

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

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Logan-Magnolia Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b> <b>(After September 2010 Reorganizational Meeting)</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	2011
Lauren Roden	District Secretary	2011
Mundt, Franck and Schumacher	Attorney	2011

# **Logan-Magnolia Schools**

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

**Certified Public Accountants**

**(a professional corporation)**

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

**Telephone (641) 792-1910**

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Logan-Magnolia Community School District, Logan Iowa, as of and for the year ended June 30, 2011, 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, 2011, 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 February 1, 2012 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 16 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, 2010 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, 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.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

February 1, 2012

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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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$6,125,353 in fiscal 2010 to \$6,637,041 in fiscal 2011, while General Fund expenditures increased from \$6,203,912 in fiscal 2010 to \$6,336,472 in fiscal 2011. This resulted in an increase in the District's General Fund balance from \$477,093 in fiscal 2010 to a balance of \$777,662 in fiscal 2011.
- The increase in General Fund revenues was attributable to an increase in local and state sources of revenues in fiscal 2011. The increase in expenditures can be attributed to increases in spending in the instruction and support services functional areas.
- The District's solvency ratio (unassigned plus assigned fund balance/general fund revenues) increased from 6.14% at June 30, 2010 to 10.06% at June 30, 2011.

### **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.

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

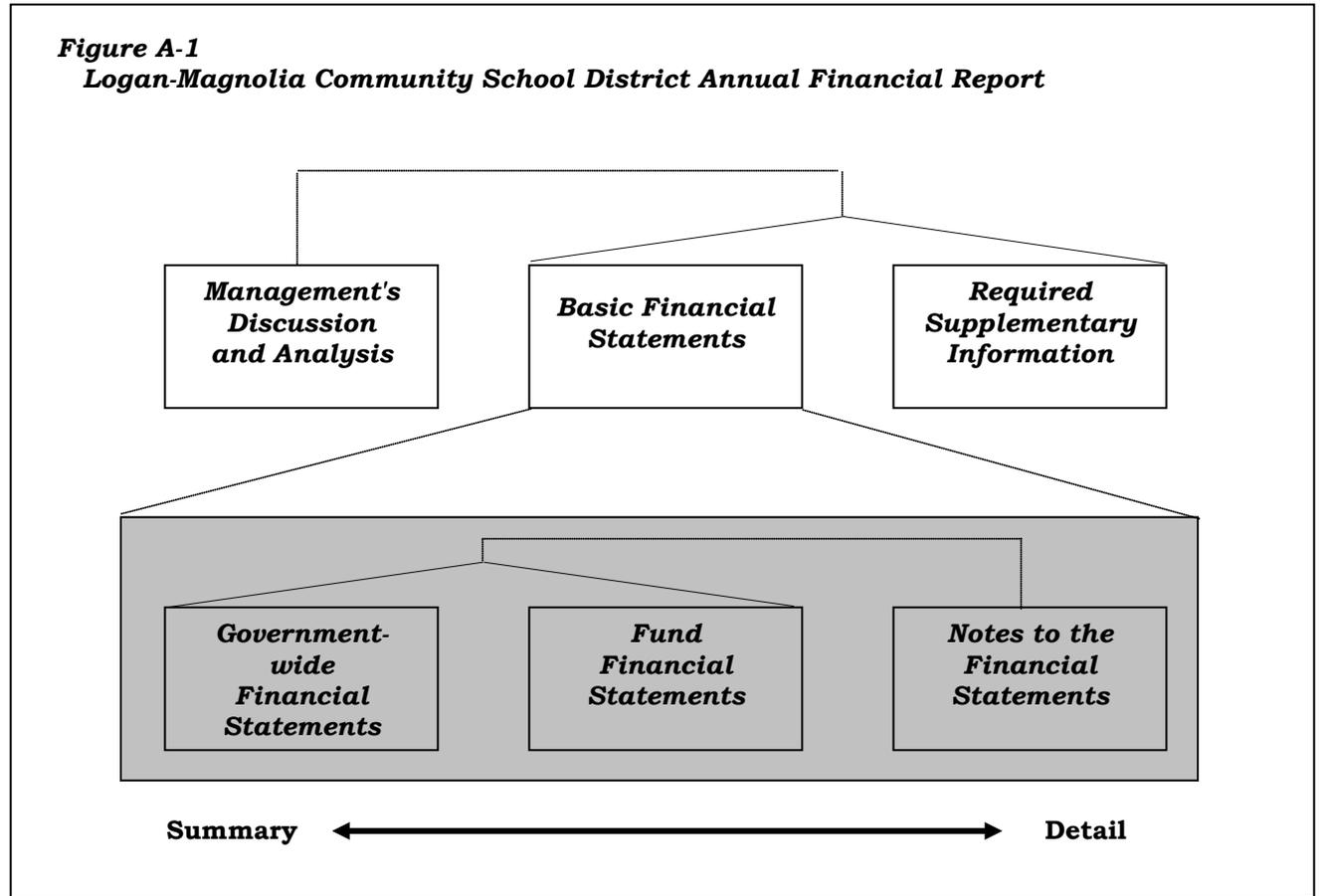


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> <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 Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</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
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

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

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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.

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, 2011 compared to June 30, 2010.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 5,005,926	4,390,015	50,521	47,279	5,056,447	4,437,294	13.95%
Capital assets	5,893,450	6,006,471	24,335	22,876	5,917,785	6,029,347	-1.85%
Total assets	<u>10,899,376</u>	<u>10,396,486</u>	<u>74,856</u>	<u>70,155</u>	<u>10,974,232</u>	<u>10,466,641</u>	<u>4.85%</u>
Long-term obligations	2,809,454	2,910,428	4,569	2,299	2,814,023	2,912,727	-3.39%
Other liabilities	2,953,351	2,872,854	14,439	20,387	2,967,790	2,893,241	2.58%
Total liabilities	<u>5,762,805</u>	<u>5,783,282</u>	<u>19,008</u>	<u>22,686</u>	<u>5,781,813</u>	<u>5,805,968</u>	<u>-0.42%</u>
Net assets:							
Invested in capital assets, net of related debt	3,643,450	3,496,471	24,335	22,876	3,667,785	3,519,347	4.22%
Restricted	1,070,598	1,006,441	0	0	1,070,598	1,006,441	6.37%
Unrestricted	422,523	110,292	31,513	24,593	454,036	134,885	236.61%
Total net assets	<u>\$ 5,136,571</u>	<u>4,613,204</u>	<u>55,848</u>	<u>47,469</u>	<u>5,192,419</u>	<u>4,660,673</u>	<u>11.41%</u>

