

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

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

June 30, 2007

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Independent Auditor's Report

To the Board of Education of
Garner-Hayfield Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Garner-Hayfield Community School District, Garner, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Garner-Hayfield Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 2, 2008, on our consideration of Garner-Hayfield Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 39 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 opinions on the financial statements that collectively comprise Garner-Hayfield Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006, (which are not presented herein). Our opinions for 2006 were unqualified. For 2005 and 2004 we expressed unqualified opinions on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information and we did not issue an opinion on the discretely presented component unit. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

January 2, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Garner-Hayfield Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,190,790 in fiscal 2005 to \$6,581,772 in fiscal 2007, while General Fund expenditures increased from \$6,329,446 in fiscal 2005 to \$6,471,225 in fiscal 2007. The District's General Fund balance increased from \$205,304 in fiscal 2005 to \$336,431 in fiscal 2007, a 63% increase.
- The increase in General Fund revenues was attributable to an increase in state foundation aid, local property taxes, and state and federal grant revenue in fiscal 2007. The increase in expenditures was due primarily to an increase in the negotiated salaries. One reason the General Fund balance increased is because the administration was very diligent in watching expenditures and being fiscally responsible.
- SILO monies were used to decrease the property tax rate for the K-8 Building Addition bond issue and to fund the new all weather track debt payments that were approved in fiscal year 2004.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the Garner-Hayfield Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Garner-Hayfield Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which the Garner-Hayfield Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

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

Figure A-1

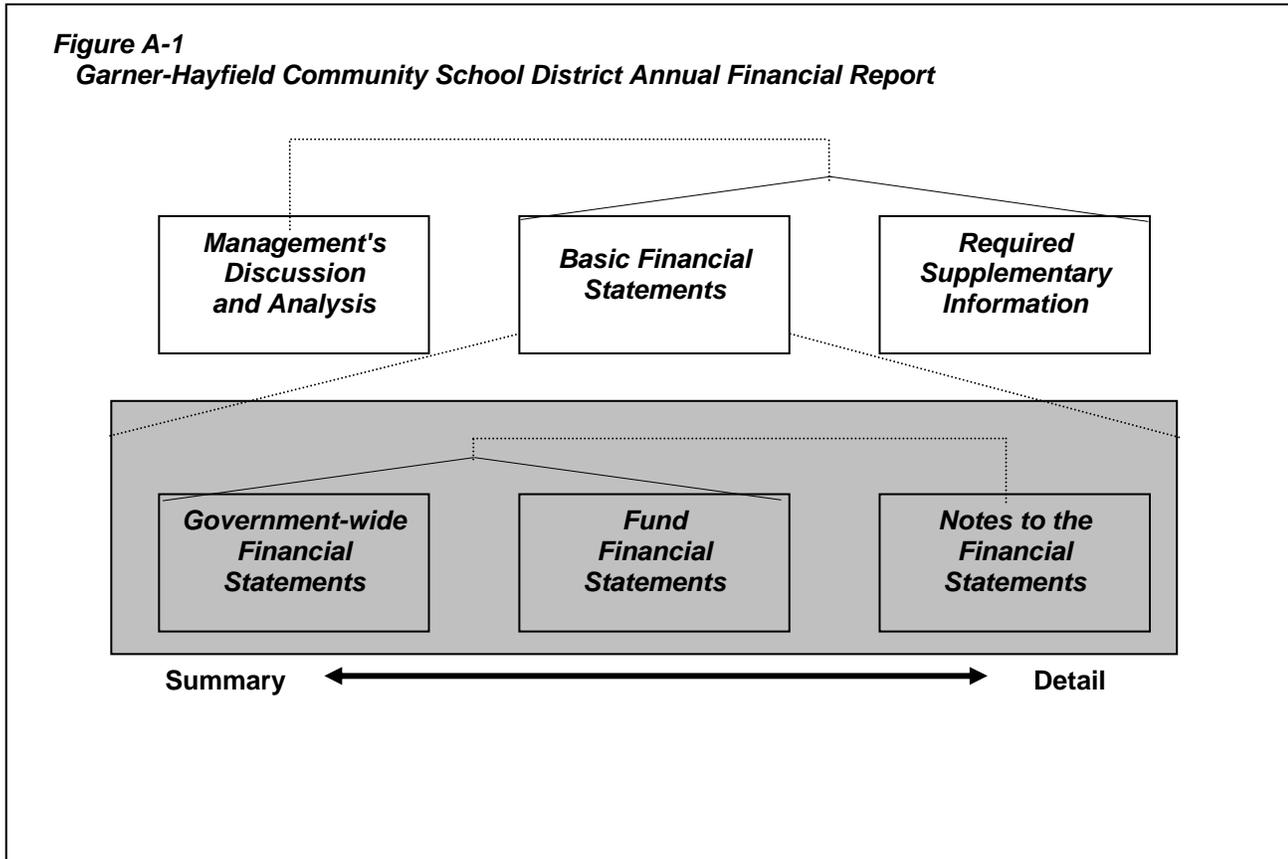


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services is included here as well as the house construction project.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to measure the District’s

financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here as well as the house construction project.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds that consist of Activity, Management, District Support Trust and Physical Plant and Equipment Levy funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund, and the House Construction Fund. The District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District current has one internal service fund used to account for the District's partial self funding insurance program.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2006-2007
	Governmental Activities		Business-type Activities		Total School District		
	2007	2006	2007	2006	2007	2006	
	\$	\$	\$	\$	\$	\$	
Current and other assets	4,683,428	4,190,935	146,867	182,446	4,830,295	4,373,381	+10.4%
Capital assets	4,658,498	4,730,197	23,064	27,045	4,681,562	4,757,242	-1.6%
Total assets	9,341,926	8,921,132	169,931	209,491	9,511,857	9,130,623	+4.2%
Long-term liabilities	1,526,864	1,791,051	0	0	1,526,864	1,791,051	-14.8%
Other liabilities	2,983,273	2,886,684	3,690	4,200	2,986,963	2,890,884	+3.3%
Total liabilities	4,510,137	4,677,735	3,690	4,200	4,513,827	4,681,935	-3.6%
Net Assets:							
Invested in capital assets, net of related debt	3,693,325	3,460,209	23,064	27,045	3,716,389	3,487,254	+6.5%
Restricted	978,174	794,887	0	0	978,174	794,887	+23.1%
Unrestricted	160,290	-11,699	143,177	178,246	303,467	166,547	+82.2%
TOTAL NET ASSETS	4,831,789	4,243,397	166,241	205,291	4,998,030	4,448,688	+12.3%

The District's combined net assets increased by nearly 12.3%, or approximately \$549,342, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. The biggest items to impact this amount were the lease of computers, succeeding year property taxes, and amount due from other governments.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$183,287 or 23.1% over the prior year. The increase was primarily a result of SILO tax revenues significantly higher than anticipated and not expended.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$171,989, or 82.2%. This increase in unrestricted net assets was a result of the District expenditures increasing less than the District revenues increased.

Figure A-4 shows the change in net assets for the years ended June 30, 2007 and 2006.

