

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2013

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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>		
Dan Cohrs	President	2015
Kelly Gochenour	Vice President	2015
Matt Pitt	Board Member	2015
Todd Cohrs	Board Member	2013
Shelley Foutch	Board Member	2013
<b>School Officials</b>		
James Hammrich	Superintendent	2013
Lauren Roden	District Secretary	2013
Mundt, Franck and Schumacher	Attorney	2013

**Logan-Magnolia Community School District**

**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:**

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Logan-Magnolia Community School District, Logan, Iowa as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Logan-Magnolia Community School District as of June 30, 2013 and the respective changes in financial position and, when applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

**Members American Institute & Iowa Society of Certified Public Accountants**

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for Retiree Health Plan on pages 7 through 15 and 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Logan-Magnolia Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The 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.

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated January 29, 2014 on our consideration so Logan-Magnolia Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting, compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Logan-Magnolia Community School District's internal control over financial reporting and compliance.

  
NOLTE, CORNMAN & JOHNSON, P.C.

January 29, 2014  
Newton, Iowa

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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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$6,728,580 in fiscal 2012 to \$6,597,023 in fiscal 2013, while General Fund expenditures increased from \$6,319,920 in fiscal 2012 to \$6,600,499 in fiscal 2013. This resulted in a slight decrease in the District's General Fund balance from \$1,186,322 in fiscal 2012 to a balance of \$1,182,846 in fiscal 2013.
- The decrease in General Fund revenues was attributable to a decrease in state and federal source revenues in fiscal 2013. The increase in expenditures can be attributed to an increase in salaries and benefits paid to District employees.

### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of 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.

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-1**  
**Logan-Magnolia Community School District Annual Financial Report**

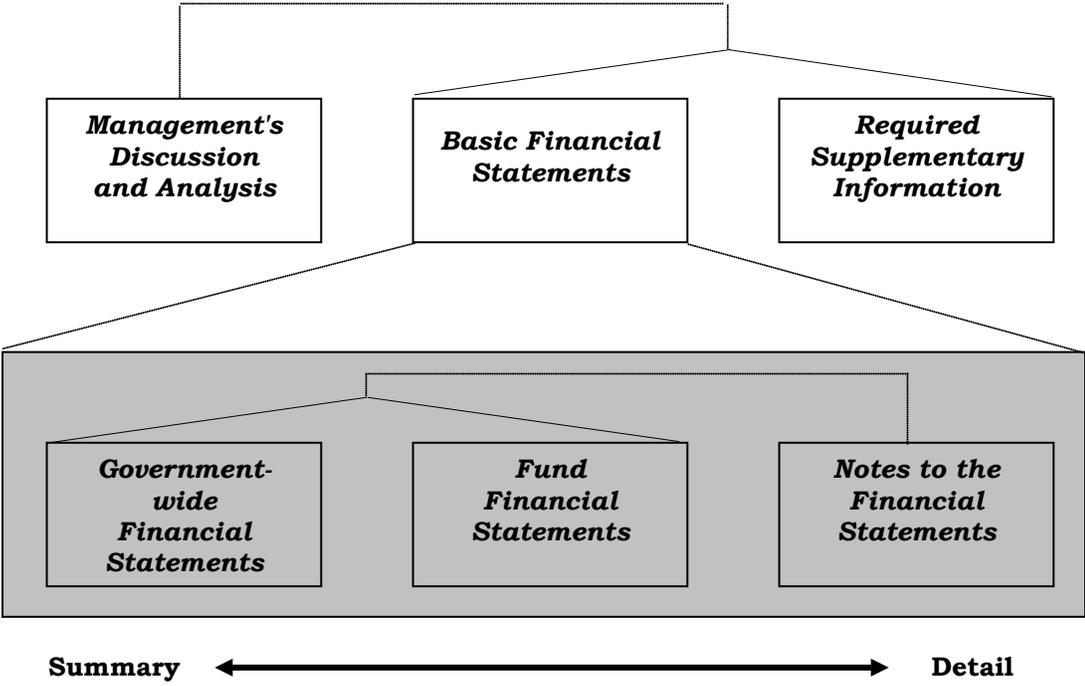


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
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 Position</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 Position</li> <li>• Statement of Revenues, Expenses and Changes in Fund Net Position</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 Position 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 position and how they have changed. Net position – 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 position is an indicator of whether financial position is improving or deteriorating. To assess the District’s overall health, additional non-financial factors, such as changes in the District’s property tax base and the condition of school buildings and other facilities, need to be considered.

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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 two kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, 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 Position, Statement of Revenues, Expenses and Changes in Net Position 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 position at June 30, 2013 compared to June 30, 2012.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Current and other assets	\$ 5,628,423	7,075,479	86,163	32,993	5,714,586	7,108,472	-19.61%
Capital assets	5,614,746	5,764,901	24,014	27,254	5,638,760	5,792,155	-2.65%
Total assets	<u>11,243,169</u>	<u>12,840,380</u>	<u>110,177</u>	<u>60,247</u>	<u>11,353,346</u>	<u>12,900,627</u>	<u>-11.99%</u>
Long-term obligations	2,483,400	3,935,922	9,394	7,103	2,492,794	3,943,025	-36.78%
Other liabilities	2,840,671	3,211,861	17,342	16,521	2,858,013	3,228,382	-11.47%
Total liabilities	<u>5,324,071</u>	<u>7,147,783</u>	<u>26,736</u>	<u>23,624</u>	<u>5,350,807</u>	<u>7,171,407</u>	<u>-25.39%</u>
Net position:							
Invested in capital assets, net of related debt	3,899,746	3,759,901	24,014	27,254	3,923,760	3,787,155	3.61%
Restricted	1,503,958	1,213,340	0	0	1,503,958	1,213,340	23.95%
Unrestricted	515,394	719,356	59,427	9,369	574,821	728,725	-21.12%
Total net position	<u>\$ 5,919,098</u>	<u>5,692,597</u>	<u>83,441</u>	<u>36,623</u>	<u>6,002,539</u>	<u>5,729,220</u>	<u>4.77%</u>

The District's combined net position increased by \$273,319, or 4.77% from the prior year. The largest portion of the District's net position is 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 position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$290,618, or 23.95% over the prior year. The majority of the increase in restricted net position was due to an increase in the fund balances of Capital Projects: Statewide Sales, Services and Use Tax and Management Levy Fund.

