

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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Logan-Magnolia Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
Dan Cohrs	President	2015
Kelly Gochenour	Vice President	2015
Matt Pitt	Board Member	2015
Todd Cohrs	Board Member	2013
Shelley Foutch	Board Member	2013
(After September 2013 Election)		
Dan Cohrs	President	2015
Shelly Foutch	Vice President	2017
Matt Pitt	Board Member	2015
Todd Cohrs	Board Member	2017
Kelly Gochenour	Board Member	2015
School Officials		
Tom Ridder	Superintendent	2014
Lauren Roden	Board Secretary Business Manager	2014
Rick Franck	Attorney	2014

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, 2014, 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, 2014 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.

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, 2013 (which are not presented herein) and expressed unmodified 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 March 13, 2015 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.

March 13, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Logan-Magnolia Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$6,597,023 in fiscal year 2013 to \$6,243,144 in fiscal year 2014, while General Fund expenditures decreased from \$6,600,499 in fiscal year 2013 to \$6,098,128 in fiscal year 2014. This resulted in an increase in the District's General Fund balance from \$1,182,846 at June 30, 2013 to a balance of \$1,327,862 at June 30, 2014.
- The decrease in General Fund revenues was attributable to a decrease in local tax revenues in fiscal year 2014. The decrease in expenditures can be attributed to a decrease in overall 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 governmental funds.

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

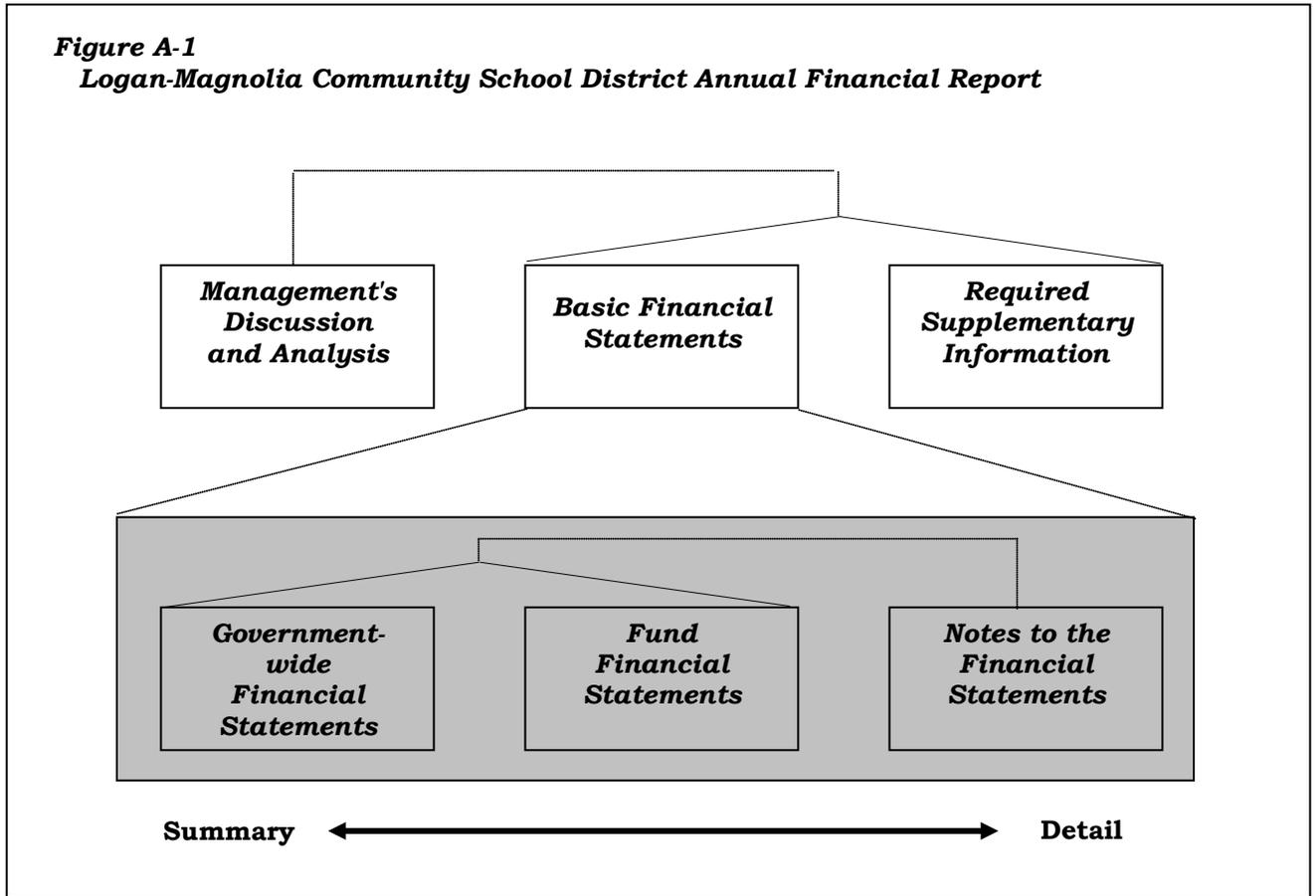


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’s assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. 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 it has changed. Net position is one way to measure the District’s financial health or financial 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.