The District's combined net assets increased by \$531,746, or 11.41% from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, intangibles, 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 \$64,157, or 6.37% over the prior year. The majority of the increase in unrestricted net assets was due to an increase in restricted for Capital Projects, and an increase in restricted for Management Levy.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$319,151, or 236.61%. The majority of this increase in unrestricted net assets was due to the increase in fund balance of the General Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

	Figure A-4							Total Change 2010-11
	Changes of Net Assets							
	Governmental Activities		Business Type Activities		Total District			
2011	2010	2011	2010	2011	2010			
Revenues:								
Program revenues:								
Charges for services	\$ 1,085,298	897,353	240,517	239,618	1,325,815	1,136,971		16.61%
Operating grants and contributions and restricted interest	988,748	1,224,343	162,231	145,802	1,150,979	1,370,145		-16.00%
General revenues:								
Local tax	2,190,241	1,969,396	0	0	2,190,241	1,969,396		11.21%
Income surtax	180,134	167,744	0	0	180,134	167,744		7.39%
Statewide sales, services and use tax	434,374	366,424	0	0	434,374	366,424		18.54%
Unrestricted state grants	2,726,244	2,476,217	0	0	2,726,244	2,476,217		10.10%
Nonspecific program federal funding	144,225	0	0	0	144,225	0		100.00%
Other	94,367	34,764	29	8,308	94,396	43,072		119.16%
Total revenues	<u>7,843,631</u>	<u>7,136,241</u>	<u>402,777</u>	<u>393,728</u>	<u>8,246,408</u>	<u>7,529,969</u>		<u>9.51%</u>
Program expenses:								
Governmental activities:								
Instruction	4,693,075	4,610,622	0	0	4,693,075	4,610,622		1.79%
Support services	2,190,852	2,169,975	0	285	2,190,852	2,170,260		0.95%
Non-instructional programs	0	0	394,398	389,409	394,398	389,409		1.28%
Other expenses	436,337	677,830	0	0	436,337	677,830		-35.63%
Total expenses	<u>7,320,264</u>	<u>7,458,427</u>	<u>394,398</u>	<u>389,694</u>	<u>7,714,662</u>	<u>7,848,121</u>		<u>-1.70%</u>
Increase(decrease) in net assets	523,367	(322,186)	8,379	4,034	531,746	(318,152)		-267.14%
Net assets beginning of year, as restated	<u>4,613,204</u>	<u>4,935,390</u>	<u>47,469</u>	<u>43,435</u>	<u>4,660,673</u>	<u>4,978,825</u>		<u>-6.39%</u>
Net assets end of year	<u>\$ 5,136,571</u>	<u>4,613,204</u>	<u>55,848</u>	<u>47,469</u>	<u>5,192,419</u>	<u>4,660,673</u>		<u>11.41%</u>

In fiscal 2011 the local tax, unrestricted state grants, and charges for services account for 76.52% of the revenue from governmental activities, while charges for services and operating grants, contributions, and restricted interest account for 99.99% of the revenue from business type activities.

The District's total revenues were approximately \$8.25 million of which \$7.85 million was for governmental activities and \$0.40 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 9.51% increase in revenues and a 1.70% decrease in expenses.

## Governmental Activities

Revenues for governmental activities were \$7,843,631 and expenses were \$7,320,265.

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

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 4,693,075	4,610,622	1.79%	2,875,428	2,822,017	1.89%
Support services	2,190,852	2,169,975	0.96%	2,189,352	2,090,692	4.72%
Other expenses	436,337	677,830	-35.63%	181,438	424,022	-57.21%
Totals	<u>\$ 7,320,264</u>	<u>7,458,427</u>	<u>-1.85%</u>	<u>5,246,218</u>	<u>5,336,731</u>	<u>-1.70%</u>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$1,085,298.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$988,748.
- The net cost of governmental activities was financed with \$2,190,241 in local tax, \$180,134 in income surtax, \$434,374 in statewide sales, services and use tax, \$2,726,244 in unrestricted state grants, \$144,225 in nonspecific program federal grants, \$1,599 in unrestricted investment earnings, and \$92,768 in other general revenues.

## Business Type Activities

Revenues of the District's business type activities were \$402,777 and expenses were \$394,398. 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 \$1,898,756, above last year's ending fund balances of \$1,382,388. The primary reason for the increase was due to the increase in the fund balances in the General Fund and Capital Projects Fund.

## Governmental Fund Highlights

- The District's increased General Fund financial position is the product of many factors. The District's General Fund increased \$300,569. Increases in local and state source revenues during the year as compared to fiscal 2010 were largely responsible for the increase in revenue.

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- The Debt Service fund balance increased from \$9,483 in fiscal 2010 to \$32,639 in fiscal 2011. The majority of this increase was due to the refunding bond issuance and transfer in from the Capital Projects Fund.
  - The Capital Projects fund balance increased from \$722,461 in fiscal 2010 to \$837,349 in fiscal 2011. The increase was due to the District taking in more revenues than expenditures for the year.

### **Proprietary Fund Highlights**

The School Nutrition Fund net assets increased from \$37,240 at June 30, 2010 to \$46,209 at June 30, 2011, representing an increase of 24.08%. Most of this increase is attributable to the increased federal grants.

The Latch Key Fund net assets held steady, decreasing from \$10,229 at June 30, 2010 to \$9,639 at June 30, 2011.

### **BUDGETARY HIGHLIGHTS**

The District's revenues were \$388,587 less than budgeted revenues, a variance of 4.96%. 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, 2011, the District had invested \$5.92 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.85% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$316,402.

The original cost of the District's capital assets was \$10,067,916. Governmental funds account for \$9,914,393 with the remainder of \$153,523 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 \$58,591 as compared to \$37,845 at June 30, 2010. This increase is a result of the parking lot repairs and weight room sidewalk project completed during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 575,000	575,000	0	0	575,000	575,000	0.00%
Buildings	4,879,006	4,992,488	0	0	4,879,006	4,992,488	-2.27%
Land improvements	58,591	37,845	0	0	58,591	37,845	54.82%
Machinery and equipment	380,853	401,138	24,334	22,876	405,187	424,014	-4.44%
Total	\$ 5,893,450	6,006,471	24,334	22,876	5,917,784	6,029,347	-1.85%

### Long-Term Debt

At June 30, 2011, the District had long-term debt outstanding of \$2,814,023 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 5 to the financial statements.