Unrestricted net position – the part of net position that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$153,904, or 21.12%. The decrease in unrestricted net position was partially due to the decrease in fund balance of the General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-4							
Changes of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-13
Revenues:							
Program revenues:							
Charges for services	\$ 915,782	1,058,571	284,117	239,003	1,199,899	1,297,574	-7.53%
Operating grants and contributions and restricted interest	484,689	460,254	149,303	140,914	633,992	601,168	5.46%
Capital grants and contributions and restricted interest	11,200	23,486	0	0	11,200	23,486	-52.31%
General revenues:							
Property tax	2,487,382	2,295,748	0	0	2,487,382	2,295,748	8.35%
Income surtax	192,535	178,465	0	0	192,535	178,465	7.88%
Statewide sales, services and use tax	485,912	459,926	0	0	485,912	459,926	5.65%
Unrestricted state grants	3,059,399	3,378,588	0	0	3,059,399	3,378,588	-9.45%
Nonspecific program federal funding	0	43,984	0	0	0	43,984	-100.00%
Unrestricted interest earnings	398	514	15	18	413	532	-22.37%
Other	24,967	14,030	0	5,042	24,967	19,072	30.91%
Total revenues	<u>7,662,264</u>	<u>7,913,566</u>	<u>433,435</u>	<u>384,977</u>	<u>8,095,699</u>	<u>8,298,543</u>	<u>-2.44%</u>
Program expenses:							
Governmental activities:							
Instruction	4,873,086	4,660,121	0	0	4,873,086	4,660,121	4.57%
Support services	2,111,293	2,216,300	419	0	2,111,712	2,216,300	-4.72%
Non-instructional programs	0	0	386,198	404,202	386,198	404,202	-4.45%
Other expenses	451,384	481,119	0	0	451,384	481,119	-6.18%
Total expenses	<u>7,435,763</u>	<u>7,357,540</u>	<u>386,617</u>	<u>404,202</u>	<u>7,822,380</u>	<u>7,761,742</u>	<u>0.78%</u>
Increase(Decrease) in net position	226,501	556,026	46,818	(19,225)	273,319	536,801	-49.08%
Net position beginning of year	<u>5,692,597</u>	<u>5,136,571</u>	<u>36,623</u>	<u>55,848</u>	<u>5,729,220</u>	<u>5,192,419</u>	<u>10.34%</u>
Net position end of year	<u>\$ 5,919,098</u>	<u>5,692,597</u>	<u>83,441</u>	<u>36,623</u>	<u>6,002,539</u>	<u>5,729,220</u>	<u>4.77%</u>

In fiscal 2013 the property tax, unrestricted state grants, and charges for services account for 84.34% of the revenue from governmental activities, while charges for services and operating grants, contributions, and restricted interest account for nearly all of the revenue from business type activities. The District's total revenues were approximately \$8.09 million of which \$7.66 million was for governmental activities and \$0.43 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.44% decrease in revenues and a 0.78% increase in expenses. Property tax increased approximately \$191,634 to fund the increase in expenses. The increase in expenses is related to increases in negotiated salaries and benefits paid to District employees.

## Governmental Activities

Revenues for governmental activities were \$7,662,264 and expenses were \$7,435,763.

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		
	2013	2012	Change 2012-13	2013	2012	Change 2012-13
Instruction	\$ 4,873,086	4,660,121	4.57%	3,925,877	3,523,735	11.41%
Support services	2,111,293	2,216,300	-4.74%	1,872,829	2,038,974	-8.15%
Other expenses	451,384	481,119	-6.18%	225,386	252,520	-10.75%
Totals	<u>\$ 7,435,763</u>	<u>7,357,540</u>	<u>1.06%</u>	<u>6,024,092</u>	<u>5,815,229</u>	<u>3.59%</u>

For the year ended June 30, 2013:

- The cost financed by users of the District's programs was \$915,782.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$495,889.
- The net cost of governmental activities was financed with \$2,487,382 in property tax, \$192,535 in income surtax, \$485,912 in statewide sales, services and use tax, \$3,059,399 in unrestricted state grants, \$398 in unrestricted investment earnings, and \$24,967 in other general revenues.

## Business Type Activities

Revenues of the District's business type activities were \$433,435 and expenses were \$386,617. 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 \$2,616,328, below last year's ending fund balances of \$3,702,468. The primary reason for the decrease was due to the repayment of crossover refunding bonds issued in the previous year.

## Governmental Fund Highlights

- The slight decrease in the District's General Fund financial position is the product of many factors. The District's General Fund balance decreased \$3,476. Decreases in state and federal source revenues during the year as compared to fiscal 2012 were largely responsible for the decrease in revenue. The increase in salaries and benefits paid to District employees was the primary reason for the \$280,579 increase in expenditures.

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- The Capital Projects account balance increased from \$862,713 in fiscal 2012 to \$969,463 in fiscal 2013. The increase was due to the District receiving more in tax revenues coupled with reduced expenditures for fiscal year 2013.
  - The Debt Service Fund balance decreased from \$1,268,704 in fiscal 2012 to \$33,618 in fiscal 2013. The decrease was due to the District repaying crossover refunding bonds issued in the previous year.

### **Proprietary Fund Highlights**

The School Nutrition Fund net position increased from \$29,074 at June 30, 2012 to \$62,565 at June 30, 2013, representing an increase of 115.19%. Most of this increase is attributable to the decrease in salaries and benefits paid.

