

# **LOGAN CITY SCHOOL DISTRICT**

## **FINANCIAL STATEMENTS**

**June 30, 2010**



LOGAN CITY SCHOOL DISTRICT  
TABLE OF CONTENTS  
Year Ended June 30, 2010

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Notes to Financial Statements	21
Required Supplementary Information:	
General Fund - Budgetary Comparison Schedule	47
Notes to the Required Supplementary Information	48
Supplementary Information:	
Debt Service - Major Governmental Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	51
Capital Projects - Major Governmental Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	52

LOGAN CITY SCHOOL DISTRICT  
TABLE OF CONTENTS  
Year Ended June 30, 2010

Nonmajor Governmental Funds - Combining Balance Sheet	53
Nonmajor Governmental Funds - Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	54
Non K-12 Programs - Nonmajor Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	55
School Food Service - Nonmajor Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	56
Student Activity - Nonmajor Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	57
Schedule of Capital Assets	58
Schedule of Changes in Capital Assets	59
Single Audit Reports:	
Schedule of Expenditures of Federal Awards	61
Notes to the Schedule of Expenditures of Federal Awards	63
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	65
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	67
Schedule of Findings and Questioned Costs	70
Summary Schedule of Prior Audit Findings	73
Corrective Action Plan	74

LOGAN CITY SCHOOL DISTRICT  
TABLE OF CONTENTS  
Year Ended June 30, 2010

State Compliance Report:

Independent Auditors' Report on Compliance with State  
Legal Compliance Requirements

77



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## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Logan City School District  
Logan, Utah

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Logan City School District (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express our opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each discretely presented component unit, each major fund and the aggregate remaining fund information of the District as of and for the year ended June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 08, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Management's discussion and analysis and the budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*, and is not a required part of the basic financial statements of the District. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in blue ink that reads "Jones Simkins, P.C.".

JONES SIMKINS, P.C.

November 08, 2010

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LOGAN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010

As management of the Logan City School District (the District), we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the fiscal year ending June 30, 2010.

### **Financial Highlights**

- The District reports \$3,045,494 in total General Fund balance, which is an increase of \$64,243. Total General Fund balance includes \$2,218,179 in program reserves, \$800,000 in undistributed reserve, and \$27,315 in undesignated fund balance. Undesignated fund balance decreased \$272,245.
- The District total General Fund balance was 7.7% of budgeted expenditures, down from 8.0% for the prior fiscal year. While management feels fund balances and reserves are sufficient to maintain a sound financial position, of concern is the fact unreserved fund balances dropped from 3% to 2% of budgeted expenditures even though the District has been aggressive and proactive in dealing with current economic challenges that face all Utah school districts, more needs to be done to keep up with ongoing cuts in State revenue. The Board and management remain committed to a conservative fiscal philosophy that maintains as its primary focus the students of Logan City School District.
- Average Daily Student Membership for fiscal year 2010 was 6,089, thirty-four students less than the October 1<sup>st</sup> enrollment counts, consistent with the previous year. Overall enrollment appears to be increasing which is positive given that school districts are funded on a per pupil basis for the largest portion of their operations. October 1<sup>st</sup> enrollment was up 163 students, an increase of 2.7%. Interestingly, the increase in Average Daily Student Membership was 2.78%, unusually close to the October 1<sup>st</sup> enrollment increase.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. A comparative presentation of government-wide information is also included in this discussion and analysis. The purpose of this narrative is to simplify and clarify the following financial statements.

Government-wide financial statements: *The government-wide financial statements* are designed to provide readers with a broad overview of the District's financial condition, in a manner similar to a private-sector business.

LOGAN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010

The *statement of net assets* presents information on all the assets and liabilities of the District, with the difference between the two reported as *net assets*. In future years, increases or decreases in net assets may serve as one indicator of whether the overall financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the District changed during this fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, the financial statements are presented using the accrual method of accounting and revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected and delinquent property taxes and employees earned, but unused, paid leave).

The District's government-wide financial statements also present the net assets and a statement of activities for the Logan City School District Foundation (the Foundation). The Foundation is being presented as a discrete component unit in accordance with GASB Statement No. 39 "*Determining Whether Certain Organizations Are Component Units*".

Fund financial statements: A *fund* is a group of related accounts that is used to maintain control over resources that have been designated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are *governmental funds*.

Governmental funds: *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of *governmental funds* is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities*. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains six individual *governmental funds*. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and the capital projects fund, all of which are considered to be major funds. Data from the remaining three governmental funds, the Non K-12, Food Service and Student Activity Funds, are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* later in this report.

LOGAN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010

The District adopts an annual budget, as legally required, for each governmental fund. Budgetary comparison statements have been provided as supplementary information to demonstrate compliance with these budgets.

Notes to the financial statements: The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Other information: The combining and individual fund statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements located later in this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as one useful indicator of a government entity's financial condition. The District's assets exceeded liabilities by \$37,157,711 at the close of the fiscal year. This amounts to an increase of \$1,758,585 in the District's overall financial condition when compared to the prior year.

LOGAN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010

**LOGAN CITY SCHOOL DISTRICT'S NET ASSETS**

	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 29,326,043	28,573,462
Capital assets	<u>50,873,043</u>	<u>52,319,550</u>
Total assets	<u>80,199,086</u>	<u>80,893,012</u>
Other liabilities	17,024,321	16,410,697
Long-term liabilities outstanding	<u>26,017,054</u>	<u>29,083,189</u>
Total liabilities	<u>43,041,375</u>	<u>45,493,886</u>
Net assets:		
Invested in capital assets, net of related debt	28,720,785	28,093,361
Restricted	7,146,573	7,611,955
Unrestricted	<u>1,290,353</u>	<u>(306,190)</u>
Total net assets	\$ <u>37,157,711</u>	<u>35,399,126</u>

The largest portion of the District's net assets (77%) reflects its investment in capital assets (e.g., land, buildings and improvements, and furniture and equipment), less any related debt (general obligation bonds payable) used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for liquidation and future operations. Since the capital assets themselves cannot be used to satisfy these liabilities, the District must obtain these resources from the annual voter-approved property taxes assessed solely for the purpose of meeting the requirements previously established in the outstanding bond repayment schedule.

An additional portion of the District's net assets (19%) represents resources that are subject to restrictions agreed upon when grant funds were applied for and received. The remaining balance of *unrestricted net assets* (4%) may be used to meet the District's ongoing obligations to students, employees, and all other operational expenditures. A portion of the unrestricted net asset amount has been designated for a) an undistributed reserve, b) programs, c) facility improvements, and d) student activities.

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets, both for the District as a whole, as well as for its separate governmental activities.

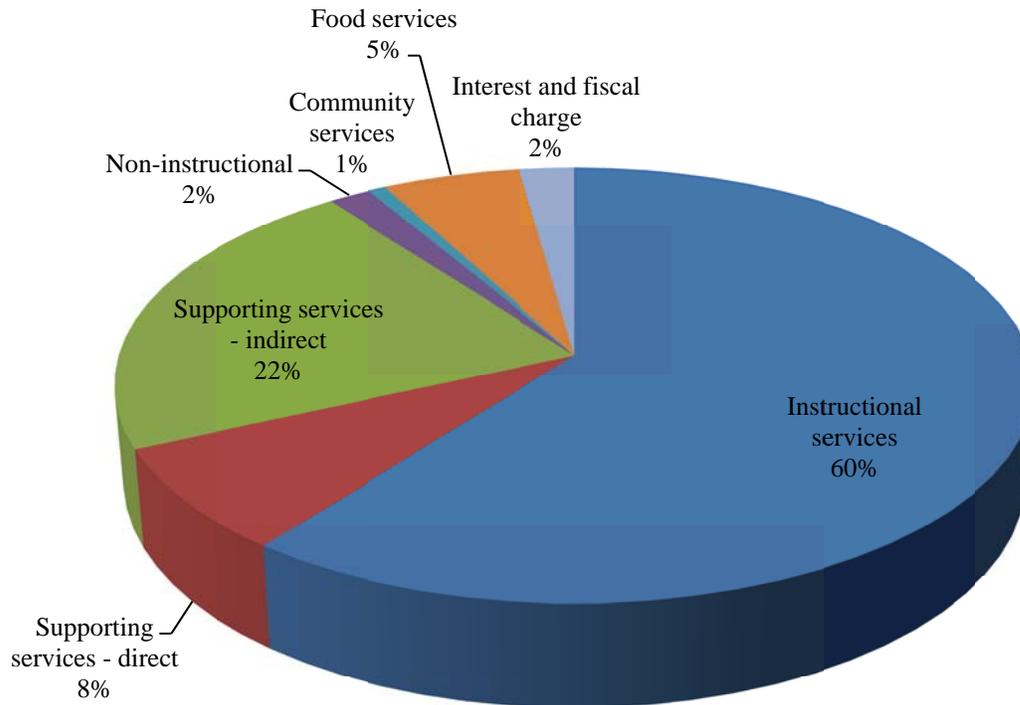
LOGAN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010

**LOGAN CITY SCHOOL DISTRICT'S CHANGES IN NET ASSETS**

	Governmental Activities	
	2010	2009
Revenues:		
Program revenues:		
Charges for services	\$ 1,561,285	1,492,945
Operating grants and contributions	7,453,335	8,050,535
Capital grants and contributions	-	-
General revenues:		
Property taxes	15,210,851	14,024,167
Federal and state aid not restricted to specific purposes	24,104,553	24,932,437
Earnings on investments	260,178	410,547
Miscellaneous	849,864	942,223
Total revenues	<u>49,440,066</u>	<u>49,852,854</u>
Expenses:		
Instruction	28,805,239	35,864,114
Supporting services:		
Students	1,997,348	1,684,054
Instructional support	1,705,965	1,415,389
District administration	507,789	481,048
School administration	2,268,321	2,088,126
Central Services	1,476,419	1,509,371
Operation and maintenance of facilities	4,853,322	4,432,082
Student transportation	1,208,563	1,188,476
Non-instructional	844,492	953,269
Community services	336,030	388,589
Food services	2,631,867	2,481,762
Interest and fiscal charges	1,046,126	1,082,436
Total expenses	<u>47,681,481</u>	<u>53,568,716</u>
Increase in net assets	<u>1,758,585</u>	<u>(3,715,862)</u>
Net assets previously reported	35,399,126	39,824,204
Prior period adjustment	-	(709,216)
Net assets – beginning, restated	<u>35,399,126</u>	<u>39,114,988</u>
Net assets – ending	<u>\$ 37,157,711</u>	<u>35,399,126</u>

LOGAN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010

## Distribution of Expenses



The largest source of operational revenue continues to be from annual legislative appropriations for the state minimum school program which is administered by the Utah State Board of Education. This revenue source is based on WPU's (weighted pupil units) distributed to districts based on annual student enrollments and the amount established by the state legislature each year. The value of the WPU for fiscal year 2010 was \$2,577, unchanged from fiscal year 2009.