The District had total outstanding general obligation bonds payable of \$2,250,000 at June 30, 2011.

The District had total outstanding early retirement payable of \$215,279 at June 30, 2011, which will be paid from the Special Revenue, Management Levy Fund.

The District had a net OPEB liability of \$348,744 at June 30, 2011, \$344,175 attributable to governmental activities and \$4,569 attributable to business type activities.

	Governmental Activities		Business Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
General obligation bonds	\$ 2,250,000	2,510,000	0	0	2,250,000	2,510,000	-10.36%
Early retirement	215,279	227,231	0	0	215,279	227,231	-5.26%
Net OPEB obligation	344,175	173,197	4,569	2,299	348,744	175,496	98.72%
Total	\$ 2,809,454	2,910,428	4,569	2,299	2,814,023	2,912,727	-3.39%

### 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.

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## **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.

BASIC FINANCIAL STATEMENTS

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,047,364	33,337	2,080,701
Receivables:			
Property tax:			
Delinquent	26,236	0	26,236
Succeeding year	2,286,843	0	2,286,843
Income surtax	159,679	0	159,679
Accounts	0	1,098	1,098
Due from other governments	485,804	0	485,804
Inventories	0	16,087	16,087
Capital assets, net of accumulated depreciation	5,893,450	24,334	5,917,784
<b>Total assets</b>	<b>10,899,376</b>	<b>74,856</b>	<b>10,974,232</b>
<b>Liabilities</b>			
Accounts payable	41,338	504	41,842
Salaries and benefits payable	577,168	11,172	588,340
Interest payable	5,860	0	5,860
Deferred revenue:			
Succeeding year property tax	2,286,843	0	2,286,843
Other	42,142	0	42,142
Unearned revenue	0	2,763	2,763
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	290,000	0	290,000
Early retirement	54,891	0	54,891
Portion due after one year:			
General obligation bonds	1,960,000	0	1,960,000
Early retirement	160,388	0	160,388
Net OPEB liability	344,175	4,569	348,744
<b>Total liabilities</b>	<b>5,762,805</b>	<b>19,008</b>	<b>5,781,813</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	3,643,450	24,334	3,667,784
Restricted for:			
Categorical funding	109,879	0	109,879
Debt service	32,639	0	32,639
Capital projects	740,025	0	740,025
Physical plant and equipment levy	97,324	0	97,324
Student activities	90,731	0	90,731
Unrestricted	422,523	31,514	454,037
<b>Total net assets</b>	<b>\$ 5,136,571</b>	<b>55,848</b>	<b>5,192,419</b>

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 2,903,941	564,048	531,338	(1,808,555)	0	(1,808,555)
Special	888,847	230,986	80,718	(577,143)	0	(577,143)
Other	900,287	290,264	120,293	(489,730)	0	(489,730)
	<u>4,693,075</u>	<u>1,085,298</u>	<u>732,349</u>	<u>(2,875,428)</u>	<u>0</u>	<u>(2,875,428)</u>
Support services:						
Student	191,648	0	0	(191,648)	0	(191,648)
Instructional staff	261,398	0	0	(261,398)	0	(261,398)
Administration	662,634	0	1,500	(661,134)	0	(661,134)
Operation and maintenance of plant	621,738	0	0	(621,738)	0	(621,738)
Transportation	453,434	0	0	(453,434)	0	(453,434)
	<u>2,190,852</u>	<u>0</u>	<u>1,500</u>	<u>(2,189,352)</u>	<u>0</u>	<u>(2,189,352)</u>
Other expenditures:						
Long-term debt interest	75,385	0	0	(75,385)	0	(75,385)
AEA flowthrough	254,899	0	254,899	0	0	0
Depreciation(unallocated)*	106,053	0	0	(106,053)	0	(106,053)
	<u>436,337</u>	<u>0</u>	<u>254,899</u>	<u>(181,438)</u>	<u>0</u>	<u>(181,438)</u>
Total governmental activities	<u>7,320,264</u>	<u>1,085,298</u>	<u>988,748</u>	<u>(5,246,218)</u>	<u>0</u>	<u>(5,246,218)</u>
Business Type activities:						
Non-instructional programs:						
Nutrition services	331,557	178,277	162,231	0	8,951	8,951
Latch key services	62,841	62,240	0	0	(601)	(601)
Total business type activities	<u>394,398</u>	<u>240,517</u>	<u>162,231</u>	<u>0</u>	<u>8,350</u>	<u>8,350</u>
Total	<u>\$ 7,714,662</u>	<u>1,325,815</u>	<u>1,150,979</u>	<u>(5,246,218)</u>	<u>8,350</u>	<u>(5,237,868)</u>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 1,980,878	0	1,980,878
Debt service				168,558	0	168,558
Capital outlay				40,805	0	40,805
Income surtax				180,134	0	180,134
Statewide sales, services and use tax				434,374	0	434,374
Unrestricted state grants				2,726,244	0	2,726,244
Nonspecific program federal funding				144,225	0	144,225
Unrestricted investment earnings				1,599	29	1,628
Other				92,768	0	92,768
Total general revenues				<u>5,769,585</u>	<u>29</u>	<u>5,769,614</u>
Changes in net assets				523,367	8,379	531,746
Net assets beginning of year				<u>4,613,204</u>	<u>47,469</u>	<u>4,660,673</u>
Net assets end of year				<u>\$ 5,136,571</u>	<u>55,848</u>	<u>5,192,419</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, 2011

