other Matters<br>Based on an Audit of Financial Statements Performed in<br>Accordance with <u>Government Auditing Standards</u> | 53-54           |
| Independent Auditor's Report on Compliance with Requirements<br>Applicable to Each Major Program and on Internal Control<br>Over Compliance in Accordance with OMB Circular A-133  | 55-56           |
| Schedule of Findings and Questioned Costs  | 57-62           |

Logan-Magnolia Community School District

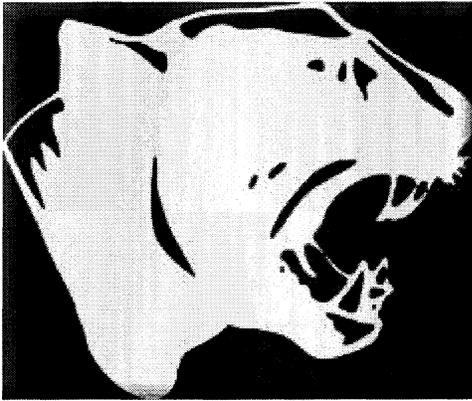
Officials

| <u>Name</u>  | <u>Title</u>   | <u>Term Expires</u> |
|--|----------------|---------------------|
| <b>Board of Education<br/>(Before September 2009 Election)</b> |                |                     |
| Dennis Alvis   | President      | 2009                |
| Kevin Mann   | Vice President | 2009                |
| Dan Cohrs  | Board Member   | 2011                |
| Mike Branstetter   | Board Member   | 2011                |
| Kelly Gochenour  | Board Member   | 2011                |

|   |                |      |
|---|----------------|------|
| <b>Board of Education<br/>(After September 2009 Election)</b> |                |      |
| Dan Cohrs   | President      | 2011 |
| Kelly Gochenour   | Vice President | 2011 |
| Mike Branstetter  | Board Member   | 2011 |
| Todd Cohrs  | Board Member   | 2013 |
| Shelley Foutch  | Board Member   | 2013 |

|                                 |                    |      |
|---------------------------------|--------------------|------|
| <b>School Officials</b>         |                    |      |
| James Hammrich                  | Superintendent     | 2010 |
| Karen Jacobsen                  | District Secretary | 2010 |
| Mundt, Franck and<br>Schumacher | Attorney           | 2010 |

# Logan-Magnolia Schools



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Logan-Magnolia Community School District, Logan Iowa, as of and for the year ended June 30, 2010, 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, 2010, 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 January 3, 2011 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 and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 40 through 42 are not required parts of the basic financial statements, but are supplementary information

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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 nine years ended June 30, 2009 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

January 3, 2011

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2010 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$6,190,731 in fiscal 2009 to \$6,125,353 in fiscal 2010, while General Fund expenditures decreased from \$6,216,737 in fiscal 2009 to \$6,203,912 in fiscal 2010. This resulted in a decrease in the District's General Fund balance from \$555,652 in fiscal 2009 to a balance of \$477,093 in fiscal 2010.
- The decrease in General Fund revenues was attributable to a decrease in state sources of revenues in fiscal 2010. The decrease in expenditures can be attributed to decreases in spending in the support services functional areas.
- The decline in General Fund balance resulted in the District's solvency ratio decreasing from 7.39% in fiscal 2009 to 6.14% in fiscal 2010.

### **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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

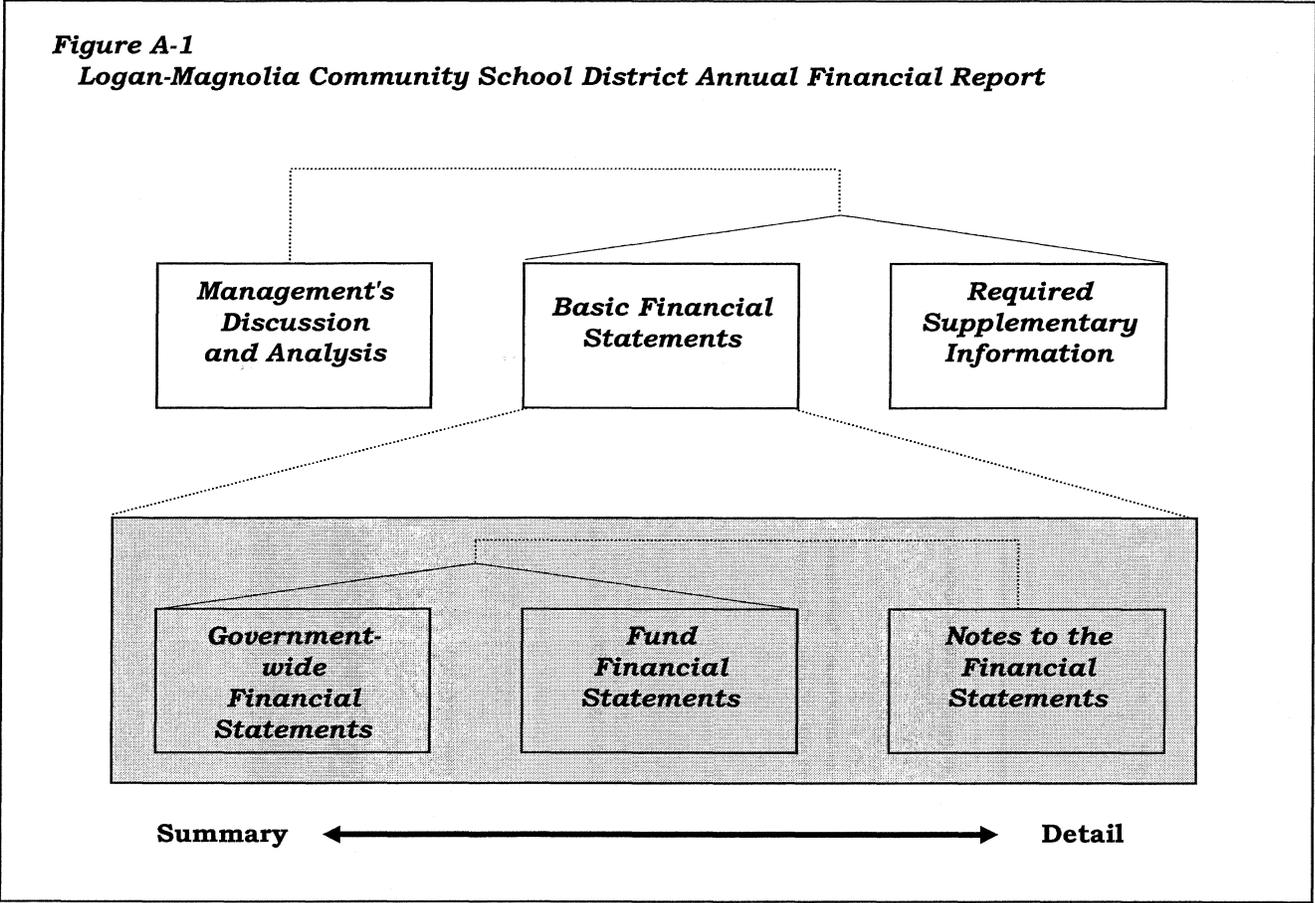


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

| <b>Figure A-2<br/>Major Features of the Government-Wide and Fund Financial Statements</b> |  |  |  |   |
|---|--|--|--|---|
|   | 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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul> | <ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>   | <ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul> | <ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul> |
| 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

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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, 2010 compared to June 30, 2009.

|  | Governmental Activities |            | Business Type Activities |        | Total District |            | Total Change |
|--|-------------------------|------------|--------------------------|--------|----------------|------------|--------------|
|  | June 30,                |            | June 30,                 |        | June 30,       |            | June 30,     |
|  | 2010                    | 2009       | 2010                     | 2009   | 2010           | 2009       | 2009-10      |
| Current and other assets                           | \$ 4,390,015            | 4,712,995  | 47,279                   | 44,554 | 4,437,294      | 4,757,549  | -6.73%       |
| Capital assets                                     | 6,006,471               | 6,828,778  | 22,876                   | 9,145  | 6,029,347      | 6,837,923  | -11.82%      |
| Total assets                                       | 10,396,486              | 11,541,773 | 70,155                   | 53,699 | 10,466,641     | 11,595,472 | -9.74%       |
| Long-term obligations                              | 2,910,428               | 2,899,037  | 2,299                    | 0      | 2,912,727      | 2,899,037  | 0.47%        |
| Other liabilities                                  | 2,872,854               | 3,257,346  | 20,387                   | 10,264 | 2,893,241      | 3,267,610  | -11.46%      |
| Total liabilities                                  | 5,783,282               | 6,156,383  | 22,686                   | 10,264 | 5,805,968      | 6,166,647  | -5.85%       |
| Net assets:  |                         |            |                          |        |                |            |              |
| Invested in capital assets,<br>net of related debt | 3,496,471               | 4,063,778  | 22,876                   | 9,145  | 3,519,347      | 4,072,923  | -13.59%      |
| Restricted   | 1,006,441               | 786,254    | 0                        | 0      | 1,006,441      | 786,254    | 28.00%       |
| Unrestricted                                       | 110,292                 | 535,358    | 24,593                   | 34,290 | 134,885        | 569,648    | -76.32%      |
| Total net assets                                   | \$ 4,613,204            | 5,385,390  | 47,469                   | 43,435 | 4,660,673      | 5,428,825  | -14.15%      |