Instructional services represent the largest dollar expenditure for District operations. Instruction and its direct support services represent 68% of the District's total expenditures.

LOGAN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010

**Financial Analysis of the District's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with all legal requirements.

Governmental funds: The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financial position. The unreserved fund balance is divided between designated and undesignated balances. The District has designated portions of the unreserved fund balance as follows:

- *Designation for undistributed reserve of \$800,000*: Utah law allows districts to establish an undistributed reserve within the general fund. The law limits this reserve to an amount not to exceed 5% of the general fund budget, or approximately \$1,974,000 at present. This reserve of \$800,000 represents an estimated 41% of the legal limit. These funds require specific board authorization to spend and are set aside for future contingencies and programs. By law, "the board may not use undistributed reserves in the negotiation or settlement of contract salaries for district employees."
- *Designation for programs of \$346,609*: The District has designated \$346,609 in the Non K-12 fund for operation expenses associated primarily with recreation center programs.
- *Designated for facility improvements of \$4,340,488*: The District has designated \$4,000,000 in the Capital Projects fund for future facility improvements. \$340,488 is designated Non K-12 funds for recreation center improvements.
- *Designation for students of \$623,947*: These designated funds are set aside in the Student Activity Fund and represent unspent fees and other monies collected at the school level for student activities.

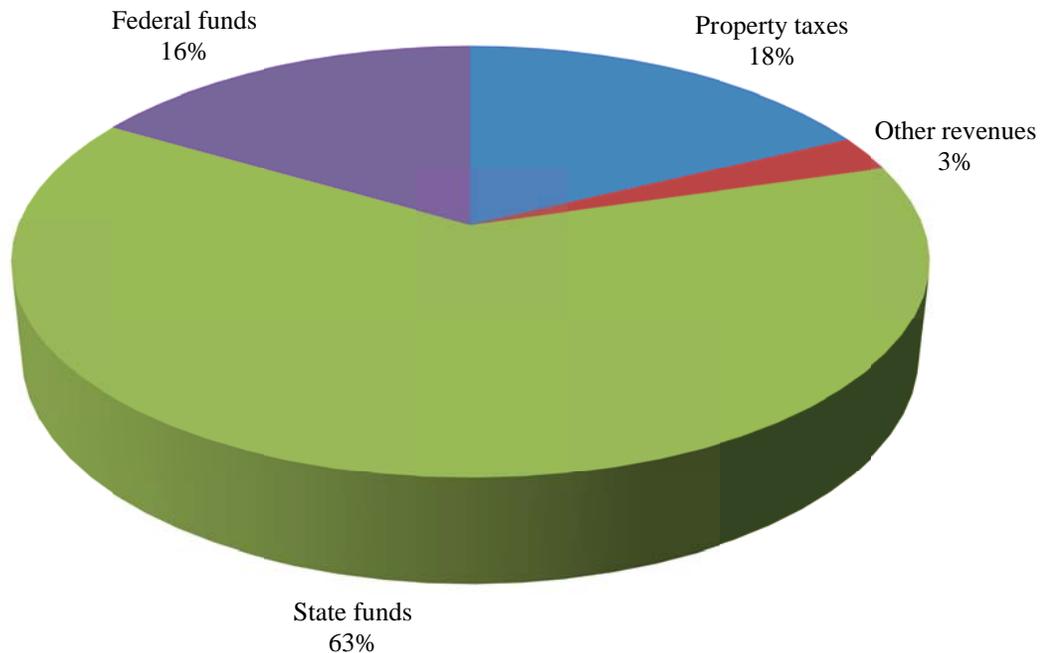
Undesignated balances are appropriated in the following year's budget. Fund balances of the Capital Projects, Debt Service, and other Governmental Funds are designated by State law to be expended as allowed by law.

LOGAN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010

The District operates six governmental type funds. A description of each fund and its significant activities follows.

- *The General Fund:* The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the undesignated fund balance was \$27,315. Total fund balance was \$3,045,494. The undesignated fund balance decreased \$272,245. Management is frankly not comfortable with this level of undesignated fund balance. It is recommended this balance be increased as propriety demands over-time and that reserves be maintained sufficient to offset unexpected budget shortfalls such that district instructional programs are not compromised.

### General Fund Revenue Sources



- *Debt Service Fund:* The Debt Service fund balance is \$460,904. By law these funds are restricted for payment of principal and interest on the District's outstanding general obligation bonds. This fund decreased \$283,663 in fiscal year 2010. This is not viewed as problematic as property taxes are assessed annually sufficient to meet debt obligations.

LOGAN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010

- *Capital Projects Fund:* The Capital Projects unreserved fund balance is \$4,387,374 and decreased \$509,895 during fiscal year 2010. This fund is for facility construction, renovation, maintenance and repairs, utilities, and purchase of land. As provided by law, certain capital funds may also be used for instructional supplies, textbooks and equipment. Because all instructional supplies, textbooks and equipment were recorded in the general fund, a transfer from the capital projects fund was recorded.
- *Non K-12 Fund:* The Non-K12 Fund balance is \$1,114,610, of which \$346,609 is designated for specific programs and \$340,488 is designated for facility at the recreation center. Undesignated fund balance increased \$328,366 during fiscal year 2010. This fund is crucial to the District for funding operations of the joint City and District recreation center, rental of swimming pool facilities, and extra-curricular activities.
- *School Food Service Fund:* The School Food Service Fund balance is \$1,151,987 and is earmarked for future operational costs of school lunch programs. This fund balance increased \$247,945 during fiscal year 2010.
- *Student Activity Fund:* The Student Activity Fund balance is \$623,947. All student activity funds represent unspent fees and other monies collected at the school level for designated programs within each school.

### **General Fund Budgetary Highlights**

The District continues to be detrimentally affected by policy decisions of the State Legislature, compounded by the current economic recession. Cuts in State funding necessitate ongoing and scrutinizing review of programs and expenditures. Adjustments to services provided are being made when possible and where feasible. Management views this as an opportunity to become more efficient in the delivery of necessary educational services.

### **Capital Asset and Debt Administration**

Capital Assets: The District investment in capital assets is \$50,873,043 net of accumulated depreciation. This compares to the previous year amount of \$52,319,550. Investment in capital assets includes land, buildings, equipment, and infrastructure; including District investment in the Logan Recreation Center, jointly operated with Logan City. At the government-wide reporting level depreciation is a major District expense (over \$2.4 million for fiscal year 2010).

LOGAN CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2010

Long-Term Debt: Total bonded indebtedness at June 30, 2010 is \$22,511,000 including \$16,095,000 of voter authorized general obligation debt and \$6,416,000 of lease revenue bonds. District general obligation debt is currently approximately 14% of the legal debt limit. The general obligation indebtedness of the Board is limited by State law to 4% of the fair market value of taxable property in the District. As of January 2010 estimated additional debt incurring capacity is \$108.5 million. Current district debt is scheduled to be retired by June 2028.

**Other Significant Matters**

On October 21, 2010 Moody's Investors Service downgraded to Aa3 from Aa2 the Logan City School District's long-term general obligation rating on outstanding debt. According to Moody's "the school district's financial position has undergone a slight deterioration which forms the basis for the downgrade." This downgrade is due to steadily declining reserves "due to somewhat rapid growth in district's fixed costs related to instruction and fringe benefit expenses." Notably, "At the end of the fiscal 2006, the district's fund balance reached its peak of \$3.7 million or 12.3% of General Fund revenues. This peak was followed by three consecutive years of operating deficits that brought the fund balance down to \$2.9 million or a weaker 8.0% at the end of fiscal 2009 and more comparable to Aa3 school district medians." Moody's report makes clear, in order to move the rating up, there needs to be a significant improvement in socioeconomic indices, significant and sustained increases in reserve levels, and restoration of the cash position comparable to previous years.

The Board and management are committed to making appropriate decisions and course corrections to ensure the financial stability of the school district going forward.

**Requests for Information**

This financial report is designed to provide a general overview of the Logan City School District's financial operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Zane K. Woolstenhulme, Business Administrator, Logan City School District, 101 West Center, Logan, Utah, 84321.

LOGAN CITY SCHOOL DISTRICT  
BASIC FINANCIAL STATEMENTS

LOGAN CITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
June 30, 2010

	<u>Primary Government</u>		<u>Component Unit Foundation</u>
	<u>Governmental Activities</u>	<u>Total</u>	
<u>Assets</u>			
Cash and cash equivalents	\$ -	-	288,992
Equity in pooled cash and investments	9,668,324	9,668,324	-
Restricted cash and cash equivalents	536,631	536,631	-
Investments	-	-	163,073
Receivables:			
Taxes	14,910,603	14,910,603	-
Intergovernmental	3,626,477	3,626,477	-
Prepaid expenses	381,187	381,187	-
Inventories	42,107	42,107	-
Bond issuance costs, net	160,714	160,714	-
Capital assets:			
Land	3,936,238	3,936,238	-
Other capital assets, net of depreciation	46,936,805	46,936,805	-
 Total Assets	 <u>80,199,086</u>	 <u>80,199,086</u>	 <u>452,065</u>
<u>Liabilities</u>			
Accounts payable and accrued expenses	3,647,142	3,647,142	113
Deferred revenues	13,377,179	13,377,179	-
Noncurrent liabilities, net:			
Due within one year	2,962,000	2,962,000	-
Due in more than one year	23,055,054	23,055,054	-
 Total liabilities	 <u>43,041,375</u>	 <u>43,041,375</u>	 <u>113</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	28,720,785	28,720,785	-
Restricted for:			
Debt service	527,871	527,871	-
Capital projects	5,120,310	5,120,310	-
Program expenditures	1,498,392	1,498,392	-
Other purposes	-	-	288,091
Unrestricted	1,290,353	1,290,353	163,861
 Total net assets	 \$ <u>37,157,711</u>	 <u>37,157,711</u>	 <u>451,952</u>

The accompanying notes are an integral part of these financial statements.