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 and latch key program are 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 Fund Net Position and a Statement of Cash Flows.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2014-13
Current and other assets	\$ 6,079,384	5,628,423	95,194	86,163	6,174,578	5,714,586	8.05%
Capital assets	5,637,633	5,614,746	30,418	24,014	5,668,051	5,638,760	0.52%
Total assets	11,717,017	11,243,169	125,612	110,177	11,842,629	11,353,346	4.31%
Long-term liabilities	2,424,973	2,483,400	12,309	9,394	2,437,282	2,492,794	-2.23%
Other liabilities	676,288	656,581	19,726	17,342	696,014	673,923	3.28%
Total liabilities	3,101,261	3,139,981	32,035	26,736	3,133,296	3,166,717	-1.06%
Deferred inflows of resources	2,255,238	2,184,090	-	-	2,255,238	2,184,090	3.26%
Net position:							
Net investment in capital assets	4,217,633	3,899,746	30,418	24,014	4,248,051	3,923,760	8.26%
Restricted	1,739,376	1,503,958	-	-	1,739,376	1,503,958	15.65%
Unrestricted	403,509	515,394	63,159	59,427	466,668	574,821	-18.82%
Total net position	\$ 6,360,518	5,919,098	93,577	83,441	6,454,095	6,002,539	7.52%

The District's combined net position increased by \$451,556, or 7.52% 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 \$235,418, or 15.65% over the prior year. The majority of the increase in restricted net position was due to an increase in the fund balance of Capital Projects: Statewide Sales, Services and Use Tax 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 \$108,153, or 18.82%. The decrease in unrestricted net position was primarily due to the increase the District's actuarially determined other post-employment benefit obligation during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4 Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2014	2013	2014	2013	2014	2013	2014-13
Revenues:							
Program revenues:							
Charges for service	\$ 923,277	915,782	297,897	284,117	1,221,174	1,199,899	1.77%
Operating grants, contributions and restricted interest	503,155	484,689	148,789	149,303	651,944	633,992	2.83%
Capital grants, contributions and restricted interest	-	11,200	-	-	-	11,200	-100.00%
General revenues:							
Property tax	2,188,089	2,487,382	-	-	2,188,089	2,487,382	-12.03%
Income surtax	220,287	192,535	-	-	220,287	192,535	14.41%
Statewide sales, services and use tax	499,384	485,912	-	-	499,384	485,912	2.77%
Unrestricted state grants	3,113,476	3,059,399	-	-	3,113,476	3,059,399	1.77%
Unrestricted interest earnings	261	398	19	15	280	413	-32.20%
Other	14,520	24,967	-	-	14,520	24,967	-41.84%
Total revenues	<u>7,462,449</u>	<u>7,662,264</u>	<u>446,705</u>	<u>433,435</u>	<u>7,909,154</u>	<u>8,095,699</u>	<u>-2.30%</u>
Program expenses:							
Instruction	4,685,293	4,873,086	-	-	4,685,293	4,873,086	-3.85%
Support services	1,897,465	2,111,293	391	419	1,897,856	2,111,712	-10.13%
Non-instructional programs	-	-	436,178	386,198	436,178	386,198	12.94%
Other expenses	438,271	451,384	-	-	438,271	451,384	-2.91%
Total expenses	<u>7,021,029</u>	<u>7,435,763</u>	<u>436,569</u>	<u>386,617</u>	<u>7,457,598</u>	<u>7,822,380</u>	<u>-4.66%</u>
Change in net position	441,420	226,501	10,136	46,818	451,556	273,319	65.21%
Net position beginning 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>
Net position end of year	<u>\$ 6,360,518</u>	<u>5,919,098</u>	<u>93,577</u>	<u>83,441</u>	<u>6,454,095</u>	<u>6,002,539</u>	<u>7.52%</u>

In fiscal year 2014 the property tax, unrestricted state grants, and charges for services account for 83.42% 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 \$7.91 million of which \$7.46 million was for governmental activities and \$0.45 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.30% decrease in revenues and a 4.66% decrease in expenses. The decrease in revenues is primarily due to a decrease in property taxes received during the year while the decrease in expenditures is primarily due to an overall decrease in salaries and benefit paid to employees during the year.

Governmental Activities

Revenues for governmental activities were \$7,462,449 and expenses were \$7,021,029 for the year ended June 30, 2014.

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

Figure A-5						
Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2014-13	2014	2013	Change 2014-13
Instruction	\$ 4,685,293	4,873,086	-3.85%	3,616,553	3,925,877	-7.88%
Support services	1,897,465	2,111,293	-10.13%	1,771,680	1,872,829	-5.40%
Other expenses	438,271	451,384	-2.91%	206,364	225,386	-8.44%
Totals	<u>\$ 7,021,029</u>	<u>7,435,763</u>	<u>-5.58%</u>	<u>5,594,597</u>	<u>6,024,092</u>	<u>-7.13%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$923,277.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$503,155.
- The net cost of governmental activities was financed with \$2,188,089 in property tax, \$220,287 in income surtax, \$499,384 in statewide sales, services and use tax, \$3,113,476 in unrestricted state grants, \$261 in unrestricted investment earnings, and \$14,520 in other general revenues.

Business Type Activities

Revenues of the District's business type activities for the year ended June 30, 2014, were \$446,705 and expenses were \$436,569. The District's business type activities include the School Nutrition Fund and the Latch Key Program. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and unrestricted investment earnings.

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 \$2,967,120, above last year's ending fund balances of \$2,616,328. Reasons for this increase were due to the increase in fund balances of the General Fund and the Capital Projects: Statewide Sales, Services and Use Tax Fund during the year.

Governmental Fund Highlights

- The increase in the District's General Fund financial position is the product of many factors. The District's General Fund balance increased from \$1,182,846 at June 30, 2013 to \$1,327,862 at June 30, 2014. Although both revenues and expenditures decreased compared to the prior year the decrease in salaries and benefits paid due to the cutting of District staff was greater than the decrease in revenues leading to an increase in overall fund balance at year end.
- The Capital Projects Fund balance increased from \$969,463 at June 30, 2013 to \$1,181,782 at June 30, 2014. The Capital Projects: Statewide Sales, Services and Use Tax Fund balance increased from a balance of \$838,475 at June 30, 2013 to \$1,071,538 at June 30, 2014. The

primary reason for this increase in fund balance was a decrease in expenditures needed for payments on District indebtedness compared to the prior year. The Capital Projects: Physical Plant and Equipment Levy Fund balance decreased from \$130,988 at June 30, 2013 to \$110,244 at June 30, 2014. The primary reason for this decrease in fund balance was an increase in expenditures required for transportation.

