

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

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Logan-Magnolia Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Dan Cohrs	President	2015
Shelley Foutch	Vice President	2017
Matt Pitt	Board Member	2015
Todd Cohrs	Board Member	2017
Kelly Gochenour	Board Member	2015
School Officials		
Tom Ridder	Superintendent	2015
Lauren Roden	Business Manager/ Board Secretary (Resigned May 2015)	2015
Daniel Mikels	Business Manager/ Board Secretary (Appointed June 2015)	2015
Rick Franck	Attorney	2015

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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

**To the Board of Education of
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, 2015, 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, 2015 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.

Emphasis of Matter

As discussed in Note 12 to the financial statements, Logan-Magnolia Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for Retiree Health Plan on pages 7 through 16 and 44 through 50 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, 2014 (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 14, 2016 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 14, 2016
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, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$6,243,144 in fiscal year 2014 to \$6,123,727 in fiscal year 2015, while General Fund expenditures increased from \$6,098,128 in fiscal year 2014 to \$6,503,088 in fiscal year 2015. This resulted in a decrease in the District's General Fund balance from \$1,327,862 at June 30, 2014 to \$948,501 at June 30, 2015.
- The decrease in General Fund revenues was attributable to a decrease in state source revenues in fiscal year 2015. The increase in expenditures can be attributed to an increase 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 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, the District's proportionate share of the net pension liability and related contributions, 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-1
Logan-Magnolia Community School District Annual Financial Report

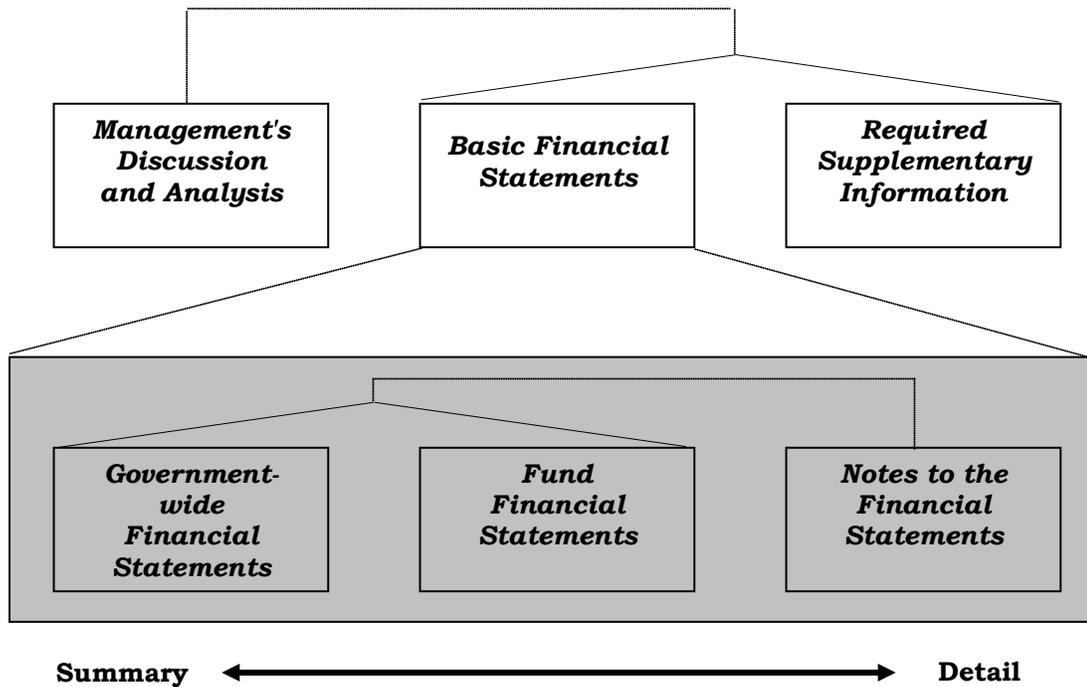


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food service, latch key
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 deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period
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, 2015 compared to June 30, 2014.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2014		June 30, 2014		June 30, 2014		June 30, 2014-15
	2015	(Not Restated)	2015	(Not Restated)	2015	(Not Restated)	
Current and other assets	\$ 5,578,986	6,079,384	100,269	95,194	5,679,255	6,174,578	-8.02%
Capital assets	5,485,179	5,637,633	27,211	30,418	5,512,390	5,668,051	-2.75%
Total assets	11,064,165	11,717,017	127,480	125,612	11,191,645	11,842,629	-5.50%
Deferred outflows of resources	475,980	-	22,302	-	498,282	-	100.00%
Long-term liabilities	4,774,534	2,424,973	126,695	12,309	4,901,229	2,437,282	101.09%
Other liabilities	750,368	676,288	16,696	19,726	767,064	696,014	10.21%
Total liabilities	5,524,902	3,101,261	143,391	32,035	5,668,293	3,133,296	80.91%
Deferred inflows of resources	2,985,107	2,255,238	54,209	-	3,039,316	2,255,238	34.77%
Net position:							
Net investment in capital assets	4,360,179	4,217,633	27,211	30,418	4,387,390	4,248,051	3.28%
Restricted	1,885,215	1,739,376	-	-	1,885,215	1,739,376	8.38%
Unrestricted	(3,215,258)	403,509	(75,029)	63,159	(3,290,287)	466,668	-805.06%
Total net position	\$ 3,030,136	6,360,518	(47,818)	93,577	2,982,318	6,454,095	-53.79%