The District's combined net assets decreased by \$768,152, or 14.15% from 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 \$220,187, or 28.00% 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 \$434,763, or 76.32%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

| Figure A-4<br>Changes of Net Assets                           |                            |                  |                             |                |                   |                  |                 |
|---|----------------------------|------------------|-----------------------------|----------------|-------------------|------------------|-----------------|
|   | Governmental<br>Activities |                  | Business Type<br>Activities |                | Total<br>District |                  | Total<br>Change |
|   | 2010                       | 2009             | 2010                        | 2009           | 2010              | 2009             | 2009-10         |
| Revenues:   |                            |                  |                             |                |                   |                  |                 |
| Program revenues:   |                            |                  |                             |                |                   |                  |                 |
| Charges for services  | \$ 897,353                 | 723,748          | 239,618                     | 234,605        | 1,136,971         | 958,353          | 18.64%          |
| Operating grants and contributions<br>and restricted interest | 1,224,343                  | 957,502          | 145,802                     | 140,065        | 1,370,145         | 1,097,567        | 24.83%          |
| General revenues:   |                            |                  |                             |                |                   |                  |                 |
| Local tax   | 1,969,396                  | 1,867,011        | 0                           | 0              | 1,969,396         | 1,867,011        | 5.48%           |
| Income surtax   | 167,744                    | 162,274          | 0                           | 0              | 167,744           | 162,274          | 3.37%           |
| Statewide sales and service tax                               | 366,424                    | 380,002          | 0                           | 0              | 366,424           | 380,002          | -3.57%          |
| Unrestricted state grants                                     | 2,476,217                  | 3,065,522        | 0                           | 0              | 2,476,217         | 3,065,522        | -19.22%         |
| Other   | 34,764                     | 53,587           | 8,308                       | 143            | 43,072            | 53,730           | -19.84%         |
| Total revenues  | <u>7,136,241</u>           | <u>7,209,646</u> | <u>393,728</u>              | <u>374,813</u> | <u>7,529,969</u>  | <u>7,584,459</u> | <u>-0.72%</u>   |
| Program expenses:   |                            |                  |                             |                |                   |                  |                 |
| Governmental activities:                                      |                            |                  |                             |                |                   |                  |                 |
| Instruction   | 4,610,622                  | 4,443,321        | 0                           | 0              | 4,610,622         | 4,443,321        | 3.77%           |
| Support services  | 2,169,975                  | 2,069,472        | 285                         | 494            | 2,170,260         | 2,069,966        | 4.85%           |
| Non-instructional programs                                    | 0                          | 0                | 389,409                     | 355,244        | 389,409           | 355,244          | 9.62%           |
| Other expenses  | 677,830                    | 574,068          | 0                           | 0              | 677,830           | 574,068          | 18.07%          |
| Total expenses  | <u>7,458,427</u>           | <u>7,086,861</u> | <u>389,694</u>              | <u>355,738</u> | <u>7,848,121</u>  | <u>7,442,599</u> | <u>5.45%</u>    |
| Increase(decrease) in net assets                              | (322,186)                  | 122,785          | 4,034                       | 19,075         | (318,152)         | 141,860          | -324.27%        |
| Net assets beginning of year                                  | <u>4,935,390</u>           | <u>5,262,605</u> | <u>43,435</u>               | <u>24,360</u>  | <u>4,978,825</u>  | <u>5,286,965</u> | <u>-5.83%</u>   |
| Net assets end of year  | <u>\$ 4,613,204</u>        | <u>5,385,390</u> | <u>47,469</u>               | <u>43,435</u>  | <u>4,660,673</u>  | <u>5,428,825</u> | <u>-14.15%</u>  |

In fiscal 2010 the local tax, statewide sales and services tax and unrestricted state grants account for 67.43% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 97.89% of the revenue from business type activities.

The District's total revenues were approximately \$7.53 million of which \$7.14 million was for governmental activities and \$0.39 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.72% decrease in revenues and a 5.45% increase in expenses. Local taxes and operating grants and contributions and restricted interest revenues increased \$451,196 to help fund the increased expenditures.

### Governmental Activities

Revenues for governmental activities were \$7,136,241 and expenses were \$7,458,427.

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 |                  |                   |
|------------------|------------------------|------------------|-------------------|----------------------|------------------|-------------------|
|                  | 2010                   | 2009             | Change<br>2009-10 | 2010                 | 2009             | Change<br>2009-10 |
| Instruction      | \$ 4,610,622           | 4,073,835        | 13.18%            | 2,822,017            | 2,874,944        | -1.84%            |
| Support services | 2,169,975              | 1,937,944        | 11.97%            | 2,090,692            | 1,855,682        | 12.66%            |
| Other expenses   | 677,830                | 499,878          | 35.60%            | 424,022              | 283,139          | 49.76%            |
| Totals           | <u>\$ 7,458,427</u>    | <u>6,511,657</u> | <u>14.54%</u>     | <u>5,336,731</u>     | <u>5,013,765</u> | <u>6.44%</u>      |

- The cost financed by users of the District's programs was \$897,353.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,224,343.
- The net cost of governmental activities was financed with \$1,969,396 in local tax, \$167,744 in income surtax, \$366,424 in statewide sales and service tax, \$2,476,217 in unrestricted state grants, \$17,805 in unrestricted investment earnings and \$16,959 in other general revenues.

### Business Type Activities

Revenues of the District's business type activities were \$393,728 and expenses were \$389,694. 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 and federal and state reimbursements.

### 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 \$1,382,388, above last year's ending fund balances of \$1,329,592. 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. The decline in state sources caused the decline in revenues. Although the District was able to limit General Fund expenditures to levels lower than the previous year, they still outpaced revenues received, requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The Capital Projects fund balance increased from \$607,001 in fiscal 2009 to \$694,098 in fiscal 2010 primarily because of the decrease in expenditures.

### Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$33,257 at June 30, 2009 to \$37,240 at June 30, 2010, representing an increase of 11.98%. Most of this increase is attributable to the increased federal grants and a capital contribution from the Special Revenue, Physical Plant and Equipment Levy Fund.

The Latch Key Fund net assets held steady, increasing from \$10,178 at June 30, 2009 to \$10,229 at June 30, 2010.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$890,737 less than budgeted revenues, a variance of 10.60%. 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, 2010, the District had invested \$6.03 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 11.82% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$474,064.

The original cost of the District's capital assets was \$9,889,955. Governmental funds account for \$9,713,661 with the remainder of \$176,294 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements, net of depreciation, totaled \$37,845 at June 30, 2010 as compared to \$26,049 at June 30, 2009. This increase is a result of the parking lot resurfacing project completed during the year.

|                         | Governmental Activities |           | Business Type Activities |       | Total District |           | Total Change |
|-------------------------|-------------------------|-----------|--------------------------|-------|----------------|-----------|--------------|
|                         | June 30,                |           | June 30,                 |       | June 30,       |           | June 30,     |
|                         | 2010                    | 2009      | 2010                     | 2009  | 2010           | 2009      | 2009-10      |
| Land                    | \$ 575,000              | 575,000   | 0                        | 0     | 575,000        | 575,000   | 0.00%        |
| Buildings               | 4,992,488               | 5,683,886 | 0                        | 0     | 4,992,488      | 5,683,886 | -12.16%      |
| Land improvements       | 37,845                  | 26,049    | 0                        | 0     | 37,845         | 26,049    | 45.28%       |
| Machinery and equipment | 401,138                 | 543,843   | 22,876                   | 9,145 | 424,014        | 552,988   | -23.32%      |
| Total                   | \$ 6,006,471            | 6,828,778 | 22,876                   | 9,145 | 6,029,347      | 6,837,923 | -11.82%      |

### Long-Term Debt

At June 30, 2010, the District had long-term debt outstanding of \$2,912,727 in general obligation bonds, early retirement and OPEB liability. This represents an increase of 0.47% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had total outstanding general obligation bonds payable of \$2,510,000 at June 30, 2010.

At June 30, 2010, the District also had total outstanding early retirement payable of \$227,231 which will be paid from the Special Revenue, Management Levy Fund.

| Figure A-7                        |                     |                  |              |
|-----------------------------------|---------------------|------------------|--------------|
| Outstanding Long-Term Obligations |                     |                  |              |
|                                   | Total District      |                  | Total Change |
|                                   | June 30,            |                  | June 30,     |
|                                   | 2010                | 2009             | 2009-10      |
| General obligation bonds          | \$ 2,510,000        | 2,765,000        | -9.22%       |
| Early retirement                  | 227,231             | 134,037          | 69.53%       |
| Net OPEB obligation               | 175,496             | 0                | 100.00%      |
| Total                             | <u>\$ 2,912,727</u> | <u>2,899,037</u> | <u>0.47%</u> |

### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

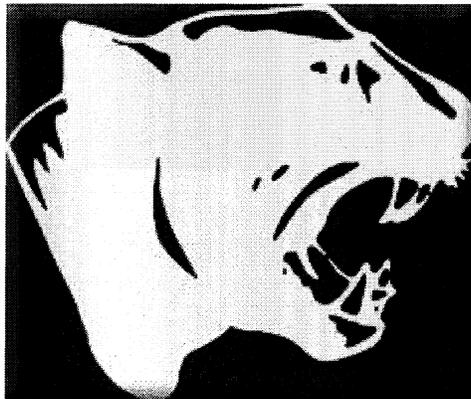
- Open enrollment continues to have a positive effect on District funding. The district certified 89 students as open enrolled in while only 24 were open enrolled out.
- With all the new facilities and a bus fleet that is going to be updated within the next few years on a rotation basis, the District 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 Lauren Roden, Business Manager/Board Secretary, Logan-Magnolia Community School District, 1200 North 2<sup>nd</sup> Avenue, Logan, Iowa, 51546.