- The Debt Service Fund balance decreased from \$33,618 at June 30, 2013 to \$12,287 at June 30, 2014. The decrease was due to local tax revenue received being less than total expenditures for principal and interest on the District's general obligation bond indebtedness.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$62,565 at June 30, 2013 to \$56,956 at June 30, 2014, representing a decrease of 8.97%. Most of this decrease is attributable to an increase in salaries and benefits paid to food service employees during the year.

The Latch Key Fund net position increased from \$20,875 at June 30, 2013 to \$36,621 at June 30, 2014, representing a 75.42% increase. This increase is primarily due to an increase in charges for service revenue received as compared to the prior year.

BUDGETARY HIGHLIGHTS

The District's revenues were \$86,302 more than budgeted revenues, a variance of 1.10%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs functional area during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$5,668,051 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 0.52% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$293,026.

The original cost of the District's capital assets was \$10,224,861. Governmental funds account for \$10,054,553 with the remainder of \$170,308 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled \$74,640 at June 30, 2013 as compared to \$86,839 at June 30, 2014. This increase is a result of the District replacing sidewalk in front of the High School during the year and capitalizing it as part of the District's capital asset listing.

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,
	2014	2013	2014	2013	2014	2013	2014-13
Land	\$ 600,754	600,754	-	-	600,754	600,754	0.00%
Construction in progress	154,565	140,473	-	-	154,565	140,473	10.03%
Buildings	4,581,302	4,581,633	-	-	4,581,302	4,581,633	-0.01%
Land improvements	86,839	74,640	-	-	86,839	74,640	16.34%
Machinery and equipment	214,173	217,246	30,418	24,014	244,591	241,260	1.38%
Total	\$ 5,637,633	5,614,746	30,418	24,014	5,668,051	5,638,760	0.52%

Long-Term Debt

At June 30, 2014, the District had long-term debt outstanding of \$2,437,282 in general obligation bonds and other indebtedness. This represents a decrease of 2.23% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

- The District had total outstanding general obligation bonds payable of \$1,420,000 at June 30, 2014, payable from the Debt Service Fund.
- The District had a total net OPEB liability of \$1,017,282 at June 30, 2014. \$1,004,973 of this total is attributable to the District's governmental activities while the remaining \$12,309 is attributable to the District's 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,
	2014	2013	2014	2013	2014	2013	2014-13
General obligation bonds	\$ 1,420,000	1,715,000	-	-	1,420,000	1,715,000	-17.20%
Net OPEB obligation	1,004,973	768,400	12,309	9,394	1,017,282	777,794	30.79%
Total	\$ 2,424,973	2,483,400	12,309	9,394	2,437,282	2,492,794	-2.23%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- With the implementation of GASB Statement No. 68 in FY15, the District is expected to book a liability on financial statements associated with the District's share of its IPERS liability. This is expected to negatively impact the District's financial statements.

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 2nd Avenue, Logan, Iowa, 51546.

Logan-Magnolia Community School District

BASIC FINANCIAL STATEMENTS

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 3,151,113	85,803	3,236,916
Receivables:			
Property tax:			
Delinquent	33,214	-	33,214
Succeeding year	2,255,238	-	2,255,238
Income surtax	182,572	-	182,572
Accounts	699	1,084	1,783
Due from other governments	456,548	-	456,548
Inventories	-	8,307	8,307
Capital assets, net of accumulated depreciation	5,637,633	30,418	5,668,051
TOTAL ASSETS	11,717,017	125,612	11,842,629
LIABILITIES			
Accounts payable	66,202	365	66,567
Salaries and benefits payable	608,252	12,401	620,653
Accrued interest payable	1,834	-	1,834
Unearned revenue	-	6,960	6,960
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	295,000	-	295,000
Portion due after one year:			
General obligation bonds	1,125,000	-	1,125,000
Net OPEB liability	1,004,973	12,309	1,017,282
TOTAL LIABILITIES	3,101,261	32,035	3,133,296
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	2,255,238	-	2,255,238
NET POSITION			
Net investment in capital assets	4,217,633	30,418	4,248,051
Restricted for:			
Categorical funding	101,952	-	101,952
Debt service	10,453	-	10,453
Management levy	313,301	-	313,301
Student activities	131,888	-	131,888
School infrastructure	1,071,538	-	1,071,538
Physical plant and equipment levy	110,244	-	110,244
Unrestricted	403,509	63,159	466,668
TOTAL NET POSITION	\$ 6,360,518	93,577	6,454,095