LOGAN CITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Component Unit Foundation
Primary government activities:						
Instruction	\$ 28,805,239	3,187	5,442,017	-	(23,360,035)	-
Support services:						
Students	1,997,348	778,846	-	-	(1,218,502)	-
Instructional staff	1,705,965	-	-	-	(1,705,965)	-
District administration	507,789	-	-	-	(507,789)	-
School administration	2,268,321	-	-	-	(2,268,321)	-
Central services	1,476,419	-	-	-	(1,476,419)	-
Operation and maintenance of facilities	4,853,322	-	-	-	(4,853,322)	-
Student transportation	1,208,563	-	-	-	(1,208,563)	-
Non-instructional	844,492	50,000	-	-	(794,492)	-
Community services	336,030	8,239	-	-	(327,791)	-
Food services	2,631,867	721,013	2,011,318	-	100,464	-
Interest and fiscal charges	1,046,126	-	-	-	(1,046,126)	-
Total primary government	<u>\$ 47,681,481</u>	<u>1,561,285</u>	<u>7,453,335</u>	<u>-</u>	<u>(38,666,861)</u>	<u>-</u>
Component Unit - Foundation	<u>\$ 268,504</u>	<u>-</u>	<u>209,110</u>	<u>-</u>	<u>-</u>	<u>(59,394)</u>
General revenues:						
Taxes					15,210,851	-
Federal and state revenues and contributions not restricted to specific purposes					24,104,553	76,205
Earnings on investments					260,178	11,661
Miscellaneous					849,864	-
Total general revenues					<u>40,425,446</u>	<u>87,866</u>
Change in net assets					<u>1,758,585</u>	<u>28,472</u>
Net assets - beginning					<u>35,399,126</u>	<u>423,480</u>
Net assets - ending					<u>\$ 37,157,711</u>	<u>451,952</u>

The accompanying notes are an integral part of these financial statements.

LOGAN CITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2010

	General (Maintenance & Operations)	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Equity in pooled cash and investments	\$ 2,551,918	371,172	4,225,402	2,519,832	9,668,324
Restricted cash and cash equivalents	-	-	536,631	-	536,631
Receivables:					
Taxes	8,300,982	2,052,950	3,706,767	849,904	14,910,603
Intergovernmental	3,331,048	-	-	300,824	3,631,872
Prepaid expenses	381,187	-	-	-	381,187
Inventory	-	-	-	42,107	42,107
<b>Total assets</b>	<b>\$ 14,565,135</b>	<b>2,424,122</b>	<b>8,468,800</b>	<b>3,712,667</b>	<b>29,170,724</b>
<u>Liabilities</u>					
Accounts payable	\$ 3,524,218	-	101,946	26,371	3,652,535
Deferred revenue	7,995,423	1,963,218	3,442,849	795,752	14,197,242
<b>Total liabilities</b>	<b>11,519,641</b>	<b>1,963,218</b>	<b>3,544,795</b>	<b>822,123</b>	<b>17,849,777</b>
<u>Fund balances</u>					
Reserved for:					
Debt service	-	460,904	167	-	461,071
Acquisition and construction	-	-	536,464	-	536,464
Inventory	-	-	-	42,107	42,107
Program expenditures	1,498,392	-	-	-	1,498,392
Transportation	636,861	-	-	-	636,861
Tort liability	82,926	-	-	-	82,926
Unreserved:					
Designated for:					
Undistributed reserve	800,000	-	-	-	800,000
Programs	-	-	-	346,609	346,609
Facility improvements	-	-	4,000,000	340,488	4,340,488
Students	-	-	-	623,947	623,947
Undesignated	27,315	-	387,374	1,537,393	1,952,082
<b>Total fund balances</b>	<b>3,045,494</b>	<b>460,904</b>	<b>4,924,005</b>	<b>2,890,544</b>	<b>11,320,947</b>
<b>Total liabilities and fund balances</b>	<b>\$ 14,565,135</b>	<b>2,424,122</b>	<b>8,468,800</b>	<b>3,712,667</b>	<b>29,170,724</b>

The accompanying notes are an integral part of these financial statements.

LOGAN CITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
June 30, 2010

Total fund balance - governmental funds \$ 11,320,947

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Capital assets including infrastructure are capitalized and depreciated over their estimated useful life in the statement of net assets. The cost of the estimated historical cost of the assets is \$83,305,920 and the accumulated depreciation is \$32,432,877. 50,873,043

Some of the District's property taxes (delinquent taxes) will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are not recorded in the funds. Receivables and revenues are recorded on the accrual basis in the statement of activities. 820,061

Long-term liabilities, including outstanding general obligation bonds and post employment benefits, are not due and payable in the current period and therefore are not reported as liabilities in the funds. All liabilities, both current and long-term, are reported in the statement of net assets. Balances at year-end are:

Bonds payable	\$ (22,511,000)	
Issuance costs	160,714	
Unamortized premiums	(193,243)	
Deferred amounts on refundings	391,271	
Early retirement payable	<u>(3,704,082)</u>	<u>(25,856,340)</u>

Total net assets - governmental activities \$ 37,157,711

The accompanying notes are an integral part of these financial statements.

LOGAN CITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year Ended June 30, 2010

	General (Maintenance & Operations)	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local revenues:					
Taxes	\$ 6,392,217	1,876,942	5,520,414	1,132,707	14,922,280
Tuition	229,260	-	-	930,676	1,159,936
Earnings on investments	250,949	-	4,052	5,177	260,178
Food service sales	-	-	-	620,581	620,581
Local government units	361,071	-	-	-	361,071
Other local revenue	137,986	-	1,772	301,822	441,580
State grants-in-aid	22,846,295	-	238,122	533,999	23,618,416
Federal sources	5,950,857	-	-	1,816,598	7,767,455
<b>Total revenues</b>	<b>36,168,635</b>	<b>1,876,942</b>	<b>5,764,360</b>	<b>5,341,560</b>	<b>49,151,497</b>
Expenditures:					
Instruction	27,273,267	-	-	939,694	28,212,961
Support services:					
Students	1,757,652	-	-	19,891	1,777,543
Instructional staff	1,607,525	-	-	-	1,607,525
District administration	483,209	-	-	-	483,209
School administration	2,145,419	-	-	-	2,145,419
Central services	1,402,678	-	-	-	1,402,678
Operation and maintenance of facilities	2,754,570	-	-	-	2,754,570
Student transportation	1,208,563	-	-	-	1,208,563
Non-instructional	-	-	-	908,188	908,188
Community services	-	-	-	329,953	329,953
Food services	-	-	-	2,484,386	2,484,386
Acquisition, construction and maintenance	-	-	3,026,768	-	3,026,768
Debt Service:					
Redemption of principal	-	1,480,000	490,000	-	1,970,000
Interest and fiscal charges	-	680,605	296,267	-	976,872
<b>Total expenditures</b>	<b>38,632,883</b>	<b>2,160,605</b>	<b>3,813,035</b>	<b>4,682,112</b>	<b>49,288,635</b>
Other financing sources (uses):					
Transfers in	2,551,161	-	-	210,176	2,761,337
Transfers out	(22,670)	-	(2,479,283)	(259,384)	(2,761,337)
<b>Total other financing sources (uses)</b>	<b>2,528,491</b>	<b>-</b>	<b>(2,479,283)</b>	<b>(49,208)</b>	<b>-</b>
Net change in fund balances	64,243	(283,663)	(527,958)	610,240	(137,138)
Fund balances at beginning of year	2,981,251	744,567	5,451,963	2,280,304	11,458,085
Fund balances at end of year	\$ 3,045,494	460,904	4,924,005	2,890,544	11,320,947

The accompanying notes are an integral part of these financial statements.

LOGAN CITY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2010

Net change in fund balances - total governmental funds \$ (137,138)

Amounts reported for governmental activities in the statement of activities are different because:

Capital acquisitions and improvements are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital acquisitions and improvements	1,011,515
Depreciation expense	<u>(2,458,022)</u>
	(1,446,507)

Bond proceeds are reported in governmental funds as an other financing source, while repayment of bond principal is reported as an expenditure. In the statement of net assets, issuing debt increases liabilities and the repayment of principal reduces the liability. Also, government funds report issuance costs and premiums and other financing sources and uses, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due.

Amortization of deferred amounts on refundings	(78,255)
Amortization of bond premium	21,472
Amortization of bond issuance costs	(12,471)
Payments of principal on outstanding bonds	<u>1,970,000</u>
	1,900,746

In the governmental funds, post employment benefits are recorded when paid. In the statement of net assets, the amount due for future periods is recorded as a liability. During the year, post-employment benefits decreased \$1,152,918. 1,152,918

Property taxes levied in prior years but not yet collected are not recognized in the governmental funds because they are not available. They are, however, recorded as revenues in the statement of activities. Delinquent taxes receivable increased during this year. 288,566

Change in net assets - total governmental activities: \$ 1,758,585

The accompanying notes are an integral part of these financial statements.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Logan City School District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. Reporting Entity

*Primary Government*

The Logan City School District Board of Education is the basic level of government that has oversight responsibility and control over all activities related to public school education in the City of Logan, Utah. The Board is comprised of five elected individuals and is the primary governing authority for the District. The Board is responsible for setting district policies, appointing the superintendent and the business administrator, and approving budgets and all related education matters.

The District is not included in any other reporting entity and is defined as an independent school district. The District is not a component unit of any other primary government. The Board has the authority to levy taxes, adopt budgets, and issue debt. The District receives funding from local, state, and federal sources and must comply with the requirements of these funding sources.

*Discrete Component Unit*

The Logan City School District Foundation (the Foundation) is a non-profit 501(c)(3) corporation organized for the purpose of seeking supplemental resources for education purposes. The Foundation receives support from the District and is fiscally accountable to the District for its operations. The Foundation qualifies to be reported as a discrete component unit of the District in accordance with the requirements of GASB Statement No. 39 “*Determining Whether Certain Organizations Are Component Units*”. The Foundation does not issue separate financial statements.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 1 – Summary of Significant Accounting Policies (continued)

*Blended Component Unit*

The District has established a Municipal Building Authority (the Authority) pursuant to state code. The Governing Board of the Authority is comprised of the Logan City School Board. The purpose of the Authority is to serve the District as a financing agency for debt financed projects. During 2008, the Authority issued lease revenue bonds. Due to the restrictive nature of the State Board of Education's fund structure, a separate Municipal Building Authority Capital Projects Fund and Debt Service Fund have not been established. Therefore, the District used its capital projects fund to account for the construction and debt payments related to the Authority.

*Undivided Interest in Joint Operation*

The Logan Recreation Center is jointly operated through an agreement between the District and the City of Logan. Both the District and the City have recorded their portion or interest in the recreation center as a capital asset. Operating expenses are shared equally and the City has assumed fiduciary responsibility for the Center.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the District and the Foundation.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function.

Property taxes and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 1 – Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide 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 taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 District generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, and post-employment healthcare benefits, are recorded only when payment is due.

Property taxes, fees-in-lieu, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes associated with future periods are deferred. All other revenue items are considered to be measurable and available only when the District receives cash.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

The District's policy is to allocate indirect costs in accordance to state school board policy.