The District's combined net position decreased by \$3,471,777, or 53.79% 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 represents 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 \$145,839, or 8.38% 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 \$3,756,955, or 805.06%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$3,103,009 and \$153,718, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not

available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	Figure A-4						
	Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	\$ 975,538	923,277	287,485	297,897	1,263,023	1,221,174	3.43%
Operating grants, contributions and restricted interest	541,479	503,155	149,776	148,789	691,255	651,944	6.03%
Capital grants, contributions and restricted interest	35,054	-	-	-	35,054	-	100.00%
General revenues:							
Property tax	2,256,878	2,188,089	-	-	2,256,878	2,188,089	3.14%
Income surtax	226,327	220,287	-	-	226,327	220,287	2.74%
Statewide sales, services and use tax	518,721	499,384	-	-	518,721	499,384	3.87%
Unrestricted state grants	2,920,167	3,113,476	-	-	2,920,167	3,113,476	-6.21%
Unrestricted interest earnings	296	261	118	19	414	280	47.86%
Other	2,810	14,520	1,176	-	3,986	14,520	-72.55%
Total revenues	<u>7,477,270</u>	<u>7,462,449</u>	<u>438,555</u>	<u>446,705</u>	<u>7,915,825</u>	<u>7,909,154</u>	<u>0.08%</u>
Program expenses:							
Instruction	4,876,725	4,685,293	-	-	4,876,725	4,685,293	4.09%
Support services	2,374,605	1,897,465	474	391	2,375,079	1,897,856	25.15%
Non-instructional programs	-	-	425,758	436,178	425,758	436,178	-2.39%
Other expenses	453,313	438,271	-	-	453,313	438,271	3.43%
Total expenses	<u>7,704,643</u>	<u>7,021,029</u>	<u>426,232</u>	<u>436,569</u>	<u>8,130,875</u>	<u>7,457,598</u>	<u>9.03%</u>
Change in net position	(227,373)	441,420	12,323	10,136	(215,050)	451,556	-147.62%
Net position beginning of year, as restated	<u>3,257,509</u>	<u>5,919,098</u>	<u>(60,141)</u>	<u>83,441</u>	<u>3,197,368</u>	<u>6,002,539</u>	<u>-46.73%</u>
Net position end of year	<u>\$ 3,030,136</u>	<u>6,360,518</u>	<u>(47,818)</u>	<u>93,577</u>	<u>2,982,318</u>	<u>6,454,095</u>	<u>-53.79%</u>

In fiscal year 2015 the property tax, unrestricted state grants, and charges for services account for 82.28% of the revenue from governmental activities, while charges for services and operating grants, contributions, and restricted interest accounted for nearly all of the revenue from business type activities. The District's total revenues were approximately \$7.92 million of which \$7.48 million was for governmental activities and \$0.44 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.08% increase in revenues and a 9.03% increase in expenses. The increase in revenues is primarily due to an increase in property taxes received during the year while the increase in expenditures is primarily due to an overall increase in salaries and benefit paid to employees during the year.

Governmental Activities

Revenues for governmental activities were \$7,477,270 and expenses were \$7,704,643 for the year ended June 30, 2015.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not Restated)	Change 2014-15	2015	2014 (Not Restated)	Change 2014-15
Instruction	\$ 4,876,725	4,685,293	4.09%	3,743,561	3,616,553	3.51%
Support services	2,374,605	1,897,465	25.15%	2,188,361	1,771,680	23.52%
Other expenses	453,313	438,271	3.43%	220,650	206,364	6.92%
Totals	\$ 7,704,643	7,021,029	9.74%	6,152,572	5,594,597	9.97%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$975,538.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$576,533.
- The net cost of governmental activities was financed with \$2,256,878 in property tax, \$226,327 in income surtax, \$518,721 in statewide sales, services and use tax, \$2,920,167 in unrestricted state grants, \$296 in unrestricted investment earnings, and \$2,810 in other general revenues.

Business Type Activities

Revenues of the District's business type activities for the year ended June 30, 2015, were \$438,555 and expenses were \$426,232. The District's business type activities include the School Nutrition Fund and the Latch Key Program. Revenues of these activities were mainly 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 balances of \$2,731,799, below last year's ending fund balances of \$2,967,120. The primary reason for the decrease in the combined fund balance was the decline in General Fund balance.

Governmental Fund Highlights

- The decrease in the District's General Fund financial position is the product of many factors. The District's General Fund balance decreased from \$1,327,862 at June 30, 2014 to \$948,501 at June 30, 2015. The decrease in the District's General funds balance was due to the increase in General Fund expenditures.

-
- The Capital Projects Fund balance increased from \$1,181,782 at June 30, 2014 to \$1,322,476 at June 30, 2015. The Capital Projects: Statewide Sales, Services and Use Tax Fund balance increased from \$1,071,538 at June 30, 2014 to \$1,207,939 at June 30, 2015. The Capital Projects: Physical Plant and Equipment Levy Fund balance increased from \$110,244 at June 30, 2014 to \$114,537 at June 30, 2015. The primary reason for this increase in fund balance was an increase in local contributions received for playground improvements.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from a deficit \$48,888 restated as of July 1, 2014 to a deficit \$45,455 at June 30, 2015, representing an increase of 7.02%. Most of this increase is attributable to a decrease in salaries and benefits paid to food service employees during the year.

The Latch Key Fund net position increased from a deficit \$11,253 restated as of July 1, 2014 to a deficit \$2,363 at June 30, 2015, representing a 79.00% increase. This increase is primarily due to a reduction in expenses when compared to the prior year.

BUDGETARY HIGHLIGHTS

The District's revenues were \$60,176 less than budgeted revenues, a variance of 0.76%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$5,512,390, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2.75% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$267,775.

The original cost of the District's capital assets was \$10,329,176. Governmental funds accounted for \$10,157,627 with the remainder of \$171,549 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$154,565 at June 30, 2014 as compared to \$0 at June 30, 2015. The decrease is related to the completion of the District's bus barn.