The Latch Key Fund net position increased from \$7,549 at June 30, 2012 to \$20,875 at June 30, 2013, representing a 176.53% increase.

### **BUDGETARY HIGHLIGHTS**

The District's revenues were \$115,098 less than budgeted revenues, a variance of 1.40%. The most significant variance resulted from the District receiving less in local 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area, this was due to the repayment of crossover refunding bonds issued in the prior year.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2013, the District had invested \$5.64 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 2.65% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$290,307.

The original cost of the District's capital assets was \$10,299,729. Governmental funds account for \$10,139,669 with the remainder of \$160,060 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress, totaled \$140,473 at June 30, 2013 as compared to \$113,985 at June 30, 2012. This increase is a result of continued construction of a bus barn during the year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 600,754	600,754	0	0	600,754	600,754	0.00%
Construction in progress	140,473	113,985	0	0	140,473	113,985	23.24%
Buildings	4,581,633	4,701,894	0	0	4,581,633	4,701,894	-2.56%
Land improvements	74,640	77,491	0	0	74,640	77,491	-3.68%
Machinery and equipment	217,246	270,777	24,014	27,254	241,260	298,031	-19.05%
Total	\$ 5,614,746	5,764,901	24,014	27,254	5,638,760	5,792,155	-2.65%

### Long-Term Debt

At June 30, 2013, the District had long-term debt outstanding of \$2,492,794 in general obligation bonds and OPEB liability. This represents a decrease of 36.78% 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 \$1,715,000 at June 30, 2013.
- The District had a net OPEB liability of \$777,794 at June 30, 2013, \$768,400 is attributable to governmental activities and \$9,394 is attributable to business type activities.

Figure A-7  
Outstanding Long-Term Obligations

	Governmental Activities		Business Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-13
General obligation bonds	\$ 1,715,000	3,240,000	0	0	1,715,000	3,240,000	-47.07%
Termination benefits	0	160,855	0	0	0	160,855	-100.00%
Net OPEB obligation	768,400	535,067	9,394	7,103	777,794	542,170	43.46%
Total	\$ 2,483,400	3,935,922	9,394	7,103	2,492,794	3,943,025	-36.78%

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

- On July 1, 2013, the IPERS employer contribution increase to 8.93% will increase the Monticello Community School District's employer benefit costs during fiscal 2014.
- Continued patterns of declining enrollment are creating a stagnant revenue stream from the state. The District will continue to look for ways to cope with the stagnant funding.

### 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.

**Logan-Magnolia Community School District**

BASIC FINANCIAL STATEMENTS

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,801,158	69,025	2,870,183
Receivables:			
Property tax:			
Delinquent	22,318	0	22,318
Succeeding year	2,184,090	0	2,184,090
Income surtax	173,639	0	173,639
Accounts	0	1,319	1,319
Due from other governments	447,218	0	447,218
Inventories	0	15,819	15,819
Capital assets, net of accumulated depreciation	5,614,746	24,014	5,638,760
<b>Total assets</b>	<b>11,243,169</b>	<b>110,177</b>	<b>11,353,346</b>
<b>Liabilities</b>			
Accounts payable	48,410	312	48,722
Salaries and benefits payable	605,956	11,468	617,424
Interest payable	2,215	0	2,215
Deferred revenue:			
Succeeding year property tax	2,184,090	0	2,184,090
Unearned revenue	0	5,562	5,562
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	295,000	0	295,000
Portion due after one year:			
General obligation bonds	1,420,000	0	1,420,000
Net OPEB liability	768,400	9,394	777,794
<b>Total liabilities</b>	<b>5,324,071</b>	<b>26,736</b>	<b>5,350,807</b>
<b>Net Position</b>			
Invested in capital assets, net of related debt	3,899,746	24,014	3,923,760
Restricted for:			
Categorical funding	72,691	0	72,691
Debt service	31,403	0	31,403
Management levy	302,645	0	302,645
School infrastructure	838,475	0	838,475
Physical plant and equipment levy	130,988	0	130,988
Student activities	127,756	0	127,756
Unrestricted	515,394	59,427	574,821
<b>Total net position</b>	<b>\$ 5,919,098</b>	<b>83,441</b>	<b>6,002,539</b>