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## Logan-Magnolia Schools



BASIC FINANCIAL STATEMENTS

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2010

|   | Governmental<br>Activities | Business Type<br>Activities | Total             |
|---|----------------------------|-----------------------------|-------------------|
| <b>Assets</b>                                   |                            |                             |                   |
| Cash and pooled investments                     | \$ 1,652,222               | 34,446                      | 1,686,668         |
| Receivables:                                    |                            |                             |                   |
| Property tax:                                   |                            |                             |                   |
| Delinquent                                      | 22,987                     | 0                           | 22,987            |
| Succeeding year                                 | 2,198,421                  | 0                           | 2,198,421         |
| Income surtax                                   | 143,084                    | 0                           | 143,084           |
| Accounts  | 0                          | 4,033                       | 4,033             |
| Due from other funds                            | 6,951                      | 0                           | 6,951             |
| Due from other governments                      | 366,350                    | 62                          | 366,412           |
| Inventories                                     | 0                          | 8,738                       | 8,738             |
| Capital assets, net of accumulated depreciation | 6,006,471                  | 22,876                      | 6,029,347         |
| <b>Total assets</b>                             | <b>10,396,486</b>          | <b>70,155</b>               | <b>10,466,641</b> |
| <b>Liabilities</b>                              |                            |                             |                   |
| Accounts payable                                | 42,034                     | 1,023                       | 43,057            |
| Salaries and benefits payable                   | 609,479                    | 11,152                      | 620,631           |
| Interest payable                                | 8,311                      | 0                           | 8,311             |
| Deferred revenue:                               |                            |                             |                   |
| Succeeding year property tax                    | 2,198,421                  | 0                           | 2,198,421         |
| Other   | 2,109                      | 0                           | 2,109             |
| Deposits payable                                | 12,500                     | 0                           | 12,500            |
| Due to other funds                              | 0                          | 6,951                       | 6,951             |
| Unearned revenue                                | 0                          | 1,261                       | 1,261             |
| Long-term liabilities:                          |                            |                             |                   |
| Portion due within one year:                    |                            |                             |                   |
| General obligation bonds                        | 270,000                    | 0                           | 270,000           |
| Early retirement                                | 50,707                     | 0                           | 50,707            |
| Portion due after one year:                     |                            |                             |                   |
| General obligation bonds                        | 2,240,000                  | 0                           | 2,240,000         |
| Early retirement                                | 176,524                    | 0                           | 176,524           |
| Net OPEB liability                              | 173,197                    | 2,299                       | 175,496           |
| <b>Total liabilities</b>                        | <b>5,783,282</b>           | <b>22,686</b>               | <b>5,805,968</b>  |
| <b>Net Assets</b>                               |                            |                             |                   |
| Invested in capital assets, net of related debt | 3,496,471                  | 22,876                      | 3,519,347         |
| Restricted for:                                 |                            |                             |                   |
| Categorical funding                             | 89,174                     | 0                           | 89,174            |
| Management levy                                 | 102,346                    | 0                           | 102,346           |
| Debt service                                    | 9,483                      | 0                           | 9,483             |
| Capital projects                                | 694,098                    | 0                           | 694,098           |
| Physical plant and equipment levy               | 28,363                     | 0                           | 28,363            |
| Other special revenue purposes                  | 71,005                     | 0                           | 71,005            |
| Designated for special purposes                 | 11,972                     | 0                           | 11,972            |
| Unrestricted                                    | 110,292                    | 24,593                      | 134,885           |
| <b>Total net assets</b>                         | <b>\$ 4,613,204</b>        | <b>47,469</b>               | <b>4,660,673</b>  |

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010

|   | Program Revenues |                            |  | Net (Expense) Revenue<br>and Changes in Net Assets |                | Total              |
|---|------------------|----------------------------|--|--|----------------|--------------------|
|   | Expenses         | Charges<br>for<br>Services | Operating Grants,<br>Contributions<br>and Restricted<br>Interest | Governmental                                       | Business       |                    |
|   |                  |                            |  | Activities   | Activities     |                    |
| <b>Functions/Programs:</b>                |                  |                            |  |  |                |                    |
| Governmental activities:                  |                  |                            |  |  |                |                    |
| Instruction:                              |                  |                            |  |  |                |                    |
| Regular                                   | \$ 3,236,877     | 496,851                    | 854,988  | (1,885,038)  | 0              | (1,885,038)        |
| Special                                   | 1,053,496        | 103,653                    | 104,017  | (845,826)  | 0              | (845,826)          |
| Other                                     | 320,249          | 217,566                    | 11,530   | (91,153)   | 0              | (91,153)           |
|   | <u>4,610,622</u> | <u>818,070</u>             | <u>970,535</u>   | <u>(2,822,017)</u>                                 | <u>0</u>       | <u>(2,822,017)</u> |
| Support services:                         |                  |                            |  |  |                |                    |
| Student                                   | 180,570          | 0                          | 0  | (180,570)  | 0              | (180,570)          |
| Instructional staff                       | 256,148          | 0                          | 0  | (256,148)  | 0              | (256,148)          |
| Administration                            | 677,868          | 0                          | 0  | (677,868)  | 0              | (677,868)          |
| Operation and maintenance of plant        | 639,004          | 0                          | 0  | (639,004)  | 0              | (639,004)          |
| Transportation                            | 416,385          | 79,283                     | 0  | (337,102)  | 0              | (337,102)          |
|   | <u>2,169,975</u> | <u>79,283</u>              | <u>0</u>   | <u>(2,090,692)</u>                                 | <u>0</u>       | <u>(2,090,692)</u> |
| Other expenditures:                       |                  |                            |  |  |                |                    |
| Facilities acquisitions                   | 50,821           | 0                          | 0  | (50,821)   | 0              | (50,821)           |
| Long-term debt interest                   | 115,409          | 0                          | 0  | (115,409)  | 0              | (115,409)          |
| AEA flowthrough                           | 253,808          | 0                          | 253,808  | 0  | 0              | 0                  |
| Depreciation (unallocated)*               | 257,792          | 0                          | 0  | (257,792)  | 0              | (257,792)          |
|   | <u>677,830</u>   | <u>0</u>                   | <u>253,808</u>   | <u>(424,022)</u>                                   | <u>0</u>       | <u>(424,022)</u>   |
| Total governmental activities             | 7,458,427        | 897,353                    | 1,224,343  | (5,336,731)  | 0              | (5,336,731)        |
| Business Type activities:                 |                  |                            |  |  |                |                    |
| Support services:                         |                  |                            |  |  |                |                    |
| Administration                            | 285              | 0                          | 0  | 0  | (285)          | (285)              |
|   | <u>285</u>       | <u>0</u>                   | <u>0</u>   | <u>0</u>   | <u>(285)</u>   | <u>(285)</u>       |
| Non-instructional programs:               |                  |                            |  |  |                |                    |
| Nutrition services                        | 333,845          | 183,731                    | 145,802  | 0  | (4,312)        | (4,312)            |
| Latch key services                        | 55,564           | 55,887                     | 0  | 0  | 323            | 323                |
|   | <u>389,409</u>   | <u>239,618</u>             | <u>145,802</u>   | <u>0</u>   | <u>(3,989)</u> | <u>(3,989)</u>     |
| Total business type activities            | 389,694          | 239,618                    | 145,802  | 0  | (4,274)        | (4,274)            |
| Total                                     | \$ 7,848,121     | 1,136,971                  | 1,370,145  | (5,336,731)  | (4,274)        | (5,341,005)        |
| <b>General Revenues:</b>                  |                  |                            |  |  |                |                    |
| Property tax levied for:                  |                  |                            |  |  |                |                    |
| General purposes                          |                  |                            |  | \$ 1,745,455                                       | 0              | 1,745,455          |
| Debt service                              |                  |                            |  | 186,370  | 0              | 186,370            |
| Capital outlay                            |                  |                            |  | 37,571   | 0              | 37,571             |
| Income surtax                             |                  |                            |  | 167,744  | 0              | 167,744            |
| Statewide sales and services tax          |                  |                            |  | 366,424  | 0              | 366,424            |
| Unrestricted state grants                 |                  |                            |  | 2,476,217  | 0              | 2,476,217          |
| Unrestricted investment earnings          |                  |                            |  | 17,805   | 33             | 17,838             |
| Other                                     |                  |                            |  | 16,959   | 8,275          | 25,234             |
| Total general revenues                    |                  |                            |  | <u>5,014,545</u>                                   | <u>8,308</u>   | <u>5,022,853</u>   |
| Changes in net assets                     |                  |                            |  | (322,186)  | 4,034          | (318,152)          |
| Net assets beginning of year, as restated |                  |                            |  | 4,935,390  | 43,435         | 4,978,825          |
| Net assets end of year                    |                  |                            |  | <u>\$ 4,613,204</u>                                | <u>47,469</u>  | <u>4,660,673</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, 2010

|  | General             | Capital<br>Projects | Other<br>Nonmajor<br>Governmental<br>Funds | Total            |
|--|---------------------|---------------------|--|------------------|
| <b>Assets</b>                              |                     |                     |  |                  |
| Cash and pooled investments                | \$ 943,633          | 487,411             | 221,178                                    | 1,652,222        |
| Receivables:                               |                     |                     |  |                  |
| Property tax                               |                     |                     |  |                  |
| Delinquent                                 | 18,334              | 0                   | 4,653                                      | 22,987           |
| Succeeding year                            | 1,788,508           | 0                   | 409,913                                    | 2,198,421        |
| Income surtax                              | 143,084             | 0                   | 0  | 143,084          |
| Due from other funds                       | 0                   | 0                   | 6,951                                      | 6,951            |
| Due from other governments                 | 159,663             | 206,687             | 0  | 366,350          |
| <b>Total assets</b>                        | <b>\$ 3,053,222</b> | <b>694,098</b>      | <b>642,695</b>                             | <b>4,390,015</b> |
| <b>Liabilities and Fund Balances</b>       |                     |                     |  |                  |
| Liabilities:                               |                     |                     |  |                  |
| Accounts payable                           | \$ 32,949           | 0                   | 9,085                                      | 42,034           |
| Salaries and benefits payable              | 609,479             | 0                   | 0  | 609,479          |
| Deferred revenue:                          |                     |                     |  |                  |
| Succeeding year property tax               | 1,788,508           | 0                   | 409,913                                    | 2,198,421        |
| Income surtax                              | 143,084             | 0                   | 0  | 143,084          |
| Other                                      | 2,109               | 0                   | 0  | 2,109            |
| Deposits payable                           | 0                   | 0                   | 12,500                                     | 12,500           |
| <b>Total liabilities</b>                   | <b>2,576,129</b>    | <b>0</b>            | <b>431,498</b>                             | <b>3,007,627</b> |
| Fund balances:                             |                     |                     |  |                  |
| Reserved for:                              |                     |                     |  |                  |
| Categorical funding                        | 89,174              | 0                   | 0  | 89,174           |
| Debt service                               | 0                   | 0                   | 9,483                                      | 9,483            |
| Unreserved:                                |                     |                     |  |                  |
| Designated for special purposes            | 11,972              | 0                   | 0  | 11,972           |
| Undesignated                               | 375,947             | 694,098             | 201,714                                    | 1,271,759        |
| <b>Total fund balances</b>                 | <b>477,093</b>      | <b>694,098</b>      | <b>211,197</b>                             | <b>1,382,388</b> |
| <b>Total liabilities and fund balances</b> | <b>\$ 3,053,222</b> | <b>694,098</b>      | <b>642,695</b>                             | <b>4,390,015</b> |