Figure A-4

	Change in Net Assets						Percentage Change 2006-2007
	Governmental Activities		Business-type Activities		Total School District		
	2007	2006	2007	2006	2007	2006	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	971,832	786,831	220,351	380,991	1,192,183	1,167,822	+2.1%
Operating grants & contributions	864,593	762,708	128,725	125,876	993,318	888,584	+11.8%
Capital grants & contributions	13,796	72,634	0	0	13,796	72,634	-81%
General Revenues:							
Property taxes	2,234,921	1,974,896	0	0	2,234,921	1,974,896	+13.2%
Income Surtax	316,176	228,826	0	0	316,176	228,826	+38.2%
Local option sales tax	459,030	443,781	0	0	459,030	443,781	+3.4%
Unrestricted state grants	3,033,801	3,083,232	0	0	3,033,801	3,083,232	-1.6%
Unrestricted investment earnings	51,346	19,630	110	148	51,456	19,778	+160.2%
Other revenue	9,553	7,019	0	0	9,553	7,019	+36.1%
Total Revenues	\$7,955,048	\$7,379,557	\$349,186	\$507,015	\$8,304,234	\$7,886,572	+5.3%
Expenses:							
Instruction	4,811,630	4,754,018	0	0	4,811,630	4,754,018	+1.2%
Support services	1,980,445	1,946,505	0	0	1,980,445	1,946,505	+1.7%
Non-instructional programs	0	0	369,236	478,669	369,236	478,669	-22.9%
Other expenditures	593,581	498,339	0	0	593,581	498,339	+19.1%
Total expenses	\$7,385,656	\$7,198,862	\$369,236	\$478,669	\$7,754,892	\$7,677,531	+1.0%
Change in net assets before transfers	\$569,392	\$180,695	-\$20,050	\$28,346	\$549,342	\$209,041	
Transfers	19,000	14,376	-19,000	-14,376	0	0	0%
CHANGE IN NET ASSETS	588,392	195,071	-39,050	13,970	549,232	209,041	
Net assets beginning of year	4,243,397	4,048,326	205,291	191,321	4,448,688	4,239,647	+4.9%
Net assets end of year	4,831,789	4,243,397	166,241	205,291	4,998,030	4,448,688	+12.3%

Property tax and unrestricted state grants account for 63.4% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87.6% of the total expenses.

The increase in charges for services is due to an increase in the tuition paid to the district for special education students and open enrollment students. These students vary some every year as we gain a new group of students in kindergarten and graduate a class. Also, people move during the year and that affects our income. Operating grants and contributions also saw an increase in revenues.

The property taxes paid increased and the decrease in state foundation aid and increase in other state contributions is something that can vary every year due to the state funding formula. The income surtax rate varies every year. Local option taxes increased significantly due to larger than anticipated sales in the county.

The change of +1.0% in total expenditures was mainly due to increases due to contract settlements and increases in heating and fuel expenses. The district is exploring ways to curb increases in expenditures for future years. Major reductions and restructuring have been undertaken for the 2007-2008 fiscal year.

Governmental Activities

Revenues for governmental activities were \$7,955,048 and expenses were \$7,385,656. In a difficult budget year, the District did not need to dip into the general fund balance, but was able to fund the increased expenditures with the increase in revenues. Other governmental funds such as the Management and Construction Funds had excess revenue which also impacted the positive balance.

Figure A-5 presents the cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses. The table shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost show the financial burden placed on the District's taxpayers by each of these functions.

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

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services 2007 \$	Total Cost of Services 2006 \$	Net Cost of Services 2007 \$	Net Cost of Services 2006 \$
Instruction	4,811,630	4,754,018	3,313,934	3,475,988
Support Services	1,980,445	1,946,505	1,899,832	1,913,887
Other Expenses	593,581	498,339	321,669	186,814
TOTAL	<u>7,385,656</u>	<u>7,198,862</u>	<u>5,535,435</u>	<u>5,576,689</u>

- The cost of all governmental activities this year was \$7,385,656.
- The cost financed by users of the District's programs was \$971,832. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- The federal and state governments and private contributors subsidized certain programs with grants and contributions \$878,389.
- The net cost of governmental activities was financed with \$3,010,127 in property and other taxes and \$3,094,700 in unrestricted state grants, investment earnings and miscellaneous revenues.

Business Type Activities

Revenues for business type activities were \$349,186 and expenses were \$369,236. The District's business type activities include the School Nutrition Fund and the House Construction Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and investment income. As of June 30, 2007 the house built by the Carpentry students remained unsold.

During the year ended June 30, 2007, the District kept meal prices the same as the prior year. The board did approve an increase in meal prices for the 2007-2008 school year; this should aid the School Nutrition Fund in increasing their balance.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Garner-Hayfield Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,274,246, above last year's ending fund balances of \$979,794. However, the primary reason for the increase in combined fund balances in fiscal 2007 is due to the increase in the fund balance in the Capital Projects Local Option Sales Tax Fund.

Governmental Fund Highlights

- The District's General Fund financial position is improving from a year ago. The board and Administration continually look for ways to provide a quality educational experience to the students of this District in a fiscally responsible manner. A major restructuring of how services are being provided to students is being implemented in 2007-2008 and the Board and Administration is looking at ways to best provide services under declining enrollment and yet still meet the requirements of No Child Left Behind and other state, federal, and local expectations.
- The General Fund balance increased from \$205,304 to \$336,431, due in part to revenues increasing more than expenditures did. The Board and Administration continue to take seriously the financial health of this District.
- The Capital Projects Fund balance increased from \$532,423 in 2006 to \$759,730 in 2007 mainly due to revenue being significantly higher than projected from county wide sales. The district is also planning a major roof replacement project over the next few years, hoping to replace all of the roofs in the next 10 years. We have limited expenditures from this fund for that reason.
- The Nonmajor Governmental (Management and Activity) Funds balance changed from \$122,198 to \$162,080 due to revenues exceeding expenditures in both the Management and Activity Funds.
- The Nonmajor Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$93,673 in fiscal 2006 to -\$19,559 in fiscal 2007. This negative fund balance was caused by accounts payable for summer repair and improvement projects. The deficit will be covered by fiscal year 2008 property tax collections.

Increases in the unreserved fund balance in the Capital Projects Fund are all due to either increases revenues from the SILO taxes. The decrease in unreserved fund balance in the Trust Funds is due to smaller donations. The increase in unreserved fund balance in the Activity Fund is from increased revenue over expenditures.

Proprietary Fund Highlights

The School Nutrition Fund and the House Construction Fund net assets decreased from \$205,291 at June 30, 2006 to \$166,241 at June 30, 2007, representing a decrease of approximately 19.0%. The House Construction Fund balance decrease of \$19,000 is due to the house not being sold yet; therefore there is no profit to show on the books for fiscal year 2007. The School Nutrition Fund balance decreased \$20,050; revenues remained steady while labor and food costs increased as well as equipment repair increased.

BUDGETARY HIGHLIGHTS

The District's revenues were \$284,959 more than budgeted revenues. Most of this difference is due to sales tax revenues being higher than anticipated.