The District's accounting system is organized on a fund basis. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the government establishes for accountability purposes in accordance with statutes, laws, regulations, restrictions, or specific purposes.

The focus of the fund financial statements is *major* funds. Major funds are defined based on a numerical formula and these funds generally represent the government's most important funds.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 1 – Summary of Significant Accounting Policies (continued)

The District reports the following major governmental funds:

- The Maintenance and Operation Fund (general fund) is the District's primary operating fund. It accounts for resources devoted to financing the general services of the District. The fund is charged with all costs of operating the District for which a separate fund has not been established.
- The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest and related costs of outstanding general obligation debt.
- The Capital Projects Fund accounts for the financial resources used for the acquisition, construction, remodeling, maintenance, and repair of capital facilities and equipment by the District. The State Statutes allow an additional "10% of Basic" tax rate for debt service, the construction or remodeling of school buildings or the purchase of school sites, buses, equipment, textbooks, and supplies. The State Statutes also allow a tax rate of up to .0002 to maintain the District's facilities.

Additionally the District reports the following funds:

- The Non K-12 Program Fund (a special revenue fund) is used to account for the proceeds of specific revenue sources from Non K-12 program activities. This fund's expenditures are legally restricted for specified purposes.
- The School Food Service Fund (a special revenue fund) is used to account for the proceeds of specific revenue sources related to food service. This fund's expenditures are legally restricted for specified purposes.
- The Student Activities Fund (a special revenue fund) is used to account for the proceeds of specific revenue sources related to student body groups.

D. Cash and Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurer's Investment Fund (PTIF).

All investments are reported at fair value.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 1 – Summary of Significant Accounting Policies (continued)

E. Receivables

District management considers receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been established. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.”

F. Inventory

Inventory items in the School Food Service Fund, a special revenue fund type, are recorded as expenditures when consumed rather than when purchased. Federal commodity contributions are recorded as revenue when they are received. Non-federal commodity inventory is valued at cost, using the first-in/first-out (FIFO) method. Federal commodity inventory is valued at fair market value as determined by the United States Department of Agriculture. All other funds record inventory type items as expenditures at the time purchases are made.

G. Fixed Assets

Fixed assets include land, buildings, improvements, infrastructure, furniture and equipment. Fixed assets are reported in the governmental activities column in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$10,000. All fixed assets are valued at cost or estimated cost if actual cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest incurred during construction is not capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings, improvements and infrastructure	10 to 50
Equipment and furniture	5 to 15

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 1 – Summary of Significant Accounting Policies (continued)

H. Deferred Revenue

In the governmental funds, deferred revenue includes:

- Property taxes reported or received before the fiscal year for which the taxes are levied,
- Earned amounts not available to liquidate liabilities of the current period, such as delinquent property taxes expected to be received after the availability period, and
- Resources received before recognition and eligibility requirements are met (amounts of restricted grants received in excess of expenditures).

I. Compensated Absences

Under terms of association agreements, twelve-month or full-year employees earn vacation and sick leave in amounts varying with tenure and classification. All vacation pay plus related payroll taxes are accrued when incurred in the government-wide financial statements.

Full-time employees (those with 12-month contracts) earn vacation days ranging from 10 to 15 days per year depending upon length of service. Terminating employees are not paid for unused vacation. One half of the annual vacation earned may be carried forward to subsequent years. Employees on contract are entitled to 3 days personal leave per year. Three unused personal leave days may be carried forward to subsequent years.

Retiring employees may only be paid for a maximum of 150 days of unused sick leave at a rate per day set in accordance with negotiated personnel agreements. Terminating employees are not paid for unused sick leave. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 1 – Summary of Significant Accounting Policies (continued)

J. Post-Employment Benefits

The District's employees who meet certain requirements can retire under an early retirement program. This program provides for stipends and health insurance coverage for the retiree and are typically for a maximum of four years or until the retiree becomes eligible to receive full social security benefits. However, some employees have received an eight year early retirement benefit. Expenditures are recorded in the Maintenance and Operations Fund when paid. The amount of the known obligations is recorded as a liability in the government-wide financial statements in the statement of net assets. The District also participates in a life insurance death benefit program for eligible employees.

K. Long-term Obligations

In the government-wide financial statements, long-term debt and obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method when material.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

L. Fund Equity

In the fund financial statements, governmental funds report unreserved fund balance for amounts available for budgeting future operations. Designations of fund balance represent tentative management plans that are subject to change. Reservations of fund balance represent amounts for use that are legally restricted by outside parties or are amounts associated with assets that are not available for appropriation.

M. Property Taxes

Real property taxes are collected by the County Treasurer and subsequently remitted to the District. Real property taxes are assessed on the taxable value of property (as of January 1st) and such taxes are due and payable by November 30 of each year after which time they become delinquent. Personal property taxes and fees in lieu of tax are collected by the County Treasurer and remitted to the District monthly.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 1 – Summary of Significant Accounting Policies (continued)

It is expected that all delinquencies plus accrued interest and penalties will be collected within a five-year period, after which time, the County Treasurer may force sale of property to collect the delinquent portion. Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

All funds except the Food Service and Student Activity funds are permitted to assess taxes. Certain tax rates have limitations as outlined by Utah State law. The tax rates of the District are within the prescribed limitations.

The District's combined tax rate includes the following:

*Maintenance and Operation Fund:*

Minimum school program – The rate calculated by the State Tax Commission to support the basic educational program of the District based on the weighted pupil unit established by the State Legislature.

Voted leeway - A rate approved by the voters within the District to maintain school programs not supported by other funding.

Board approved leeway - An optional rate adopted by the school board to assist in the reduction of overall class size.

Special transportation - A rate to assist funding for student transportation for school activities and other related transportation costs not funded through state appropriation. State appropriated funds must be used for approved student transportation to and from school.

Tort liability - A rate to assist in the payment of general liability claims, judgments, and insurance premiums.

*Non K-12 Fund:*

Recreation - A rate to provide support the District's share of operation and maintenance of recreational facilities and programs.

*Debt Service Fund:*

Debt service - A rate to provide required funds to pay the annual debt service principal and interest payments of the voter approved general obligation outstanding debt.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 1 – Summary of Significant Accounting Policies (continued)

*Capital Outlay Fund:*

Capital outlays - A rate to be used to purchase, maintain, and repair capital facilities, grounds and equipment.

10% of basic - A rate limited by law to be used for debt service, the construction or remodeling of school buildings, or the purchase of school sites, buses, equipment, textbooks and supplies. The proceeds related to this tax rate were transferred to the maintenance and operations fund in fiscal year 2010 in accordance with State Statutes.

N. Operating Grants Restricted and Unrestricted

The District receives State and Federal Funds passed through the State Office of Education and direct Federal funding. Federal funds received as grants and State funds that are restricted by enabling legislation are presented as program revenues in the Statement of Activities. It is the District's policy to use restricted funds (i.e. operating grants and contributions) in compliance with specific award requirements and to provide instructional services.

Note 2 – Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted by the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The District follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 2 – Deposits and Investments (continued)

A. Primary Government

At June 30, 2010, the District's deposits and investments consisted of the following:

<u>Financial Statement Description</u>	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Government activities:			
Equity in pooled cash and investments:			
Demand deposits	\$ (756,969)	-	(756,969)
Money market	4,414,501	-	4,414,501
Public Treasurer's Investment Pool	-	2,773,385	2,773,385
Certificates of deposit	3,237,407	-	3,237,407
	<u>6,894,939</u>	<u>2,773,385</u>	<u>9,668,324</u>
Restricted cash and cash equivalents:			
Public Treasurer's Investment Pool	-	536,631	536,631
	<u>\$ 6,894,939</u>	<u>3,310,016</u>	<u>10,204,955</u>

**Deposits**

*Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a formal deposit policy for custodial credit risk. As of June 30, 2010, approximately \$7,104,000 of the District's bank balances of approximately \$8,508,000 were uninsured and uncollateralized.

**Investments**

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investments transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with the issuers of investment securities.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 2 – Deposits and Investments (continued)

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investor Services or Standard & Poor’s; bankers’ acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer’s Investment Fund.

The Utah State Treasurer’s Office operates the Public Treasurers’ Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionately in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant’s average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. As of June 30, 2010, all investments held by the District are in the PTIF, which has a maturity of less than 1 year.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District’s policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State’s Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on investments in commercial paper, bankers’ acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 2 – Deposits and Investments (continued)

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing exposure to credit risk is to comply with the State's Money Management Act as previously discussed. At June 30, 2010, all investments held by the District are in the PTIF which is unrated.

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for reducing this risk is to use the PTIF whenever possible.

*Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's policy for custodial risk is to use the PTIF whenever possible.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 2 – Deposits and Investments (continued)

B. Component Unit

At June 30, 2010, the Foundation's deposits and investments consisted of the following:

<u>Financial Statement Description</u>	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Cash and cash equivalents:			
Demand deposits	\$ 44,146	-	44,146
Public Treasurer's Investment Pool	-	82,372	82,372
Certificates of deposit	162,474	-	162,474
	<u>206,620</u>	<u>82,372</u>	<u>288,992</u>
Investments:			
Certificates of deposit	88,552	-	88,552
Taxable bonds	-	51,316	51,316
Equities	-	23,205	23,205
	<u>88,552</u>	<u>74,521</u>	<u>163,073</u>
	<u>\$ 295,172</u>	<u>156,893</u>	<u>452,065</u>

**Deposits**

*Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of a bank failure, the Foundation's deposits may not be returned. The Foundation does not have a formal deposit policy for custodial credit risk. As of June 30, 2010, none of the Foundation's bank balances of approximately \$225,000 were exposed to credit risk because the entire balances were insured.

**Investments**

The Foundation follows the applicable investing criteria described above for the primary government. As of June 30, 2010, all investments held by the Foundation have a maturity of less than 1 year.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 2 – Deposits and Investments (continued)

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's policy for managing its interest rate risk is the same as described above for the primary government except when gifts specify that funds be held in equities or bonds.

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation's policy for reducing exposure to investment credit rate risk is the same as described above for the primary government except when gifts specify that funds be held in equities or bonds. At June 30, 2010, all investments held by the Foundation in equities and bonds are unrated.

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Foundation's policy for reducing its risk of loss due to concentrations is the same as described above for the primary government except when gifts specify that funds be held in equities or bonds.

*Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Foundation's policy for custodial risk is to use the PTIF whenever possible except when gifts specify that funds be held in equities or bonds.