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, 2010

|  |           |                                |
|--|-----------|--------------------------------|
| <b>Total fund balances of governmental funds (page 20)</b>   | \$        | 1,382,388                      |
| <br><i>Amounts reported for governmental activities in the statement of net assets are different because:</i>  |           |                                |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.   |           | 6,006,471                      |
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.   |           | (8,311)                        |
| Long-term liabilities, including bonds payable, net OPEB liability and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. |           | (2,910,428)                    |
| Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.   |           | <u>143,084</u>                 |
| <b>Net assets of governmental activities (page 18)</b>   | <b>\$</b> | <b><u><u>4,613,204</u></u></b> |

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, 2010

|  | General           | Capital<br>Projects | Other<br>Nonmajor<br>Governmental<br>Funds | Total            |
|--|-------------------|---------------------|--|------------------|
| <b>Revenues:</b>   |                   |                     |  |                  |
| <b>Local sources:</b>  |                   |                     |  |                  |
| Local tax  | \$ 1,730,420      | 366,424             | 398,673                                    | 2,495,517        |
| Tuition  | 573,311           | 0                   | 0  | 573,311          |
| Other  | 156,950           | 581                 | 231,948                                    | 389,479          |
| State sources  | 3,134,357         | 0                   | 5,215                                      | 3,139,572        |
| Federal sources  | 530,315           | 0                   | 0  | 530,315          |
| Total revenues   | <u>6,125,353</u>  | <u>367,005</u>      | <u>635,836</u>                             | <u>7,128,194</u> |
| <b>Expenditures:</b>   |                   |                     |  |                  |
| <b>Current:</b>  |                   |                     |  |                  |
| <b>Instruction:</b>  |                   |                     |  |                  |
| Regular  | 2,779,647         | 0                   | 311,759                                    | 3,091,406        |
| Special  | 1,029,605         | 0                   | 0  | 1,029,605        |
| Other  | 303,932           | 0                   | 8,630                                      | 312,562          |
|  | <u>4,113,184</u>  | <u>0</u>            | <u>320,389</u>                             | <u>4,433,573</u> |
| <b>Support services:</b>                                     |                   |                     |  |                  |
| Student  | 174,479           | 0                   | 0  | 174,479          |
| Instructional staff  | 187,407           | 69,331              | 0  | 256,738          |
| Administration   | 616,405           | 0                   | 0  | 616,405          |
| Operation and maintenance of plant                           | 555,708           | 0                   | 59,245                                     | 614,953          |
| Transportation   | 302,921           | 0                   | 622  | 303,543          |
|  | <u>1,836,920</u>  | <u>69,331</u>       | <u>59,867</u>                              | <u>1,966,118</u> |
| <b>Other expenditures:</b>                                   |                   |                     |  |                  |
| Facilities acquisition                                       | 0                 | 35,577              | 15,244                                     | 50,821           |
| <b>Long-term debt:</b>                                       |                   |                     |  |                  |
| Principal  | 0                 | 0                   | 255,000                                    | 255,000          |
| Interest and fiscal charges                                  | 0                 | 0                   | 116,078                                    | 116,078          |
| AEA flowthrough  | 253,808           | 0                   | 0  | 253,808          |
|  | <u>253,808</u>    | <u>35,577</u>       | <u>386,322</u>                             | <u>675,707</u>   |
| Total expenditures   | <u>6,203,912</u>  | <u>104,908</u>      | <u>766,578</u>                             | <u>7,075,398</u> |
| Excess (deficiency) of revenues<br>over (under) expenditures | (78,559)          | 262,097             | (130,742)                                  | 52,796           |
| <b>Other financing sources (uses):</b>                       |                   |                     |  |                  |
| Transfers in   | 0                 | 0                   | 175,000                                    | 175,000          |
| Transfers out  | 0                 | (175,000)           | 0  | (175,000)        |
| Total other financing sources (uses)                         | <u>0</u>          | <u>(175,000)</u>    | <u>175,000</u>                             | <u>0</u>         |
| Net change in fund balances                                  | (78,559)          | 87,097              | 44,258                                     | 52,796           |
| Fund balances beginning of year                              | 555,652           | 607,001             | 166,939                                    | 1,329,592        |
| Fund balances end of year                                    | <u>\$ 477,093</u> | <u>694,098</u>      | <u>211,197</u>                             | <u>1,382,388</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, 2010

Net change in fund balances - total governmental funds (page 22) \$ 52,796

*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 | \$ 99,239        |           |
| Depreciation expense | <u>(471,546)</u> | (372,307) |

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. 255,000

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 8,047

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. 669

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              | (93,194)         |  |
| Other postemployment benefits | <u>(173,197)</u> |  |

Changes in net assets of governmental activities (page 19) \$ (322,186)

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2010

|  | School<br>Nutrition | Latch<br>Key  | Total         |
|--|---------------------|---------------|---------------|
| <b>Assets</b>                                      |                     |               |               |
| Cash and cash equivalents                          | \$ 21,868           | 12,578        | 34,446        |
| Accounts receivable                                | 0                   | 4,033         | 4,033         |
| Due from other governments                         | 62                  | 0             | 62            |
| Inventories  | 8,738               | 0             | 8,738         |
| Capital assets, net of<br>accumulated depreciation | 22,876              | 0             | 22,876        |
| <b>Total assets</b>                                | <b>53,544</b>       | <b>16,611</b> | <b>70,155</b> |
| <b>Liabilities</b>                                 |                     |               |               |
| Accounts payable                                   | 0                   | 1,023         | 1,023         |
| Salaries and benefits payable                      | 5,793               | 5,359         | 11,152        |
| Due to other funds                                 | 6,951               | 0             | 6,951         |
| Unearned revenue                                   | 1,261               | 0             | 1,261         |
| Net OPEB liability                                 | 2,299               | 0             | 2,299         |
| <b>Total liabilities</b>                           | <b>16,304</b>       | <b>6,382</b>  | <b>22,686</b> |
| <b>Net Assets</b>                                  |                     |               |               |
| Invested in capital assets                         | 22,876              | 0             | 22,876        |
| Unrestricted                                       | 14,364              | 10,229        | 24,593        |
| <b>Total net assets</b>                            | <b>\$ 37,240</b>    | <b>10,229</b> | <b>47,469</b> |

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, 2010

|   | School<br>Nutrition | Latch<br>Key  | Total            |
|---|---------------------|---------------|------------------|
| Operating revenue:                        |                     |               |                  |
| Charges for service                       | \$ 183,731          | 55,887        | 239,618          |
| Miscellaneous                             | 1,324               | 0             | 1,324            |
| Total operating revenues                  | <u>185,055</u>      | <u>55,887</u> | <u>240,942</u>   |
| Operating expenses:                       |                     |               |                  |
| Support services:                         |                     |               |                  |
| Administration services:                  |                     |               |                  |
| Services                                  | 0                   | 285           | 285              |
| Non-instructional programs:               |                     |               |                  |
| Food service operations:                  |                     |               |                  |
| Salaries                                  | 154,023             | 0             | 154,023          |
| Benefits                                  | 30,193              | 0             | 30,193           |
| Services                                  | 6,049               | 0             | 6,049            |
| Supplies                                  | 139,569             | 0             | 139,569          |
| Depreciation                              | 2,518               | 0             | 2,518            |
| Other                                     | 1,493               | 0             | 1,493            |
|   | <u>333,845</u>      | <u>0</u>      | <u>333,845</u>   |
| Other enterprise operations:              |                     |               |                  |
| Salaries                                  | 0                   | 42,376        | 42,376           |
| Benefits                                  | 0                   | 4,830         | 4,830            |
| Supplies                                  | 0                   | 8,358         | 8,358            |
|   | <u>0</u>            | <u>55,564</u> | <u>55,564</u>    |
| Total operating expenses                  | <u>333,845</u>      | <u>55,849</u> | <u>389,694</u>   |
| Operating income(loss)                    | <u>(148,790)</u>    | <u>38</u>     | <u>(148,752)</u> |
| Non-operating revenues:                   |                     |               |                  |
| State sources                             | 3,389               | 0             | 3,389            |
| Federal sources                           | 142,413             | 0             | 142,413          |
| Interest income                           | 20                  | 13            | 33               |
| Total non-operating revenues              | <u>145,822</u>      | <u>13</u>     | <u>145,835</u>   |
| Income(loss) before capital contributions | <u>(2,968)</u>      | <u>51</u>     | <u>(2,917)</u>   |
| Capital contributions                     | <u>6,951</u>        | <u>0</u>      | <u>6,951</u>     |
| Increase in net assets                    | 3,983               | 51            | 4,034            |
| Net assets beginning of year              | <u>33,257</u>       | <u>10,178</u> | <u>43,435</u>    |
| Net assets end of year                    | <u>\$ 37,240</u>    | <u>10,229</u> | <u>47,469</u>    |

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2010

|   | School<br>Nutrition | Latch<br>Key | Total     |
|---|---------------------|--------------|-----------|
| Cash flows from operating activities:   |                     |              |           |
| Cash received from sale of lunches and breakfasts                                 | \$ 183,952          | 0            | 183,952   |
| Cash received from miscellaneous operating activities                             | 1,324               | 54,970       | 56,294    |
| Cash payments to employees for services   | (181,479)           | (45,716)     | (227,195) |
| Cash payments to suppliers for goods or services                                  | (117,234)           | (7,620)      | (124,854) |
| Net cash provided by(used in) operating activities                                | (113,437)           | 1,634        | (111,803) |
| Cash flows from non-capital financing activities:                                 |                     |              |           |
| Borrowings from PPEL  | 6,951               | 0            | 6,951     |
| State grants received   | 3,389               | 0            | 3,389     |
| Federal grants received   | 118,466             | 0            | 118,466   |
| Net cash provided by non-capital financing activities                             | 128,806             | 0            | 128,806   |
| Cash flows from investing activities:   |                     |              |           |
| Interest on investments   | 20                  | 13           | 33        |
| Net cash provided by investing activities   | 20                  | 13           | 33        |
| Cash flows from capital financing activities:                                     |                     |              |           |
| Purchase of assets  | (9,298)             | 0            | (9,298)   |
| Net cash used in financing activities   | (9,298)             | 0            | (9,298)   |
| Net increase in cash and cash equivalents   | 6,091               | 1,647        | 7,738     |
| Cash and cash equivalents at beginning of year                                    | 15,777              | 10,931       | 26,708    |
| Cash and cash equivalents at end of year  | \$ 21,868           | 12,578       | 34,446    |
| <b>Reconciliation of operating loss to net cash used by operating activities:</b> |                     |              |           |
| Operating income(loss)  | \$ (148,790)        | 38           | (148,752) |
| Adjustments to reconcile operating loss to net cash used in operating activities: |                     |              |           |
| Commodities consumed  | 23,885              | 0            | 23,885    |
| Depreciation  | 2,518               | 0            | 2,518     |
| Decrease in inventories   | 5,992               | 0            | 5,992     |
| Increase in accounts receivables  | 0                   | (917)        | (917)     |
| Increase in accounts payable  | 0                   | 1,023        | 1,023     |
| Increase in salaries and benefits payable   | 438                 | 1,490        | 1,928     |
| Increase in unearned revenues   | 221                 | 0            | 221       |
| Increase in net OPEB liability  | 2,299               | 0            | 2,299     |
| Net cash used in operating activities   | \$ (113,437)        | 1,634        | (111,803) |

**Non-Cash investing, capital and related financing activities:**

During the year ended June 30, 2010, the District received \$23,885 of federal commodities.