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
		for Services	Interest	Interest			
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,205,442	441,155	44,812	0	(2,719,475)	0	(2,719,475)
Special	930,862	59,770	28,793	0	(842,299)	0	(842,299)
Other	736,782	187,593	185,086	0	(364,103)	0	(364,103)
	<u>4,873,086</u>	<u>688,518</u>	<u>258,691</u>	<u>0</u>	<u>(3,925,877)</u>	<u>0</u>	<u>(3,925,877)</u>
Support services:							
Student	186,792	0	0	0	(186,792)	0	(186,792)
Instructional staff	250,970	0	0	0	(250,970)	0	(250,970)
Administration	704,238	52,786	0	0	(651,452)	0	(651,452)
Operation and maintenance of plant	583,949	0	0	11,200	(572,749)	0	(572,749)
Transportation	385,344	174,478	0	0	(210,866)	0	(210,866)
	<u>2,111,293</u>	<u>227,264</u>	<u>0</u>	<u>11,200</u>	<u>(1,872,829)</u>	<u>0</u>	<u>(1,872,829)</u>
Long-term debt interest	65,950	0	0	0	(65,950)	0	(65,950)
Other expenditures:							
AEA flowthrough	225,998	0	225,998	0	0	0	0
Depreciation(unallocated)*	159,436	0	0	0	(159,436)	0	(159,436)
	<u>385,434</u>	<u>0</u>	<u>225,998</u>	<u>0</u>	<u>(159,436)</u>	<u>0</u>	<u>(159,436)</u>
Total governmental activities	<u>7,435,763</u>	<u>915,782</u>	<u>484,689</u>	<u>11,200</u>	<u>(6,024,092)</u>	<u>0</u>	<u>(6,024,092)</u>
Business type activities:							
Support services:							
Administration	419	0	0	0	0	(419)	(419)
Non-instructional programs:							
Nutrition services	307,459	191,633	149,303	0	0	33,477	33,477
Latch key services	78,739	92,484	0	0	0	13,745	13,745
Total business type activities	<u>386,617</u>	<u>284,117</u>	<u>149,303</u>	<u>0</u>	<u>0</u>	<u>46,803</u>	<u>46,803</u>
Total	<u>\$ 7,822,380</u>	<u>1,199,899</u>	<u>633,992</u>	<u>11,200</u>	<u>(6,024,092)</u>	<u>46,803</u>	<u>(5,977,289)</u>
General Revenues:							
Property tax levied for:							
General purposes					\$ 2,284,750	0	2,284,750
Debt service					156,163	0	156,163
Capital outlay					46,469	0	46,469
Income surtax					192,535	0	192,535
Statewide sales, services and use tax					485,912	0	485,912
Unrestricted state grants					3,059,399	0	3,059,399
Unrestricted investment earnings					398	15	413
Other					24,967	0	24,967
Total general revenues					<u>6,250,593</u>	<u>15</u>	<u>6,250,608</u>
Changes in net position					226,501	46,818	273,319
Net position beginning of year					5,692,597	36,623	5,729,220
Net position end of year					<u>\$ 5,919,098</u>	<u>83,441</u>	<u>6,002,539</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, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>Assets</b>					
Cash and pooled investments	\$ 1,609,734	727,644	32,217	431,563	2,801,158
Receivables:					
Property tax					
Delinquent	19,155	417	1,401	1,345	22,318
Succeeding year	1,684,598	48,667	300,825	150,000	2,184,090
Income surtax	173,639	0	0	0	173,639
Due from other governments	201,292	245,926	0	0	447,218
<b>Total assets</b>	<b>\$ 3,688,418</b>	<b>1,022,654</b>	<b>334,443</b>	<b>582,908</b>	<b>5,628,423</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 41,379	4,524	0	2,507	48,410
Salaries and benefits payable	605,956	0	0	0	605,956
Deferred revenue:					
Succeeding year property tax	1,684,598	48,667	300,825	150,000	2,184,090
Income surtax	173,639	0	0	0	173,639
Total liabilities	2,505,572	53,191	300,825	152,507	3,012,095
Fund balances:					
Restricted for:					
Categorical funding	72,691	0	0	0	72,691
Debt service	0	0	33,618	0	33,618
Management levy purposes	0	0	0	302,645	302,645
Student activities	0	0	0	127,756	127,756
School infrastructure	0	838,475	0	0	838,475
Physical plant and equipment	0	130,988	0	0	130,988
Unassigned	1,110,155	0	0	0	1,110,155
Total fund balances	1,182,846	969,463	33,618	430,401	2,616,328
<b>Total liabilities and fund balances</b>	<b>\$ 3,688,418</b>	<b>1,022,654</b>	<b>334,443</b>	<b>582,908</b>	<b>5,628,423</b>

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2013

<b>Total fund balances of governmental funds(page 20)</b>	\$	2,616,328
 <b>Amounts reported for governmental activities in the Statement of Net Position 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.		5,614,746
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.		(2,215)
Long-term liabilities, including bonds payable and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(2,483,400)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		173,639
		<hr/>
<b>Net position of governmental activities(page 18)</b>	<b>\$</b>	<b><u>5,919,098</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 2,317,401	532,381	156,163	149,913	3,155,858
Tuition	475,012	0	0	0	475,012
Other	298,977	11,237	4	207,072	517,290
State sources	3,390,380	0	0	0	3,390,380
Federal sources	113,753	0	0	0	113,753
Total revenues	6,595,523	543,618	156,167	356,985	7,652,293
Expenditures:					
Current:					
Instruction:					
Regular	3,054,223	4,799	0	95,092	3,154,114
Special	919,256	0	0	0	919,256
Other	536,539	0	0	172,472	709,011
	4,510,018	4,799	0	267,564	4,782,381
Support services:					
Student	180,968	0	0	0	180,968
Instructional staff	149,771	103,381	0	0	253,152
Administration	719,231	0	0	0	719,231
Operation and maintenance of plant	520,917	21,796	0	28,833	571,546
Transportation	293,596	20,917	0	14,916	329,429
	1,864,483	146,094	0	43,749	2,054,326
Capital outlay	0	85,975	0	0	85,975
Long-term debt:					
Principal	0	0	1,525,000	0	1,525,000
Interest and fiscal charges	0	0	66,253	0	66,253
	0	0	1,591,253	0	1,591,253
Other expenditures:					
AEA flowthrough	225,998	0	0	0	225,998
Total expenditures	6,600,499	236,868	1,591,253	311,313	8,739,933
Excess(Deficiency) of revenues over(under) expenditures	(4,976)	306,750	(1,435,086)	45,672	(1,087,640)
Other financing sources(uses):					
Transfer in	0	5,409	200,000	0	205,409
Transfer out	0	(205,409)	0	0	(205,409)
Sale of equipment	1,500	0	0	0	1,500
Total other financing sources(uses)	1,500	(200,000)	200,000	0	1,500
Change in fund balances	(3,476)	106,750	(1,235,086)	45,672	(1,086,140)
Fund balances beginning of year	1,186,322	862,713	1,268,704	384,729	3,702,468
Fund balances end of year	\$ 1,182,846	969,463	33,618	430,401	2,616,328

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, 2013

Change in fund balances - total governmental funds(page 22) \$ (1,086,140)

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

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

Capital expenditures	\$ 85,499	
Depreciation expense	<u>(235,654)</u>	(150,155)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 1,525,000

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 9,971

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. 303

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.

