

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

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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, 2009, 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, 2009, 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 February 1, 2010, 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, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 13 and 38 through 39 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 five years ended June 30, 2008, (which are not presented herein). Our opinions for 2008, 2007 and 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

February 1, 2010

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2009 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$7,084,464 in fiscal 2008 to \$6,801,569 in fiscal 2009, while General Fund expenditures increased from \$6,695,555 in fiscal 2008 to \$7,065,362 in fiscal 2009. The District's General Fund balance decreased from \$727,070 in fiscal 2008 to \$467,224 in fiscal 2009, a 35% decrease.
- The decrease in General Fund revenues was mainly attributable to a decrease in local property taxes in fiscal 2009. The increase in expenditures was due primarily to an increase in the negotiated salaries and benefits exceeding the new monies and the addition of an At-Risk program in our PK-8 building.
- SILO monies were used to decrease the property tax rate for the K-8 Building Addition bond issue and to fund the purchase of equipment and roof replacement.

### 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 District 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 Funds.

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

Figure A-1

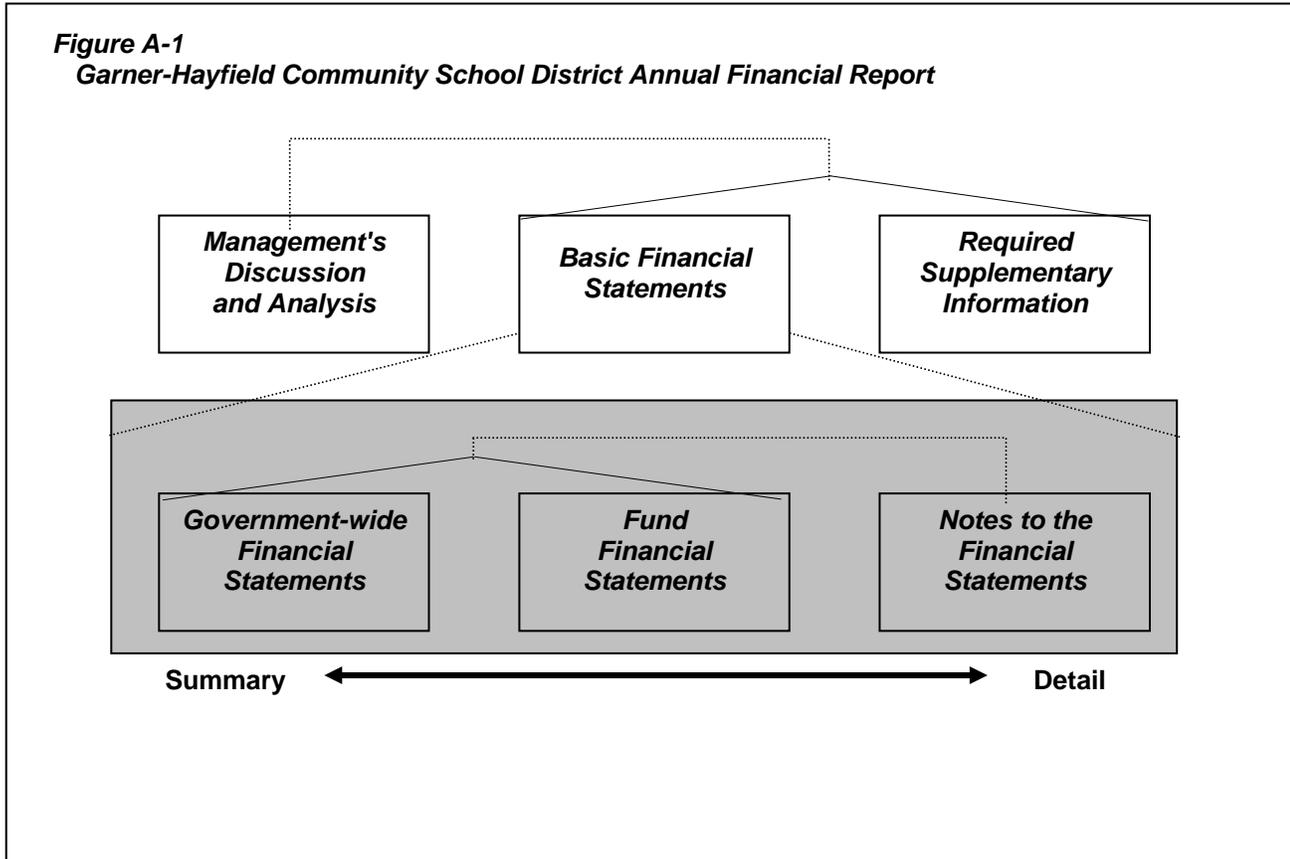


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	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 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, 2009 compared to June 30, 2008.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Current and other assets	4,898,389	4,414,913	209,543	153,978	5,107,932	4,568,891	+11.8%
Capital assets	4,863,126	4,816,618	15,219	18,915	4,878,345	4,835,533	+9%
<b>Total assets</b>	<b>9,761,515</b>	<b>9,231,531</b>	<b>224,762</b>	<b>172,893</b>	<b>9,986,277</b>	<b>9,404,424</b>	<b>+6.2%</b>
Long-term liabilities	1,059,681	1,291,923	0	0	1,059,681	1,291,923	-18.0%
Other liabilities	2,854,737	2,467,133	7,006	3,821	2,861,743	2,470,954	+15.8%