During the year ended June 30, 2010, the Nutrition Fund received a capital contribution of \$6,951 from the Physical Plant & Equipment Levy Fund.

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

(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 service.

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 and construction 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 financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for 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, 2008 assessed property valuations; is for the tax

accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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, and intangibles are reported in the applicable governmental or business type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair 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    |
| Intangibles                     | 15,000   |
| Machinery and equipment:        |          |
| School Nutrition Fund equipment | 500      |
| Other machinery and equipment   | 1,500    |

Capital assets are depreciated/amortized 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                          |
| Intangibles             | ≥ 2 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 Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2010 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, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Obligations Portfolio which are valued at an amortized cost of \$1,589,938 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2010 is as follows:

| Receivable Fund                                  | Payable Fund | Amount   |
|--|--------------|----------|
| Special Revenue, Physical Plant & Equipment Levy | Nutrition    | \$ 6,951 |

The Nutrition Fund is repaying the Special Revenue: Physical Plant & Equipment Levy Fund for one-half of a dishwasher purchased during the year. The balance will be repaid by June 30, 2011.

**(4) Interfund Transfers**

The detail of transfers for the year ended June 30, 2010 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.

**(5) 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. Bankers Trust Co. NA is the trustee for the program.

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. The District must make minimum warrant repayments on the 25<sup>th</sup> 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. The interest rate on the Series 2009-10A was 2.50%. A summary of the District's ISCAP activity for the year ended June 30, 2010 is as follows:

| Series   | Warrant Date | Final Warrant Maturity | Balance Beginning of Year | Advances Received | Advances Repaid | Balance End of Year |
|----------|--------------|------------------------|---------------------------|-------------------|-----------------|---------------------|
| 2009-10A | 6/25/09      | 6/23/10                | \$ 0                      | 200,000           | 200,000         | 0                   |

(6) Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

|  | Balance<br>Beginning<br>of Year,<br>as restated | Increases        | Decreases     | Balance<br>End<br>of Year |
|--|---|------------------|---------------|---------------------------|
| <b>Governmental activities:</b>              |   |                  |               |                           |
| Capital assets not being depreciated:        |   |                  |               |                           |
| Land   | \$ 575,000                                      | 0                | 0             | 575,000                   |
| Total capital assets not being depreciated   | <u>575,000</u>                                  | <u>0</u>         | <u>0</u>      | <u>575,000</u>            |
| Capital assets being depreciated:            |   |                  |               |                           |
| Buildings                                    | 7,644,696                                       | 49,640           | 0             | 7,694,336                 |
| Land improvements                            | 31,367  | 15,469           | 0             | 46,836                    |
| Machinery and equipment                      | 1,390,122                                       | 34,130           | 26,763        | 1,397,489                 |
| Total capital assets being depreciated       | <u>9,066,185</u>                                | <u>99,239</u>    | <u>26,763</u> | <u>9,138,661</u>          |
| Less accumulated depreciation for:           |   |                  |               |                           |
| Buildings                                    | 2,410,810                                       | 291,038          | 0             | 2,701,848                 |
| Land improvements                            | 5,318   | 3,673            | 0             | 8,991                     |
| Machinery and equipment                      | 846,279   | 176,835          | 26,763        | 996,351                   |
| Total accumulated depreciation               | <u>3,262,407</u>                                | <u>471,546</u>   | <u>26,763</u> | <u>3,707,190</u>          |
| Total capital assets being depreciated, net  | <u>5,803,778</u>                                | <u>(372,307)</u> | <u>0</u>      | <u>5,431,471</u>          |
| Governmental activities capital assets, net  | <u>\$ 6,378,778</u>                             | <u>(372,307)</u> | <u>0</u>      | <u>6,006,471</u>          |
|  | Balance<br>Beginning<br>of Year                 | Increases        | Decreases     | Balance<br>End<br>of Year |
| <b>Business type activities:</b>             |   |                  |               |                           |
| Machinery and equipment                      | \$ 160,045                                      | 16,249           | 0             | 176,294                   |
| Less accumulated depreciation                | 150,900   | 2,518            | 0             | 153,418                   |
| Business type activities capital assets, net | <u>\$ 9,145</u>                                 | <u>13,731</u>    | <u>0</u>      | <u>22,876</u>             |

Depreciation expense was charged by the District as follows:

|  |                   |
|--|-------------------|
| Governmental activities:                           |                   |
| Instruction:                                       |                   |
| Regular  | \$ 11,244         |
| Special  | 792               |
| Other  | 3,534             |
| Support services:                                  |                   |
| Student  | 389               |
| Instructional staff                                | 8,673             |
| Operation and maintenance of plant services        | 12,411            |
| Transportation                                     | 111,602           |
|  | <u>148,645</u>    |
| Unallocated depreciation                           | <u>322,901</u>    |
| Total governmental activities depreciation expense | <u>\$ 471,546</u> |
| Business type activities:                          |                   |
| Food services                                      | <u>\$ 2,518</u>   |

(7) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

|                           | Balance<br>Beginning<br>of Year | Additions | Deletions | Balance<br>End<br>of Year | Due<br>Within<br>One Year |
|---------------------------|---------------------------------|-----------|-----------|---------------------------|---------------------------|
| Governmental activities:  |                                 |           |           |                           |                           |
| General obligation bonds  | \$ 2,765,000                    | 0         | 255,000   | 2,510,000                 | 270,000                   |
| Early retirement          | 134,037                         | 117,136   | 23,942    | 227,231                   | 50,707                    |
| Net OPEB liability        | 0                               | 173,197   | 0         | 173,197                   | 0                         |
| Total                     | \$ 2,899,037                    | 290,333   | 278,942   | 2,910,428                 | 320,707                   |
| Business type activities: |                                 |           |           |                           |                           |
| Net OPEB liability        | \$ 0                            | 2,299     | 0         | 2,299                     | 0                         |

General Obligation Bonds Payable

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

| Year<br>Ending<br>June 30, | Bond issue November 1, 2002 |              |          | Bond issue August 1, 2003 |              |          | Total        |          |           |
|----------------------------|-----------------------------|--------------|----------|---------------------------|--------------|----------|--------------|----------|-----------|
|                            | Interest<br>Rate            | Principal    | Interest | Interest<br>Rate          | Principal    | Interest | Principal    | Interest | Total     |
| 2011                       | 3.25-3.35                   | 270,000      | 42,274   | -                         | 0            | 55,258   | 270,000      | 97,532   | 367,532   |
| 2012                       | 3.35-3.45                   | 280,000      | 33,297   | -                         | 0            | 55,257   | 280,000      | 88,554   | 368,554   |
| 2013                       | 3.45-3.55                   | 285,000      | 23,617   | -                         | 0            | 55,258   | 285,000      | 78,875   | 363,875   |
| 2014                       | 3.55-3.70                   | 295,000      | 13,393   | -                         | 0            | 55,257   | 295,000      | 68,650   | 363,650   |
| 2015                       | 3.70                        | 145,000      | 2,683    | -                         | 0            | 55,258   | 145,000      | 57,941   | 202,941   |
| 2016-2020                  | -                           | 0            | 0        | 4.00-4.50                 | 720,000      | 219,342  | 720,000      | 219,342  | 939,342   |
| 2021-2025                  | -                           | 0            | 0        | 4.60-5.00                 | 515,000      | 50,570   | 515,000      | 50,570   | 565,570   |
| Total                      |                             | \$ 1,275,000 | 115,264  |                           | \$ 1,235,000 | 546,200  | \$ 2,510,000 | 661,464  | 3,171,464 |

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, 2010, totaled \$23,942.

(8) 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 4.30% of their annual salary and the District is required to contribute 6.65% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$267,777, \$250,040 and \$218,875, respectively, equal to the required contributions for each year.

**(9) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and vision benefits for retirees and their spouses. There are 67 active and 9 retired members in the plan. Participants must be age 55 or older at age of retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

|  |                   |
|--|-------------------|
| Annual required contribution               | \$ 241,191        |
| Interest on net OPEB obligation            | 0                 |
| Adjustment to annual required contribution | 0                 |
| Annual OPEB cost                           | <u>241,191</u>    |
| Contributions made                         | (65,695)          |
| Increase in net OPEB obligation            | <u>175,496</u>    |
| Net OPEB obligation beginning of year      | 0                 |
| Net OPEB obligation end of year            | <u>\$ 175,496</u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$65,695 to the medical plan. Plan members eligible for benefits contributed \$45,486, or 41% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

| Year Ended    | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------|------------------|--|---------------------|
| June 30, 2010 | 241,191          | 27.2%                                      | 175,496             |

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$2.357 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of 2.357 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,280,321 and the ratio of the UAAL to covered payroll was 71.9%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual health cost trend rate is 6%.