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,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 600,754	600,754	-	-	600,754	600,754	0.00%
Construction in progress	-	154,565	-	-	-	154,565	-100.00%
Buildings	4,425,903	4,581,302	-	-	4,425,903	4,581,302	-3.39%
Land improvements	81,104	86,839	-	-	81,104	86,839	-6.60%
Machinery and equipment	377,418	214,173	27,211	30,418	404,629	244,591	65.43%
Total	\$ 5,485,179	5,637,633	27,211	30,418	5,512,390	5,668,051	-2.75%

Long-Term Debt

At June 30, 2015, the District had long-term debt outstanding of \$4,901,229 in general obligation bonds and other indebtedness. This represents an increase of 101.09% 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 outstanding general obligation bonds of \$1,125,000 at June 30, 2015, payable from the Debt Service Fund.
- The Districts had outstanding computer lease indebtedness of \$138,894 at June 30, 2015, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.
- The District had total net OPEB liability of \$1,281,683 at June 30, 2015, \$1,266,175 of this total is attributable to the District's governmental activities while the remaining \$15,508 is attributable to the District's business type activities.
- The District had total net pension liability of \$2,355,652 at June 30, 2015, \$2,244,465 of this total is attributable to the District's governmental activities while the remaining \$111,187 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,
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
General obligation bonds	\$ 1,125,000	1,420,000	-	-	1,125,000	1,420,000	-20.77%
Computer lease	138,894	-	-	-	138,894	-	100.00%
Net pension liability	2,244,465	-	111,187	-	2,355,652	-	100.00%
Net OPEB obligation	1,266,175	1,004,973	15,508	12,309	1,281,683	1,017,282	25.99%
Total	\$ 4,774,534	2,424,973	126,695	12,309	4,901,229	2,437,282	101.09%

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:

- In Fiscal Year 2017 the District will be receiving Teacher Leadership Compensation funds, this will increase the miscellaneous income for Fiscal Year 2017, in Fiscal Year 2018 miscellaneous income will return to normal. Teacher Leadership Compensation will be received under regular school district funding from the State of Iowa in Fiscal Year 2018.
- With GASB Statement No. 68 being applied, it caused liabilities for the District's share of IPERS to be booked on the associated financial statements. This caused a negative fund balance in 2 funds.

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 Daniel Mikels, Business Manager/Board Secretary, Logan-Magnolia Community School District, 1200 North 2nd Avenue, Logan, Iowa, 51546.

BASIC FINANCIAL STATEMENTS

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 3,189,581	91,753	3,281,334
Receivables:			
Property tax:			
Delinquent	27,861	-	27,861
Succeeding year	1,890,807	-	1,890,807
Income surtax	211,340	-	211,340
Accounts	-	1,232	1,232
Due from other governments	259,397	-	259,397
Inventories	-	7,284	7,284
Capital assets, net of accumulated depreciation	5,485,179	27,211	5,512,390
TOTAL ASSETS	11,064,165	127,480	11,191,645
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	475,980	22,302	498,282
LIABILITIES			
Accounts payable	88,925	372	89,297
Salaries and benefits payable	656,115	11,726	667,841
Accrued interest payable	5,328	-	5,328
Unearned revenue	-	4,598	4,598
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	135,000	-	135,000
Computer lease	68,492	-	68,492
Portion due after one year:			
General obligation bonds	990,000	-	990,000
Computer lease	70,402	-	70,402
Net pension liability	2,244,465	111,187	2,355,652
Net OPEB liability	1,266,175	15,508	1,281,683
TOTAL LIABILITIES	5,524,902	143,391	5,668,293
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	1,890,807	-	1,890,807
Pension related deferred inflows	1,094,300	54,209	1,148,509
TOTAL DEFERRED INFLOWS OF RESOURCES	2,985,107	54,209	3,039,316
NET POSITION			
Net investment in capital assets	4,360,179	27,211	4,387,390
Restricted for:			
Categorical funding	107,245	-	107,245
Debt service	8,211	-	8,211
Management levy purposes	312,786	-	312,786
Student activities	134,497	-	134,497
School infrastructure	1,207,939	-	1,207,939
Physical plant and equipment	114,537	-	114,537
Unrestricted	(3,215,258)	(75,029)	(3,290,287)
TOTAL NET POSITION	\$ 3,030,136	(47,818)	2,982,318

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 3,180,538	596,874	45,869	-	(2,537,795)	-	(2,537,795)
Special	878,528	-	42,223	-	(836,305)	-	(836,305)
Other	817,659	237,959	210,239	-	(369,461)	-	(369,461)
	<u>4,876,725</u>	<u>834,833</u>	<u>298,331</u>	<u>-</u>	<u>(3,743,561)</u>	<u>-</u>	<u>(3,743,561)</u>
Support services:							
Student	205,003	-	9,158	-	(195,845)	-	(195,845)
Instructional staff	505,871	-	-	-	(505,871)	-	(505,871)
Administration	575,083	-	-	-	(575,083)	-	(575,083)
Operation and maintenance of plant	754,559	-	-	35,054	(719,505)	-	(719,505)
Transportation	334,089	140,705	1,327	-	(192,057)	-	(192,057)
	<u>2,374,605</u>	<u>140,705</u>	<u>10,485</u>	<u>35,054</u>	<u>(2,188,361)</u>	<u>-</u>	<u>(2,188,361)</u>
Long-term debt interest	25,071	-	-	-	(25,071)	-	(25,071)
Other expenditures:							
AEA flowthrough	232,663	-	232,663	-	-	-	-
Depreciation(unallocated)*	195,579	-	-	-	(195,579)	-	(195,579)
	<u>428,242</u>	<u>-</u>	<u>232,663</u>	<u>-</u>	<u>(195,579)</u>	<u>-</u>	<u>(195,579)</u>
Total governmental activities	<u>7,704,643</u>	<u>975,538</u>	<u>541,479</u>	<u>35,054</u>	<u>(6,152,572)</u>	<u>-</u>	<u>(6,152,572)</u>
Business type activities:							
Support services:							
Administration	474	-	-	-	-	(474)	(474)
Non-instructional programs:							
Food service operations	348,919	201,284	149,776	-	-	2,141	2,141
Other enterprise operations	76,839	86,201	-	-	-	9,362	9,362
	<u>425,758</u>	<u>287,485</u>	<u>149,776</u>	<u>-</u>	<u>-</u>	<u>11,503</u>	<u>11,503</u>
Total business type activities	<u>426,232</u>	<u>287,485</u>	<u>149,776</u>	<u>-</u>	<u>-</u>	<u>11,029</u>	<u>11,029</u>
Total	\$ 8,130,875	1,263,023	691,255	35,054	(6,152,572)	11,029	(6,141,543)
General Revenues:							
Property tax levied for:							
General purposes				\$ 1,888,812	-		1,888,812
Debt service				316,797	-		316,797
Capital outlay				51,269	-		51,269
Income surtax				226,327	-		226,327
Statewide sales, services and use tax				518,721	-		518,721
Unrestricted state grants				2,920,167	-		2,920,167
Unrestricted investment earnings				296	118		414
Other				2,810	1,176		3,986
Total general revenues				<u>5,925,199</u>	<u>1,294</u>		<u>5,926,493</u>
Changes in net position				(227,373)	12,323		(215,050)
Net position beginning of year, as restated				3,257,509	(60,141)		3,197,368
Net position end of year				\$ 3,030,136	(47,818)		2,982,318