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
<b>Assets</b>					
Cash and pooled investments	\$ 1,155,394	611,538	30,620	249,812	2,047,364
Receivables:					
Property tax					
Delinquent	21,338	489	2,019	2,390	26,236
Succeeding year	1,860,582	40,913	160,348	225,000	2,286,843
Income surtax	159,679	0	0	0	159,679
Due from other governments	259,194	226,174	0	436	485,804
<b>Total assets</b>	<b>\$ 3,456,187</b>	<b>879,114</b>	<b>192,987</b>	<b>477,638</b>	<b>5,005,926</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 38,954	852	0	1,532	41,338
Salaries and benefits payable	577,168	0	0	0	577,168
Deferred revenue:					
Succeeding year property tax	1,860,582	40,913	160,348	225,000	2,286,843
Income surtax	159,679	0	0	0	159,679
Other	42,142	0	0	0	42,142
Total liabilities	2,678,525	41,765	160,348	226,532	3,107,170
Fund balances:					
Restricted for:					
Categorical funding	109,879	0	0	0	109,879
Debt service	0	0	32,639	0	32,639
Management levy purposes	0	0	0	177,910	177,910
Student activities	0	0	0	90,731	90,731
School infrastructure	0	740,025	0	0	740,025
Physical plant and equipment	0	97,324	0	0	97,324
Assigned	17,211	0	0	0	17,211
Unassigned	650,572	0	0	(17,535)	633,037
Total fund balances	777,662	837,349	32,639	251,106	1,898,756
<b>Total liabilities and fund balances</b>	<b>\$ 3,456,187</b>	<b>879,114</b>	<b>192,987</b>	<b>477,638</b>	<b>5,005,926</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, 2011

<b>Total fund balances of governmental funds(page 20)</b>	\$ 1,898,756
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,893,450
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.	(5,860)
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.	(2,809,454)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	<u>159,679</u>
<b>Net assets of governmental activities(page 18)</b>	<u><u>\$ 5,136,571</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2011

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total
<b>Revenues:</b>					
<b>Local sources:</b>					
Local tax	\$ 1,944,938	475,179	168,558	199,479	2,788,154
Tuition	716,813	0	0	0	716,813
Other	163,937	714	36	345,799	510,486
State sources	3,519,227	23	95	112	3,519,457
Federal sources	292,126	0	0	0	292,126
Total revenues	6,637,041	475,916	168,689	545,390	7,827,036
<b>Expenditures:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	2,699,316	918	0	114,794	2,815,028
Special	865,716	0	0	0	865,716
Other	581,475	0	0	310,785	892,260
	4,146,507	918	0	425,579	4,573,004
<b>Support services:</b>					
Student	185,677	0	0	0	185,677
Instructional staff	261,138	2,460	0	0	263,598
Administration	637,036	0	4,165	0	641,201
Operation and maintenance of plant	521,886	8,225	0	24,922	555,033
Transportation	329,329	90,929	0	17,134	437,392
	1,935,066	101,614	4,165	42,056	2,082,901
<b>Other expenditures:</b>					
Facilities acquisition	0	105,179	0	0	105,179
<b>Long-term debt:</b>					
Principal	0	0	285,000	0	285,000
Interest and fiscal charges	0	0	77,836	0	77,836
AEA flowthrough	254,899	0	0	0	254,899
	254,899	105,179	362,836	0	722,914
Total expenditures	6,336,472	207,711	367,001	467,635	7,378,819
Excess(deficiency) of revenues over(under) expenditures	300,569	268,205	(198,312)	77,755	448,217
<b>Other financing sources(uses):</b>					
Transfer in	0	0	200,000	0	200,000
Transfer out	0	(200,000)	0	0	(200,000)
Insurance proceeds	0	46,683	0	0	46,683
Refunding bond issuance	0	0	1,300,000	0	1,300,000
Payment to escrow	0	0	(1,275,000)	0	(1,275,000)
Premium on refunding bond issuance	0	0	2,357	0	2,357
Discount on refunding bond issuance	0	0	(5,889)	0	(5,889)
Total other financing sources(uses)	0	(153,317)	221,468	0	68,151
Net change in fund balances	300,569	114,888	23,156	77,755	516,368
Fund balances beginning of year, as restated	477,093	722,461	9,483	173,351	1,382,388
Fund balances end of year	\$ 777,662	837,349	32,639	251,106	1,898,756

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, 2011

Net change in fund balances - total governmental funds(page 22) \$ 516,368

**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 and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlays expenditures and depreciation expense in the current year are as follows:

Capital expenditures	\$ 200,732	
Depreciation expense	(313,753)	(113,021)

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

Issued	\$ (1,300,000)	
Repaid	1,560,000	260,000

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 16,595

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. 2,451

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	\$ 11,952	
Other postemployment benefits	(170,978)	(159,026)

**Changes in net assets of governmental activities(page 19) \$ 523,367**

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2011

	School Nutrition	Latch Key	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 19,278	14,059	33,337
Accounts receivable	0	1,098	1,098
Inventories	16,087	0	16,087
Capital assets, net of accumulated depreciation	24,334	0	24,334
<b>Total assets</b>	<b>59,699</b>	<b>15,157</b>	<b>74,856</b>
<b>Liabilities</b>			
Accounts payable	0	504	504
Salaries and benefits payable	6,158	5,014	11,172
Unearned revenue	2,763	0	2,763
Net OPEB liability	4,569	0	4,569
<b>Total liabilities</b>	<b>13,490</b>	<b>5,518</b>	<b>19,008</b>
<b>Net Assets</b>			
Invested in capital assets	24,334	0	24,334
Unrestricted	21,875	9,639	31,514
<b>Total net assets</b>	<b>\$ 46,209</b>	<b>9,639</b>	<b>55,848</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, 2011

	School Nutrition	Latch Key	Total
Operating revenues:			
Charges for service	\$ 176,862	0	176,862
Miscellaneous	1,415	62,240	63,655
Total operating revenues	<u>178,277</u>	<u>62,240</u>	<u>240,517</u>
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	153,548	49,847	203,395
Benefits	32,286	5,810	38,096
Services	4,299	340	4,639
Supplies	138,675	6,844	145,519
Depreciation	2,649	0	2,649
Other	100	0	100
Total operating expenses	<u>331,557</u>	<u>62,841</u>	<u>394,398</u>
Operating loss	<u>(153,280)</u>	<u>(601)</u>	<u>(153,881)</u>
Non-operating revenues:			
State sources	3,282	0	3,282
Federal sources	158,949	0	158,949
Interest income	18	11	29
Total non-operating revenues	<u>162,249</u>	<u>11</u>	<u>162,260</u>
Increase (decrease) in net assets	8,969	(590)	8,379
Net assets beginning of year	<u>37,240</u>	<u>10,229</u>	<u>47,469</u>
Net assets end of year	<u>\$ 46,209</u>	<u>9,639</u>	<u>55,848</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2011