Termination benefits	\$ 160,855	
Other postemployment benefits	<u>(233,333)</u>	<u>(72,478)</u>

Change in net position of governmental activities(page 19) \$ 226,501

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2013

	School Nutrition	Latch Key	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 43,405	25,620	69,025
Accounts receivable	0	1,319	1,319
Inventories	15,819	0	15,819
Capital assets, net of accumulated depreciation	24,014	0	24,014
<b>Total assets</b>	<b>83,238</b>	<b>26,939</b>	<b>110,177</b>
<b>Liabilities</b>			
Accounts payable	0	312	312
Salaries and benefits payable	5,717	5,751	11,468
Unearned revenue	5,562	0	5,562
Net OPEB liability	9,394	0	9,394
<b>Total liabilities</b>	<b>20,673</b>	<b>6,063</b>	<b>26,736</b>
<b>Net Position</b>			
Invested in capital assets	24,014	0	24,014
Unrestricted	38,551	20,876	59,427
<b>Total net position</b>	<b>\$ 62,565</b>	<b>20,876</b>	<b>83,441</b>

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2013

	School Nutrition	Latch Key	Total
Operating revenues:			
Local Sources:			
Charges for service	\$ 191,633	92,484	284,117
Operating expenses:			
Support services:			
Administration:			
Services	0	419	419
Non-instructional programs:			
Food service operations:			
Salaries	114,479	0	114,479
Benefits	28,271	0	28,271
Services	2,403	0	2,403
Supplies	157,662	0	157,662
Depreciation	3,240	0	3,240
Other	1,404	0	1,404
	307,459	0	307,459
Other enterprise operations:			
Salaries	0	63,295	63,295
Benefits	0	8,957	8,957
Supplies	0	6,487	6,487
	0	78,739	78,739
Total non-instructional programs	307,459	78,739	386,198
Total operating expenses	307,459	79,158	386,617
Operating income(loss)	(115,826)	13,326	(102,500)
Non-operating revenues:			
State sources	2,929	0	2,929
Federal sources	146,374	0	146,374
Interest income	14	1	15
Total non-operating revenues	149,317	1	149,318
Increase in net position	33,491	13,327	46,818
Net position beginning of year	29,074	7,549	36,623
Net position end of year	\$ 62,565	20,876	83,441

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2013

	School Nutrition	Latch Key	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 193,352	0	193,352
Cash received from Latch Key operating activities	0	92,708	92,708
Cash payments to employees for services	(141,165)	(72,320)	(213,485)
Cash payments to suppliers for goods or services	(140,305)	(7,030)	(147,335)
Net cash provided by(used in) operating activities	(88,118)	13,358	(74,760)
Cash flows from non-capital financing activities:			
State grants received	2,929	0	2,929
Federal grants received	123,474	0	123,474
Net cash provided by non-capital financing activities	126,403	0	126,403
Cash flows from investing activities:			
Interest on investments	14	1	15
Net increase in cash and cash equivalents	38,299	13,359	51,658
Cash and cash equivalents at beginning of year	5,106	12,261	17,367
Cash and cash equivalents at end of year	\$ 43,405	25,620	69,025
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	\$ (115,826)	13,326	(102,500)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Commodities consumed	22,900	0	22,900
Depreciation	3,240	0	3,240
Increase in inventories	(1,736)	0	(1,736)
Decrease in accounts receivable	0	224	224
Decrease in accounts payable	0	(124)	(124)
Decrease in salaries and benefits payable	(706)	(68)	(774)
Increase in unearned revenues	1,719	0	1,719
Increase in net other post employment benefits	2,291	0	2,291
Net cash provided by(used in) operating activities	\$ (88,118)	13,358	(74,760)

Non-Cash investing, capital and related financing activities:

During the year ended June 30, 2013, the District received \$22,900 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**(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 Position (previously referred to as 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 Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is 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 position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has 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 reports the following nonmajor proprietary funds:

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 position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

Proprietary funds distinguish operating revenues and expenses from 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, 2011 assessed property valuations; is for the tax

accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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 Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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 in the Statement of Net Position 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 Position 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 Position.

Fund Balances - 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.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Position - In the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position 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. During the year ended June 30, 2013 expenditures in the other expenditures functional area exceeded the budgeted amount.

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

The District's deposits at June 30, 2013 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, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Obligations Portfolio which are valued at an amortized cost of \$2,401,027 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust is rated AAA by Standard & Poor's Financial Services.

**(3) Interfund Transfers**

The detail of transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
	Capital Projects:	
	Statewide Sales,	
Debt Service	Services and Use Tax	\$ 200,000
Capital Projects:	Capital Projects:	
Statewide Sales,	Other Capital Projects	5,409
Services and Use Tax		<u>\$ 205,409</u>

The transfer from the Capital Projects: Statewide Sales, Services, and Use Tax Fund to the Debt Service Fund was for debt relief on the District's general obligation bond indebtedness.

The transfer from the Capital Projects: Other Capital Projects Fund to the Capital Projects: Statewide Sales, Services and Use Tax Fund was to close the Capital Projects: Other Capital Projects account.

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 600,754	0	0	600,754
Construction in progress	113,985	60,825	34,337	140,473
Total capital assets not being depreciated	<u>714,739</u>	<u>60,825</u>	<u>34,337</u>	<u>741,227</u>
Capital assets being depreciated:				
Buildings	7,695,565	34,337	0	7,729,902
Land improvements	94,778	1,987	0	96,765
Machinery and equipment	1,549,088	74,100	51,413	1,571,775
Total capital assets being depreciated	<u>9,339,431</u>	<u>110,424</u>	<u>51,413</u>	<u>9,398,442</u>
Less accumulated depreciation for:				
Buildings	2,993,671	154,598	0	3,148,269
Land improvements	17,287	4,838	0	22,125
Machinery and equipment	1,278,311	127,631	51,413	1,354,529
Total accumulated depreciation	<u>4,289,269</u>	<u>287,067</u>	<u>51,413</u>	<u>4,524,923</u>
Total capital assets being depreciated, net	<u>5,050,162</u>	<u>(176,643)</u>	<u>0</u>	<u>4,873,519</u>
Governmental activities capital assets, net	<u>\$ 5,764,901</u>	<u>(115,818)</u>	<u>34,337</u>	<u>5,614,746</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Machinery and equipment	\$ 160,060	0	0	160,060
Less accumulated depreciation	132,806	3,240	0	136,046
Business type activities capital assets, net	<u>\$ 27,254</u>	<u>(3,240)</u>	<u>0</u>	<u>24,014</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 13,300
Other		21,913
Support services:		
Instructional staff		433
Administration		8,942
Operation and maintenance of plant services		7,270
Transportation		75,773
		<u>127,631</u>
Unallocated depreciation		<u>159,436</u>
Total governmental activities depreciation expense		<u>\$ 287,067</u>
Business type activities:		
Food services		<u>\$ 3,240</u>