* 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, 2015

	General	Capital Projects	Nonmajor	Total
ASSETS				
Cash and pooled investments	\$ 1,468,642	1,264,146	456,793	3,189,581
Receivables:				
Property tax				
Delinquent	21,465	632	5,764	27,861
Succeeding year	1,584,728	51,874	254,205	1,890,807
Income surtax	211,340	-	-	211,340
Due from other governments	177,922	81,475	-	259,397
TOTAL ASSETS	\$ 3,464,097	1,398,127	716,762	5,578,986
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 63,413	23,777	1,735	88,925
Salaries and benefits payable	656,115	-	-	656,115
Total liabilities	719,528	23,777	1,735	745,040
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,584,728	51,874	254,205	1,890,807
Income surtax	211,340	-	-	211,340
Total deferred inflows of resources	1,796,068	51,874	254,205	2,102,147
Fund balances:				
Restricted for:				
Categorical funding	107,245	-	-	107,245
Debt service	-	-	13,539	13,539
Management levy purposes	-	-	312,786	312,786
Student activities	-	-	134,497	134,497
School infrastructure	-	1,207,939	-	1,207,939
Physical plant and equipment	-	114,537	-	114,537
Unassigned	841,256	-	-	841,256
Total fund balances	948,501	1,322,476	460,822	2,731,799
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,464,097	1,398,127	716,762	5,578,986

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, 2015

Total fund balances of governmental funds (page 20)	\$	2,731,799
 <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.		5,485,179
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.		211,340
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(5,328)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 475,980	
Deferred inflows of resources	<u>(1,094,300)</u>	(618,320)
Long-term liabilities, including bonds payable, computer lease payable, other postemployment benefits payable and net pension liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(4,774,534)</u>
Net position of governmental activities (page 18)	\$	<u><u>3,030,136</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, 2015

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 1,936,268	51,269	466,900	2,454,437
Tuition	556,467	-	-	556,467
Other	227,813	35,114	251,170	514,097
State sources	3,273,617	518,804	1,518	3,793,939
Federal sources	129,562	-	-	129,562
Total revenues	<u>6,123,727</u>	<u>605,187</u>	<u>719,588</u>	<u>7,448,502</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,938,401	26,456	115,685	3,080,542
Special	913,795	-	-	913,795
Other	598,907	-	233,293	832,200
	<u>4,451,103</u>	<u>26,456</u>	<u>348,978</u>	<u>4,826,537</u>
Support services:				
Student	204,794	-	-	204,794
Instructional staff	216,964	273,123	-	490,087
Administration	568,736	23,521	-	592,257
Operation and maintenance of plant	574,390	149,583	38,365	762,338
Transportation	254,438	84,888	12,322	351,648
	<u>1,819,322</u>	<u>531,115</u>	<u>50,687</u>	<u>2,401,124</u>
Capital outlay	-	45,816	-	45,816
Long-term debt:				
Principal	-	-	295,000	295,000
Interest and fiscal charges	-	-	21,577	21,577
	<u>-</u>	<u>-</u>	<u>316,577</u>	<u>316,577</u>
Other expenditures:				
AEA flowthrough	232,663	-	-	232,663
Total expenditures	<u>6,503,088</u>	<u>603,387</u>	<u>716,242</u>	<u>7,822,717</u>
Excess(Deficiency) of revenues over(under) expenditures	(379,361)	1,800	3,346	(374,215)
Other financing sources:				
Capital lease proceeds	-	138,894	-	138,894
Change in fund balances	(379,361)	140,694	3,346	(235,321)
Fund balances beginning of year	<u>1,327,862</u>	<u>1,181,782</u>	<u>457,476</u>	<u>2,967,120</u>
Fund balances end of year	<u>\$ 948,501</u>	<u>1,322,476</u>	<u>460,822</u>	<u>2,731,799</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2015

Change in fund balances - total governmental funds (page 22) \$ (235,321)

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

Capital outlay	\$	113,298	
Depreciation expense		(263,307)	
Loss on disposal of capital assets		(2,445)	(152,454)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. 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. Repayments exceeded current year issues, as follows:

Issued	\$	(138,894)	
Repaid		295,000	156,106

Income surtax account receivable is not available to finance expenditures of the current year period and is recognized as deferred inflows of resources in the governmental funds. 28,768

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. (3,494)

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 352,534

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.

Pension expense		(112,310)	
Other postemployment benefits		(261,202)	(373,512)

Change in net position of governmental activities (page 19) \$ (227,373)

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	School Nutrition	Latch Key	Total
ASSETS			
Cash and pooled investments	\$ 45,095	46,658	91,753
Accounts receivable	-	1,232	1,232
Inventories	7,284	-	7,284
Capital assets, net of accumulated depreciation	27,211	-	27,211
TOTAL ASSETS	79,590	47,890	127,480
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	15,420	6,882	22,302
LIABILITIES			
Accounts payable	-	372	372
Salaries and benefits payable	6,474	5,252	11,726
Unearned revenue	4,598	-	4,598
Net pension liability	76,559	34,628	111,187
Net OPEB liability	15,508	-	15,508
TOTAL LIABILITIES	103,139	40,252	143,391
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	37,326	16,883	54,209
NET POSITION			
Net investment in capital assets	27,211	-	27,211
Unrestricted	(72,666)	(2,363)	(75,029)
TOTAL NET POSITION	\$ (45,455)	(2,363)	(47,818)