Note 3 – Receivables

The District's receivables consist primarily of: (1) amounts due from the State of Utah, (2) amounts due from the Cache County School District, and (3) property taxes receivable from Cache County.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 3 – Receivables (continued)

Property taxes receivable are summarized as follows:

Levied for current and prior years (delinquent)	\$ 820,061
Taxes receivable subject to accrual	713,363
Levied for future year	<u>13,377,179</u>
	<u>\$ 14,910,603</u>

Note 4 – Capital Assets

A summary of changes in capital assets follows:

	<u>Balance</u> <u>7/1/2009</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Balance</u> <u>6/30/2010</u>
Capital assets, not being depreciated:				
Land	\$ 3,851,929	84,309	-	3,936,238
Construction in process	<u>53,165</u>	<u>-</u>	<u>(53,165)</u>	<u>-</u>
	<u>3,905,094</u>	<u>84,309</u>	<u>(53,165)</u>	<u>3,936,238</u>
Capital assets, being depreciated:				
Buildings and improvements	76,763,912	877,525	53,165	77,694,602
Equipment	<u>1,625,399</u>	<u>49,681</u>	<u>-</u>	<u>1,675,080</u>
	<u>78,389,311</u>	<u>927,206</u>	<u>53,165</u>	<u>79,369,682</u>
Total capital assets	<u>82,294,405</u>	<u>1,011,515</u>	<u>-</u>	<u>83,305,920</u>
Accumulated depreciation for:				
Buildings and improvements	(29,069,049)	(2,344,206)	-	(31,413,255)
Equipment	<u>(905,806)</u>	<u>(113,816)</u>	<u>-</u>	<u>(1,019,622)</u>
	<u>(29,974,855)</u>	<u>(2,458,022)</u>	<u>-</u>	<u>(32,432,877)</u>
Total capital assets, net	<u>\$ 52,319,550</u>	<u>(1,446,507)</u>	<u>-</u>	<u>50,873,043</u>

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 4 – Capital Assets (continued)

Depreciation expense was charged to functions of the District as follows:

Instruction	\$ 1,745,196
Supporting services:	
Students	98,321
Instructional staff	98,321
District administration	24,580
School administration	122,901
Central services	73,741
Operation and maintenance of facilities	73,741
Non-instructional	49,160
Community services	24,580
School food services	<u>147,481</u>
	\$ <u><u>2,458,022</u></u>

Note 5 – Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following:

Payables to vendors/other	\$ <u>3,647,142</u>
	\$ <u><u>3,647,142</u></u>

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 6 – Deferred Revenue

Deferred revenues in the Statement of Net Assets have been recorded for estimated future taxes when the revenue recognition criteria have not been met.

Property taxes and fees in lieu:	
General (M&O) Fund	\$ 7,533,590
Special revenue funds:	
Non-K-12 Programs Fund	749,788
Debt Service Fund	1,849,818
Capital Projects Fund	<u>3,243,983</u>
	<u>\$ 13,377,179</u>

Additional deferred revenue of \$820,061 is recorded in the Balance Sheet of the Governmental Funds for delinquent taxes that are receivable but not available under the current financial resources measurement focus.

Note 7 – Long-Term Obligations

Long-term liability activity for the year ended June 30, 2010, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 17,575,000	-	(1,480,000)	16,095,000	1,530,000
Lease revenue bonds	6,906,000	-	(490,000)	6,416,000	251,000
Bond issuance premiums	214,715	-	(21,472)	193,243	-
Deferred amounts on refunding	<u>(469,526)</u>	<u>-</u>	<u>78,255</u>	<u>(391,271)</u>	<u>-</u>
	24,226,189	-	(1,913,217)	22,312,972	1,781,000
Post-retirement benefits	<u>4,857,000</u>	<u>343,574</u>	<u>(1,496,492)</u>	<u>3,704,082</u>	<u>1,181,000</u>
Total governmental activity long-term liabilities	<u>\$ 29,083,189</u>	<u>343,574</u>	<u>(3,409,709)</u>	<u>26,017,054</u>	<u>2,962,000</u>

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 7 – Long-Term Obligations (continued)

*General Obligation Bonds*

The District issues general obligation bonds to provide funds for the construction of new facilities, acquisition of property, renovation and improvement of facilities, and the purchase of school equipment. General Obligation Bonds are direct obligations and pledge the full faith and credit of the taxpayers in the District. Payments on the general obligation bonds are made by the debt service fund from property taxes. The District is current on all bond payments and is in compliance with the significant terms of the bond agreements.

*Lease Revenue Bonds*

The Municipal Building Authority issues lease revenue bonds to provide funds for the construction of new facilities, acquisition of property, renovation and improvement of facilities, and the purchase of school equipment. Payments on lease revenue bonds are designed to equal income generated by leasing the acquired or constructed assets to the District. For the current year, interest was paid in the amount of \$296,267. Lease payments will continue each fiscal year through the maturity of the lease revenue bonds.

*Bond Issuance Premiums*

Premiums received at the issuance of new bonds are being amortized over the life of related debt.

*Deferred Amounts on Refunding*

The 2004 Serial bonds reacquisition price of the defeasance transaction (assets placed in escrow) exceeded the net carrying amount of the old debt by \$860,796. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued.

*Post-Retirement Benefits*

The District provides benefits in the form of early retirement and associated health insurance costs. Early retirement may be applied for and is available to employees who obtain administrative approval and qualify based on the eligibility requirements. As a result, early retirement costs and associated health benefit costs are accounted for as termination benefits. The early retirement obligation is not covered as part of the District's pension plans.

The projected future cost of early retirement and medical insurance benefits has been calculated based on the amount payable in the next fiscal year plus projected increases of 6% for medical premiums. The net present value of the total projected costs is calculated using a 4% discount factor and is the amount recognized on the financial statements as the liability for early

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

retirement.

Note 7 – Long-Term Obligations (continued)

As of June 30, 2010, there were thirty-five individuals participating in the early retirement program. During the year approximately \$1,496,000 was paid for post-employment benefits. The estimated net present value of the early retirement benefits is \$3,704,082.

*Defeased Debt*

In prior years, the District has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the District's government-wide financial statements. As of June 30, 2010 the amount of defeased debt outstanding but removed from the District's financial statements amounted to \$4,850,000.

Bonds payable at June 30, 2010, are comprised of the following individual issuances:

\$9,105,000 series 2003, general obligation bonds due in annual installments of \$30,000 to \$2,095,000 starting in 2004 through June 15, 2019; interest ranging from 2.00% to 4.00%.	\$ 6,650,000
\$12,050,000 series 2004, general obligation bonds due in annual installments of \$80,000 to \$1,700,000 ranging from 2.50% to 4.00%.	9,445,000
\$6,906,000 series 2008, Municipal Building Authority lease revenue bonds due in annual installments of \$240,000 to \$520,000 starting in 2009 through April 1, 2028; interest of 4.29%.	<u>6,416,000</u>
	<u>\$ 22,511,000</u>

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 7 – Long-Term Obligations (continued)

The annual cash requirements to amortize all bonds outstanding as of June 30, 2010 including interest payments are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,781,000	910,326	2,691,326
2012	1,847,000	846,009	2,693,009
2013	1,913,000	779,239	2,692,239
2014	1,990,000	702,102	2,692,102
2015	2,068,000	621,886	2,689,886
2015-2019	9,563,000	1,796,069	11,359,069
2020-2024	2,103,000	599,356	2,702,356
2025-2028	1,246,000	130,159	1,376,159
	<u>\$ 22,511,000</u>	<u>6,385,146</u>	<u>28,896,146</u>

Note 8 – Fund Balance

*Restrictions*

Restrictions in the Statement of Net Assets are either imposed by parties outside the District or are created by enabling legislation. Net assets accumulated for debt service and capital expenses as well as federal funds carried over for specific programs are presented as restricted net assets.

*Reservations*

Reservations of fund balances on the Governmental Funds Balance Sheet are established to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance appropriate for future expenditures only for specific purposes. Specific reservations of the fund balance accounts are summarized below.

Reserved for debt service – The reserve for debt service was created to segregate a portion of the fund balance account for debt service, including both principal and interest payments.

Reserved for acquisition and construction – The reserve for acquisition and construction was created to segregate a portion of the fund balance account for acquisition and construction of future facilities.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 8 – Fund Balance (continued)

Reserved for inventory – The reserve for inventory was created to represent the portion of the fund balance that is not available for expenditures because the District maintains an inventory of food supplies.

Reserved for program expenditures – The reserve for program expenditures represents unexpended carryover funds for specific programs and was created to restrict the use of resources for those programs in the following year.

Reserved for transportation – The reserve for transportation represents unspent taxes levied for transportation purposes.

Reserved for tort liability – The reserve for tort liability represents unspent taxes levied for general liability claims, judgments, and insurance premiums.

*Designations*

Designation for undistributed reserve – State statute 53A-19-103 allows school districts to have an undistributed M&O reserve not to exceed five percent of the total M&O budget by a written resolution adopted by a majority vote of the Board. According to law, the Board may not use undistributed reserves in negotiations or settlement of contract salaries for school district employees. The District has \$800,000 in the undistributed reserve.

Designation for programs – This designation of fund balance represents a reserve for anticipated funding decreases from the state and a reserve for operating the Logan Recreation Center.

Designated for facility improvements – The designation for facility improvements was created to segregate a portion of the Capital Projects Fund to meet potential future improvements of facilities owned by the District.

Designation for students – The designation for students represents unspent fees and other monies collected at the school level for student activities.

Note 9 – Operating Leases

The District has entered into an operating lease and service agreement with Xerox Corporation (Xerox) for copier services within the District. The District has access to copiers provided by Xerox and pays lease amounts calculated on a base fee plus cost per copy basis. Lease expense related to this operating lease was approximately \$351,000 for the year ended June 30, 2010.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 9 – Operating Leases

The District leases an indoor pool facility under a non-cancelable operating lease which expires on July 31, 2011. Lease expense related to this operating lease for the year ended June 30, 2010 was \$50,000.

Future minimum lease payments under the non-cancelable lease obligations are approximately as follows:

Year Ending <u>June 30,</u>	<u>Amounts</u>
2011	\$ <u>50,000</u>
	\$ <u>50,000</u>

Note 10 – Retirement Plans

*Defined Benefit Plans*

The District contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System which are multiple employer, cost sharing defined benefit pension plans administered by the Utah Retirement Systems. All District employees hired to a position expected to last at least 9 months and who work 20 or more hours per week are eligible to participate in the pension plans. Utah Retirement Systems provides refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The State Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System. A copy of this report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102, or by calling 1-800-365-8772.

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 10 – Retirement Plans (continued)

During fiscal year 2010, plan members in the Local Governmental Contributory Retirement System were required to contribute 6% of their annual covered salary (of which 5.0% was paid by the District for the employee) and the District was required to contribute 9.73%, of their annual covered salary. In the Local Governmental Noncontributory Retirement System the District was required to contribute 14.22% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Utah Retirement Systems are authorized by statute and specified by the State Retirement Board. All contributions by the District were paid by the due dates or within 30 days thereafter and were equal to the required contributions for each year.