Mortality rates are from the Group Annuity Mortality Table Projected to 2000, applied on a gender-specific basis. Annual retirement probabilities were developed based upon sample rates varying by age and employee type.

Projected claim costs of the medical plan are \$367 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(10) 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.

**(11) 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 \$253,808 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(12) Categorical Funding**

The District's ending balances for categorical funding by project as of the year ended June 30, 2010 are as follows:

| <u>Project</u>                                     | <u>Amount</u>    |
|--|------------------|
| Home school assistance program                     | \$ 16,045        |
| Gifted and talented program                        | 53,763           |
| Beginning teacher mentoring and induction program  | 314              |
| Professional development for model core curriculum | 15,684           |
| Market factor incentives                           | 3,368            |
| Total  | <u>\$ 89,174</u> |

**(13) Accounting Change/Restatement**

Beginning of year net assets for governmental activities were restated to report depreciation expense previously unrecorded.

|   | <u>Net<br/>Assets</u> | <u>Capital<br/>Assets</u> |
|---|-----------------------|---------------------------|
| Balances June 30, 2009, as previously reported          | \$ 5,385,390          | 6,828,778                 |
| Decrease for depreciation expense previously unrecorded | (450,000)             | (450,000)                 |
| Balances July 1, 2009, as restated                      | <u>\$ 4,935,390</u>   | <u>6,378,778</u>          |

REQUIRED SUPPLEMENTARY INFORMATION

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES  
 AND CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2010

|  | Governmental        | Proprietary    | Total<br>Actual  | Budgeted Amounts  |                   | Final to<br>Actual<br>Variance |
|--|---------------------|----------------|------------------|-------------------|-------------------|--------------------------------|
|  | Funds               | Funds          |                  | Original          | Final             |                                |
|  | Actual              | Actual         |                  |                   |                   |                                |
| Revenues:  |                     |                |                  |                   |                   |                                |
| Local sources  | \$ 3,458,307        | 240,975        | 3,699,282        | 3,657,654         | 3,657,654         | 41,628                         |
| Intermediate sources   | 0                   | 0              | 0                | 131,100           | 131,100           | (131,100)                      |
| State sources  | 3,139,572           | 3,389          | 3,142,961        | 3,916,954         | 3,916,954         | (773,993)                      |
| Federal sources  | 530,315             | 142,413        | 672,728          | 700,000           | 700,000           | (27,272)                       |
| Total revenues   | <u>7,128,194</u>    | <u>386,777</u> | <u>7,514,971</u> | <u>8,405,708</u>  | <u>8,405,708</u>  | <u>(890,737)</u>               |
| Expenditures/Expenses:   |                     |                |                  |                   |                   |                                |
| Instruction  | 4,433,573           | 0              | 4,433,573        | 5,098,347         | 5,098,347         | 664,774                        |
| Support services   | 1,966,118           | 285            | 1,966,403        | 3,504,865         | 3,504,865         | 1,538,462                      |
| Non-instructional programs   | 0                   | 389,409        | 389,409          | 486,660           | 486,660           | 97,251                         |
| Other expenditures   | 675,707             | 0              | 675,707          | 1,050,148         | 1,050,148         | 374,441                        |
| Total expenditures/expenses  | <u>7,075,398</u>    | <u>389,694</u> | <u>7,465,092</u> | <u>10,140,020</u> | <u>10,140,020</u> | <u>2,674,928</u>               |
| Excess(deficiency) of revenues<br>over (under) expenditures/expenses                               | 52,796              | (2,917)        | 49,879           | (1,734,312)       | (1,734,312)       | 1,784,191                      |
| Other financing sources, net   | 0                   | 6,951          | 6,951            | 2,000             | 2,000             | 4,951                          |
| Excess(deficiency) of revenues and<br>other financing sources over(under)<br>expenditures/expenses | 52,796              | 4,034          | 56,830           | (1,732,312)       | (1,732,312)       | 1,789,142                      |
| Balances beginning of year   | 1,329,592           | 43,435         | 1,373,027        | 1,821,510         | 1,821,510         | (448,483)                      |
| Balances end of year   | <u>\$ 1,382,388</u> | <u>47,469</u>  | <u>1,429,857</u> | <u>89,198</u>     | <u>89,198</u>     | <u>1,340,659</u>               |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2010

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.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FUNDING IN PROGRESS FOR THE  
 RETIREE HEALTH PLAN  
 REQUIRED SUPPLEMENTARY INFORMATION

| Year<br>Ended<br>June 30, | Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial                            |                                     | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((b-a)/c) |
|---------------------------|--------------------------------|--|--------------------------------------|-------------------------------------|--------------------------|---------------------------|--|
|                           |                                |  | Accrued<br>Liability<br>(AAL)<br>(b) | Unfunded<br>AAL<br>(UAAAL)<br>(b-a) |                          |                           |  |
| 2010                      | July 1, 2009                   | 0                                      | \$ 2,357,386                         | 2,357,386                           | 0.00%                    | 3,280,321                 | 71.9%  |

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2010

|  | Special Revenue         |                     |  |                             |                 | Total<br>Other<br>Nonmajor<br>Governmental<br>Funds |
|--|-------------------------|---------------------|--|-----------------------------|-----------------|---|
|  | Manage-<br>ment<br>Levy | Student<br>Activity | Physical<br>Plant and<br>Equipment<br>Levy | Total<br>Special<br>Revenue | Debt<br>Service |   |
| <b>Assets</b>                              |                         |                     |  |                             |                 |   |
| Cash and pooled investments                | \$ 100,306              | 79,890              | 20,974                                     | 201,170                     | 20,008          | 221,178   |
| Receivables:                               |                         |                     |  |                             |                 |   |
| Property tax:                              |                         |                     |  |                             |                 |   |
| Current year delinquent                    | 2,040                   | 0                   | 438  | 2,478                       | 2,175           | 4,653   |
| Succeeding year                            | 200,000                 | 0                   | 40,913                                     | 240,913                     | 169,000         | 409,913   |
| Interfund                                  | 0                       | 0                   | 6,951                                      | 6,951                       | 0               | 6,951   |
| <b>Total assets</b>                        | <b>\$ 302,346</b>       | <b>79,890</b>       | <b>69,276</b>                              | <b>451,512</b>              | <b>191,183</b>  | <b>642,695</b>                                      |
| <b>Liabilities and Fund Balances</b>       |                         |                     |  |                             |                 |   |
| Liabilities:                               |                         |                     |  |                             |                 |   |
| Accounts payable                           | \$ 0                    | 8,885               | 0  | 8,885                       | 200             | 9,085   |
| Deferred revenue:                          |                         |                     |  |                             |                 |   |
| Succeeding year property tax               | 200,000                 | 0                   | 40,913                                     | 240,913                     | 169,000         | 409,913   |
| Deposits payable                           | 0                       | 0                   | 0  | 0                           | 12,500          | 12,500  |
| Total liabilities                          | 200,000                 | 8,885               | 40,913                                     | 249,798                     | 181,700         | 431,498   |
| Fund balances:                             |                         |                     |  |                             |                 |   |
| Reserved for debt service                  | 0                       | 0                   | 0  | 0                           | 9,483           | 9,483   |
| Unreserved fund balances                   | 102,346                 | 71,005              | 28,363                                     | 201,714                     | 0               | 201,714   |
| Total fund balances                        | 102,346                 | 71,005              | 28,363                                     | 201,714                     | 9,483           | 211,197   |
| <b>Total liabilities and fund balances</b> | <b>\$ 302,346</b>       | <b>79,890</b>       | <b>69,276</b>                              | <b>451,512</b>              | <b>191,183</b>  | <b>642,695</b>                                      |

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, 2010

|  | Special Revenue         |                     |  |                             | Debt<br>Service | Total<br>Other<br>Nonmajor<br>Governmental<br>Funds |
|--|-------------------------|---------------------|--|-----------------------------|-----------------|---|
|  | Manage-<br>ment<br>Levy | Student<br>Activity | Physical<br>Plant and<br>Equipment<br>Levy | Total<br>Special<br>Revenue |                 |   |
| Revenues:  |                         |                     |  |                             |                 |   |
| Local sources:   |                         |                     |  |                             |                 |   |
| Local tax  | \$ 174,732              | 0                   | 37,571                                     | 212,303                     | 186,370         | 398,673   |
| Other  | 18,265                  | 213,560             | 26   | 231,851                     | 97              | 231,948   |
| State sources  | 0                       | 0                   | 5,215                                      | 5,215                       | 0               | 5,215   |
| Total revenues   | 192,997                 | 213,560             | 42,812                                     | 449,369                     | 186,467         | 635,836   |
| Expenditures:  |                         |                     |  |                             |                 |   |
| Current:   |                         |                     |  |                             |                 |   |
| Instruction:   |                         |                     |  |                             |                 |   |
| Regular  | 106,475                 | 205,284             | 0  | 311,759                     | 0               | 311,759   |
| Other  | 0                       | 0                   | 8,630                                      | 8,630                       | 0               | 8,630   |
| Support services:  |                         |                     |  |                             |                 |   |
| Operation and maintenance of plant   | 42,313                  | 0                   | 16,932                                     | 59,245                      | 0               | 59,245  |
| Transportation   | 112                     | 0                   | 510  | 622                         | 0               | 622   |
| Other expenditures:  |                         |                     |  |                             |                 |   |
| Facilities acquisition   | 0                       | 0                   | 15,244                                     | 15,244                      | 0               | 15,244  |
| Long-term debt:  |                         |                     |  |                             |                 |   |
| Principal  | 0                       | 0                   | 0  | 0                           | 255,000         | 255,000   |
| Interest and fiscal charges  | 0                       | 0                   | 0  | 0                           | 116,078         | 116,078   |
| Total expenditures   | 148,900                 | 205,284             | 41,316                                     | 395,500                     | 371,078         | 766,578   |
| Excess(deficiency) of revenues over(under)<br>expenditures                             | 44,097                  | 8,276               | 1,496                                      | 53,869                      | (184,611)       | (130,742)   |
| 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<br>financing sources over(under) expenditures | 44,097                  | 8,276               | 1,496                                      | 53,869                      | (9,611)         | 44,258  |
| Fund balances beginning of year  | 58,249                  | 62,729              | 26,867                                     | 147,845                     | 19,094          | 166,939   |
| Fund balances end of year  | \$ 102,346              | 71,005              | 28,363                                     | 201,714                     | 9,483           | 211,197   |