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, 2015

	School Nutrition	Latch Key	Total
Operating revenues:			
Local Sources:			
Charges for service	\$ 201,284	86,201	287,485
Miscellaneous	1,176	-	1,176
Total operating revenues	<u>202,460</u>	<u>86,201</u>	<u>288,661</u>
Operating expenses:			
Support services:			
Administration:			
Services	-	474	474
Non-instructional programs:			
Food service operations:			
Salaries	129,279	-	129,279
Benefits	25,898	-	25,898
Services	4,827	-	4,827
Supplies	184,157	-	184,157
Depreciation	4,448	-	4,448
Other	310	-	310
	<u>348,919</u>	<u>-</u>	<u>348,919</u>
Other enterprise operations:			
Salaries	-	64,607	64,607
Benefits	-	6,384	6,384
Supplies	-	5,848	5,848
Total non-instructional programs	<u>348,919</u>	<u>76,839</u>	<u>425,758</u>
Total operating expenses	<u>348,919</u>	<u>77,313</u>	<u>426,232</u>
Operating income(loss)	<u>(146,459)</u>	<u>8,888</u>	<u>(137,571)</u>
Non-operating revenues:			
State sources	2,962	-	2,962
Federal sources	146,814	-	146,814
Interest income	116	2	118
Total non-operating revenues	<u>149,892</u>	<u>2</u>	<u>149,894</u>
Change in net position	3,433	8,890	12,323
Net position beginning of year, as restated	<u>(48,888)</u>	<u>(11,253)</u>	<u>(60,141)</u>
Net position end of year	<u>\$ (45,455)</u>	<u>(2,363)</u>	<u>(47,818)</u>

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015

	School Nutrition	Latch Key	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 198,922	-	198,922
Cash received from Latch Key operating activities	-	86,053	86,053
Cash received from miscellaneous	1,176	-	1,176
Cash payments to employees for services	(159,391)	(74,877)	(234,268)
Cash payments to suppliers for goods or services	(165,130)	(6,315)	(171,445)
Net cash provided by(used in) operating activities	<u>(124,423)</u>	<u>4,861</u>	<u>(119,562)</u>
Cash flows from non-capital financing activities:			
State grants received	2,962	-	2,962
Federal grants received	123,673	-	123,673
Net cash provided by non-capital financing activities	<u>126,635</u>	<u>-</u>	<u>126,635</u>
Cash flows from investing activities:			
Interest on investments	116	2	118
Cash flows from capital financing activities:			
Purchase of assets	(1,241)	-	(1,241)
Net increase in cash and pooled investments	1,087	4,863	5,950
Cash and pooled investments beginning of year	44,008	41,795	85,803
Cash and pooled investments end of year	<u>\$ 45,095</u>	<u>46,658</u>	<u>91,753</u>
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	\$ (146,459)	8,888	(137,571)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Commodities consumed	23,141	-	23,141
Depreciation	4,448	-	4,448
Decrease in inventories	1,023	-	1,023
Increase in accounts receivable	-	(148)	(148)
Increase in accounts payable	-	7	7
Decrease in salaries and benefits payable	(34)	(641)	(675)
Decrease in unearned revenues	(2,362)	-	(2,362)
Decrease in net pension liability	(40,565)	(18,348)	(58,913)
Increase in deferred outflows of resources	(4,140)	(1,780)	(5,920)
Increase in deferred inflows of resources	37,326	16,883	54,209
Increase in other postemployment benefits	3,199	-	3,199
Net cash provided by(used in) operating activities	<u>\$ (124,423)</u>	<u>4,861</u>	<u>(119,562)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$23,141 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

(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 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

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.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. 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 and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

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

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.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2015 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, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Obligations Portfolio which are valued at an amortized cost of \$3,029,072 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, 2015 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	154,565	-	154,565	-
Total capital assets not being depreciated	755,319	-	154,565	600,754
Capital assets being depreciated:				
Buildings	7,887,317	2,395	-	7,889,712
Land improvements	114,700	-	-	114,700
Machinery and equipment	1,297,217	265,468	10,224	1,552,461
Total capital assets being depreciated	9,299,234	267,863	10,224	9,556,873
Less accumulated depreciation for:				
Buildings	3,306,015	157,794	-	3,463,809
Land improvements	27,861	5,735	-	33,596
Machinery and equipment	1,083,044	99,778	7,779	1,175,043
Total accumulated depreciation	4,416,920	263,307	7,779	4,672,448
Total capital assets being depreciated, net	4,882,314	4,556	2,445	4,884,425
Governmental activities capital assets, net	\$ 5,637,633	4,556	157,010	5,485,179
Business type activities:				
Machinery and equipment	\$ 170,308	1,241	-	171,549
Less accumulated depreciation	139,890	4,448	-	144,338
Business type activities capital assets, net	\$ 30,418	(3,207)	-	27,211

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 6,496
Other	7,743
Support services:	
Instructional staff	11,868
Operation and maintenance of plant	17,624
Transportation	23,997
	67,728
Unallocated depreciation	195,579
Total governmental activities depreciation expense	\$ 263,307
Business type activities:	
Food service operations	\$ 4,448

(4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year Restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,420,000	-	295,000	1,125,000	135,000
Computer lease	-	138,894	-	138,894	68,492
Net pension liability	3,433,711	-	1,189,246	2,244,465	-
Net OPEB liability	1,004,973	261,202	-	1,266,175	-
Total	\$ 5,858,684	400,096	1,484,246	4,774,534	203,492
Business type activities:					
Net pension liability	\$ 170,100	-	58,913	111,187	-
Net OPEB liability	12,309	3,199	-	15,508	-
Total	\$ 182,409	3,199	58,913	126,695	-

General Obligation Bonds

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue June 5, 2012			
	Interest Rate	Principal	Interest	Total
2016	0.85 %	\$ 135,000	18,707	153,707
2017	1.00	135,000	17,560	152,560
2018	1.25	140,000	16,210	156,210
2019	1.35	140,000	14,460	154,460
2020	1.60	140,000	12,570	152,570
2021-2023	1.90-2.60	435,000	21,900	456,900
Total		\$ 1,125,000	101,407	1,226,407

Computer Lease

Details of the District's June 30, 2015 computer lease indebtedness payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund are as follows:

Year Ending June 30,	Lease dated July 10, 2014			
	Interest Rate	Principal	Interest	Total
2016	2.79 %	\$ 68,492	3,875	72,367
2017	2.79	70,402	1,965	72,367
Total		\$ 138,894	5,840	144,734

Termination Benefits

Although there were no applicants, the District offered an early retirement incentive to District employees during fiscal year 2015 which follows their recent historical pattern of offering early retirement every other year. Therefore, the liability associated with the District's early retirement offerings are included as an explicit subsidy in the OPEB actuarial valuation dated July 1, 2012.