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 3,026,300	573,915	41,975	(2,410,410)	-	(2,410,410)
Special	912,569	28,651	32,554	(851,364)	-	(851,364)
Other	746,424	194,926	196,719	(354,779)	-	(354,779)
	<u>4,685,293</u>	<u>797,492</u>	<u>271,248</u>	<u>(3,616,553)</u>	<u>-</u>	<u>(3,616,553)</u>
Support services:						
Student	173,387	-	-	(173,387)	-	(173,387)
Instructional staff	260,958	-	-	(260,958)	-	(260,958)
Administration	565,399	-	-	(565,399)	-	(565,399)
Operation and maintenance of plant	518,684	6,000	-	(512,684)	-	(512,684)
Transportation	379,037	119,785	-	(259,252)	-	(259,252)
	<u>1,897,465</u>	<u>125,785</u>	<u>-</u>	<u>(1,771,680)</u>	<u>-</u>	<u>(1,771,680)</u>
Long-term debt interest	27,081	-	-	(27,081)	-	(27,081)
Other expenditures:						
AEA flowthrough	231,907	-	231,907	-	-	-
Depreciation(unallocated)*	179,283	-	-	(179,283)	-	(179,283)
	<u>411,190</u>	<u>-</u>	<u>231,907</u>	<u>(179,283)</u>	<u>-</u>	<u>(179,283)</u>
Total governmental activities	<u>7,021,029</u>	<u>923,277</u>	<u>503,155</u>	<u>(5,594,597)</u>	<u>-</u>	<u>(5,594,597)</u>
Business type activities:						
Support services:						
Administration	391	-	-	-	(391)	(391)
Non-instructional programs:						
Food service operations	354,610	200,194	148,789	-	(5,627)	(5,627)
Other enterprise operations	81,568	97,703	-	-	16,135	16,135
	<u>436,178</u>	<u>297,897</u>	<u>148,789</u>	<u>-</u>	<u>10,508</u>	<u>10,508</u>
Total business type activities	<u>436,569</u>	<u>297,897</u>	<u>148,789</u>	<u>-</u>	<u>10,117</u>	<u>10,117</u>
Total	\$ <u>7,457,598</u>	<u>1,221,174</u>	<u>651,944</u>	<u>(5,594,597)</u>	<u>10,117</u>	<u>(5,584,480)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,838,216	-	1,838,216
Debt service				301,128	-	301,128
Capital outlay				48,745	-	48,745
Income surtax				220,287	-	220,287
Statewide sales, services and use tax				499,384	-	499,384
Unrestricted state grants				3,113,476	-	3,113,476
Unrestricted investment earnings				261	19	280
Other				14,520	-	14,520
Total general revenues				<u>6,036,017</u>	<u>19</u>	<u>6,036,036</u>
Changes in net position				441,420	10,136	451,556
Net position beginning of year				<u>5,919,098</u>	<u>83,441</u>	<u>6,002,539</u>
Net position end of year				<u>\$ 6,360,518</u>	<u>93,577</u>	<u>6,454,095</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, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 1,782,136	914,947	7,712	446,318	3,151,113
Receivables:					
Property tax					
Delinquent	25,618	740	4,575	2,281	33,214
Succeeding year	1,737,509	51,151	316,578	150,000	2,255,238
Income surtax	182,572	-	-	-	182,572
Accounts	-	-	-	699	699
Due from other governments	176,972	279,576	-	-	456,548
TOTAL ASSETS	\$ 3,904,807	1,246,414	328,865	599,298	6,079,384
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 48,612	13,481	-	4,109	66,202
Salaries and benefits payable	608,252	-	-	-	608,252
Total liabilities	656,864	13,481	-	4,109	674,454
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,737,509	51,151	316,578	150,000	2,255,238
Income surtax	182,572	-	-	-	182,572
Total deferred inflows of resources	1,920,081	51,151	316,578	150,000	2,437,810
Fund balances:					
Restricted for:					
Categorical funding	101,952	-	-	-	101,952
Debt service	-	-	12,287	-	12,287
Management levy purposes	-	-	-	313,301	313,301
Student activities	-	-	-	131,888	131,888
School infrastructure	-	1,071,538	-	-	1,071,538
Physical plant and equipment	-	110,244	-	-	110,244
Unassigned	1,225,910	-	-	-	1,225,910
Total fund balances	1,327,862	1,181,782	12,287	445,189	2,967,120
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,904,807	1,246,414	328,865	599,298	6,079,384

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, 2014

Total fund balances of governmental funds (page 20)	\$	2,967,120
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		5,637,633
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period and, therefore, is recognized as deferred inflows of resources in the governmental funds.		182,572
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.		(1,834)
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.		<u>(2,424,973)</u>
Net position of governmental activities (page 18)	\$	<u><u>6,360,518</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 1,899,323	48,745	301,128	150,247	2,399,443
Tuition	556,096	-	-	-	556,096
Other	201,261	45	3	230,970	432,279
State sources	3,456,188	499,384	-	-	3,955,572
Federal sources	110,126	-	-	-	110,126
Total revenues	6,222,994	548,174	301,131	381,217	7,453,516
Expenditures:					
Current:					
Instruction:					
Regular	2,776,085	6,795	-	116,339	2,899,219
Special	902,687	-	-	-	902,687
Other	552,771	-	-	204,877	757,648
	4,231,543	6,795	-	321,216	4,559,554
Support services:					
Student	181,918	-	-	-	181,918
Instructional staff	149,127	118,265	-	-	267,392
Administration	548,546	8,099	-	-	556,645
Operation and maintenance of plant	476,184	42,357	-	33,228	551,769
Transportation	278,903	58,500	-	11,985	349,388
	1,634,678	227,221	-	45,213	1,907,112
Capital outlay	-	101,839	-	-	101,839
Long-term debt:					
Principal	-	-	295,000	-	295,000
Interest and fiscal charges	-	-	27,462	-	27,462
	-	-	322,462	-	322,462
Other expenditures:					
AEA flowthrough	231,907	-	-	-	231,907
Total expenditures	6,098,128	335,855	322,462	366,429	7,122,874
Excess(Deficiency) of revenues over (under) expenditures	124,866	212,319	(21,331)	14,788	330,642
Other financing sources:					
Sale of equipment	20,150	-	-	-	20,150
Change in fund balances	145,016	212,319	(21,331)	14,788	350,792
Fund balances beginning of year	1,182,846	969,463	33,618	430,401	2,616,328
Fund balances end of year	\$ 1,327,862	1,181,782	12,287	445,189	2,967,120