**(5) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 3,240,000	0	1,525,000	1,715,000	295,000
Termination benefits	160,855	0	160,855	0	0
Net OPEB liability	535,067	233,333	0	768,400	0
Total	<u>\$ 3,935,922</u>	<u>233,333</u>	<u>1,685,855</u>	<u>2,483,400</u>	<u>295,000</u>
Business type activities:					
Net OPEB liability	\$ 7,103	2,291	0	9,394	0

General Obligation Bonds Payable

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue July 7, 2010			Bond issue June 5, 2012			Total		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest	Total
2014	1.50-1.60 %	\$ 295,000	5,825	0.60 %	\$ 0	19,638	\$ 295,000	25,463	320,463
2015	1.70	140,000	1,190	0.60	155,000	19,638	295,000	20,828	315,828
2016	-	0	0	0.85	135,000	18,707	135,000	18,707	153,707
2017	-	0	0	1.00	135,000	17,560	135,000	17,560	152,560
2018	-	0	0	1.25	140,000	16,210	140,000	16,210	156,210
2019-2023	-	0	0	1.35-2.60	715,000	48,930	715,000	48,930	763,930
Total		\$ 435,000	7,015		\$ 1,280,000	140,683	\$ 1,715,000	147,698	1,862,698

Termination Benefits

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, 2013, totaled \$160,855.

**(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 5.78% of their annual salary and the District is required to contribute 8.67% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$356,738, \$321,500 and \$283,695, respectively, equal to the required contributions for each year.

**(7) Other Postemployment Benefits(OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 65 active and 9 retired members in the plan. Retired 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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 321,075
Interest on net OPEB obligation	13,554
Adjustment to annual required contribution	<u>(42,191)</u>
Annual OPEB cost	292,438
Contributions made	<u>(56,814)</u>
Increase in net OPEB obligation	235,624
Net OPEB obligation beginning of year	<u>542,170</u>
 Net OPEB obligation end of year	 <u><u>\$ 777,794</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, 2013.

For the year ended June 30, 2013, the District contributed \$56,814 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% 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, 2013 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligation
2011	244,924	29.26%	\$ 348,744
2012	263,059	26.47%	542,170
2013	292,438	19.43%	777,794

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$2,313,989, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,313,989. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,347,172 and the ratio of the UAAL to covered payroll was 69.13%. As of June 30, 2013, 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, 2012 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 \$644 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 \$225,998 for the year ended June 30, 2013 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, 2013 are as follows:

Project	Amount
Home school assistance program	\$ 23,233
Gifted and talented program	41,317
Professional development for model core curriculum	4,773
Market factor incentives	3,368
Total	<u>\$ 72,691</u>

**(11) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2013, the expenditures in the other instruction functional area exceeded the certified budget.

**(12) Construction Commitment**

The District is building a bus barn independent of outside contractors. As of June 30, 2013, costs of \$140,473 have been incurred on the project. The total cost of the bus barn will be added to the District's capital asset listing upon completion.

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, 2013

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
<b>Revenues:</b>						
Local sources	\$ 4,148,160	284,132	4,432,292	4,513,526	4,513,526	(81,234)
State sources	3,390,380	2,929	3,393,309	3,439,300	3,439,300	(45,991)
Federal sources	113,753	146,374	260,127	248,000	248,000	12,127
Total revenues	<u>7,652,293</u>	<u>433,435</u>	<u>8,085,728</u>	<u>8,200,826</u>	<u>8,200,826</u>	<u>(115,098)</u>
<b>Expenditures/Expenses:</b>						
Instruction	4,782,381	0	4,782,381	5,145,000	5,145,000	362,619
Support services	2,054,326	419	2,054,745	3,195,400	3,195,400	1,140,655
Non-instructional programs	0	386,198	386,198	489,000	489,000	102,802
Other expenditures	1,903,226	0	1,903,226	824,353	824,353	(1,078,873)
Total expenditures/expenses	<u>8,739,933</u>	<u>386,617</u>	<u>9,126,550</u>	<u>9,653,753</u>	<u>9,653,753</u>	<u>527,203</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(1,087,640)	46,818	(1,040,822)	(1,452,927)	(1,452,927)	412,105
Other financing sources, net	1,500	0	1,500	0	0	1,500
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(1,086,140)	46,818	(1,039,322)	(1,452,927)	(1,452,927)	413,605
Balances beginning of year	3,702,468	36,623	3,739,091	1,766,000	1,766,000	1,973,091
Balances end of year	<u>\$ 2,616,328</u>	<u>83,441</u>	<u>2,699,769</u>	<u>313,073</u>	<u>313,073</u>	<u>2,386,696</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2013

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.

During the year ended June 30, 2013, expenditures in the other expenditures functional area exceeded the certified budget.