Contributions to the Local Governmental Contributory and Noncontributory Retirement Systems for the years ending June 30, 2010, 2009 and 2008 were as follows:

A. Local Government System - Contributory

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Salary subject to retirement contributions	\$ 177,712	320,810	377,787
Employee paid contributions	1,777	3,208	3,778
Employer paid for employee contributions	8,886	16,041	18,890
Employer contributions	17,291	31,215	36,759

B. Local Government System - Noncontributory

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Salary subject to retirement contributions	\$ 20,981,321	21,713,445	20,710,096
Employer contributions	2,983,545	3,087,654	2,944,975

The Board of the Utah Retirement Systems provides the District with the necessary retirement disclosures for their report. The Retirement Systems have implemented the accounting and reporting requirements of Governmental Accounting Standards Board (GASB) Statement No. 27 "Accounting for Pensions by State and Local Governmental Employers".

LOGAN CITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

Note 10 – Retirement Plans (continued)

*Defined Contribution Plans*

The District also participates in two defined contribution plans under section 401(k) of the Internal Revenue Code to supplement retirement benefits earned by participants in the State Systems. Employees may elect to participate in either the plan administered by the Utah Retirement Systems or the plan administered by Utah Interlocal Educational Benefits Trust. Employees have a contribution of 1.5% of their covered salaries automatically made for them by the District. Under the plans, eligible employees may elect to defer a portion of their salary, subject to Internal Revenue Service limits. Contributions and earnings may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement. Contributions of \$933,519 were made to the 401(k) plans during the year ended June 30, 2010. Of this amount, employees contributed \$529,455 and the District contributed \$404,064 on behalf of the employees. The 401(k) plan funds are fully vested to the participants at the time of deposit.

The District maintains four qualified plans under section 403(b) of the Internal Revenue Code. Employees may elect to participate in any of these plans and contribute a portion of their salary, subject to Internal Revenue Service limits. The District does not make contributions on behalf of employees to these plans. The District's involvement is limited to withholding the amounts elected by employees and remitting those amounts to the respective approved plan trustees.

*Deferred Compensation Plans*

The District offers employees voluntary participation in two deferred compensation plans created in accordance with Internal Revenue Code (IRC) Section 457. The plans are available to all employees and permit them to defer a portion of their salary until future years. The District's involvement is limited to withholding the amounts elected by employees and remitting those amounts to the respective approved plan trustees.

Note 11 – Public Entity Risk Pool

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, and natural disasters. The District participates in the Utah State Risk Management Insurance Fund, a public entity risk pool managed by an agency of the state government. The District pays an annual premium to a trust set up for the forty school districts in the State which participate in the risk pool for general insurance coverage. The Trust was created to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of one million dollars for each insured event. As of June 30, 2010 there were no outstanding unpaid claims. For the past three years, the District has had no claim settlements that exceeded its insurance coverage.

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LOGAN CITY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION

LOGAN CITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL (MAINTENANCE & OPERATIONS) FUND  
Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Local sources:				
Taxes	\$ 6,354,053	6,082,000	6,392,217	310,217
Tuition	351,757	351,757	229,260	(122,497)
Earnings on investments	275,000	220,000	250,949	30,949
Local government units	1,845	1,845	361,071	359,226
Other local revenue	55,000	355,000	137,986	(217,014)
State grants-in-aid	24,230,093	23,097,572	22,846,295	(251,277)
Federal sources	5,826,242	5,515,762	5,950,857	435,095
Total revenues	<u>37,093,990</u>	<u>35,623,936</u>	<u>36,168,635</u>	<u>544,699</u>
Expenditures:				
Instruction	28,330,229	27,812,500	27,273,267	539,233
Support services:				
Students	683,486	1,808,200	1,757,652	50,548
Instructional staff	1,079,727	1,713,200	1,607,525	105,675
District administration	435,041	500,500	483,209	17,291
School administration	1,994,333	2,131,500	2,145,419	(13,919)
Central services	1,407,888	1,460,388	1,402,678	57,710
Operation and maintenance	2,168,617	2,745,250	2,754,570	(9,320)
Student transportation	1,191,850	1,310,000	1,208,563	101,437
Total expenditures	<u>37,291,171</u>	<u>39,481,538</u>	<u>38,632,883</u>	<u>848,655</u>
Other financing sources (uses):				
Transfer from student activity fund	-	-	71,878	(71,878)
Transfer from capital projects fund	-	2,818,850	2,479,283	339,567
Transfer to student activity fund	-	-	(22,670)	22,670
Total other financing sources (uses)	<u>-</u>	<u>2,818,850</u>	<u>2,528,491</u>	<u>290,359</u>
Net change in fund balance	<u>(197,181)</u>	<u>(1,038,752)</u>	64,243	<u>1,102,995</u>
Fund balance at beginning of year			<u>2,981,251</u>	
Fund balance at end of year	\$		<u>3,045,494</u>	

LOGAN CITY SCHOOL DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2010

Note 1 - Budgetary Basis of Accounting

A Budgetary Comparison Schedule is presented for the General Fund and each major special revenue fund as required by generally accepted accounting principles (GAAP). Budgets for the governmental funds are adopted on a GAAP basis. Budgets are not adopted at the District level for the Logan City School District Foundation. Expenditures may not legally exceed budgeted appropriations at the fund level. Appropriations lapse at fiscal year end.

Note 2 - Budgeted Increases and Decreases

Each fund has a balanced budget. Any excess of revenues over expenditures in the budget columns in the Required Supplementary Information schedule represents budgeted increases to fund balance approved by the District's Board of Education. Any deficiency of revenues over expenditures in the budget columns on Required Supplementary Information schedules represents fund balance appropriated by the District's Board of Education.

Note 3 – Budget Adoption and Monitoring

The District's procedures in establishing the budgetary data reflected in the Budgetary Comparison Schedule are as follows:

The Superintendent and Business Administrator submit to the Board of Education during June of each year a tentative operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. Included also is a final amended budget for the current year ending June 30<sup>th</sup>.

Prior to June 22, the Board of Education holds a public hearing at which time taxpayers' comments are heard. At the conclusion of the budget hearing, the budget as amended, is legally enacted by Board action. However, if property tax revenue budgeted exceeds the certified tax rate as established by the State Tax Commission, the District can only adopt a tentative budget for those funds that contain property tax increases. The District is then required to hold a public hearing to comply with "Truth in Taxation" State law. The District publishes a prescribed advertisement in the local newspaper stating the amount and percentage of the proposed tax change above the certified rate. The District then holds a public hearing before August 17th. After the public hearing, the Board of Education then adopts the final tax rates and authorizes the corresponding budget. The budget is then approved reflecting the tax rates adopted and other approved changes from the tentative budget.

Budget appropriations may only be changed by action of the Board of Education. If an increase in budget appropriations at the fund level is proposed, the procedures used when enacting the original budget including a properly advertised public hearing are followed.

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LOGAN CITY SCHOOL DISTRICT  
SUPPLEMENTARY INFORMATION

LOGAN CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - (Budget and Actual)  
DEBT SERVICE  
MAJOR GOVERNMENTAL FUND  
Year Ended June 30, 2010  
(With Comparative Totals for 2009)

	<u>2010</u>		<u>Variance Favorable (Unfavorable)</u>	<u>2009</u>
	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Local sources:				
Taxes	\$ 1,787,000	1,876,942	89,942	1,975,992
Total revenues	<u>1,787,000</u>	<u>1,876,942</u>	<u>89,942</u>	<u>1,975,992</u>
Expenditures:				
Redemption of principal	1,480,000	1,480,000	-	1,429,999
Interest and fiscal charges	681,505	680,605	900	730,905
Total expenditures	<u>2,161,505</u>	<u>2,160,605</u>	<u>900</u>	<u>2,160,904</u>
Net change in fund balance	<u>(374,505)</u>	(283,663)	<u>90,842</u>	(184,912)
Fund balance at beginning of year		<u>744,567</u>		<u>929,479</u>
Fund balance at end of year	\$	<u>460,904</u>		<u>744,567</u>

LOGAN CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - (Budget and Actual)  
CAPITAL PROJECTS  
MAJOR GOVERNMENTAL FUND  
Year Ended June 30, 2010  
(With Comparative Totals for 2009)

	2010		Variance Favorable (Unfavorable)	2009
	Final Budget	Actual		Actual
Revenues:				
Local sources:				
Taxes	\$ 5,248,000	5,520,414	272,414	5,172,449
Earnings on investments	-	4,052	4,052	81,478
Other local revenue	-	1,772	1,772	5
State grants-in-aid	-	238,122	238,122	286,948
Total revenues	<u>5,248,000</u>	<u>5,764,360</u>	<u>516,360</u>	<u>5,540,880</u>
Expenditures:				
Instruction	-	-	-	998,809
Support services:				
Students	-	-	-	10,988
Instructional staff	-	-	-	113,645
District administration	-	-	-	33,559
School administration	-	-	-	5,486
Central services	-	-	-	19,855
Operation and maintenance	145,000	-	145,000	1,624,429
Acquisition, construction and maintenance	3,086,300	3,026,768	59,532	5,532,573
Redemption of principal	490,000	490,000	-	-
Interest and fiscal charges	274,273	296,267	(21,994)	284,777
Total expenditures	<u>3,995,573</u>	<u>3,813,035</u>	<u>182,538</u>	<u>8,624,121</u>
Other financing sources (uses):				
Transfer to general fund	(2,618,850)	(2,479,283)	139,567	-
Transfer from student activity fund	-	-	-	38,631
Total other financing sources (uses)	<u>(2,618,850)</u>	<u>(2,479,283)</u>	<u>139,567</u>	<u>38,631</u>
Net change in fund balance	<u>(1,366,423)</u>	<u>(527,958)</u>	<u>838,465</u>	<u>(3,044,610)</u>
Fund balance at beginning of year		<u>5,451,963</u>		<u>8,496,573</u>
Fund balance at end of year	\$	<u>4,924,005</u>		<u>5,451,963</u>