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, 2010

| Account                     | Balance<br>Beginning<br>of Year | Revenues       | Expendi-<br>tures | Intra-<br>Fund<br>Transfers | Balance<br>End of<br>Year |
|-----------------------------|---------------------------------|----------------|-------------------|-----------------------------|---------------------------|
| Drama                       | \$ (1,467)                      | 3,994          | 3,878             | 0                           | (1,351)                   |
| Cross country               | (150)                           | 994            | 0                 | 0                           | 844                       |
| All sports fundraiser       | (5,018)                         | 48,608         | 69,512            | 0                           | (25,922)                  |
| Golf                        | 0                               | 1,926          | 1,720             | 0                           | 206                       |
| Drill team                  | 949                             | 4,152          | 4,570             | 0                           | 531                       |
| Football cheerleading       | 1,288                           | 1,226          | 1,952             | 0                           | 562                       |
| Basketball cheerleading     | 1,669                           | 415            | 533               | 682                         | 2,233                     |
| Wrestling cheerleading      | (522)                           | 365            | 444               | 0                           | (601)                     |
| Basketball-Youth            | 0                               | 691            | 1,297             | 0                           | (606)                     |
| Basketball fundraiser       | 993                             | 855            | 2,044             | 0                           | (196)                     |
| All sports activity pass    | 0                               | 2,560          | 528               | 0                           | 2,032                     |
| District football           | 896                             | 0              | 896               | 0                           | 0                         |
| Flag football               | 10,534                          | 10,474         | 8,731             | 0                           | 12,277                    |
| Baseball fundraiser         | 2,103                           | 7,416          | 7,058             | 0                           | 2,461                     |
| Girls track fundraiser      | (659)                           | 1,378          | 1,970             | 2,000                       | 749                       |
| Wrestling fundraiser        | 1,114                           | 4,179          | 3,854             | 0                           | 1,439                     |
| Girls basketball fundraiser | 304                             | 2,243          | 2,404             | 0                           | 143                       |
| Elementary basketball       | 125                             | 0              | 0                 | 0                           | 125                       |
| Volleyball fundraiser       | 3,525                           | 1,488          | 3,940             | 0                           | 1,073                     |
| Softball fundraiser         | 2,811                           | 5,467          | 4,677             | 0                           | 3,601                     |
| Concessions                 | 5,417                           | 29,971         | 25,194            | (5,363)                     | 4,831                     |
| Petty cash                  | 225                             | 0              | 0                 | 0                           | 225                       |
| Interest                    | 1,481                           | 66             | 206               | 0                           | 1,341                     |
| Art club                    | 225                             | 0              | 0                 | 0                           | 225                       |
| Chess club fundraiser       | 120                             | 448            | 162               | 0                           | 406                       |
| Quiz bowl                   | 0                               | 590            | 81                | 0                           | 509                       |
| Annual                      | 10,475                          | 6,240          | 8,257             | 0                           | 8,458                     |
| Swing choir                 | 516                             | 1,020          | 482               | 0                           | 1,054                     |
| Band uniform fundraiser     | 154                             | 354            | 0                 | 0                           | 508                       |
| Band fundraiser             | 6,534                           | 9,105          | 7,708             | 0                           | 7,931                     |
| Vocal music fundraiser      | 4,848                           | 9,619          | 7,409             | 0                           | 7,058                     |
| Instrumental music          | 419                             | 0              | 0                 | 0                           | 419                       |
| Flag corp fundraiser        | (212)                           | 194            | 0                 | 0                           | (18)                      |
| AMOL                        | 716                             | 70             | 353               | 0                           | 433                       |
| Science club                | (14)                            | 2,367          | 2,314             | 0                           | 39                        |
| Spanish club                | 221                             | 23             | (12)              | 0                           | 256                       |
| Spanish class fundraiser    | 806                             | 0              | 0                 | 0                           | 806                       |
| Student council             | 1,353                           | 2,102          | 1,198             | 0                           | 2,257                     |
| Community bank grant        | 651                             | 726            | 1,639             | 0                           | (262)                     |
| Business professionals      | 647                             | 0              | 0                 | 0                           | 647                       |
| Key club                    | 381                             | 140            | 192               | 0                           | 329                       |
| JH key club                 | 80                              | 0              | 0                 | 0                           | 80                        |
| S.A.D.D.                    | 586                             | 0              | 0                 | 0                           | 586                       |
| Haiti fund                  | 0                               | 223            | 153               | 0                           | 70                        |
| FCCLA                       | 1,616                           | 11,387         | 10,946            | 2,681                       | 4,738                     |
| HS class of 2008            | 59                              | 0              | 0                 | (59)                        | 0                         |
| HS class of 2009            | 1,373                           | 0              | 0                 | (1,373)                     | 0                         |
| HS class of 2010            | 3,590                           | 0              | 631               | 0                           | 2,959                     |
| HS class of 2011            | 289                             | 18,353         | 14,557            | 0                           | 4,085                     |
| HS class of 2012            | 2,508                           | 0              | 0                 | 0                           | 2,508                     |
| HS class of 2013            | 0                               | 0              | 0                 | 1,373                       | 1,373                     |
| HS class of 2014            | 0                               | 651            | 506               | 59                          | 204                       |
| Washington D.C. trip        | (830)                           | 21,480         | 3,300             | 0                           | 17,350                    |
| <b>Total</b>                | <b>\$ 62,729</b>                | <b>213,560</b> | <b>205,284</b>    | <b>0</b>                    | <b>71,005</b>             |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUNDS  
 JUNE 30, 2010

|  | Capital Projects Funds    |                      |                |
|--|---------------------------|----------------------|----------------|
|  | Statewide                 |                      |                |
|  | Sales and<br>Services Tax | Building<br>Projects | Total          |
| <b>Assets</b>                              |                           |                      |                |
| Cash and pooled investments                | \$ 482,002                | 5,409                | 487,411        |
| Due from other governments                 | 206,687                   | -                    | 206,687        |
| <b>Total assets</b>                        | <b>\$ 688,689</b>         | <b>5,409</b>         | <b>694,098</b> |
| <b>Liabilities and Fund Balances</b>       |                           |                      |                |
| Fund balances:                             |                           |                      |                |
| Total fund balances                        | \$ 688,689                | 5,409                | 694,098        |
| <b>Total liabilities and fund balances</b> | <b>\$ 688,689</b>         | <b>5,409</b>         | <b>694,098</b> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS FUNDS  
 YEAR ENDED JUNE 30, 2010

|  | Capital Projects Funds    |                      |                  |
|--|---------------------------|----------------------|------------------|
|  | Statewide                 |                      |                  |
|  | Sales and<br>Services Tax | Building<br>Projects | Total            |
| Revenues:  |                           |                      |                  |
| Local sources:   |                           |                      |                  |
| Statewide sales and services tax                                 | \$ 366,424                | 0                    | 366,424          |
| Other  | 581                       | 0                    | 581              |
| Total revenues   | <u>367,005</u>            | <u>0</u>             | <u>367,005</u>   |
| Expenditures:  |                           |                      |                  |
| Current:   |                           |                      |                  |
| Support services:  |                           |                      |                  |
| Instructional staff  | 69,331                    | 0                    | 69,331           |
| Other expenditures:  |                           |                      |                  |
| Facilities acquisitions  | 35,577                    | 0                    | 35,577           |
| Total expenditures   | <u>104,908</u>            | <u>0</u>             | <u>104,908</u>   |
| Excess of revenues over expenditures                             | 262,097                   | 0                    | 262,097          |
| Other financing uses:  |                           |                      |                  |
| Transfer out   | <u>(175,000)</u>          | <u>0</u>             | <u>(175,000)</u> |
| Excess of revenues over expenditures<br>and other financing uses | 87,097                    | 0                    | 87,097           |
| Fund balances beginning of year                                  | <u>601,592</u>            | <u>5,409</u>         | <u>607,001</u>   |
| Fund balances end of year  | <u>\$ 688,689</u>         | <u>5,409</u>         | <u>694,098</u>   |

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, 2010

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

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 TEN YEARS

|                                    | Modified Accrual Basis |           |           |           |           |           |           |           |           |           |
|------------------------------------|------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|                                    | Years Ended June 30,   |           |           |           |           |           |           |           |           |           |
|                                    | 2010                   | 2009      | 2008      | 2007      | 2006      | 2005      | 2004      | 2003      | 2002      | 2001      |
| Revenues:                          |                        |           |           |           |           |           |           |           |           |           |
| Local sources:                     |                        |           |           |           |           |           |           |           |           |           |
| Local tax                          | \$ 2,495,517           | 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                            | 573,311                | 406,425   | 407,990   | 352,693   | 331,392   | 398,134   | 354,575   | 343,835   | 376,962   | 440,908   |
| Other                              | 389,479                | 405,121   | 434,153   | 522,178   | 414,214   | 277,540   | 318,645   | 281,241   | 295,308   | 244,651   |
| State sources                      | 3,139,572              | 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                    | 530,315                | 253,135   | 145,078   | 161,114   | 164,370   | 542,710   | 888,708   | 132,939   | 176,244   | 97,280    |
| Total                              | \$ 7,128,194           | 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                            | \$ 3,091,406           | 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                            | 1,029,605              | 790,820   | 873,884   | 774,728   | 739,041   | 762,837   | 677,270   | 621,235   | 709,408   | 583,767   |
| Other                              | 312,562                | 712,419   | 699,640   | 738,028   | 473,612   | 325,700   | 493,618   | 541,453   | 472,933   | 474,116   |
| Support services:                  |                        |           |           |           |           |           |           |           |           |           |
| Student                            | 174,479                | 176,766   | 158,744   | 161,302   | 147,020   | 163,577   | 156,440   | 133,670   | 116,919   | 108,459   |
| Instructional staff                | 256,738                | 198,330   | 179,324   | 204,441   | 148,876   | 170,882   | 122,858   | 116,621   | 121,707   | 142,868   |
| Administration                     | 616,405                | 599,225   | 571,907   | 579,851   | 567,910   | 517,787   | 521,660   | 488,533   | 449,768   | 413,133   |
| Operation and maintenance of plant | 614,953                | 631,118   | 585,635   | 558,481   | 489,007   | 477,634   | 467,182   | 410,085   | 458,524   | 454,183   |
| Transportation                     | 303,543                | 512,507   | 643,348   | 342,413   | 434,423   | 266,783   | 221,415   | 193,060   | 198,297   | 264,164   |
| Other                              | 0                      | 0         | 0         | 0         | 0         | 16,496    | 0         | 14,448    | 3,411     | 17,595    |
| Non-instructional programs         | 0                      | 0         | 0         | 0         | 0         | 0         | 170       | 162       | 108       | 659       |
| Other expenditures:                |                        |           |           |           |           |           |           |           |           |           |
| Facilities acquisitions            | 50,821                 | 67,560    | 125,622   | 30,794    | 134,985   | 841,624   | 1,201,073 | 13,419    | 52,425    | 78,018    |
| Long-term debt:                    |                        |           |           |           |           |           |           |           |           |           |
| Principal                          | 255,000                | 250,000   | 235,000   | 240,000   | 240,000   | 220,000   | 215,000   | 170,000   | 145,000   | 135,000   |
| Interest                           | 116,078                | 114,327   | 121,337   | 127,808   | 133,627   | 138,660   | 133,748   | 137,365   | 173,550   | 181,525   |
| AEA flowthrough                    | 253,808                | 236,006   | 216,739   | 208,214   | 191,247   | 182,563   | 177,364   | 187,784   | 181,887   | 191,426   |
| Total                              | \$ 7,075,398           | 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.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2010