	School Nutrition	Latch Key	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 178,364	2,935	181,299
Cash received from miscellaneous operating activities	1,415	62,240	63,655
Cash payments to employees for services	(183,199)	(56,002)	(239,201)
Cash payments to suppliers for goods or services	(130,066)	(7,703)	(137,769)
Net cash provided by(used in) operating activities	(133,486)	1,470	(132,016)
Cash flows from non-capital financing activities:			
State grants received	3,282	0	3,282
Federal grants received	131,703	0	131,703
Net cash provided by non-capital financing activities	134,985	0	134,985
Cash flows from investing activities:			
Interest on investments	18	11	29
Net cash provided by investing activities	18	11	29
Cash flows from capital financing activities:			
Purchase of assets	(4,107)	0	(4,107)
Net cash used in financing activities	(4,107)	0	(4,107)
Net increase(decrease) in cash and cash equivalents	(2,590)	1,481	(1,109)
Cash and cash equivalents at beginning of year	21,868	12,578	34,446
Cash and cash equivalents at end of year	\$ 19,278	14,059	33,337
Reconciliation of operating loss to net cash provided by(used in) operating activities:			
Operating loss	\$ (153,280)	(601)	(153,881)
Adjustments to reconcile operating loss to net cash provided by(used in) operating activities:			
Commodities consumed	27,308	0	27,308
Depreciation	2,649	0	2,649
Increase in inventories	(7,349)	0	(7,349)
Decrease in accounts receivables	0	2,935	2,935
Decrease in accounts payable	(6,951)	(519)	(7,470)
Increase(Decrease)in salaries and benefits payable	365	(345)	20
Increase in unearned revenues	1,502	0	1,502
Increase in net other post employment liability	2,270	0	2,270
Net cash used in operating activities	\$ (133,486)	1,470	(132,016)

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

During the year ended June 30, 2011, the District received \$27,308 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

**(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. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other 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 and other capital assets.

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

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

C. Measurement Focus and Basis of Accounting

The government-wide, 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.

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

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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, fund balances are classified as follows:

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

Assigned - Amounts that are constrained by the government intent to be used for specific purposes by the Superintendent/Board Secretary.

Unassigned - All amounts not included in other spendable classifications.

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, 2011 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, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Obligations Portfolio which are valued at an amortized cost of \$1,921,213 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) Interfund Transfers**

The detail of transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
	Capital Projects:	
	Statewide Sales	
Debt Service	Services, and Use Tax	<u>\$ 200,000</u>

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

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance			Balance
	Beginning			End
	of Year,			of Year
	as restated	Increases	Decreases	
<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	7,694,336	41,229	0	7,735,565
Land improvements	46,836	24,303	0	71,139
Machinery and equipment	1,397,489	135,200	0	1,532,689
Total capital assets being depreciated	<u>9,138,661</u>	<u>200,732</u>	<u>0</u>	<u>9,339,393</u>
Less accumulated depreciation for:				
Buildings	2,701,848	154,711	0	2,856,559
Land improvements	8,991	3,557	0	12,548
Machinery and equipment	996,351	155,485	0	1,151,836
Total accumulated depreciation	<u>3,707,190</u>	<u>313,753</u>	<u>0</u>	<u>4,020,943</u>
Total capital assets being depreciated, net	<u>5,431,471</u>	<u>(113,021)</u>	<u>0</u>	<u>5,318,450</u>
Governmental activities capital assets, net	<u>\$ 6,006,471</u>	<u>(113,021)</u>	<u>0</u>	<u>5,893,450</u>
	Balance			Balance
	Beginning			End
	of Year	Increases	Decreases	of Year
<b>Business type activities:</b>				
Machinery and equipment	\$ 176,294	4,107	26,878	153,523
Less accumulated depreciation	153,418	2,649	26,878	129,189
Business type activities capital assets, net	<u>\$ 22,876</u>	<u>1,458</u>	<u>0</u>	<u>24,334</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 7,900
Special		332
Other		2,316
Support services:		
Student		340
Instructional staff		11,173
Operation and maintenance of plant services		14,366
Transportation		105,741
		<u>142,168</u>
Unallocated depreciation		<u>171,585</u>
Total governmental activities depreciation expense		<u>\$ 313,753</u>
Business type activities:		
Food services		<u>\$ 2,649</u>

**(5) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,510,000	1,300,000	1,560,000	2,250,000	290,000
Early retirement	227,231	37,055	49,007	215,279	54,891
Net OPEB liability	173,197	170,978	0	344,175	0
<b>Total</b>	<b>\$ 2,910,428</b>	<b>1,508,033</b>	<b>1,609,007</b>	<b>2,809,454</b>	<b>344,891</b>
Business type activities:					
Net OPEB liability	\$ 2,299	2,270	0	4,569	0

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue November 1, 2002			Bond issue August 1, 2003			Total		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest	Total
2012	1.40 %	\$ 290,000	14,090	-	\$ 0	55,257	290,000	69,347	359,347
2013	1.40	290,000	9,995	-	0	55,258	290,000	65,253	355,253
2014	1.50-1.60	295,000	5,825	-	0	55,257	295,000	61,082	356,082
2015	1.70	140,000	1,190	-	0	55,258	140,000	56,448	196,448
2016	-	0	0	4.00	130,000	55,257	130,000	55,257	185,257
2017-2021	-	0	0	4.10-4.50	755,000	188,665	755,000	188,665	943,665
2022-2025	-	0	0	4.60-5.00	350,000	25,990	350,000	25,990	375,990
<b>Total</b>		<b>\$ 1,015,000</b>	<b>31,100</b>		<b>\$ 1,235,000</b>	<b>490,942</b>	<b>\$ 2,250,000</b>	<b>522,042</b>	<b>2,772,042</b>

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, 2011, totaled \$49,007.

**(6) 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 4.50% of their annual salary and the District is required to contribute 6.95% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$283,695, \$267,777, and \$250,040, respectively, equal to the required contributions for each year.

**(7) 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, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 258,869
Interest on net OPEB obligation	4,387
Adjustment to annual required contribution	(18,332)
Annual OPEB cost	<u>244,924</u>
Contributions made	(71,676)
Increase in net OPEB obligation	<u>173,248</u>
Net OPEB obligation beginning of year	<u>175,496</u>
Net OPEB obligation end of year	<u><u>\$ 348,744</u></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, 2011.