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 (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL 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%
2012	July 1, 2009	0	2,357,386	2,357,386	0.00%	3,236,656	72.83%
2013	July 1, 2012	0	2,313,989	2,313,989	0.00%	3,347,172	69.13%

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, 2013

	Special Revenue		
	Management Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 301,300	130,263	431,563
Receivables:			
Property tax:			
Delinquent	1,345	0	1,345
Succeeding year	150,000	0	150,000
<b>Total assets</b>	<b>\$ 452,645</b>	<b>130,263</b>	<b>582,908</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 0	2,507	2,507
Deferred revenue:			
Succeeding year property tax	150,000	0	150,000
Total liabilities	150,000	2,507	152,507
Fund balances:			
Restricted for:			
Management levy purposes	302,645	0	302,645
Student activities	0	127,756	127,756
Total fund balances	302,645	127,756	430,401
<b>Total liabilities and fund balances</b>	<b>\$ 452,645</b>	<b>130,263</b>	<b>582,908</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, 2013

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 149,913	0	149,913
Other	15,300	191,772	207,072
Total revenues	<u>165,213</u>	<u>191,772</u>	<u>356,985</u>
Expenditures:			
Current:			
Instruction:			
Regular	95,092	0	95,092
Other	0	172,472	172,472
Support services:			
Operation and maintenance of plant	28,833	0	28,833
Transportation	14,916	0	14,916
Total expenditures	<u>138,841</u>	<u>172,472</u>	<u>311,313</u>
Excess of revenues over expenditures	26,372	19,300	45,672
Fund balances beginning of year	<u>276,273</u>	<u>108,456</u>	<u>384,729</u>
Fund balances end of year	<u>\$ 302,645</u>	<u>127,756</u>	<u>430,401</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 593,148	134,496	727,644
Receivables:			
Property tax:			
Delinquent	0	417	417
Succeeding year	0	48,667	48,667
Due from other governments	245,926	0	245,926
<b>Total assets</b>	<b>\$ 839,074</b>	<b>183,580</b>	<b>1,022,654</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 599	3,925	4,524
Deferred revenue:			
Succeeding year property tax	0	48,667	48,667
Total liabilities	599	52,592	53,191
Fund balances:			
Restricted for:			
School infrastructure	838,475	0	838,475
Physical plant and equipment	0	130,988	130,988
Total fund balances	838,475	130,988	969,463
<b>Total liabilities and fund balances</b>	<b>\$ 839,074</b>	<b>183,580</b>	<b>1,022,654</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, 2013

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Other Capital Projects	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 485,912	0	46,469	532,381
Other	31	0	11,206	11,237
Total revenues	485,943	0	57,675	543,618
Expenditures:				
Current:				
Instruction:				
Regular	0	0	4,799	4,799
Support services:				
Instructional staff	100,807	0	2,574	103,381
Operation and maintenance of plant	16,786	0	5,010	21,796
Transportation	789	0	20,128	20,917
Capital outlays	69,499	0	16,476	85,975
Total expenditures	187,881	0	48,987	236,868
Excess of revenues over expenditures	298,062	0	8,688	306,750
Other financing sources(uses):				
Transfer out	(200,000)	(5,409)	0	(205,409)
Transfer in	5,409	0	0	5,409
Total other financing sources(uses)	(194,591)	(5,409)	0	(200,000)
Excess(Deficiency) of revenues and other financing sources(uses) over(under) expenditures	103,471	(5,409)	8,688	106,750
Fund balances beginning of year	735,004	5,409	122,300	862,713
Fund balances end of year	\$ 838,475	0	130,988	969,463