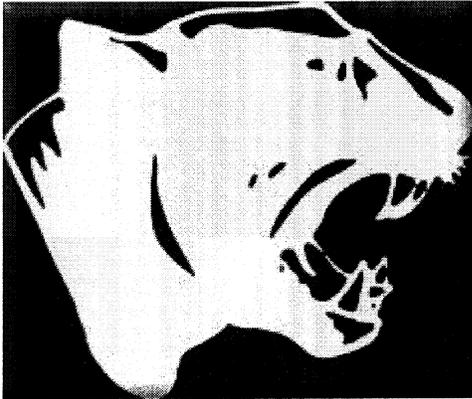
| Grantor/Program  | CFDA<br>Number | Grant<br>Number | Expendi-<br>tures |
|--|----------------|-----------------|-------------------|
| Indirect:  |                |                 |                   |
| U.S. Department of Agriculture:  |                |                 |                   |
| Iowa Department of Education:  |                |                 |                   |
| School Nutrition Cluster Programs:   |                |                 |                   |
| School Breakfast Program   | 10.553         | FY10            | 20,549            |
| National School Lunch Program  | 10.555         | FY10            | 121,864 *         |
|  |                |                 | <u>142,413</u>    |
| U.S. Department of Education:  |                |                 |                   |
| Iowa Department of Education:  |                |                 |                   |
| Title I, Part A Cluster:   |                |                 |                   |
| Title I Grants to Local Educational Agencies   | 84.010         | FY10            | 58,764            |
| ARRA - Title I Grants to Local Educational Agencies, Recovery Act                    | 84.389         | FY10            | 18,938            |
|  |                |                 | <u>77,702</u>     |
| Vocational Education - Basic Grants to States  | 84.048         | FY10            | <u>4,038</u>      |
| Safe and Drug-Free Schools and Communities - State Grants                            | 84.186         | FY10            | <u>1,649</u>      |
| Improving Teacher Quality State Grants   | 84.367         | FY10            | <u>24,278</u>     |
| Grants for State Assessment and Related Activities                                   | 84.369         | FY10            | <u>4,440</u>      |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act | 84.394         | FY10            | <u>299,349</u>    |
| Area Education Agency:   |                |                 |                   |
| Special Education Cluster (IDEA):  |                |                 |                   |
| Special Education - Grants to States   | 84.027         | FY10            | 32,633            |
| Special Education - Grants to States, Recovery Act                                   | 84.391         | FY10            | 71,384            |
|  |                |                 | <u>104,017</u>    |
|  |                |                 | <u>515,473</u>    |
| U.S. Department of Homeland Security:  |                |                 |                   |
| Iowa Emergency Management:   |                |                 |                   |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters)              | 97.036         | FY10            | <u>14,842</u>     |
| Total  |                |                 | <u>\$ 672,728</u> |

\* -Includes \$23,885 of non-cash awards.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Logan-Magnolia Schools



# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

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Telephone (641) 792-1910

### 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, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 3, 2011. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned costs as item II-B-10 to be a significant deficiency.

## 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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 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 and Questioned Costs. 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.

January 3, 2011

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Independent Auditor's Report on Compliance with Requirements Applicable  
To Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of Logan-Magnolia Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Logan-Magnolia Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Logan-Magnolia Community School District's management. Our responsibility is to express an opinion on Logan-Magnolia Community School District's compliance based on our audit.

We conducted our audit on compliance in accordance with U.S. generally accepted accounting standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Logan-Magnolia Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Logan-Magnolia Community School District's compliance with those requirements.

In our opinion, Logan-Magnolia Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

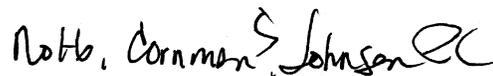
The management of Logan-Magnolia Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Logan-Magnolia Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Logan-Magnolia Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a significant deficiency.

Logan-Magnolia Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we 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, and is not intended to be and should not be used by anyone other than these specified parties.

  
NOLTE, CORNMAN & JOHNSON, P.C.

January 3, 2011

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major Programs were as follows:
  - CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act.
  - Clustered programs:
    - CFDA Number 84.391 - Special Education - Grants to States (Part B).
    - CFDA Number 84.027 - Special Education - Grants to States (Part B).
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Logan-Magnolia Community School District did not qualify as a low-risk auditee.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

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

**INTERNAL CONTROL DEFICIENCIES:**

II-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

II-B-10 Gate Admissions - We noted during our audit that the district does not utilize pre-numbered tickets for performances and athletic events. The District does have two individuals working a gate who count gate receipts, sign off on gate sheets, and turn into the office where a third person recounts and deposits the gates, however, no comparison is done by an independent person to determine the gate signed sheet equals the deposit.

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. The District should at least implement a procedure that the deposit is compared to the gate sheet during the bank reconciliation process.

Response - We will reconcile pre-numbered tickets.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

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

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY**

**CFDA Number 84.027: Special Education Grants to States (Part B)**

**CFDA Number 84.391: Special Education Grants to States (Part B)**

**Federal Award Year: 2010**

**U.S. Department of Education**

**Passed through Loess Hills Area Education Agency 13**

**CFDA Number 84.394: ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants,  
Recovery Act**

**Federal Award Year: 2010**

**U.S. Department of Education**

**Passed through the Iowa Department of Education**

III-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2010

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

IV-A-10 Certified Budget - District disbursements for the year ended June 30, 2010, did not exceed the amount budgeted.

IV-B-10 Questionable Disbursements - We noted during our audit that the District purchased clothing for employees out of the Special Revenue, Student Activity Fund.

Recommendation - Article III, Section 31 of the Constitution of the State of Iowa requires that public funds may only be spent for the public benefit. Since Student Activity Funds are “public funds” the District must determine the propriety and document the public purpose and public benefit to be derived. The District should establish a policy to preclude purchases of personal clothing from public funds, and/or define the exceptions, if any, including the requirement for Board consideration, documentation of public purpose and approval.

The District may wish to refrain from allowing public funds to be used to purchase personal items of clothing under any circumstances since this establishes a precedent which may be difficult to justify and/or administer fairly and consistently among employees and student groups.

A better alternative may be to ask the Booster Club or other affiliated organization to provide clothing, such as team jackets for coaches, to District employees in lieu of using public funds.

Response - Coaches are now required to turn in all purchased clothing at the end of the season. The clothing is to remain property of the school.

Conclusion - Response accepted.

IV-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-10 Business Transactions - Business transactions between the District and District officials and employees are detailed as follows:

| Name, Title and<br>Business Connection        | Transaction<br>Description | Amount   |
|---|----------------------------|----------|
| Lori Lockwood, Teacher<br>Owns Custom Apparel | Supplies/Services          | \$15,680 |

The above transactions between the District and teacher appear to create a conflict of interest. Chapter 301.28 of the Code of Iowa states in part, “A school director, officer, or teacher shall not act as agent for school textbooks or school supplies, including sports apparel or equipment, in any transaction...” The purchase of apparel goods and services from the teacher’s business appears to be in violation of this section.

Reccomendation - The District should contact its attorney regarding this matter to determine the legality of these transactions and if any corrective action is required.

Response - We will contact our attorney regarding the legality of these transactions.

Conclusion - Response accepted.

IV-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-10 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 2009 was overstated. The District's certified enrollment count on line 1 was overstated by 5.3 students and line 3 was understated by 1.0 students. This resulted in overstating the total actual enrollment on line 7 by 4.3 students.

Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter.

Response - Our auditors will be contacting the Iowa Department of Education and the Department of Management to resolve this issue.

Conclusion - Response accepted.

IV-H-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-10 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-10 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-10 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-10 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, 2010, the District's financial activity and other required information for the statewide sales and services tax are as follows:

|  |    |         |         |
|--|----|---------|---------|
| Beginning balance                                  |    | \$      | 64,935  |
| Statewide sales and services tax revenue           |    |         | 366,424 |
| Expenditures/trasfers out:                         |    |         |         |
| School infrastructure:                             |    |         |         |
| Equipment  | \$ | 89,439  |         |
| Other improvements                                 |    | 15,469  |         |
| Debt service obligation for school infrastructure: |    |         |         |
| General obligation debt                            |    | 175,000 | 279,908 |
| Ending balance                                     |    | \$      | 151,451 |

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

|                                   | Per \$1,000<br>of Taxable<br>Valuation | Property Tax<br>Dollars |
|-----------------------------------|--|-------------------------|
| Debt service levy                 | \$ 1.41155                             | 175,000                 |
| Physical plant and equipment levy | \$ 1.34000                             | 166,130                 |

IV-M-10 Financial Condition - The Student Activity Fund contained seven negative account balances totaling \$28,956.

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.