Total expenditures were more 585,815 less than budgeted. The District manages or controls General Fund spending through its line-item budget. The District's certified budget should always exceed actual expenditures for the year and we budget between what we think we will actually spend and the maximum authorized spending authority for the General Fund.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services program area due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget and the state having us put expenditures from one of the major grants into the support services area when we recoded the account numbers.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$4,681,562, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 1.5% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$251,006. During 2007 capital assets were purchased as revenue became available and totaled approximately \$191,000 for computers, unit ventilators, industrial arts equipment and lockers.

The original cost of the District's capital assets was \$8,136,913. Governmental funds account for \$7,999,854, with the remainder of \$137,059 accounted for in the Proprietary, School Nutrition Fund after depreciation

The largest change in capital asset activity during the year occurred in the equipment category. This change is reflected in the value of the equipment increasing from \$895,109 to \$985,646 as many computers and other equipment were purchased. The lease of more new computers using PPEL money impacted the Equipment and Furniture category.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2006-2007
	2007	2006	2007	2006	2007	2006	
	\$	\$	\$	\$	\$	\$	
Land	48,803	48,803	0	0	48,803	48,803	0%
Construction in progress	0	0	0	0	0	0	0%
Buildings	3,807,847	3,862,452	0	0	3,807,847	3,862,452	-1.4%
Improvements	522,614	548,980	0	0	522,614	548,980	-4.8%
Equipment & Furniture	279,234	269,962	23,064	27,045	302,298	297,007	+1.8%
TOTAL	4,658,498	4,730,197	23,064	27,045	4,681,562	4,757,242	-1.5%

Long-Term Debt

At June 30, 2007 the District had \$1,526,864 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of 14.8% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

There is a Capital Lease outstanding in the amount of \$60,173 for the new computers leased from Apple Computer. The early retirement debt increased \$116,333 due to additional early retirements. Compensated absences increased slightly to \$19,230 due to the increases in wages.

**.Figure A-7
Outstanding Long-Term Obligations**

	Total School District		Percentage
	2007	2006	Change
	2007	2006	2006-20076
	\$	\$	
General Obligation Bonds	905,000	1,110,000	-18.4%
Local Option Sales and Services Tax			
Revenue Bonds	0	100,000	-100%
Equipment Loans – Computers	14,441	15,722	-8.1%
Capital Leases	60,173	59,948	+4.4%
Early Retirement	528,020	491,851	+7.4%
Compensated Absences	19,230	13,530	+42.2%
	<u>1,526,864</u>	<u>1,791,051</u>	<u>-14.8%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- School financing is highly dependent upon student enrollment. The District's September 2007 enrollment decreased by 29 students. The District's funding for fiscal year 2009 will be greatly impacted by this enrollment change.
- Although the District has experienced declining enrollment for nine of the past ten years with a net effect of being down 99 students, the District expects a slight increase in future enrollment due to three new housing developments in progress within the District.
- The District will negotiate a new contract with the Garner-Hayfield Education Association (GHEA) and the Garner-Hayfield Education Services Association (GHESA) during fiscal 2008. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tyler Williams, Superintendent, Garner-Hayfield Community School District, 605 Lyon St., Garner, Iowa, 50438.

BASIC FINANCIAL STATEMENTS

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total	Garner-Hayfield Community School District Education Foundation
	\$	\$	\$	\$
Assets				
Cash and cash equivalents:				
ISCAP	346,452	-	346,452	-
Other	1,421,515	6,025	1,427,540	10,152
Investments	-	-	-	643,254
Receivables:				
Property tax:				
Delinquent	27,450	-	27,450	-
Succeeding year	2,355,210	-	2,355,210	-
Accounts	6,725	1,522	8,247	-
Accrued interest:				
ISCAP	3,721	-	3,721	-
Other	403	-	403	-
Due from other governments	507,511	-	507,511	-
Inventories	-	139,320	139,320	-
Notes receivable	14,441	-	14,441	-
Capital assets, net of accumulated depreciation	4,658,498	23,064	4,681,562	-
Total assets	9,341,926	169,931	9,511,857	653,406
Liabilities				
Accounts payable	225,065	334	225,399	-
Salaries and benefits payable	47,365	-	47,365	-
Accrued interest payable	5,973	-	5,973	-
Deferred revenue:				
Succeeding year property tax	2,355,210	-	2,355,210	-
Other	-	3,356	3,356	-
ISCAP warrants payable	347,000	-	347,000	-
ISCAP accrued interest payable	85	-	85	-
ISCAP premium	2,575	-	2,575	-
Long-term liabilities				
Portion due within one year:				
General obligation bonds payable	215,000	-	215,000	-
Capital lease	29,015	-	29,015	-
Equipment note payable	7,489	-	7,489	-
Termination benefits	105,805	-	105,805	-
Compensated absences	19,230	-	19,230	-
Portion due after one year:				
General obligation bonds payable	690,000	-	690,000	-
Capital lease	31,158	-	31,158	-
Equipment note payable	6,952	-	6,952	-
Termination benefits	422,215	-	422,215	-
Total liabilities	4,510,137	3,690	4,513,827	-

See notes to financial statements.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total	Garner-Hayfield Community School District Education Foundation
	\$	\$	\$	\$
Net assets				
Invested in capital assets, net of related debt	3,693,325	23,064	3,716,389	-
Restricted for:				
Endowment by donors		-	-	470,000
State categorical aid	23,019	-	23,019	-
Physical plant and equipment levy	56,474	-	56,474	-
Other special revenue purposes	119,073	-	119,073	-
Local option sales tax capital projects	759,730	-	759,730	-
Debt service	19,878	-	19,878	-
Unrestricted	160,290	143,177	303,467	183,406
Total net assets	<u>4,831,789</u>	<u>166,241</u>	<u>4,998,030</u>	<u>653,406</u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Activities
Year ended June 30, 2007

Functions/Programs	<u>Program Revenues</u>			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	3,017,606	455,807	410,763	-
Special	786,133	151,503	39,241	-
Other	1,007,891	362,999	77,383	-
	<u>4,811,630</u>	<u>970,309</u>	<u>527,387</u>	<u>-</u>
Support services:				
Student	272,471	-	79,090	-
Instructional staff	60,420	-	-	-
Administration	817,625	-	-	-
Operation and maintenance of plant	630,062	1,523	-	-
Transportation	199,867	-	-	-
	<u>1,980,445</u>	<u>1,523</u>	<u>79,090</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	127,328	-	9,333	13,796
Long-term debt interest	52,031	-	321	-
AEA flowthrough	248,462	-	248,462	-
Depreciation (unallocated)*	165,760	-	-	-
	<u>593,581</u>	<u>-</u>	<u>258,116</u>	<u>13,796</u>
Total governmental activities	<u>7,385,656</u>	<u>971,832</u>	<u>864,593</u>	<u>13,796</u>
Business type activities:				
Non-instructional programs:				
Food service operations	369,236	220,351	128,725	-
Student house construction project	-	-	-	-
Total business-type activities	<u>369,236</u>	<u>220,351</u>	<u>128,725</u>	<u>-</u>
Total primary government	<u>7,754,892</u>	<u>1,192,183</u>	<u>993,318</u>	<u>13,796</u>
Component Units				
Garner-Hayfield Community School				
District Education Foundation	23,576	1,378	5,052	-
Total	<u>7,778,468</u>	<u>1,193,561</u>	<u>998,370</u>	<u>13,796</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				

Change in net assets

Net assets beginning of year

Net assets end of year

*This amount excludes the depreciation that is included in the direct expenses of the various programs.