LOGAN CITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2010

	<u>Special Revenue</u>			Total Nonmajor Governmental Funds
	<u>Non K-12</u>	<u>School Food Service</u>	<u>Student Activity</u>	
<u>Assets</u>				
Equity in pooled cash and investments	\$ 875,371	1,015,118	629,343	2,519,832
Receivables:				
Taxes	849,904	-	-	849,904
Intergovernmental	200,322	100,502	-	300,824
Inventory	-	42,107	-	42,107
 Total assets	 <u>\$ 1,925,597</u>	 <u>1,157,727</u>	 <u>629,343</u>	 <u>3,712,667</u>
<u>Liabilities</u>				
Accounts payable	\$ 15,235	5,740	5,396	26,371
Deferred revenue	795,752	-	-	795,752
 Total liabilities	 <u>810,987</u>	 <u>5,740</u>	 <u>5,396</u>	 <u>822,123</u>
<u>Fund Balances</u>				
Reserved for:				
Inventory	-	42,107	-	42,107
Unreserved:				
Designated for:				
Programs	346,609	-	-	346,609
Facility improvements	340,488	-	-	340,488
Students	-	-	623,947	623,947
Undesignated	427,513	1,109,880	-	1,537,393
 Total fund balances	 <u>1,114,610</u>	 <u>1,151,987</u>	 <u>623,947</u>	 <u>2,890,544</u>
 Total liabilities and fund balances	 <u>\$ 1,925,597</u>	 <u>1,157,727</u>	 <u>629,343</u>	 <u>3,712,667</u>

LOGAN CITY SCHOOL DISTRICT  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2010

	<u>Special Revenue</u>			<u>Total Nonmajor Governmental</u>
	<u>Non K-12</u>	<u>School Food Service</u>	<u>Student Activity</u>	
Revenues:				
Local revenues:				
Taxes	\$ 1,132,707	-	-	1,132,707
Tuition	115,162	-	815,514	930,676
Earnings on investments	-	-	5,177	5,177
Food service sales	-	620,581	-	620,581
Other local revenue	-	100,432	201,390	301,822
State grants-in-aid	174,072	359,927	-	533,999
Federal sources	165,207	1,651,391	-	1,816,598
Total revenues	<u>1,587,148</u>	<u>2,732,331</u>	<u>1,022,081</u>	<u>5,341,560</u>
Expenditures:				
Instruction	-	-	939,694	939,694
Support services:				
Students	-	-	19,891	19,891
Non-instructional	908,188	-	-	908,188
Community services	321,209	-	8,744	329,953
Food services	-	2,484,386	-	2,484,386
Total expenditures	<u>1,229,397</u>	<u>2,484,386</u>	<u>968,329</u>	<u>4,682,112</u>
Other financing sources (uses):				
Transfers in	-	-	210,176	210,176
Transfers out	(187,506)	-	(71,878)	(259,384)
Total other financing sources (uses)	<u>(187,506)</u>	<u>-</u>	<u>138,298</u>	<u>(49,208)</u>
Net change in fund balances	<u>170,245</u>	<u>247,945</u>	<u>192,050</u>	<u>610,240</u>
Fund balances at beginning of year	<u>944,365</u>	<u>904,042</u>	<u>431,897</u>	<u>2,280,304</u>
Fund balances at end of year	<u>\$ 1,114,610</u>	<u>1,151,987</u>	<u>623,947</u>	<u>2,890,544</u>

LOGAN CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - (Budget and Actual)  
NON K-12 PROGRAMS  
NONMAJOR SPECIAL REVENUE FUND  
Year Ended June 30, 2010  
(With Comparative Totals for 2009)

	<u>2010</u>		Variance Favorable (Unfavorable)	<u>2009</u>
	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Local sources:				
Taxes	\$ 1,080,000	1,132,707	52,707	956,125
Tuition	50,000	115,162	65,162	70,673
State grants-in-aid	234,072	174,072	(60,000)	161,159
Federal sources	126,628	165,207	38,579	61,999
Total revenues	<u>1,490,700</u>	<u>1,587,148</u>	<u>96,448</u>	<u>1,249,956</u>
Expenditures:				
Non-instructional:				
Salaries	623,955	592,611	31,344	614,362
Employee benefits	217,733	205,441	12,292	214,809
Purchased services	102,000	31,844	70,156	20,160
Other	229,500	78,292	151,208	57,901
Community services:				
Salaries	76,000	43,029	32,971	58,538
Employee benefits	26,400	19,131	7,269	20,261
Purchased services	283,000	259,049	23,951	273,927
Other	17,000	-	17,000	12,683
Total expenditures	<u>1,575,588</u>	<u>1,229,397</u>	<u>346,191</u>	<u>1,272,641</u>
Other financing uses:				
Transfer to student activity fund	<u>(200,000)</u>	<u>(187,506)</u>	<u>12,494</u>	<u>-</u>
Total other financing uses	<u>(200,000)</u>	<u>(187,506)</u>	<u>12,494</u>	<u>-</u>
Net change in fund balance	<u>(284,888)</u>	170,245	<u>442,639</u>	(22,685)
Fund balance at beginning of year		<u>944,365</u>		<u>967,050</u>
Fund balance at end of year	\$	<u>1,114,610</u>		<u>944,365</u>

LOGAN CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - (Budget and Actual)  
SCHOOL FOOD SERVICE  
NONMAJOR SPECIAL REVENUE FUND  
Year Ended June 30, 2010  
(With Comparative Totals for 2009)

	<u>2010</u>		<u>Variance Favorable (Unfavorable)</u>	<u>2009</u>
	<u>Final Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Local sources:				
Food service sales	\$ 630,000	620,581	(9,419)	660,099
Other local revenue	80,000	100,432	20,432	110,916
State grants-in-aid	290,000	359,927	69,927	334,999
Federal sources	<u>1,610,500</u>	<u>1,651,391</u>	<u>40,891</u>	<u>1,539,238</u>
Total revenues	<u>2,610,500</u>	<u>2,732,331</u>	<u>121,831</u>	<u>2,645,252</u>
Expenditures:				
Food services:				
Salaries	946,438	921,767	24,671	885,593
Employee benefits	282,432	261,197	21,235	264,207
Food	1,325,000	1,185,994	139,006	1,148,475
Supplies, repairs and other	<u>77,000</u>	<u>115,428</u>	<u>(38,428)</u>	<u>68,392</u>
Total expenditures	<u>2,630,870</u>	<u>2,484,386</u>	<u>146,484</u>	<u>2,366,667</u>
Net change in fund balance	<u>(20,370)</u>	247,945	<u>268,315</u>	278,585
Fund balance at beginning of year		<u>904,042</u>		<u>625,457</u>
Fund balance at end of year	\$	<u>1,151,987</u>		<u>904,042</u>

LOGAN CITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - (Budget and Actual)  
STUDENT ACTIVITY  
NONMAJOR SPECIAL REVENUE FUND  
Year Ended June 30, 2010  
(With Comparative Totals for 2009)

	<u>2010</u>		<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>	<u>2009</u>
	<u>Final</u> <u>Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
Local sources:				
Tuition	\$ 600,000	815,514	215,514	606,965
Earnings on investments	10,000	5,177	(4,823)	6,377
Other local revenue	547,000	201,390	(345,610)	618,130
State grants-in-aid	15,000	-	(15,000)	486
Total revenues	<u>1,172,000</u>	<u>1,022,081</u>	<u>(149,919)</u>	<u>1,231,958</u>
Expenditures:				
Instruction:				
Purchased services	315,000	125,686	189,314	227,741
Supplies	700,000	726,386	(26,386)	745,344
Other	250,000	87,622	162,378	140,156
Support services:				
Students:				
Purchased services	750	1,460	(710)	4,567
Supplies	30,000	17,738	12,262	22,215
Other	-	693	(693)	3,335
Community services				
Supplies	10,000	8,217	1,783	162
Other	-	527	(527)	-
Total expenditures	<u>1,305,750</u>	<u>968,329</u>	<u>337,421</u>	<u>1,143,520</u>
Other financing sources (uses):				
Transfer from general fund	-	22,670	22,670	7,472
Transfer from non K-12 programs fund	200,000	187,506	(12,494)	-
Transfer to general fund	(200,000)	(71,878)	(271,878)	(58,865)
Transfer to capital projects fund	-	-	-	(38,631)
Total other financing sources (uses)	<u>-</u>	<u>138,298</u>	<u>(261,702)</u>	<u>(90,024)</u>
Net change in fund balance	<u>(133,750)</u>	192,050	<u>(74,200)</u>	(1,586)
Fund balance at beginning of year		<u>431,897</u>		<u>433,483</u>
Fund balance at end of year	\$	<u><u>623,947</u></u>		<u><u>431,897</u></u>

LOGAN CITY SCHOOL DISTRICT  
SCHEDULE OF CAPITAL ASSETS  
June 30, 2010

	<u>Land</u>	<u>Construction in Process</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
Adams	\$ 219,172	-	4,260,670	-	4,479,842
Bridger	236,400	-	8,052,054	-	8,288,454
Ellis	234,227	-	2,506,053	10,333	2,750,613
Hillcrest	69,892	-	2,421,389	-	2,491,281
Riverside	65,207	-	519,478	-	584,685
Wilson	351,158	-	6,946,386	-	7,297,544
Woodruff	749,082	-	9,897,494	68,568	10,715,144
Mt. Logan	261,853	-	12,722,066	177,102	13,161,021
Logan High	1,206,906	-	26,713,351	48,596	27,968,853
North Campus	3,000	-	175,385	-	178,385
South Campus	87,639	-	1,450,060	-	1,537,699
District Office	451,702	-	2,030,216	1,370,481	3,852,399
	<u>\$ 3,936,238</u>	<u>-</u>	<u>77,694,602</u>	<u>1,675,080</u>	<u>83,305,920</u>

LOGAN CITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN CAPITAL ASSETS  
Year Ended June 30, 2010

	<u>Balance</u> <u>6/30/2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2010</u>
Adams	\$ 4,385,247	94,595	-	4,479,842
Bridger	8,288,454	-	-	8,288,454
Ellis	2,740,305	10,308	-	2,750,613
Hillcrest	2,390,743	100,538	-	2,491,281
Riverside	584,685	-	-	584,685
Wilson	7,297,544	-	-	7,297,544
Woodruff	10,696,441	18,703	-	10,715,144
Mt. Logan	13,044,672	116,349	-	13,161,021
Logan High	27,656,231	312,622	-	27,968,853
North Campus	178,385	-	-	178,385
South Campus	1,537,699	-	-	1,537,699
District Office	3,493,999	358,400	-	3,852,399
	<u>\$ 82,294,405</u>	<u>1,011,515</u>	<u>-</u>	<u>83,305,920</u>