As of June 30, 2015 the District had obligations to ten retirees with a total liability of \$181,306. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$62,478.

(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, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 346,432
Interest on net OPEB obligation	25,432
Adjustment to annual required contribution	<u>(65,548)</u>
Annual OPEB cost	306,316
Contributions made	<u>(41,915)</u>
Increase in net OPEB obligation	264,401
Net OPEB obligation beginning of year	<u>1,017,282</u>
Net OPEB obligation end of year	<u><u>\$ 1,281,683</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, 2015.

For the year ended June 30, 2015, the District contributed \$41,915 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
2013	\$ 292,438	19.43%	\$ 777,794
2014	287,237	16.62%	1,017,282
2015	306,316	13.68%	1,281,683

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$2,288,403, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,288,403. The covered payroll (annual payroll of active employees covered by the plan) was \$3,317,569 and the ratio of the UAAL to covered payroll was 68.98%. As of June 30, 2015, 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. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about 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 entry age 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 Plan

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$368,271.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$2,355,652 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.058206 percent, which was a decrease of 0.005443 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$117,893. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,601	\$ -
Changes of assumptions	103,960	-
Net difference between projected and actual earnings on pension plan investments	-	898,378
Changes in proportion and differences between District contributions and proportionate share of contributions	-	250,131
District contributions subsequent to the measurement date	368,721	-
Total	<u>\$ 498,282</u>	<u>\$ 1,148,509</u>

\$368,721 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (252,765)
2017	(252,765)
2018	(252,765)
2019	(252,765)
2020	(7,888)
	<u>\$ (1,018,948)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentagepoint higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 4,450,939	\$ 2,355,652	\$ 587,013

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$44,309 for legally required employer contributions and \$29,672 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(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 \$232,663 for the year ended June 30, 2015 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 restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
Home school assistance program	\$ 34,051
Gifted and talented programs	35,890
Beginning teacher mentoring and induction program	720
Successful progression for early readers	19,707
Professional development for model core curriculum	8,966
Market factor incentives	3,369
Teacher leadership grants	4,542
Total	<u>\$ 107,245</u>

(10) 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 year are as follows:

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

(11) 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)	\$ -	13,539	841,256
Capital assets, net of accumulated depreciation	5,485,179	-	-
General obligation bond capitalized indebtedness	(1,125,000)	-	-
Accrued interest payable	-	(5,328)	-
Computer lease indebtedness	-	-	(138,894)
Income surtax	-	-	211,340
Pension related deferred inflows	-	-	(1,094,300)
Pension related deferred outflows	-	-	475,980
Net pension liability	-	-	(2,244,465)
Net OPEB liability	-	-	(1,266,175)
Net position (Exhibit A)	\$ 4,360,179	8,211	(3,215,258)

(12) Accounting Change/Restatement Note

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities		
		School Nutrition	Latch Key	Total
Net position June 30, 2014, as previously reported	\$ 6,360,518	\$ 56,956	36,621	93,577
Net pension liability at June 30, 2014	(3,433,711)	(117,124)	(52,976)	(170,100)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	330,702	11,280	5,102	16,382
Net position July 1, 2014, as restated	\$ 3,257,509	\$ (48,888)	(11,253)	(60,141)

(13) Financial Condition

The District had the following deficit balances: the School Nutrition Fund had deficit unrestricted net position of \$72,666 and deficit total net position of \$45,455 at June 30, 2015. The Latch Key Fund had deficit unrestricted and total net position of \$2,363 and the business type activities had deficit unrestricted net position of \$75,029 and deficit total net position of \$47,818. The District's governmental activities had deficit unrestricted net position of \$3,215,258.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES
 AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 3,525,001	288,779	3,813,780	4,228,623	4,228,623	(414,843)
Intermediate sources	-	-	-	11,000	11,000	(11,000)
State sources	3,793,939	2,962	3,796,901	3,463,610	3,463,610	333,291
Federal sources	129,562	146,814	276,376	244,000	244,000	32,376
Total revenues	7,448,502	438,555	7,887,057	7,947,233	7,947,233	(60,176)
Expenditures/Expenses:						
Instruction	4,826,537	-	4,826,537	5,274,500	5,274,500	447,963
Support services	2,401,124	474	2,401,598	3,098,500	3,098,500	696,902
Non-instructional programs	-	425,758	425,758	490,000	490,000	64,242
Other expenditures	595,056	-	595,056	868,294	868,294	273,238
Total expenditures/expenses	7,822,717	426,232	8,248,949	9,731,294	9,731,294	1,482,345
Excess(Deficiency) of revenues over(under) expenditures/expenses	(374,215)	12,323	(361,892)	(1,784,061)	(1,784,061)	1,422,169
Other financing sources, net	138,894	-	138,894	-	-	138,894
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(235,321)	12,323	(222,998)	(1,784,061)	(1,784,061)	1,561,063
Balances beginning of year, as restated	2,967,120	(60,141)	2,906,979	2,534,345	2,534,345	372,634
Balances end of year	\$ 2,731,799	(47,818)	2,683,981	750,284	750,284	1,933,697