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, 2013

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 985	3,702	3,027	1,660
Cross country	1,138	480	425	1,193
All sports fundraiser	8,298	52,218	46,513	14,003
Golf	156	0	0	156
Drill team	3,538	4,521	4,637	3,422
Football cheerleading	1,149	141	185	1,105
Basketball cheerleading	617	2,148	2,198	567
Wrestling cheerleading	159	996	664	491
Boys Basketball fundraiser	872	5,307	4,296	1,883
All sports activity pass	0	5,970	5,950	20
Football	14,996	7,296	7,507	14,785
Baseball fundraiser	5,003	5,906	5,514	5,395
Girls track fundraiser	1,101	76	37	1,140
Wrestling fundraiser	1,233	3,302	2,662	1,873
Girls basketball fundraiser	2,131	4,676	4,153	2,654
Elementary basketball	125	0	0	125
Volleyball fundraiser	3,849	3,638	3,488	3,999
Softball fundraiser	5,868	4,510	2,990	7,388
Concessions	0	18,912	18,904	8
Petty cash	225	0	0	225
Interest	1,609	46	46	1,609
Art club	225	0	0	225
Chess club fundraiser	569	90	132	527
Quiz bowl	1,306	1,270	818	1,758
Speech fund	1,824	2,554	1,201	3,177
Annual	9,291	7,333	6,159	10,465
Swing choir	794	1,019	1,005	808
Band uniform fundraiser	508	15	0	523
Band fundraiser	21,147	25,808	17,765	29,190
Instrumental music	419	0	0	419
AMOL	181	180	216	145
Science club	799	2,389	1,890	1,298
Spanish club	684	0	0	684
Spanish class fundraiser	806	0	134	672
Student council	3,980	1,313	1,541	3,752
Community bank grant	814	801	898	717
Business professionals	529	0	97	432
Key club	401	185	180	406
JH key club	80	0	0	80
S.A.D.D.	586	0	0	586
Haiti fund	70	0	0	70
CPR Certification	260	60	65	255
FCCLA	1,773	9,746	11,336	183
HS class of 2010	2,959	0	0	2,959
HS class of 2011	510	0	0	510
HS class of 2012	2,877	0	761	2,116
HS class of 2013	1,808	0	506	1,302
HS class of 2014	204	14,734	14,142	796
Washington D.C. trip	0	430	430	0
<b>Total</b>	<b>\$ 108,456</b>	<b>191,772</b>	<b>172,472</b>	<b>127,756</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Revenues:</b>										
<b>Local sources:</b>										
Local tax	\$ 3,155,858	2,930,150	2,788,154	2,495,517	2,390,116	2,277,886	2,350,551	2,016,915	2,133,357	1,794,768
Tuition	475,012	539,830	554,241	573,311	406,425	407,990	352,693	331,392	398,134	354,575
Other	517,290	576,181	673,058	389,479	405,121	434,153	522,178	414,214	277,540	318,645
State sources	3,390,380	3,706,274	3,519,457	3,139,572	3,735,678	3,556,861	3,397,183	3,137,954	2,890,215	2,666,137
Federal sources	113,753	157,142	292,126	530,315	253,135	145,078	161,114	164,370	542,710	888,708
<b>Total</b>	<b>\$ 7,652,293</b>	<b>7,909,577</b>	<b>7,827,036</b>	<b>7,128,194</b>	<b>7,190,475</b>	<b>6,821,968</b>	<b>6,783,719</b>	<b>6,064,845</b>	<b>6,241,956</b>	<b>6,022,833</b>
<b>Expenditures:</b>										
<b>Instruction:</b>										
Regular	\$ 3,154,114	3,002,063	2,815,028	3,091,406	2,891,546	2,488,810	2,465,935	2,457,997	2,292,100	2,013,911
Special	919,256	828,486	865,716	1,029,605	790,820	873,884	774,728	739,041	762,837	677,270
Other	709,011	735,116	892,260	312,562	712,419	699,640	738,028	473,612	325,700	493,618
<b>Support services:</b>										
Student	180,968	169,271	185,677	174,479	176,766	158,744	161,302	147,020	163,577	156,440
Instructional staff	253,152	212,823	263,598	256,738	198,330	179,324	204,441	148,876	170,882	122,858
Administration	719,231	656,558	641,201	616,405	599,225	571,907	579,851	567,910	517,787	521,660
Operation and maintenance of plant	571,546	579,301	555,033	614,953	631,118	585,635	558,481	489,007	477,634	467,182
Transportation	329,429	356,845	437,392	303,543	512,507	643,348	342,413	434,423	266,783	221,415
Other	0	0	0	0	0	0	0	0	16,496	0
Non-instructional programs	0	0	0	0	0	0	0	0	0	170
Capital outlay	85,975	221,231	105,179	50,821	67,560	125,622	30,794	134,985	841,624	1,201,073
<b>Long-term debt:</b>										
Principal	1,525,000	290,000	285,000	255,000	250,000	235,000	240,000	240,000	220,000	215,000
Interest	66,253	97,211	77,836	116,078	114,327	121,337	127,808	133,627	138,660	133,748
<b>Other expenditures:</b>										
AEA flowthrough	225,998	228,599	254,899	253,808	236,006	216,739	208,214	191,247	182,563	177,364
<b>Total</b>	<b>\$ 8,739,933</b>	<b>7,377,504</b>	<b>7,378,819</b>	<b>7,075,398</b>	<b>7,180,624</b>	<b>6,899,990</b>	<b>6,431,995</b>	<b>6,157,745</b>	<b>6,376,643</b>	<b>6,401,709</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**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 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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the 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, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 29, 2014.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, there can be no assurance all deficiencies, significant material weaknesses or deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control we consider to be a material weakness.

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 deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

**Compliance and Other Matters**

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

immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 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**

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

### **Purpose of this Report**

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 29, 2014  
Newton, Iowa

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-13 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. One individual has control over each of the following areas for the District:

- 1) Cash - bank reconciliations, cash receipts and the disbursement function, handles petty cash, replenishing petty cash and custody.
- 2) Investments - investing, detailed record keeping, custody of investments and reconciling earnings.
- 3) Inventories - purchasing, handling, counting and maintaining inventory records.
- 4) Long-term debt - payments and reconciliations.
- 5) Receipts - recording, depositing, posting and reconciling.
- 6) Payroll - approval of and recording employees added or deleted from the payroll system, approval of and payment of payroll taxes, write checks, sign checks and post payroll to the general ledger.
- 7) Wire transfers - processing and approval.
- 8) Financial reporting - preparing, reconciling and approving.
- 9) Computer systems - performing all general accounting functions and controlling all data input and output.
- 10) Journal entries - approval and posting.

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 - Segregation of duties will always be an issue in a small District. However, the District continues to constantly reevaluate internal controls and tests to ensure compliance with these controls.

Conclusion - Response accepted.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013

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

II-A-13 Certified Budget - District expenditures for the year ended June 30, 2013 exceeded the certified amounts in the other expenditures functional area.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - The budget overage was due to crossover refunding bonds that were called in fiscal year 2013 and thus expended. This was not due to overspending within the District's control.

Conclusion - Response acknowledged. The District should have budgeted for bond payments that would be expected to be paid and called during the year.

II-B-13 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of the District officials or employees were noted. No travel advances to District officials were noted.

II-D-13 Business Transactions - No business transactions between the District and District officials were noted.

II-E-13 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-13 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-13 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-13 Supplementary Weighting - We noted variances regarding the supplementary weighting certified to the Iowa Department of Education. The District's supplementary weighting certified to the Iowa Department of Education was overstated by 0.21.

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-I-13 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-13 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-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-13 Statewide Sales, Services and Use 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, 2013, 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 2013 audit.

Beginning balance		\$ 735,004
Revenues/transfers in:		
Sales tax revenues	\$ 485,912	
Other local revenues	31	
Transfers from other funds	5,409	491,352
		<u>1,226,356</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 69,499	
Equipment	118,382	
Transfers to other funds:		
Debt service fund	200,000	387,881
		<u>838,475</u>
Ending balance		<u>\$ 838,475</u>

For the year ended June 30, 2013, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt service levy	<u>\$ 1.40000</u>	<u>\$ 200.000</u>

II-M-13 Student Activity Fund - The District's Student Activity Fund is maintaining Class of 2010, 2011 and 2012 accounts with balances of \$2,959, \$510 and \$2,116, respectively.

Recommendation - Upon graduation of a class, the remaining balance in old class accounts should be redistributed to other individual activity fund accounts, used as startup funds for the next incoming class or distributed to another student activity fund account.

Response - The District will redistribute these funds during fiscal year 2014.

Conclusion - Response accepted.