Net (Expense) Revenue and Changes in Net Assets
Primary Government

Governmental Activities	Business Type Activities	Total	Component Unit
\$	\$	\$	\$
(2,151,036)	-	(2,151,036)	-
(595,389)	-	(595,389)	-
(567,509)	-	(567,509)	-
<u>(3,313,934)</u>	<u>-</u>	<u>(3,313,934)</u>	<u>-</u>
(193,381)	-	(193,381)	-
(60,420)	-	(60,420)	-
(817,625)	-	(817,625)	-
(628,539)	-	(628,539)	-
(199,867)	-	(199,867)	-
<u>(1,899,832)</u>	<u>-</u>	<u>(1,899,832)</u>	<u>-</u>
(104,199)	-	(104,199)	-
(51,710)	-	(51,710)	-
-	-	-	-
<u>(165,760)</u>	<u>-</u>	<u>(165,760)</u>	<u>-</u>
<u>(321,669)</u>	<u>-</u>	<u>(321,669)</u>	<u>-</u>
<u>(5,535,435)</u>	<u>-</u>	<u>(5,535,435)</u>	<u>-</u>
-	(20,160)	(20,160)	-
-	-	-	-
<u>-</u>	<u>(20,160)</u>	<u>(20,160)</u>	<u>-</u>
(5,535,435)	(20,160)	(5,555,595)	-
-	-	-	(17,146)
<u>(5,535,435)</u>	<u>(20,160)</u>	<u>(5,555,595)</u>	<u>(17,146)</u>
2,022,084	-	2,022,084	-
125,121	-	125,121	-
87,716	-	87,716	-
316,176	-	316,176	-
459,030	-	459,030	-
3,033,801	-	3,033,801	-
51,346	110	51,456	89,008
9,553	-	9,553	-
<u>6,104,827</u>	<u>110</u>	<u>6,104,937</u>	<u>89,008</u>
19,000	(19,000)	-	-
<u>6,123,827</u>	<u>(18,890)</u>	<u>6,104,937</u>	<u>89,008</u>
588,392	(39,050)	549,342	71,862
<u>4,243,397</u>	<u>205,291</u>	<u>4,448,688</u>	<u>581,544</u>
<u>4,831,789</u>	<u>166,241</u>	<u>4,998,030</u>	<u>653,406</u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2007

	General Fund	Capital Projects Local Option Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments:				
ISCAP	346,452	-	-	346,452
Other	294,704	631,474	205,201	1,131,379
Receivables:				
Property tax:				
Delinquent	22,853	-	4,597	27,450
Succeeding year	1,938,275	-	416,935	2,355,210
Accounts	270	-	-	270
Accrued interest - ISCAP	3,721	-	-	3,721
Accrued interest - other	8	379	16	403
Due from other governments	303,601	127,877	76,033	507,511
Notes receivable	14,441	-	-	14,441
Total assets	<u>2,924,325</u>	<u>759,730</u>	<u>702,782</u>	<u>4,386,837</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	35,397	-	31,729	67,126
Salaries and benefits payable	47,365	-	-	47,365
ISCAP warrants payable	347,000	-	-	347,000
ISCAP accrued interest payable	85	-	-	85
ISCAP premium	2,575	-	-	2,575
Deferred revenue:				
Succeeding year property tax	1,938,275	-	416,935	2,355,210
Other	217,197	-	76,033	293,230
Total liabilities	<u>2,587,894</u>	<u>-</u>	<u>524,697</u>	<u>3,112,591</u>
Fund balances:				
Reserved for:				
State categorical aid	23,019	-	-	23,019
Debt service	-	-	25,851	25,851
Unreserved reported in:				
General fund	313,412	-	-	313,412
Special revenue funds	-	-	152,234	152,234
Capital projects funds	-	759,730	-	759,730
Total fund balances	<u>336,431</u>	<u>759,730</u>	<u>178,085</u>	<u>1,274,246</u>
Total liabilities and fund balances	<u>2,924,325</u>	<u>759,730</u>	<u>702,782</u>	<u>4,386,837</u>

See notes to financial statements.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2007

	\$
Total fund balances of governmental funds (Exhibit C)	1,274,246
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,658,498
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	293,230
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(5,973)
An internal service fund is used by the District's management to charge the costs health insurance and health insurance deductible reimbursements to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	138,652
Long-term liabilities, including bonds payable, notes payable, capital leases, termination benefits and compensated absences are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(1,526,864)</u>
Net assets of governmental activities (Exhibit A)	<u><u>4,831,789</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2007

	General Fund	Capital Projects Local Option Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,020,626	459,030	452,585	2,932,241
Tuition	559,543	-	-	559,543
Other	135,496	4,716	363,428	503,640
State sources	3,681,074	-	255	3,681,329
Federal sources	185,033	-	13,796	198,829
Total revenues	<u>6,581,772</u>	<u>463,746</u>	<u>830,064</u>	<u>7,875,582</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,870,138	-	97,441	2,967,579
Special	786,133	-	-	786,133
Other	690,144	-	313,370	1,003,514
	<u>4,346,415</u>	<u>-</u>	<u>410,811</u>	<u>4,757,226</u>
Support services:				
Student	272,471	-	-	272,471
Instructional staff	60,420	-	28,314	88,734
Administration	748,315	-	63,610	811,925
Operation and maintenance of plant	625,808	-	-	625,808
Transportation	169,334	-	65,187	234,521
	<u>1,876,348</u>	<u>-</u>	<u>157,111</u>	<u>2,033,459</u>
Other expenditures:				
Facilities acquisition	-	-	204,914	204,914
Long-term debt:				
Principal	-	-	333,089	333,089
Interest and fiscal charges	-	-	52,874	52,874
AEA flowthrough	248,462	-	-	248,462
	<u>248,462</u>	<u>-</u>	<u>590,877</u>	<u>839,339</u>
Total expenditures	<u>6,471,225</u>	<u>-</u>	<u>1,158,799</u>	<u>7,630,024</u>
Excess (deficiency) of revenues over (under) expenditures	<u>110,547</u>	<u>463,746</u>	<u>(328,735)</u>	<u>245,558</u>
Other financing sources (uses):				
Compensation for loss of fixed assets	1,580	-	-	1,580
Proceeds from long-term debt	-	-	28,314	28,314
Operating transfers in	19,000	-	269,897	288,897
Operating transfers out	-	(236,439)	(33,458)	(269,897)
Total other financing sources (uses)	<u>20,580</u>	<u>(236,439)</u>	<u>264,753</u>	<u>48,894</u>
Net change in fund balances	131,127	227,307	(63,982)	294,452
Fund balances beginning of year	205,304	532,423	242,067	979,794
Fund balances end of year	<u>336,431</u>	<u>759,730</u>	<u>178,085</u>	<u>1,274,246</u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2007