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

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

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 LAST FISCAL YEAR *
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.058206%
District's proportionate share of the net pension liability	\$ 2,355,652
District's covered-employee payroll	\$ 4,123,978
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57.12%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amount presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is complied, the District will present information for those years for which information is available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FISCAL 10 YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 368,271	347,044	356,738	321,500	283,695	267,777	250,040	218,875	196,012	183,798
Contributions in relation to the statutorily required contribution	<u>(368,271)</u>	<u>(347,044)</u>	<u>(356,738)</u>	<u>(321,500)</u>	<u>(283,695)</u>	<u>(267,777)</u>	<u>(250,040)</u>	<u>(218,875)</u>	<u>(196,012)</u>	<u>(183,798)</u>
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 4,123,978	3,886,271	4,114,625	3,983,891	4,081,942	3,852,906	3,937,638	3,617,769	3,408,904	3,196,487
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

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%
2015	July 1, 2012	-	2,288,403	2,288,403	0.00%	3,317,569	68.98%

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, 2015

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
ASSETS					
Cash and pooled investments	\$ 310,933	136,232	447,165	9,628	456,793
Receivables:					
Property tax:					
Delinquent	1,853	-	1,853	3,911	5,764
Succeeding year	100,000	-	100,000	154,205	254,205
TOTAL ASSETS	\$ 412,786	136,232	549,018	167,744	716,762
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	1,735	1,735	-	1,735
Deferred inflows of resources:					
Unavailable revenue:					
Succeeding year property tax	100,000	-	100,000	154,205	254,205
Fund balances:					
Restricted for:					
Management levy purposes	312,786	-	312,786	-	312,786
Student activities	-	134,497	134,497	-	134,497
Debt service	-	-	-	13,539	13,539
Total fund balances	312,786	134,497	447,283	13,539	460,822
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 412,786	136,232	549,018	167,744	716,762

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, 2015

	Special Revenue			Debt Service	Total
	Management Levy	Student Activity	Total		
Revenues:					
Local sources:					
Local tax	\$ 150,103	-	150,103	316,797	466,900
Other	15,266	235,902	251,168	2	251,170
State sources	488	-	488	1,030	1,518
Total revenues	165,857	235,902	401,759	317,829	719,588
Expenditures:					
Current:					
Instruction:					
Regular	115,685	-	115,685	-	115,685
Other	-	233,293	233,293	-	233,293
Support services:					
Operation and maintenance of plant	38,365	-	38,365	-	38,365
Transportation	12,322	-	12,322	-	12,322
Long-term debt:					
Principal	-	-	-	295,000	295,000
Interest and fiscal charges	-	-	-	21,577	21,577
Total expenditures	166,372	233,293	399,665	316,577	716,242
Change in fund balances	(515)	2,609	2,094	1,252	3,346
Fund balances beginning of year	313,301	131,888	445,189	12,287	457,476
Fund balances end of year	\$ 312,786	134,497	447,283	13,539	460,822

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS ACCOUNTS
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 1,150,241	113,905	1,264,146
Receivables:			
Property tax:			
Delinquent	-	632	632
Succeeding year	-	51,874	51,874
Due from other governments	81,475	-	81,475
TOTAL ASSETS	\$ 1,231,716	166,411	1,398,127
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 23,777	-	23,777
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	-	51,874	51,874
Fund balances:			
Restricted for:			
School infrastructure	1,207,939	-	1,207,939
Physical plant and equipment	-	114,537	114,537
Total fund balances	1,207,939	114,537	1,322,476
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,231,716	166,411	1,398,127

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS ACCOUNTS
 YEAR ENDED JUNE 30, 2015

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:			
Local sources:			
Local tax	\$ -	51,269	51,269
Other	55	35,059	35,114
State sources	518,721	83	518,804
Total revenues	518,776	86,411	605,187
Expenditures:			
Current:			
Instruction:			
Regular	26,456	-	26,456
Support services:			
Instructional staff	273,123	-	273,123
Administration	23,521	-	23,521
Operation and maintenance of plant	116,583	33,000	149,583
Transportation	37,388	47,500	84,888
Capital outlay	44,198	1,618	45,816
Total expenditures	521,269	82,118	603,387
Excess(Deficiency) of revenues over(under) expenditures	(2,493)	4,293	1,800
Other financing sources:			
Capital lease proceeds	138,894	-	138,894
Change in fund balances	136,401	4,293	140,694
Fund balances beginning of year	1,071,538	110,244	1,181,782
Fund balances end of year	\$ 1,207,939	114,537	1,322,476

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, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Drama	\$ 3,271	1,416	812	-	3,875
Cross country	1,292	855	638	-	1,509
All sports	19,007	76,115	67,329	-	27,793
Golf	156	-	-	-	156
Drill team	1,707	5,064	2,787	-	3,984
Football cheerleading	1,045	415	-	-	1,460
Basketball cheerleading	906	687	518	-	1,075
Wrestling cheerleading	1,022	100	752	-	370
Boys Basketball	1,522	4,862	5,178	-	1,206
All sports activity pass	20	6,110	6,110	-	20
District football	962	200	639	-	523
Football	20,539	18,796	23,052	-	16,283
Baseball fundraiser	4,654	19,276	15,976	-	7,954
Girls track fundraiser	269	2,262	2,239	-	292
Wrestling fundraiser	551	1,343	517	-	1,377
Girls basketball	2,636	5,565	4,231	-	3,970
Elementary basketball	125	-	125	-	-
Volleyball fundraiser	4,709	8,234	8,082	-	4,861
Softball fundraiser	6,517	3,966	2,284	-	8,199
Concessions	123	23,002	23,002	-	123
Concessions summer	14	5,342	5,341	-	15
Petty cash	225	-	-	(225)	-
Interest	1,619	41	18	(1,626)	16
Art club	225	-	-	-	225
Chess club fundraiser	594	540	565	-	569
Quiz bowl	3,389	1,626	1,772	-	3,243
Speech fund	2,751	75	1,017	-	1,809
Annual	8,806	6,046	5,874	-	8,978
Swing choir	621	2,814	2,905	-	530
Band uniform fundraiser	523	-	523	-	-
Band fundraiser	21,869	24,948	24,110	-	22,707
Instrumental music	419	-	419	-	-
National honor society (AMOL)	150	70	216	-	4
Science club	1,387	360	364	-	1,383
Spanish club	447	272	-	479	1,198
Spanish class fundraiser	672	-	672	-	-
Student council	4,303	1,598	1,310	-	4,591
Community bank grant	71	-	69	-	2
Business professionals	454	-	197	-	257
Key club	329	126	-	80	535
JH key club	80	-	80	-	-
S.A.D.D.	586	-	586	-	-
Haiti fund	70	-	70	-	-
CPR Certification	224	65	289	-	-
FCCLA	1,799	4,260	4,335	-	1,724
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	524	-	524	-	-
HS class of 2015	1,817	-	1,817	-	-
HS class of 2016	-	9,451	9,062	-	389
HS class of 2017	-	-	-	431	431
HS class of 2018	-	-	-	431	431
HS class of 2019	-	-	-	430	430
Total	\$ 131,888	235,902	233,293	-	134,497