LOGAN CITY SCHOOL DISTRICT

SINGLE AUDIT REPORTS

June 30, 2010

LOGAN CITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA No.	Pass-Thru Grantor's Number	Expenditures
<u>U.S. Dept of Education (DOE)</u>			
Direct Programs:			
Fund for the Improvement of Education	84.215	N/A	517,422
Passed Through State Office of Education:			
Title I Grants to Local Educational Agencies Cluster:			
Title I Grants to Local Educational Agencies	84.010	0908, 0808	1,036,085
Title I Grants to Local Educational Agencies, Recovery Act	84.389	099E	<u>320,739</u>
Total Title I Grants to Local Educational Agencies Cluster			1,356,824
Special Education Cluster (IDEA):			
Special Education-Grants to States	84.027	0919	1,191,311
Special Education-Preschool Grants	84.173	0952	62,024
Special Education-Grants to State, Recovery Act	84.391	099A	321,312
Special Education-Preschool, Recovery Act	84.392	099A	<u>43,183</u>
Special Education Cluster (IDEA)			1,617,830
Career and Technical Education -- Basic Grants to States			
	84.048	0921	120,002
Safe and Drug-Free Schools and Communities- State Grants			
	84.186	0909, 0809	7,661
Education for Homeless Children and Youth	84.196	0928	9,234
Twenty-First Century Community Learning Centers	84.287	0960, 0860	228,299
Education Technology State Grants	84.318	0907	9,574
English Language Acquisition Grants	84.365	0973, 0873	76,476
Improving Teacher Quality State Grants	84.367	0974	321,495
State Fiscal Stabilization Fund - Education Grants, Recovery Act	84.394	099M	<u>1,177,293</u>
Total DOE			<u>5,442,110</u>

LOGAN CITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA No.	Pass-Thru Grantor's Number	Expenditures
<u>U.S. Department of Agriculture (DOA)</u>			
Passed through State Office of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	0944, 0844	\$ 243,672
National School Lunch Program	10.555	0942, 0842, 0943, 0843	1,286,060
Special Milk Program For Children	10.556	0941, 0841	<u>525</u>
Total Child Nutrition Cluster			1,530,257
Food Distribution	10.550	0839	121,134
Child and Adult Care Food Program	10.558	0947, 0847	47,342
School and Roads Cluster	10.665	N/A	<u>82,220</u>
Total DOA			<u>1,780,953</u>
<u>U.S. Dept of Health and Human Services (HHS)</u>			
Passed through State Department of Workforce Services:			
Temporary Assistance for Needy Families	93.558	N/A	30,000
Child Care and Development Block Grant	93.575	N/A	<u>91,500</u>
Total HHS			<u>121,500</u>
<u>Corporation of National and Community Service (CNCS)</u>			
Passed through Ogden City School District:			
AmeriCorps	94.006	N/A	<u>102,261</u>
Total CNCS			<u>102,261</u>
			<u>\$ 7,446,824</u>

LOGAN CITY SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2010

Note 1 – Purpose of the Schedule

The Schedule of Expenditures of Federal Awards (the Schedule) is a supplemental schedule to the basic financial statements. The Schedule is required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 2 – Significant Account Policies

Basis of Accounting

The information in the Schedule is presented in accordance with OMB Circular A-133. The Schedule is prepared using the same accounting policies and basis of accounting as the basic financial statements.

CFDA Numbers

OMB Circular A-133 requires the Schedule to show the total expenditures for each of the entity's federal financial assistance programs as identified in the Catalog of Federal Domestic Assistance (CFDA). The CFDA is a government-wide compendium of individual federal programs. Each program included in the CFDA is assigned a five-digit program identification number (CFDA number).

Major Programs

OMB Circular A-133 establishes a risk-based approach to be used in defining major federal financial programs. Major programs are identified in the schedule of findings and questioned costs.

Commodities

Federal commodity contributions are recorded as revenues. Expenditures are recorded when inventory is consumed. The fair market value of inventory received is included in the schedule of federal awards as Food Distribution.

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*H. Paul Gibbons, CPA*

INDEPENDENT AUDITORS' 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  
Logan City School District  
Logan, Utah

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Logan City School District (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 08, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a 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 that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying schedule of findings and questioned costs as 10-02 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control described in the accompany schedule of findings and questioned costs as 10-01 to be a significant deficiency.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated November 08, 2010.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



JONES SIMKINS, P.C.  
November 08, 2010



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education  
Logan City School District  
Logan, Utah

Compliance

We have audited the Logan City School District's (the District) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures

reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 10-03.

### Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 10-03. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Jones Simkins, P.C." in a cursive style.

JONES SIMKINS, P.C.  
November 08, 2010

LOGAN CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010

A. Summary of Auditors' Results:

1.	Type of auditors' report issued	Unqualified
2.	Internal control over financial reporting: Material weaknesses identified?	Yes - One
	Significant deficiencies identified that are not considered to be material weaknesses?	Yes - One
3.	Non-compliance material to financial statements noted?	No
4.	Internal control over major programs: Material weaknesses identified?	No
	Significant deficiencies identified that are not considered to be material weaknesses?	Yes - One
5.	Type of auditors' report issued on compliance over compliance with major programs?	Unqualified
6.	Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes
7.	Federal programs tested as major programs:	Title 1 Grants to Local Educational Agencies Cluster CFDA # 84.010 CFDA # 84.389  Special Education Cluster CFDA # 84.027 CFDA # 84.173 CFDA # 84.391 CFDA # 84.392  State Fiscal Stabilization Fund - Education Grants, Recovery Act CFDA # 84.394
8.	Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
9.	Auditee qualification as High or Low risk:	High

LOGAN CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010

- B. Findings related to the financial statements required to be reported in accordance with *Government Auditing Standards*.

Finding 10-01

Criteria: Internal control standards adopted by the Government Accountability Office (GAO) expect that the individuals charged with governance of an organization establish an effective control environment, assess internal control risks, establish appropriate control activities, document and communicate controls and procedures, and monitor compliance with policies and procedures.

Condition: The District's and the Foundation's internal control system are not designed in accordance with the expectations of the GAO.

Cause: The District and the Foundation have elected not to meet all of the internal control expectations established by the GAO.

Effect: The District and the Foundation have a significant deficiency in the design of its internal control processes.

Recommendation: The District and the Foundation should review their internal control systems and perform risk assessments to determine where control improvement is cost effective. The District should update its accounting policies and procedures manual and the District should strengthen its monitoring controls with respect to compliance with policies and procedures.

Finding 10-02

Criteria: Internal control standards adopted by the GAO expect that management or employees, in the normal course of performing their assigned functions, will prevent or detect misstatements in account balances prior to their being reported in the financial statements.

Condition: The auditor drafted the annual financial statements and provided assistance in formatting, proper grouping of accounts, preparing information for reporting at the government-wide level, and footnote disclosures. Additionally, auditor-proposed adjustments were required to make the financial statements conform to generally accepted accounting principles.

Cause: The District does not have sufficient training in accounting and financial reporting necessary to record, report, and disclose all balances and transactions in accordance with Generally Accepted Accounting Principles.

LOGAN CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2010

Effect: The District has a material weakness in internal controls with respect to the accurate recording, reporting, and disclosure of transactions and balances in accordance with Generally Accepted Accounting Principles.

Recommendation: Management should consider ways to reduce the number of year-end audit adjustments.

C. Findings and Questioned Costs for Federal Awards.

Finding 10-03

Federal Programs: Title 1 Grants to Local Education Agencies Cluster, CFDA #s 84.010 and 84.389, U.S. Department of Education, passed through the State Office of Education; and Special Education Cluster, CFDA #s 84.027, 84.173, 84.391, and 84.392, U.S. Department of Education, passed through the State Office of Education.

Criteria: Title 2 of the Code of Federal Regulations Part 180 (2 CFR Part 180), *OMB Guidelines to Agencies on Government-Wide Debarment and Suspension (Nonprocurement)*, prohibits non-federal entities from contracting with parties that are suspended or debarred or whose principals have been suspended or debarred when the transaction equals or exceeds \$25,000. When such a transaction occurs, 2 CFR Part 180 requires that the non-federal entity verify that the party is not suspended or debarred or otherwise excluded by checking the Excluded Parties List System (EPLS) located at <http://epls.arnet.gov>.

Condition: Purchasing policies for transactions which exceed \$25,000 do not include obtaining verification on EPLS that the party is not suspended or debarred.

Cause: Management was not aware of the requirement.

Effect: The District has a significant deficiency in internal control over compliance with this element of the OMB Guidelines.

Recommendation: Management should change its purchasing policies and procedures for transactions that exceed \$25,000 to require verification that the party is not suspended or debarred per a review of the EPLS.

LOGAN CITY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
(Client Submitted Document)  
Year Ended June 30, 2010

There were no audit findings in the prior year related to federal awards.

LOGAN CITY SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
(Client Submitted Document)  
Year Ended June 30, 2010

U.S. Department of Education

The Logan City School District respectfully submits the following corrective action plan for the year ended June 30, 2010. If you have questions or comments regarding this plan, please contact Zane Woolstenhulme, Business Administrator, at (435) 755-2300.

Response to finding 10-01

Recommendation: Management should continue to evaluate the cost and benefit of improving controls in accordance with GAO expectations for both the District and the Foundation.

Action to be taken: The District will update its business policies and procedures and determine along with the Foundation what other internal control improvements are feasible.

Response to finding 10-02

Recommendation: Management should consider ways to reduce the number of year-end audit adjustments.

Action to be taken: The District will continue to improve financial reporting controls. The District currently has no plans to implement full reporting and disclosure controls due to a cost benefit decision.

Response to finding 10-03

Recommendation: Management should change its purchasing policies and procedures to require verification of suspension or debarment when a transaction or contract with a party exceeds \$25,000.

Action to be taken: The District will update its purchasing policies and procedures to include the above requirement.

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LOGAN CITY SCHOOL DISTRICT  
STATE COMPLIANCE REPORT

June 30, 2010



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH STATE LEGAL COMPLIANCE REQUIREMENTS**

To the Board of Education  
Logan City School District  
Logan, Utah

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Logan City School District (the District) for the year ended June 30, 2010, and have issued our report thereon dated November 08, 2010. As part of our audit, we have audited the District's compliance with the requirements governing types of services allowed or not allowed; eligibility; matching; level of effort or earmarking; reporting; and special tests and provisions applicable to each of its major state assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2010. The District received the following major state assistance programs from the State of Utah:

Minimum School Program Funding  
School Lunch

The District also received the following nonmajor grants that are not required to be audited for specific compliance requirements. However, this program was subject to testwork as part of the audit of the District's financial statements.

Driver Education

Our audit also included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance

Truth in Taxation and Property Tax Limitations  
Other General Compliance Issues  
Utah Retirement System Compliance  
Fund Balance Limitation  
Locally Generated Taxes & Fees

The management of the District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion the District complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or not allowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major state assistance programs for the year ended June 30, 2010.

A handwritten signature in blue ink that reads "Jones Simkins, P.C.".

JONES SIMKINS, P.C.  
November 08, 2010