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		294,452
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital asset expenditures in the current year, as follows:		
Expenditures for capital assets	175,326	
Depreciation expense	<u>(247,025)</u>	(71,699)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		77,886
funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		333,089
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		843
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	(36,169)	
Compensated absences	<u>(5,700)</u>	(41,869)
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		(28,314)
An internal service fund is used by the District's management to charge the costs of the health insurance premiums and health insurance deductible reimbursements to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		<u>24,004</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>588,392</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2007

	Enterprise Funds	Governmental Activities -
	Nonmajor Funds	Internal Service Fund
	\$	\$
Assets		
Cash and cash equivalents	6,025	290,136
Accounts receivable	1,522	6,455
Due from other governments		
Inventories	139,320	-
Capital assets, net of accumulated depreciation	23,064	-
	<u>169,931</u>	<u>296,591</u>
Total assets	<u>169,931</u>	<u>296,591</u>
Liabilities		
Accounts payable	334	157,939
Deferred revenue	3,356	-
	<u>3,690</u>	<u>157,939</u>
Total liabilities	<u>3,690</u>	<u>157,939</u>
Net assets		
Invested in capital assets, net of related debt	23,064	-
Unrestricted	143,177	138,652
	<u>166,241</u>	<u>138,652</u>
Total net assets	<u><u>166,241</u></u>	<u><u>138,652</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2007

	Enterprise Funds	Governmental Activities - Internal Service Fund
	Nonmajor Funds	Fund
	\$	\$
Operating revenue:		
Local sources:		
Charges for service	220,351	1,039,141
Operating expenses:		
Non-instructional programs:		
Salaries	138,760	-
Benefits	18,468	1,015,137
Purchased services	2,827	-
Supplies	205,200	-
Depreciation	3,981	-
	<u>369,236</u>	<u>1,015,137</u>
Operating gain (loss)	<u>(148,885)</u>	<u>24,004</u>
Non-operating revenues:		
State sources	4,695	-
Federal sources	124,030	-
Interest income	110	-
Total non-operating revenues	<u>128,835</u>	<u>-</u>
Gain (loss) before transfers	(20,050)	24,004
Transfers in (out)	<u>(19,000)</u>	<u>-</u>
Change in net assets	(39,050)	24,004
Net assets beginning of year	<u>205,291</u>	<u>114,648</u>
Net assets end of year	<u><u>166,241</u></u>	<u><u>138,652</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2007

	Enterprise Funds Nonmajor Funds \$	Governmental Activities - Internal Service Fund \$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	219,882	-
Cash payments from sale of house	-	-
Cash payments from services to other funds	-	1,032,686
Cash payments to employees for services	(157,228)	(1,021,036)
Cash payments to suppliers for goods or services	(296,733)	-
Net cash used by operating activities	<u>(234,079)</u>	<u>11,650</u>
Cash flows from non-capital financing activities:		
Transfers (to) from General Fund	(19,000)	-
State grants received	4,695	-
Federal grants received	99,454	-
Net cash provided by non-capital financing activities	<u>85,149</u>	<u>-</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	110	-
Net increase (decrease) in cash and cash equivalents	(148,820)	11,650
Cash and cash equivalents at beginning of year	<u>154,845</u>	<u>278,486</u>
Cash and cash equivalents at end of year	<u>6,025</u>	<u>290,136</u>
Reconciliation of operating gain (loss) to net cash used by operating activities:		
Operating gain (loss)	(148,885)	24,004
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	24,576	-
Depreciation	3,981	-
Decrease (increase) in inventories	(112,868)	-
Decrease (increase) in accounts receivable	(373)	(6,455)
(Decrease) increase in accounts payable	(414)	(5,899)
(Decrease) increase in deferred revenue	(96)	-
Net cash provided by (used in) operating activities	<u>(234,079)</u>	<u>11,650</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$24,576 of federal commodities.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2007

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	5,042
Accrued interest receivable	<u>30</u>
Total Assets	5,072
Liabilities	
Accounts payable	<u>30</u>
Net Assets	
Unreserved	<u><u>5,042</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2007

	Private Purpose Trust Scholarship <u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	50
Interest	<u>148</u>
Total additions	198
Deductions:	
Support services:	
Scholarships awarded	<u>4,500</u>
Change in net assets	(4,302)
Net assets beginning of year	<u>9,344</u>
Net assets end of year	<u><u>5,042</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

1. Summary of Significant Accounting Policies

Garner-Hayfield Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Garner and Hayfield, Iowa and the predominately agricultural territory in a portion of Hancock County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Garner-Hayfield Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) The potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Garner-Hayfield Community School District Education Foundation has been included in the financial statements as a discretely presented component unit.

The Garner-Hayfield Community School District Education Foundation was established for charitable, educational, and scientific purposes which benefit the Garner-Hayfield Community School District. Foundation financial statements are shown in the Statement of Net Assets and the Statement of Activities in separate columns.

Also, the All Sports Booster Club was established by the District during fiscal year 2007 under Chapter 279.62 of the Code of Iowa. As required by the Code of Iowa the booster club has been audited as part of the District's annual audit and is included as part of the Nonmajor Student Activity Fund.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instruction, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's had two proprietary enterprise funds during the year ended June 30, 2007. The School Nutrition Fund is used to account for the food service operations of the District. The Student Construction Fund is used to account for the proceeds from the sale of and the costs of the construction of a house.

The District's internal service fund is also reported as a proprietary fund. The internal service fund is used to account for the District's health insurance plan premiums and medical deductible reimbursement plan.

The District also reports fiduciary funds, which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the

Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006, through June 30, 2007, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received. Proprietary fund inventories include \$128,368 for a house constructed by students, that is being held for resale.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	3,000
Improvements other than buildings	3,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-50 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for vacation time that has been used. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General fund.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the support services function exceeded the amount budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 1,435

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer To	Transfer From	Amount
		\$
Debt Service	Capital Projects: Local Option Sales Tax	236,439
Debt Service	Nonmajor Governmental Funds: Physical Plant and Equipment Levy	33,458
General Fund	Nonmajor Enterprise: Student Construction Fund	19,000

The transfers to the Debt Service Fund moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

The transfer from the Student Construction Fund to the General Fund was made to cover house construction costs paid from the General Fund.

4. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest

earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2006-07A	6/28/06	6/28/07	-	3,617	-	-
2007-08A	6/27/07	6/27/08	346,452	104	347,000	85
Total			346,452	3,721	347,000	85

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2007, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	-	-	-

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2006-07A	4.500	5.676
2007-08A	4.500	5.455

5. Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	48,803	-	-	48,803
Capital assets being depreciated:				
Buildings	6,236,441	78,875	-	6,315,316
Improvements other than buildings	644,175	5,914	-	650,089
Furniture and equipment	895,109	90,537	-	985,646
Total capital assets being deprec.	7,775,725	175,326	-	7,951,051
Less accumulated depreciation for:				
Buildings	2,373,989	133,480	-	2,507,469
Improvements other than buildings	95,195	32,280	-	127,475
Furniture and equipment	625,147	81,265	-	706,412
Total accumulated depreciation	3,094,331	247,025	-	3,341,356

Total capital assets being depreciated, net	<u>4,681,394</u>	<u>(71,699)</u>	<u>-</u>	<u>4,609,695</u>
Governmental activities capital assets, net	<u>4,730,197</u>	<u>(71,699)</u>	<u>-</u>	<u>4,658,498</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	137,059	-	-	137,059
Less accumulated depreciation	<u>110,014</u>	<u>3,981</u>	<u>-</u>	<u>113,995</u>
Business type activities capital assets, net	<u>27,045</u>	<u>(3,981)</u>	<u>-</u>	<u>23,064</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	37,862
Other	4,377
Support Services:	
Operation and maintenance of plant services	8,493
Transportation	<u>30,533</u>
	81,265
Unallocated depreciation	<u>165,760</u>
Total depreciation expense – governmental activities	<u>247,025</u>
Business type activities:	
Food services	<u>3,981</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	1,110,000	-	205,000	905,000	215,000
Revenue bond anticipation note	100,000	-	100,000	-	-
Capital lease	59,948	28,314	28,089	60,173	29,015
Equipment loans	15,722	6,746	8,027	14,441	7,489
Termination benefits	491,851	116,333	80,164	528,020	105,805
Compensated absences	13,530	19,230	13,530	19,230	19,230
Total	<u>1,791,051</u>	<u>170,623</u>	<u>434,810</u>	<u>1,526,864</u>	<u>376,539</u>

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least ten years of service to the District and must be between the ages of fifty-five and sixty on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education and no more than five employees per year will be granted benefits under the policy.

Early retirement benefits consist of the school paying up to \$5,000 of health insurance premiums for three years and a cash payment of up to \$2,500 for unused sick leave days.

At June 30, 2007, the District has obligations to twenty participants with a total liability of \$528,020. Actual early retirement expenditures for the year ended June 30, 2007 totaled \$80,164.

General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Bond Issue of December 1, 1998</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2008	4.00	215,000	36,555	251,555
2009	4.00	220,000	27,955	247,955
2010	4.05	230,000	19,155	249,155
2011	4.10	240,000	9,840	249,840
		<u>905,000</u>	<u>93,505</u>	<u>998,505</u>

Capital Leases

The District has leased computers under a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2007.

	<u>Year Ending June 30,</u>	<u>Amount</u>
		<u>\$</u>
	2008	33,458
	2009	33,458
Minimum Lease Payments		<u>66,916</u>
Less Amount Representing Interest		<u>6,743</u>
Present Value of Minimum Lease Payments		<u>60,173</u>

Equipment Loans

The District has borrowed money, at interest rates of 3.45% to 3.99%, to purchase computers for resale to teachers. The District also has notes receivable from the teachers in the same amounts and at the same interest rates as the notes payable. The teachers have agreed to have the monthly payments withheld from their payroll checks. Payment details are as follows:

Year Ending June 30,	Principal	Interest	Total
	\$	\$	\$
2007	7,489	487	7,976
2008	4,050	243	4,293
2009	2,902	118	3,020
	<u>14,441</u>	<u>848</u>	<u>15,289</u>

7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$219,884, \$212,785 and \$208,186 respectively, equal to the required contributions for each year.

8. Risk Management

Garner-Hayfield Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$248,462 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Construction Commitment

The District has entered into a \$50,000 contract for stage lighting. The project had not started at June 30, 2007.

11. Deficit Fund Balances

At June 30, 2007 the District had a \$19,559 deficit unreserved fund balance in the Nonmajor Physical Plant and Equipment Levy Fund.

REQUIRED SUPPLEMENTARY INFORMATION

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2007

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,995,424	220,461	4,215,885	4,041,340	4,041,340	174,545
State sources	3,681,329	4,695	3,686,024	3,651,469	3,651,469	34,555
Federal sources	198,829	124,030	322,859	247,000	247,000	75,859
Total revenues	<u>7,875,582</u>	<u>349,186</u>	<u>8,224,768</u>	<u>7,939,809</u>	<u>7,939,809</u>	<u>284,959</u>
Expenditures:						
Instruction	4,757,226	-	4,757,226	4,885,959	4,885,959	128,733
Support services	2,033,459	-	2,033,459	1,912,399	1,912,399	(121,060)
Non-instructional programs	-	369,236	369,236	408,443	408,443	39,207
Other expenditures	839,339	-	839,339	1,378,274	1,378,274	538,935
Total expenditures	<u>7,630,024</u>	<u>369,236</u>	<u>7,999,260</u>	<u>8,585,075</u>	<u>8,585,075</u>	<u>585,815</u>
Excess (deficiency) of revenues over (under) expenditures	245,558	(20,050)	225,508	(645,266)	(645,266)	(300,856)
Other financing sources (uses) net	<u>48,894</u>	<u>(19,000)</u>	<u>29,894</u>	<u>-</u>	<u>-</u>	<u>29,894</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	294,452	(39,050)	255,402	(645,266)	(645,266)	(270,962)
Balance beginning of year	<u>979,794</u>	<u>205,291</u>	<u>1,185,085</u>	<u>1,119,912</u>	<u>1,119,912</u>	<u>65,173</u>
Balance end of year	<u><u>1,274,246</u></u>	<u><u>166,241</u></u>	<u><u>1,440,487</u></u>	<u><u>474,646</u></u>	<u><u>474,646</u></u>	<u><u>(205,789)</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

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

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

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

During the year ended June 30, 2007, expenditures in the support services function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2007

Assets	Special Revenue Funds					Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	District Support Trust Funds	Debt Service	
	\$	\$	\$	\$	\$	
Cash and pooled investments	52,989	116,447	1,761	9,713	24,291	205,201
Receivables:						
Property tax:						
Delinquent	1,969	-	1,083	-	1,545	4,597
Succeeding year	195,000	-	95,907	-	126,028	416,935
Accrued interest	-	-	1	-	15	16
Due from other governments	-	-	76,033	-	-	76,033
Total assets	249,958	116,447	174,785	9,713	151,879	702,782
Liabilities & Fund Balances						
Liabilities:						
Accounts payable	2,238	7,087	22,404	-	-	31,729
Deferred revenue:						
Succeeding year property tax	195,000	-	95,907	-	126,028	416,935
Other	-	-	76,033	-	-	76,033
Total liabilities	197,238	7,087	194,344	-	126,028	524,697
Fund balances:						
Reserved for debt service	-	-	-	-	25,851	25,851
Unreserved reported in:						
Special revenue funds	52,720	109,360	(19,559)	9,713	-	152,234
Total fund balances	52,720	109,360	(19,559)	9,713	25,851	178,085
Total liabilities and fund balances	249,958	116,447	174,785	9,713	151,879	702,782