For the year ended June 30, 2011, the District contributed \$71,676 to the medical plan. Plan members eligible for benefits contributed \$47,473, or 39.84% 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, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligation
2010	\$ 241,191	27.24%	\$ 175,496
2011	244,924	29.26%	348,744

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, 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 \$3,300,622 and the ratio of the UAAL to covered payroll was 71.4%. As of June 30, 2011, 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.

**(8) Risk Management**

Logan-Magnolia Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of

commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$254,899 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Categorical Funding**

The District's ending balances for categorical funding by project as of the year ended June 30, 2011 are as follows:

Project	Amount
Home school assistance program	\$ 17,256
Gifted and talented program	57,776
Beginning teacher mentoring and induction program	585
Professional development for model core curriculum	16,043
At-Risk Supplemental Weighting	14,850
Market factor incentives	3,369
Total	<u>\$ 109,879</u>

**(11) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year end June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 694,098	28,363
Change in fund type classifications per implementation of GASB Statement No. 54	<u>28,363</u>	<u>(28,363)</u>
Balances July 1, 2010, as restated	<u>\$ 722,461</u>	<u>0</u>

**(12) Deficit Fund Balance/Net Assets**

At June 30, 2011, the Special Revenue: Student Activity Fund had a deficit unassigned fund balance of \$17,535.

**(13) Bond Defeasement**

On July 7, 2010, the District issued \$1,300,000 in general obligation bonds, with interest rates ranging from 1.40% to 1.70%, to advance refund \$1,275,000 of outstanding general obligation bonds dated November 1, 2002. The bonds dated July 7, 2010 have been added to the appropriate financial statements and schedules. The net present value of savings for the refunding is \$41,597. At June 30, 2011, \$0 of the bonds dated November 1, 2002 are outstanding and defeasement of principal and interest for these bonds is \$1,275,000 and \$0 respectively.

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, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 4,015,453	240,546	4,255,999	3,728,395	3,728,395	527,604
State sources	3,519,457	3,282	3,522,739	3,729,831	3,729,831	(207,092)
Federal sources	292,126	158,949	451,075	383,000	383,000	68,075
Total revenues	7,827,036	402,777	8,229,813	7,841,226	7,841,226	388,587
Expenditures/Expenses:						
Instruction	4,573,004	0	4,573,004	4,724,020	4,724,020	151,016
Support services	2,082,901	0	2,082,901	3,134,370	3,134,370	1,051,469
Non-instructional programs	0	394,398	394,398	517,317	517,317	122,919
Other expenditures	722,914	0	722,914	823,726	823,726	100,812
Total expenditures/expenses	7,378,819	394,398	7,773,217	9,199,433	9,199,433	1,426,216
Excess(deficiency) of revenues over(under) expenditures/expenses	448,217	8,379	456,596	(1,358,207)	(1,358,207)	1,814,803
Other financing sources, net	68,151	0	68,151	2,000	2,000	66,151
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses	516,368	8,379	524,747	(1,356,207)	(1,356,207)	1,880,954
Balances beginning of year	1,382,388	47,469	1,429,857	1,499,134	1,499,134	(69,277)
Balances end of year	\$ 1,898,756	55,848	1,954,604	142,927	142,927	1,811,677

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2011

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 Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	0	\$ 2,357,386	2,357,386	0.00%	3,280,321	71.86%
2011	July 1, 2009	0	2,357,386	2,357,386	0.00%	3,300,622	71.42%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

OTHER SUPPLEMENTARY INFORMATION

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2011

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 175,084	74,728	249,812
Receivables:			
Property tax:			
Delinquent	2,390	0	2,390
Succeeding year	225,000	0	225,000
Due from other governments	436	0	436
<b>Total assets</b>	<b>\$ 402,910</b>	<b>74,728</b>	<b>477,638</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 0	1,532	1,532
Deferred revenue:			
Succeeding year property tax	225,000	0	225,000
Total liabilities	225,000	1,532	226,532
Fund balances:			
Restricted for:			
Management levy purposes	177,910	0	177,910
Student activities	0	90,731	90,731
Unassigned	0	(17,535)	(17,535)
Total fund balances	177,910	73,196	251,106
<b>Total liabilities and fund balances</b>	<b>\$ 402,910</b>	<b>74,728</b>	<b>477,638</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, 2011

	Special Revenue		
	Manage- ment Levy	Student Activity	Total Special Revenue
Revenues:			
Local sources:			
Local tax	\$ 199,479	0	199,479
Other	32,823	312,976	345,799
State sources	112	0	112
Total revenues	<u>232,414</u>	<u>312,976</u>	<u>545,390</u>
Expenditures:			
Current:			
Instruction:			
Regular	114,794	0	114,794
Other	0	310,785	310,785
Support services:			
Operation and maintenance of plant	24,922	0	24,922
Transportation	17,134	0	17,134
Total expenditures	<u>156,850</u>	<u>310,785</u>	<u>467,635</u>
Excess of revenues over expenditures	75,564	2,191	77,755
Fund balances beginning of year, as restated	<u>102,346</u>	<u>71,005</u>	<u>173,351</u>
Fund balances end of year	<u>\$ 177,910</u>	<u>73,196</u>	<u>251,106</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2011

	Capital Projects			
	Statewide Sales, Services and Use Tax	Other Capital Projects	Physical Plant and Equipment Levy	Total
<b>Assets</b>				
Cash and pooled investments	\$ 509,294	5,409	96,835	611,538
Receivables:				
Property tax:				
Delinquent	0	0	489	489
Succeeding year	0	0	40,913	40,913
Due from other governments	226,174	0	0	226,174
<b>Total assets</b>	<b>\$ 735,468</b>	<b>5,409</b>	<b>138,237</b>	<b>879,114</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 852	0	0	852
Deferred revenue:				
Succeeding year property tax	0	0	40,913	40,913
Total liabilities	852	0	40,913	41,765
Fund balances:				
Restricted for:				
School infrastructure	734,616	5,409	0	740,025
Physical plant and equipment	0	0	97,324	97,324
Total fund balances	734,616	5,409	97,324	837,349
<b>Total liabilities and fund balances</b>	<b>\$ 735,468</b>	<b>5,409</b>	<b>138,237</b>	<b>879,114</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECT ACCOUNTS  
 YEAR ENDED JUNE 30, 2011