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, 2014

Change in fund balances - total governmental funds (page 22) \$ 350,792

*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 outlay expenditures and depreciation expense in the current year are as follows:

Capital outlay	\$ 312,069	
Depreciation expense	(289,182)	22,887

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. 295,000

Income surtax account receivable is not available to finance expenditures of the current year period and are not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 8,933

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. 381

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 funds.
 Other postemployment benefits (236,573)

Change in net position of governmental activities (page 19) \$ 441,420

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	School Nutrition	Latch Key	Total
ASSETS			
Cash and cash equivalents	\$ 44,008	41,795	85,803
Accounts receivable	-	1,084	1,084
Inventories	8,307	-	8,307
Capital assets, net of accumulated depreciation	30,418	-	30,418
TOTAL ASSETS	82,733	42,879	125,612
LIABILITIES			
Accounts payable	-	365	365
Salaries and benefits payable	6,508	5,893	12,401
Unearned revenue	6,960	-	6,960
Net OPEB liability	12,309	-	12,309
TOTAL LIABILITIES	25,777	6,258	32,035
NET POSITION			
Net investment in capital assets	30,418	-	30,418
Unrestricted	26,538	36,621	63,159
TOTAL NET POSITION	\$ 56,956	36,621	93,577

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	School Nutrition	Latch Key	Total
Operating revenues:			
Local Sources:			
Charges for service	\$ 200,194	97,703	297,897
Operating expenses:			
Support services:			
Administration:			
Services	-	391	391
Non-instructional programs:			
Food service operations:			
Salaries	131,614	-	131,614
Benefits	32,890	-	32,890
Services	7,160	-	7,160
Supplies	177,982	-	177,982
Depreciation	3,844	-	3,844
Other	1,120	-	1,120
	354,610	-	354,610
Other enterprise operations:			
Salaries	-	65,314	65,314
Benefits	-	9,519	9,519
Services	-	49	49
Supplies	-	6,686	6,686
	-	81,568	81,568
Total non-instructional programs	354,610	81,568	436,178
Total operating expenses	354,610	81,959	436,569
Operating income(loss)	(154,416)	15,744	(138,672)
Non-operating revenues:			
State sources	3,084	-	3,084
Federal sources	145,705	-	145,705
Interest income	18	1	19
Total non-operating revenues	148,807	1	148,808
Change in net position	(5,609)	15,745	10,136
Net position beginning of year	62,565	20,876	83,441
Net position end of year	\$ 56,956	36,621	93,577

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	School Nutrition	Latch Key	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 201,592	-	201,592
Cash received from Latch Key operating activities	-	97,938	97,938
Cash payments to employees for services	(160,798)	(74,691)	(235,489)
Cash payments to suppliers for goods or services	(159,619)	(7,073)	(166,692)
Net cash provided by(used in) operating activities	<u>(118,825)</u>	<u>16,174</u>	<u>(102,651)</u>
Cash flows from non-capital financing activities:			
State grants received	3,084	-	3,084
Federal grants received	126,574	-	126,574
Net cash provided by non-capital financing activities	<u>129,658</u>	<u>-</u>	<u>129,658</u>
Cash flows from investing activities:			
Interest on investments	18	1	19
Cash flows from capital financing activities:			
Purchase of assets	(10,248)	-	(10,248)
Net increase in cash and cash equivalents	603	16,175	16,778
Cash and cash equivalents beginning of year	43,405	25,620	69,025
Cash and cash equivalents end of year	<u>\$ 44,008</u>	<u>41,795</u>	<u>85,803</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	\$ (154,416)	15,744	(138,672)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Commodities consumed	19,131	-	19,131
Depreciation	3,844	-	3,844
Decrease in inventories	7,512	-	7,512
Decrease in accounts receivable	-	235	235
Increase in accounts payable	-	53	53
Increase in salaries and benefits payable	791	142	933
Increase in unearned revenues	1,398	-	1,398
Increase in net other post employment benefits	2,915	-	2,915
Net cash provided by(used in) operating activities	<u>\$ (118,825)</u>	<u>16,174</u>	<u>(102,651)</u>

Non-Cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$19,131 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(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 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, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets 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. Enabling legislation did not result in any restricted net position during the year.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which 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 are 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 positions 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, Deferred Inflows of Resources 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.

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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more 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.

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.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources 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.

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.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014 expenditures in the non-instructional programs functional area exceeded the budgeted amount.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2014 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, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Obligations Portfolio which are valued at an amortized cost of \$2,856,369 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) Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 600,754	-	-	600,754
Construction in progress	140,473	14,092	-	154,565
Total capital assets not being depreciated	741,227	14,092	-	755,319
Capital assets being depreciated:				
Buildings	7,729,902	157,415	-	7,887,317
Land improvements	96,765	17,935	-	114,700
Machinery and equipment	1,571,775	122,627	397,185	1,297,217
Total capital assets being depreciated	9,398,442	297,977	397,185	9,299,234
Less accumulated depreciation for:				
Buildings	3,148,269	157,746	-	3,306,015
Land improvements	22,125	5,736	-	27,861
Machinery and equipment	1,354,529	125,700	397,185	1,083,044
Total accumulated depreciation	4,524,923	289,182	397,185	4,416,920
Total capital assets being depreciated, net	4,873,519	8,795	-	4,882,314
Governmental activities capital assets, net	\$ 5,614,746	22,887	-	5,637,633
Business type activities:				
Machinery and equipment	\$ 160,060	10,248	-	170,308
Less accumulated depreciation	136,046	3,844	-	139,890
Business type activities capital assets, net	\$ 24,014	6,404	-	30,418