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2007

	Special Revenue Funds					Total
	Management	Student	Physical	District	Debt	
	Levy	Activity	Plant and	Support	Service	
		Equipment	Trust			
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	160,377	-	167,087	-	125,121	452,585
Other	11,590	340,287	9,384	1,846	321	363,428
State sources	110	-	60	-	85	255
Federal sources	-	-	13,796	-	-	13,796
Total revenues	<u>172,077</u>	<u>340,287</u>	<u>190,327</u>	<u>1,846</u>	<u>125,527</u>	<u>830,064</u>
Expenditures:						
Current:						
Instruction:						
Regular	95,502	-	-	1,939	-	97,441
Other	-	313,370	-	-	-	313,370
Support services:						
Instructional staff	-	-	28,314	-	-	28,314
Administration	63,610	-	-	-	-	63,610
Transportation	-	-	65,187	-	-	65,187
Other expenditures:						
Facilities acquisition	-	-	204,914	-	-	204,914
Long-term debt:						
Principal	-	-	-	-	333,089	333,089
Interest and fiscal charges	-	-	-	-	52,874	52,874
Total expenditures	<u>159,112</u>	<u>313,370</u>	<u>298,415</u>	<u>1,939</u>	<u>385,963</u>	<u>1,158,799</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,965</u>	<u>26,917</u>	<u>(108,088)</u>	<u>(93)</u>	<u>(260,436)</u>	<u>(328,735)</u>
Other financing sources (uses):						
Proceeds from long-term debt	-	-	28,314	-	-	28,314
Operating transfers in	-	-	-	-	269,897	269,897
Operating transfers out	-	-	(33,458)	-	-	(33,458)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(5,144)</u>	<u>-</u>	<u>269,897</u>	<u>264,753</u>
Net change in fund balance	12,965	26,917	(113,232)	(93)	9,461	(63,982)
Fund balances beginning of year	<u>39,755</u>	<u>82,443</u>	<u>93,673</u>	<u>9,806</u>	<u>16,390</u>	<u>242,067</u>
Fund balances end of year	<u>52,720</u>	<u>109,360</u>	<u>(19,559)</u>	<u>9,713</u>	<u>25,851</u>	<u>178,085</u>

See accompanying independent auditor's report.

GARNER-HAYFIELD

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2007

	Enterprise Funds		
	School Nutrition	Student Construction	Total Nonmajor Funds
	\$	\$	\$
Assets			
Cash and cash equivalents	2,758	3,267	6,025
Accounts receivable	1,522	-	1,522
Inventories	10,952	128,368	139,320
Capital assets, net of accumulated depreciation	23,064	-	23,064
Total assets	38,296	131,635	169,931
Liabilities			
Accounts payable	-	334	334
Deferred revenue	3,356	-	3,356
Total liabilities	3,356	334	3,690
Net assets			
Invested in capital assets, net of related debt	23,064	-	23,064
Unrestricted	11,876	131,301	143,177
Total net assets	34,940	131,301	166,241

GARNER-HAYFIELD

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds

Year ended June 30, 2007

	Enterprise Funds		
	School Nutrition	Student Construction	Total Nonmajor Funds
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	220,351	-	220,351
	<u>220,351</u>	<u>-</u>	<u>220,351</u>
Operating expenses:			
Non-instructional programs:			
Salaries	138,760	-	138,760
Benefits	18,468	-	18,468
Purchased services	2,827	-	2,827
Supplies	205,200	-	205,200
Depreciation	3,981	-	3,981
	<u>369,236</u>	<u>-</u>	<u>369,236</u>
Operating gain (loss)	<u>(148,885)</u>	<u>-</u>	<u>(148,885)</u>
Non-operating revenues:			
State sources	4,695	-	4,695
Federal sources	124,030	-	124,030
Interest income	110	-	110
Total non-operating revenues	<u>128,835</u>	<u>-</u>	<u>128,835</u>
Gain (loss) before transfers	(20,050)	-	(20,050)
Transfers in (out)	<u>-</u>	<u>(19,000)</u>	<u>(19,000)</u>
Change in net assets	(20,050)	(19,000)	(39,050)
Net assets beginning of year	<u>54,990</u>	<u>150,301</u>	<u>205,291</u>
Net assets end of year	<u><u>34,940</u></u>	<u><u>131,301</u></u>	<u><u>166,241</u></u>

GARNER-HAYFIELD

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2007

	Enterprise Funds		
	School Nutrition	Student Construction	Total Nonmajor Funds
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	219,882	-	219,882
Cash payments to employees for services	(157,228)	-	(157,228)
Cash payments to suppliers for goods or services	(184,451)	(112,282)	(296,733)
Net cash used by operating activities	<u>(121,797)</u>	<u>(112,282)</u>	<u>(234,079)</u>
Cash flows from non-capital financing activities:			
Transfer to General Fund	-	(19,000)	(19,000)
State grants received	4,695	-	4,695
Federal grants received	99,454	-	99,454
Net cash provided by non-capital financing activities	<u>104,149</u>	<u>(19,000)</u>	<u>85,149</u>
Cash flows from capital and related financing activities:	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Interest on investments	<u>110</u>	<u>-</u>	<u>110</u>
Net increase (decrease) in cash and cash equivalents	(17,538)	(131,282)	(148,820)
Cash and cash equivalents at beginning of year	<u>20,296</u>	<u>134,549</u>	<u>154,845</u>
Cash and cash equivalents at end of year	<u><u>2,758</u></u>	<u><u>3,267</u></u>	<u><u>6,025</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:			
Operating gain (loss)	(148,885)	-	(148,885)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	24,576	-	24,576
Depreciation	3,981	-	3,981
Decrease (increase) in inventories	(1,000)	(111,868)	(112,868)
Decrease (increase) in accounts receivable	(373)	-	(373)
(Decrease) increase in accounts payable	-	(414)	(414)
(Decrease) increase in deferred revenue	(96)	-	(96)
Net cash provided by (used in) operating activities	<u><u>(121,797)</u></u>	<u><u>(112,282)</u></u>	<u><u>(234,079)</u></u>