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Other Capital Projects	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 434,374	0	40,805	475,179
Other	678	0	36	714
State sources	0	0	23	23
Total revenues	<u>435,052</u>	<u>0</u>	<u>40,864</u>	<u>475,916</u>
Expenditures:				
Current:				
Instruction:				
Regular	0	0	918	918
Support services:				
Instructional staff	2,460	0	0	2,460
Operation and maintenance of plant	8,225	0	0	8,225
Transportation	90,929	0	0	90,929
Other expenditures:				
Facilities acquisition	87,511	0	17,668	105,179
Total expenditures	<u>189,125</u>	<u>0</u>	<u>18,586</u>	<u>207,711</u>
Excess of revenues over expenditures	245,927	0	22,278	268,205
Other financing sources (uses):				
Transfer out	(200,000)	0	0	(200,000)
Insurance proceeds	0	0	46,683	46,683
Total other financing sources (uses)	<u>(200,000)</u>	<u>0</u>	<u>46,683</u>	<u>(153,317)</u>
Excess of revenues and other financing sources over expenditures	45,927	0	68,961	114,888
Fund balances beginning of year, as restated	<u>688,689</u>	<u>5,409</u>	<u>28,363</u>	<u>722,461</u>
Fund balances end of year	<u>\$ 734,616</u>	<u>5,409</u>	<u>97,324</u>	<u>837,349</u>

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, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Drama	\$ (1,351)	1,078	1,157	0	(1,430)
Cross country	844	520	387	0	977
All sports fundraiser	(25,922)	80,205	73,093	3,854	(14,956)
Golf	206	524	574	0	156
Drill team	531	6,411	4,555	0	2,387
Football cheerleading	562	1,032	545	0	1,049
Basketball cheerleading	2,233	288	1,982	0	539
Wrestling cheerleading	(601)	1,451	666	0	184
Basketball-Youth	(606)	0	307	0	(913)
Basketball fundraiser	(196)	5,854	5,259	0	399
All sports activity pass	2,032	2,480	658	(3,854)	0
Flag football	12,277	7,589	9,831	0	10,035
Baseball fundraiser	2,461	15,198	14,187	0	3,472
Girls track fundraiser	749	437	1,755	1,530	961
Wrestling fundraiser	1,439	3,568	3,113	0	1,894
Girls basketball fundraiser	143	2,071	1,853	0	361
Elementary basketball	125	0	0	0	125
Volleyball fundraiser	1,073	9,275	8,244	0	2,104
Softball fundraiser	3,601	2,447	2,360	0	3,688
Concessions	4,831	31,060	23,181	(3,060)	9,650
Petty cash	225	0	0	0	225
Interest	1,341	72	16	0	1,397
Art club	225	0	0	0	225
Chess club fundraiser	406	388	224	0	570
Quiz bowl	509	444	877	0	76
Speech fund	0	3,961	3,700	0	261
Annual	8,458	6,935	6,237	0	9,156
Swing choir	1,054	3,476	4,594	0	(64)
Band uniform fundraiser	508	0	0	0	508
Band fundraiser	7,931	14,212	11,916	0	10,227
Vocal music fundraiser	7,058	14,540	10,825	0	10,773
Instrumental music	419	0	0	0	419
Flag corp fundraiser	(18)	179	139	0	22
AMOL	433	215	199	0	449
Science club	39	2,896	2,577	0	358
Spanish club	256	22	126	0	152
Spanish class fundraiser	806	0	0	0	806
Student council	2,257	2,223	1,972	0	2,508
Community bank grant	(262)	912	0	0	650
Business professionals	647	0	0	0	647
Key club	329	180	204	0	305
JH key club	80	0	0	0	80
S.A.D.D.	586	0	0	0	586
Haiti fund	70	0	0	0	70
CPR Certification	0	105	0	0	105
FCCLA	4,738	17,820	21,104	1,530	2,984
HS class of 2010	2,959	0	0	0	2,959
HS class of 2011	4,085	0	2,575	0	1,510
HS class of 2012	2,508	15,458	14,821	0	3,145
HS class of 2013	1,373	0	0	0	1,373
HS class of 2014	204	0	0	0	204
Washington D.C. trip	17,350	57,450	74,972	0	(172)
<b>Total</b>	<b>\$ 71,005</b>	<b>312,976</b>	<b>310,785</b>	<b>0</b>	<b>73,196</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

## **Logan-Magnolia Schools**

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,			
	2011	2010	2009	2008
Revenues:				
Local sources:				
Local tax	\$ 2,788,154	2,495,517	2,390,116	2,277,886
Tuition	554,241	573,311	406,425	407,990
Other	673,058	389,479	405,121	434,153
State sources	3,519,457	3,139,572	3,735,678	3,556,861
Federal sources	292,126	530,315	253,135	145,078
Total	\$ 7,827,036	7,128,194	7,190,475	6,821,968
Expenditures:				
Instruction:				
Regular	\$ 2,815,028	3,091,406	2,891,546	2,488,810
Special	865,716	1,029,605	790,820	873,884
Other	892,260	312,562	712,419	699,640
Support services:				
Student	185,677	174,479	176,766	158,744
Instructional staff	263,598	256,738	198,330	179,324
Administration	641,201	616,405	599,225	571,907
Operation and maintenance of plant	555,033	614,953	631,118	585,635
Transportation	437,392	303,543	512,507	643,348
Other	0	0	0	0
Non-instructional programs	0	0	0	0
Other expenditures:				
Facilities acquisitions	105,179	50,821	67,560	125,622
Long-term debt:				
Principal	285,000	255,000	250,000	235,000
Interest	77,836	116,078	114,327	121,337
AEA flowthrough	254,899	253,808	236,006	216,739
Total	\$ 7,378,819	7,075,398	7,180,624	6,899,990