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 9,230
Other	5,898
Support services:	
Instructional staff	9,296
Operation and maintenance of plant services	13,082
Transportation	72,393
	109,899
Unallocated depreciation	179,283
Total governmental activities depreciation expense	\$ 289,182
Business type activities:	
Food service operations	\$ 3,844

(4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,715,000	-	295,000	1,420,000	295,000
Net OPEB liability	768,400	236,573	-	1,004,973	-
Total	\$ 2,483,400	236,573	295,000	2,424,973	295,000
Business type activities:					
Net OPEB liability	\$ 9,394	2,915	-	12,309	-

General Obligation Bonds

Details of the District's June 30, 2014 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
2015	1.70 %	\$ 140,000	1,190	0.60 %	\$ 155,000	19,638	\$ 295,000	20,828	315,828
2016	-	-	-	0.85	135,000	18,707	135,000	18,707	153,707
2017	-	-	-	1.00	135,000	17,560	135,000	17,560	152,560
2018	-	-	-	1.25	140,000	16,210	140,000	16,210	156,210
2019	-	-	-	1.35	140,000	14,460	140,000	14,460	154,460
2020-2023	-	-	-	1.60-2.60	575,000	34,470	575,000	34,470	609,470
Total		\$ 140,000	1,190		\$ 1,280,000	121,045	\$ 1,420,000	122,235	1,542,235

Termination Benefits

The District did not offer an early retirement incentive to District employees during fiscal year 2014. However, the District did offer a voluntary early retirement plan to its certified employees in fiscal years 2013, 2011, 2010 and 2009. Eligible employees must have been at least age fifty-five and employees must have completed fifteen years of continuous service to the District at the time of retirement.. Employees completed an application which was approved by the Board of Education.

The early retirement benefit for each eligible early retiree is a contribution by the District to cover the retiree's single plan health insurance from date of retirement until reach age 65 or the retiree becomes eligible for medicare.

As of June 30, 2014 the District had obligations to ten retirees with a total liability of \$243,784. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$63,978. The cost of early retirement payments are included as an explicit benefit as part of the District's other postemployment liability and recorded there as a long-term liability of the governmental activities in the government-wide financial statements.

(5) 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 the District's early retirement plan allowing for the retiree to receive health insurance from the District until the retiree reaches as 65 or becomes eligible for Medicare has been included as an explicit rate subsidy. These implicit and explicit rate subsidies result in 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, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	329,593
Interest on net OPEB obligation		19,445
Adjustment to annual required contribution		(61,801)
Annual OPEB cost		<u>287,237</u>
Contributions made		<u>(47,749)</u>
Increase in net OPEB obligation		239,488
Net OPEB obligation beginning of year		<u>777,794</u>
Net OPEB obligation end of year	\$	<u><u>1,017,282</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, 2014.

For the year ended June 30, 2014, the District contributed \$47,749 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Costs Contributed	Net OPEB Obligation
2012	\$ 262,059	26.47%	\$ 542,170
2013	292,438	19.43%	777,794
2014	287,237	16.62%	1,017,282

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$2,310,089, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,310,089. The covered payroll (annual payroll of active employees covered by the plan) was \$3,181,400 and the ratio of the UAAL to covered payroll was 72.61%. As of June 30, 2014, 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 for the Retiree Health Plan, 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.

(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 5.95% of their annual salary and the District is required to contribute 8.93% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$347,044, \$356,738 and \$321,500, respectively, equal to the required contributions for each year.

(7) 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.

(8) 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 \$231,907 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Categorical Funding

The District's ending balances for categorical funding by project as of the year ended June 30, 2014 are as follows:

<u>Program</u>	<u>Amount</u>
Home school assistance program	\$ 28,316
Gifted and talented program	38,329
Teacher salary supplement	890
Four-year old preschool state aid	2,710
Successful progression for early readers	12,849
Professional development for model core curriculum	5,951
Professional development	2,428
Market factor incentives	3,368
Teacher leadership grants	7,111
Total	<u>\$ 101,952</u>

(10) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2014, the expenditures in the other instruction functional area exceeded the certified budget.

(11) Construction Commitment

The District is building a bus barn independent of outside contractors. As of June 30, 2014, costs of \$154,565 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.

(12) Operating Lease

The District entered into a contract to lease five school buses in August 2013. The payments the District will make over the next two years are as follows:

<u>Year Ending June 30,</u>	<u>Lease Payments</u>
2015	\$ 47,500
2016	47,500
Total	<u>\$ 95,000</u>

(13) Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is as follows:

	Net investment in capital assets	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	12,287	1,225,910
Capital assets, net of accumulated depreciation	5,637,633	-	-
General obligation bond capitalized indebtedness	(1,420,000)		
Accrued interest payable	-	(1,834)	-
Income surtax	-	-	182,572
Net OPEB liability	-	-	(1,004,973)
Net position (Exhibit A)	\$ 4,217,633	10,453	403,509

(14) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68 Accounting and Financial Reporting for Pensions - an Amendment to GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Logan-Magnolia Community School District