See accompanying independent auditor's report.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	Beginning of Year				
	\$	\$	\$	\$	\$
Athletics	3,042	102,243	100,167	(1,310)	3,808
Athletic towel service	3,109	5,529	6,496	-	2,142
Fellowship of Christian Athletes	36	-	-	-	36
HS boys track	1,184	1,142	1,263	-	1,063
HS girls golf	56	694	692	-	58
HS wrestling	20	-	1,058	1,058	20
Girls basketball	2,074	2,182	4,256	-	-
HS boys basketball	3,964	840	4,777	-	27
HS volleyball	(29)	2,542	2,313	(200)	-
Football	840	6,525	9,504	-	(2,139)
Girls track	263	1,136	1,268	-	131
HS baseball	245	2,541	3,225	657	218
Girls softball	277	-	-	-	277
HS boys golf	(65)	650	575	-	10
HS softball	3,006	2,433	5,440	-	(1)
Cross country	147	146	237	-	56
Weight room	52	-	-	-	52
MS volleyball	38	-	-	-	38
Boys and girls junior basketball	313	-	-	-	313
All School Sports Boosters	-	110,907	75,146	(857)	34,904
Cheerleading fund	123	6,718	6,565	-	276
Pep club	551	-	-	-	551
Student council	7,759	5,996	4,106	(1,058)	8,591
Jr. Hi. student council	222	12,806	12,688	-	340
Curtain club	5	-	-	-	5
Peer helper association	824	821	1,397	67	315
Que pasa	980	-	103	-	877
Class of 2004	920	-	-	-	920
Class of 2005	1,417	-	150	-	1,267
Class of 2006	1,438	-	997	-	441
Class of 2007	4,227	-	3,310	-	917
Class of 2008	1,950	6,450	7,082	1,673	2,991
Class of 2009	(36)	746	-	-	710
Investments	9,592	372	-	-	9,964
N.O.W. interest	11,319	761	-	-	12,080
FFA	3,866	28,385	28,236	(30)	3,985
FCCLA	2,401	2,265	1,740	-	2,926
National Honor Society	1,041	1,150	1,073	-	1,118
Retail marketing	1,704	-	964	-	740
NCIBA honor band	38	(22)	-	-	16
Band trip	598	3,070	3,264	-	404
Flag & rifle	617	3,478	2,994	-	1,101

See accompanying independent auditor's report.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	Beginning of Year				
	\$	\$	\$	\$	\$
HS solo & ensemble contest	823	1,752	1,483	-	1,092
Jr. Hi. solo & ens. contest	20	-	-	-	20
Impulse dance club	2,185	2,674	3,358	-	1,501
Annual	2,609	3,169	2,748	-	3,030
MS annual	1,075	1,834	1,850	-	1,059
HS concessions	342	1,431	1,244	-	529
K-8 concessions	463	4,788	3,650	-	1,601
Speech & drama	5,403	2,767	1,573	-	6,597
Musical productions	3,759	7,371	3,854	-	7,276
PSAT testing	(4)	495	495	-	(4)
Video yearbook	698	-	-	-	698
Washington DC trip	-	1,500	-	-	1,500
June 30, 2006 accrual entries	(5,058)	-	(5,058)	-	-
June 30, 2007 accrual entries	-	-	7,087	-	(7,087)
Total	82,443	340,287	313,370	-	109,360

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,932,241	2,650,276	2,412,741	2,459,892
Tuition	559,543	466,075	523,800	559,121
Other	503,640	443,198	349,782	359,797
State sources	3,681,329	3,646,422	3,579,099	3,138,599
Federal sources	198,829	173,573	116,954	103,229
Total revenues	<u>7,875,582</u>	<u>7,379,544</u>	<u>6,982,376</u>	<u>6,620,638</u>
Expenditures:				
Instruction:				
Regular	2,967,579	2,849,038	3,067,644	2,849,646
Special	786,133	809,777	769,429	779,172
Other	1,003,514	903,305	782,127	770,275
Support services:				
Student	272,471	246,198	116,368	98,749
Instructional staff	88,734	86,194	63,959	103,534
Administration	811,925	728,692	662,677	621,615
Operation and maintenance of plant	625,808	710,105	708,915	589,586
Transportation	234,521	172,865	181,687	158,696
Other expenditures:				
Facilities acquisition	204,914	173,524	321,837	165,657
Long-term debt:				
Principal	333,089	324,565	289,992	180,092
Interest and other charges	52,874	63,180	67,942	67,607
AEA flowthrough	248,462	238,664	230,357	225,158
Total expenditures	<u>7,630,024</u>	<u>7,306,107</u>	<u>7,262,934</u>	<u>6,609,787</u>

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

To the Board of Education of
Garner-Hayfield Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Garner-Hayfield Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 2, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Garner-Hayfield Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Garner-Hayfield Community School District's financial statements that is more than inconsequential will not be prevented or detected by Garner-Hayfield Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Garner-Hayfield Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 07-I-A, 07-I-B and 07-01-C are material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Garner-Hayfield Community School District and other parties to whom Garner-Hayfield Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

January 2, 2008

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

07-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation and posting of general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

07-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

07-I-C Signature Stamp: We noted that a stamp bearing the signatures of the Board President and Board Secretary is used to sign checks. The Board Secretary prints the checks and uses the stamp to sign the checks.

Recommendation: This practice negates the control established by requiring two signatures on the checks. The board secretary should not have access to or use a stamp with the Board President's signature.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

Part I: Findings Related to the Financial Statements (continued):

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

Part II: Other Findings Related to Statutory Reporting:

07-II-A Certified Budget: Expenditures for the year ended June 30, 2007, exceeded the amount budgeted in the support services functional area.

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

District Response: We will amend future budgets before expenditures exceed the budget.

Conclusion: Response accepted.

07-II-B Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

07-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u> \$
William Paulus, board member and VP at local bank	School banking	

Recommendation: The District should consult with its attorney before entering into any banking agreements with the above bank.

District Response: We will consult with our attorney.

Conclusion: Response accepted.

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

07-II-F Board Minutes: Except as explained in comment 07-II-J, we noted no transactions requiring Board approval that had not been approved by the Board.

07-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

07-II-H Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

07-II-I Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2007

Part II: Other Findings Related to Statutory Reporting (continued):

07-II-J Student Activity Fund Expenditure Procedures: All public funds are the legal responsibility of the Board, Board Secretary and Board Treasurer. All public funds have the same legal requirements for accounting, reporting, auditing and allowing, dual signatures, publishing and investing. We noted that the Student Activity Fund was not following the statutory requirements for Board approval prior to disbursement and publication of bills paid.

Recommendation: The District should implement procedures to ensure compliance with statutory requirements for disbursements in the Student Activity Fund.

District Response: The District will pursue the auditor's recommendation.

Conclusion: Response accepted.

07-II-K Old Outstanding Checks: We noted that the District's bank reconciliations included approximately \$1,000 of old outstanding checks. Iowa Code Section 566 specifies that holders unclaimed property, which includes outstanding checks, must file a report with and send the unclaimed property to the Treasurer of Iowa.

Recommendation: The District should investigate the status of all old outstanding checks. Checks that were issued in error or in duplicate should be voided and removed from the list of outstanding checks. The District should search for the owners of all other outstanding checks, then reissue new checks if the owners are found. If the owners can not be found, the District must file an unclaimed property report with and send the money to the Treasurer State of Iowa.

Response: We will begin investigating the status of old outstanding checks and we will file an unclaimed property report with the Treasurer of Iowa if necessary.

Conclusion: Response accepted.

07-II-J Deficit Balances: The District has a deficit unreserved fund balance in the Physical Plant and Equipment Levy Fund of \$19,559 at June 30, 2007.

Recommendation: The District should monitor this fund and investigate alternatives to eliminate the deficit.

District Response: The deficit was caused by accounts payable for summer repair and improvement projects. The deficit will be covered by fiscal year 2008 property tax collections.

Conclusion: Response accepted.