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

## Schedule 6

Modified Accrual Basis					
Years Ended June 30,					
2007	2006	2005	2004	2003	2002
2,350,551	2,016,915	2,133,357	1,794,768	1,647,583	1,534,509
352,693	331,392	398,134	354,575	343,835	376,962
522,178	414,214	277,540	318,645	281,241	295,308
3,397,183	3,137,954	2,890,215	2,666,137	2,662,263	2,492,814
161,114	164,370	542,710	888,708	132,939	176,244
6,783,719	6,064,845	6,241,956	6,022,833	5,067,861	4,875,837
2,465,935	2,457,997	2,292,100	2,013,911	1,918,918	2,019,230
774,728	739,041	762,837	677,270	621,235	709,408
738,028	473,612	325,700	493,618	541,453	472,933
161,302	147,020	163,577	156,440	133,670	116,919
204,441	148,876	170,882	122,858	116,621	121,707
579,851	567,910	517,787	521,660	488,533	449,768
558,481	489,007	477,634	467,182	410,085	458,524
342,413	434,423	266,783	221,415	193,060	198,297
0	0	16,496	0	14,448	3,411
0	0	0	170	162	108
30,794	134,985	841,624	1,201,073	13,419	52,425
240,000	240,000	220,000	215,000	170,000	145,000
127,808	133,627	138,660	133,748	137,365	173,550
208,214	191,247	182,563	177,364	187,784	181,887
6,431,995	6,157,745	6,376,643	6,401,709	4,946,753	5,103,167

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

**Certified Public Accountants**

**(a professional corporation)**

**117 West 3rd Street North, Newton, Iowa 50208-3050**

**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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 1, 2012. 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, 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 I of the accompanying Schedule of Findings and items I-A-11 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 I of the accompanying Schedule of Findings and item I-B-11 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.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 1, 2012

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2011

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

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

Conclusion - Response accepted.

I-B-11 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 a minimum implement a procedure that the deposit is compared to the gate sheet during the bank reconciliation process.

Response - The District will change the bank reconciliation procedure to compare the deposits to the gate sheet. The District will investigate the issuance of pre-numbered tickets for entry to athletic events.

Conclusion - Response accepted.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2011

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

II-A-11 Certified Budget - District disbursements for the year ended June 30, 2011, did not exceed the amount budgeted.

II-B-11 Questionable Disbursements - We noted during our audit that the District purchased clothing for employees out of the Special Revenue: Student Activity Fund. Also we noted that the District reimbursed an employee for their personal Sam's Club membership. The District awarded savings bonds for prizes from the science club student activities group. Giving cash or gift certificates/cards to students as incentives do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

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 and reimbursing for personal purchases 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 and reimbursing personal purchases 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.

The District should refrain from giving cash or cash equivalents as prizes or awards.

Response - The District will no longer give cash equivalents as prizes for the science fair. Also, coaches will be required to pay for coaching apparel. If the District pays for coaching apparel, coaches will either (1) reimburse the District or (2) turn in apparel to the District upon completion of the coaching season.

Conclusion - Response accepted.

II-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted; however, we did note two out of six tested travel reimbursements for meals which lacked itemized receipts.

We also noted that the District's master contract states that employees are to be reimbursed at \$.10 below the federal mileage rate; however, employees were being paid only \$.09 below the federal mileage rate of \$.50 from July to December and \$.06 below the federal mileage rate of \$.51 from January through June.

We noted that the District reimbursed an employee for a hotel used for a conference and there was no supporting invoice, just the employee's credit card statement. The District's policy does not state that an employee's credit card statement would satisfy as a supporting invoice of any support for reimbursement, and no additional approval process was noted.

Recommendation - The District needs to review its procedures to ensure that all travel reimbursements have appropriate supporting documentation.

The District needs to reimburse employees at the current rate per mile that was passed by the board. The board can elect to review the master contract and travel policy and adopt a new policy. All new policies need to be explained and disseminated to employees.

The District should not reimburse employees unless they have an itemized receipt and a supporting invoice. The District should review and continue to monitor its procedures in place for employee reimbursement.

Response - The District will closely monitor personal reimbursements and no longer reimburse employees unless itemized receipts and supporting invoices are provided. The District will reimburse employees at the rate of \$.10 per mile below the federal rate.

Conclusion - Response accepted.

II-D-11 Business Transactions - Business transactions between the District and District officials and employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Lori Lockwood, Teacher Owns Custom Apparel	Uniforms	\$ 3,366
	Fundraising supplies	<u>12,062</u>
		<u>\$ 15,428</u>

In accordance with the Attorney General’s opinion dated July 2, 1990, the above transactions with the District’s teacher for fundraising supplies does not appear to represent a conflict of interest.

The above transactions between the District and the teacher for sports uniforms 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 sports apparel from the teacher’s business appears to be in violation of this code section.

Recommendation - The District has contacted legal counsel, who advised them that uniforms and instructional supplies are not allowable under Chapter 301.28 of the Code of Iowa. The attorney advised the District that clothing for fundraisers and novelties are allowable in accordance with the Attorney General’s opinion. The District should refrain from purchasing sporting apparel from Custom Apparel.

Response - The District will refrain from purchasing uniforms from Custom Apparel in the future.

Conclusion - Response accepted.

II-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-11 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was understated by 2.00 students.

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

Response - The District's auditor will contact the Iowa Department of Education and Department of Management to resolve this matter.

Conclusion - Response accepted.

II-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-I-11 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-11 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.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services, and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2011 audit.

Beginning balance		\$	688,689
Revenues:			
Sales tax revenues	\$	434,374	
Other local revenues		678	435,052
		<u>        </u>	<u>1,123,741</u>
Expenditures/trasfers out:			
School infrastructure:	\$	6,182	
Equipment		158,640	
Other improvements		24,303	
Transfers to other funds:			
Debt service fund		200,000	389,125
		<u>        </u>	<u>        </u>
Ending balance		\$	<u>734,616</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 1.61320	\$ 200,000

II-M-11 Financial Condition - The Special Revenue: Student Activity Fund had a deficit unassigned fund balance of \$17,535.

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 - The District is currently working with Activity sponsors to eliminate the deficit. In FY10, the deficit was \$28,956. This deficit has been reduced in one year and will continue to decline until it is completely eliminated.

Conclusion - Response accepted.

II-N-11 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District in compliance with Code of Iowa Chapter 291.1.

Response - In the future the Board President will sign all contracts entered into by the District.

Conclusion - Response accepted.

II-O-11 District and Regional Rents - We noted during our audit that the district receives money for use of facilities when hosting district and regional events. The District currently receipts this into the Student Activity Fund.

Recommendation - Chapter 297.9 of the Code of Iowa requires rent to be receipted into the General Fund. The district should receipt rent collected for facility usage into the General Fund.

Response - The District will receipt all rent collected for hosting district and regional events into the General Fund.

Conclusion - Response accepted.

II-P-11 Non-certified Time Sheets - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches.

Response - The District will keep track of the hours worked for non-certified staff coaches.

Conclusion - Response accepted.