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, 2014

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,387,818	297,916	3,685,734	4,168,615	4,168,615	(482,881)
Intermediate sources	-	-	-	5,000	5,000	(5,000)
State sources	3,955,572	3,084	3,958,656	3,375,304	3,375,304	583,352
Federal sources	110,126	145,705	255,831	265,000	265,000	(9,169)
Total revenues	7,453,516	446,705	7,900,221	7,813,919	7,813,919	86,302
Expenditures/Expenses:						
Instruction	4,559,554	-	4,559,554	5,050,600	5,050,600	491,046
Support services	1,907,112	391	1,907,503	3,175,450	3,175,450	1,267,947
Non-instructional programs	-	436,178	436,178	418,000	418,000	(18,178)
Other expenditures	656,208	-	656,208	780,321	780,321	124,113
Total expenditures/expenses	7,122,874	436,569	7,559,443	9,424,371	9,424,371	1,864,928
Excess(Deficiency) of revenues over(under) expenditures/expenses	330,642	10,136	340,778	(1,610,452)	(1,610,452)	1,951,230
Other financing sources, net	20,150	-	20,150	-	-	20,150
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	350,792	10,136	360,928	(1,610,452)	(1,610,452)	1,971,380
Balances beginning of year	2,616,328	83,441	2,699,769	2,557,882	2,557,882	141,887
Balances end of year	\$ 2,967,120	93,577	3,060,697	947,430	947,430	2,113,267

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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, 2014, expenditures in the non-instructional programs 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	-	\$ 2,357,386	2,357,386	0.00%	\$ 3,280,321	71.86%
2011	July 1, 2009	-	2,357,386	2,357,386	0.00%	3,300,622	71.42%
2012	July 1, 2009	-	2,357,386	2,357,386	0.00%	3,236,656	72.83%
2013	July 1, 2012	-	2,313,989	2,313,989	0.00%	3,347,172	69.13%
2014	July 1, 2012	-	2,310,089	2,310,089	0.00%	3,181,400	72.61%

See Note 5 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.

SUPPLEMENTARY INFORMATION

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 310,321	135,997	446,318
Receivables:			
Property tax:			
Delinquent	2,281	-	2,281
Succeeding year	150,000	-	150,000
Accounts	699	-	699
TOTAL ASSETS	\$ 463,301	135,997	599,298
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	4,109	4,109
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	150,000	-	150,000
Fund balances:			
Restricted for:			
Management levy purposes	313,301	-	313,301
Student activities	-	131,888	131,888
Total fund balances	313,301	131,888	445,189
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 463,301	135,997	599,298

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, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 150,247	-	150,247
Other	21,961	209,009	230,970
Total revenues	172,208	209,009	381,217
Expenditures:			
Current:			
Instruction:			
Regular	116,339	-	116,339
Other	-	204,877	204,877
Support services:			
Operation and maintenance of plant	33,228	-	33,228
Transportation	11,985	-	11,985
Total expenditures	161,552	204,877	366,429
Change in fund balances	10,656	4,132	14,788
Fund balances beginning of year	302,645	127,756	430,401
Fund balances end of year	\$ 313,301	131,888	445,189

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 804,443	110,504	914,947
Receivables:			
Property tax:			
Delinquent	-	740	740
Succeeding year	-	51,151	51,151
Due from other governments	279,576	-	279,576
TOTAL ASSETS	\$ 1,084,019	162,395	1,246,414
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 12,481	1,000	13,481
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	-	51,151	51,151
Fund balances:			
Restricted for:			
School infrastructure	1,071,538	-	1,071,538
Physical plant and equipment	-	110,244	110,244
Total fund balances	1,071,538	110,244	1,181,782
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,084,019	162,395	1,246,414

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, 2014

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:			
Local sources:			
Local tax	\$ -	48,745	48,745
Other	40	5	45
State sources	499,384	-	499,384
Total revenues	499,424	48,750	548,174
Expenditures:			
Current:			
Instruction:			
Regular	6,795	-	6,795
Support services:			
Instructional staff	118,265	-	118,265
Administration	8,099	-	8,099
Operation and maintenance of plant	42,357	-	42,357
Transportation	11,000	47,500	58,500
Capital outlay	79,845	21,994	101,839
Total expenditures	266,361	69,494	335,855
Change in fund balances	233,063	(20,744)	212,319
Fund balances beginning of year	838,475	130,988	969,463
Fund balances end of year	\$ 1,071,538	110,244	1,181,782

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, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 1,660	5,979	4,368	3,271
Cross country	1,193	691	592	1,292
All sports	14,003	53,848	48,659	19,007
Golf	156	-	-	156
Drill team	3,422	4,516	6,231	1,707
Football cheerleading	1,105	975	1,035	1,045
Basketball cheerleading	567	752	413	906
Wrestling cheerleading	491	1,730	1,199	1,022
Boys Basketball	1,883	6,916	7,277	1,522
All sports activity pass	20	5,090	5,090	20
District football	-	1,150	188	962
Football	14,785	10,299	4,545	20,539
Baseball fundraiser	5,395	7,701	8,442	4,654
Girls track fundraiser	1,140	5,346	6,217	269
Wrestling fundraiser	1,873	3,166	4,488	551
Girls basketball	2,654	3,837	3,855	2,636
Elementary basketball	125	-	-	125
Volleyball fundraiser	3,999	6,063	5,353	4,709
Softball fundraiser	7,388	4,059	4,930	6,517
Concessions	8	23,329	23,214	123
Concessions summer	-	5,983	5,969	14
Petty cash	225	-	-	225
Interest	1,609	36	26	1,619
Art club	225	-	-	225
Chess club fundraiser	527	237	170	594
Quiz bowl	1,758	1,446	-	3,389
Speech fund	3,177	1,579	2,005	2,751
Annual	10,465	5,468	7,127	8,806
Swing choir	808	878	1,065	621
Band uniform fundraiser	523	-	-	523
Band fundraiser	29,190	23,888	31,209	21,869
Instrumental music	419	-	-	419
National honor society (AMOL)	145	130	125	150
Science club	1,298	528	439	1,387
Spanish club	684	1,117	1,354	447
Spanish class fundraiser	672	-	-	672
Student council	3,752	1,431	880	4,303
Community bank grant	717	800	1,446	71
Business professionals	432	22	-	454
Key club	406	115	192	329
JH key club	80	-	-	80
S.A.D.D.	586	-	-	586
Haiti fund	70	-	-	70
CPR Certification	255	113	144	224
FCCLA	183	6,021	4,405	1,799
HS class of 2010	2,959	-	-	2,959
HS class of 2011	510	-	-	510
HS class of 2012	2,116	-	-	2,116
HS class of 2013	1,302	-	-	1,302
HS class of 2014	796	-	272	524
HS class of 2015	-	13,770	11,953	1,817
Total	\$ 127,756	209,009	204,877	131,888