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,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 2,454,437	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
Tuition	556,467	556,096	475,012	539,830	554,241	573,311	406,425	407,990	352,693	331,392
Other	514,097	432,279	517,290	576,181	673,058	389,479	405,121	434,153	522,178	414,214
State sources	3,793,939	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
Federal sources	129,562	110,126	113,753	157,142	292,126	530,315	253,135	145,078	161,114	164,370
Total	\$ 7,448,502	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
Expenditures:										
Instruction:										
Regular	\$ 3,080,542	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
Special	913,795	902,687	919,256	828,486	865,716	1,029,605	790,820	873,884	774,728	739,041
Other	832,200	757,648	709,011	735,116	892,260	312,562	712,419	699,640	738,028	473,612
Support services:										
Student	204,794	181,918	180,968	169,271	185,677	174,479	176,766	158,744	161,302	147,020
Instructional staff	490,087	267,392	253,152	212,823	263,598	256,738	198,330	179,324	204,441	148,876
Administration	592,257	556,645	719,231	656,558	641,201	616,405	599,225	571,907	579,851	567,910
Operation and maintenance of plant	762,338	551,769	571,546	579,301	555,033	614,953	631,118	585,635	558,481	489,007
Transportation	351,648	349,388	329,429	356,845	437,392	303,543	512,507	643,348	342,413	434,423
Capital outlay	45,816	101,839	85,975	221,231	105,179	50,821	67,560	125,622	30,794	134,985
Long-term debt:										
Principal	295,000	295,000	1,525,000	290,000	285,000	255,000	250,000	235,000	240,000	240,000
Interest	21,577	27,462	66,253	97,211	77,836	116,078	114,327	121,337	127,808	133,627
Other expenditures:										
AEA flowthrough	232,663	231,907	225,998	228,599	254,899	253,808	236,006	216,739	208,214	191,247
Total	\$ 7,822,717	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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

**To the Board of Education of
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, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 14, 2016

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-15 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 item I-B-15 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, 2015 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 14, 2016
Newton, Iowa

LOGAN-MAGNOLIA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-15 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 - writing, 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-15 Gate Receipts - We noted during our audit that the District does not always utilize pre-numbered tickets for all events that require admission charges. It was also noted that gates reconciliations are adjusted to the actual cash amounts received rather than a true reconciliation from the tickets given for cash received. This undermines the whole reconciliation process.

Recommendation - The District should have internal control procedures established for handling cash for all Activity events, including athletic events and communicate the policies and procedures to the individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum the procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. Multiply the number of tickets sold by the price per ticket to calculate total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the administrative personnel responsible for the "accounting" function at the event.
- h. The administrative personnel should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District's vault or other secure location at the District's office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - While we recognize that it is preferable to use pre-numbered tickets, the physical layout of the athletic field does not allow an efficient and effective way to use the tickets at some events. However, we have initiated procedures for use of hand clickers for staff to use for counting the people attending events. After the events one administrator (i.e. Superintendent, Principal, and /or Activities Director) will count and sign-off on the money bags with the ticket clerks, the administrator will then take the bags to the secure District office. The District will continue to evaluate the implementation of internal controls on gate receipts.

Conclusion - Response accepted

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-15 Certified Budget - District expenditures for the year ended June 30, 2015 did not exceed the certified amount.
- II-B-15 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-15 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-15 Business Transactions - No business transactions between the District and District officials were noted.
- II-E-15 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-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-15 Certified Enrollment - We noted a variance in the basic enrollment data certified to the department of education. The number of resident students was overstated by 1.0 student.

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

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

Conclusion - Response accepted.

- II-H-15 Supplementary Weighting - No variance in the basic enrollment data certified to the Iowa department of education were noted.
- II-I-15 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-15 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-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 1,071,538
Revenues/transfers in:		
Sales tax revenues	\$ 518,721	
Sale of long-term debt	138,894	
Other local revenues	55	657,670
		<u>1,729,208</u>
Expenditures:		
School infrastructure construction	6,214	
Equipment	482,894	
Other	32,161	521,269
		<u>521,269</u>
Ending balance		<u><u>\$ 1,207,939</u></u>

For the year ended June 30, 2015, 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-15 Financial Condition - The School Nutrition Fund had deficit unrestricted net position of \$72,666 and deficit total net position of \$45,455 at June 30, 2015. The Latch Key Fund had deficit unrestricted and total net position of \$2,363 and the business type activities had deficit unrestricted net position of \$75,029 and deficit total net position of \$47,818 at June 30, 2015. The District's governmental activities had deficit unrestricted net position of \$3,215,258 at June 30, 2015. The primary reason for these deficit net positions is due to the implementation of GASB Statements No. 68 and No. 71 during the year.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB Statements No. 68 and 71 will affect the District's financials moving forward.

Response - The deficits in the governmental activities and the School Nutrition and Latch Key Funds are due to the booking of net pension liability. The District will take steps to further the District's administration and Board of Education understanding of the accounting change and how GASB Statements No. 68 and 71 will affect the District's financials in the future.

Conclusion - Response accepted.