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 2,399,443	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
Tuition	556,096	475,012	539,830	554,241	573,311	406,425	407,990	352,693	331,392	398,134
Other	432,279	517,290	576,181	673,058	389,479	405,121	434,153	522,178	414,214	277,540
State sources	3,955,572	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
Federal sources	110,126	113,753	157,142	292,126	530,315	253,135	145,078	161,114	164,370	542,710
Total	\$ 7,453,516	7,652,293	7,909,577	7,827,036	7,128,194	7,190,475	6,821,968	6,783,719	6,064,845	6,241,956
Expenditures:										
Instruction:										
Regular	\$ 2,899,219	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
Special	902,687	919,256	828,486	865,716	1,029,605	790,820	873,884	774,728	739,041	762,837
Other	757,648	709,011	735,116	892,260	312,562	712,419	699,640	738,028	473,612	325,700
Support services:										
Student	181,918	180,968	169,271	185,677	174,479	176,766	158,744	161,302	147,020	163,577
Instructional staff	267,392	253,152	212,823	263,598	256,738	198,330	179,324	204,441	148,876	170,882
Administration	556,645	719,231	656,558	641,201	616,405	599,225	571,907	579,851	567,910	517,787
Operation and maintenance of plant	551,769	571,546	579,301	555,033	614,953	631,118	585,635	558,481	489,007	477,634
Transportation	349,388	329,429	356,845	437,392	303,543	512,507	643,348	342,413	434,423	266,783
Other	-	-	-	-	-	-	-	-	-	16,496
Capital outlay	101,839	85,975	221,231	105,179	50,821	67,560	125,622	30,794	134,985	841,624
Long-term debt:										
Principal	295,000	1,525,000	290,000	285,000	255,000	250,000	235,000	240,000	240,000	220,000
Interest	27,462	66,253	97,211	77,836	116,078	114,327	121,337	127,808	133,627	138,660
Other expenditures:										
AEA flowthrough	231,907	225,998	228,599	254,899	253,808	236,006	216,739	208,214	191,247	182,563
Total	\$ 7,122,874	8,739,933	7,377,504	7,378,819	7,075,398	7,180,624	6,899,990	6,431,995	6,157,745	6,376,643

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, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 13, 2015

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 certain deficiencies in internal control we consider to be a material weakness and a significant deficiency.

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-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as items I-B-14 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Logan-Magnolia Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part 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, 2014 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.

March 13, 2015
Newton, Iowa

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-14 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.

I-B-14 Purchase Orders - We noted during our audit multiple instances of purchase orders dated after the invoice date on items purchased in the Student Activity Fund.

Recommendation - The advantage of using a purchase order system is that approvals of the items being purchased are noted prior to ordering of the items. In addition, when the items are approved and the purchase order is properly generated, it also reflects on the financial records as an outstanding order, which represents the amount as an obligation against the budget. When monitoring actual expenses, it can be helpful to know the outstanding orders which will be subsequently paid, therefore allowing the person who approves purchase orders the insight to know if there is still available funding to make the purchase.

Although districts are not required to use a purchase order system, the benefits to financial management make the system desirable. The District's current purchase order system should be reviewed and necessary changes made so that all disbursements are approved by the appropriate administrator before ordering of supplies takes place.

Response - The district has addressed the specific events of non-compliance with the entire staff. The district will monitor this issue more closely in the future.

Conclusion - Response accepted.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - District expenditures for the year ended June 30, 2014 exceeded the certified amount in the non-instructional programs 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 district will closely monitor expenditures to ensure actual expenditures do not exceed the certified budgeted expenditures.

Conclusion - Response accepted.

II-B-14 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-14 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-14 Business Transactions - No business transactions between the District and District officials were noted.

II-E-14 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-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-14 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-14 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 0.02 students.

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

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

Conclusion - Response accepted.

II-I-14 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-14 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-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-14 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, 2014, 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 2014 audit.

Beginning balance		\$ 838,475
Revenues/transfers in:		
Sales tax revenues	\$ 499,384	
Other local revenues	40	499,424
		<u>1,337,899</u>
Expenditures:		
School infrastructure construction	\$ 6,773	
Equipment	151,836	
Other	107,752	266,361
		<u>266,361</u>
Ending balance		<u>\$ 1,071,538</u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the money received under Chapter 423E of 423F of the Code of Iowa.

- II-M-14 Student Activity Fund - The District's Student Activity Fund is maintaining Class of 2010, 2011, 2012, and 2013 accounts with balances of \$2,959, \$510, \$2,116, and \$1,302 respectively.

Recommendation - The District activities director should review the accounts associated with prior graduating classes and provide input to the Board of Directors as to where these remaining moneys should be allocated within the Student Activity Fund. The Board of Directors should approve the official use of the remaining monies within the Student Activity Fund. In the future the District should consider having the graduating class designate in their class minutes an allowable use of any remaining funds.

Response - The various class funds have been transferred into the activities fund that supports all general athletics. In the future, these funds will be reallocated in a more timely manner.

Conclusion - Response accepted.