<b>Total liabilities</b>	<b>3,914,418</b>	<b>3,759,056</b>	<b>7,006</b>	<b>3,821</b>	<b>3,921,424</b>	<b>3,762,877</b>	<b>+4.2%</b>
Net Assets:							
Invested in capital assets, net of related debt	4,330,419	4,066,660	15,219	18,915	4,345,638	4,085,575	+6.3%
Restricted	1,189,624	853,355	0	0	1,189,624	853,355	+39.4%
Unrestricted	327,054	552,460	202,537	150,157	529,591	702,617	-24.6%
<b>TOTAL NET ASSETS</b>	<b>5,847,097</b>	<b>5,472,475</b>	<b>217,756</b>	<b>169,072</b>	<b>6,064,853</b>	<b>5,641,547</b>	<b>+7.5%</b>

The District's combined net assets increased by 7.5% or approximately \$423,306 more than 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 and succeeding year property taxes.

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 by \$336,269 or 39.4% more than the prior year. The increase was primarily a result of the District expending less from the SILO Funds.

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 – decreased \$173,026 or 24.6%. This decrease in unrestricted net assets was a result of the District expenditures increasing more than the District revenues increased.

Figure A-4 shows the change in net assets for the years ended June 30, 2009 and 2008.

Figure A-4

	Change in Net Assets						Percentage Change 2008-2009
	Governmental Activities		Business-type Activities		Total School District		
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	993,905	1,032,772	376,352	352,965	1,370,257	1,385,737	-1.1%
Operating grants & contributions	1,172,714	1,064,011	158,631	142,849	1,331,345	1,206,860	+10.3%
Capital grants & contributions	208,730	500			208,730	500	+41646.0%
General Revenues:							
Property taxes	2,124,417	2,355,391			2,124,417	2,355,391	-9.8%
Income Surtax	360,101	342,023			360,101	342,023	+5.2%
Local option sales tax	440,963	451,004			440,963	451,004	-2.2%
Unrestricted state grants	3,084,901	3,180,136			3,084,901	3,180,136	-3.0%
Unrestricted investment earnings	21,529	47,028	106	122	21,635	47,150	-54.1%
Other revenue	21,141	12,117			21,141	12,117	+74.4%
<b>Total Revenues</b>	<b>8,428,401</b>	<b>8,484,982</b>	<b>535,089</b>	<b>495,936</b>	<b>8,963,490</b>	<b>8,980,918</b>	<b>-.2%</b>
Expenses:							
Instruction	5,388,722	5,169,321			5,388,722	5,169,321	+4.2%
Support services	2,063,814	1,967,793			2,063,814	1,967,793	+4.8%
Non-instructional programs	0	0	486,405	493,105	486,405	493,105	-1.3%
Other expenditures	601,243	707,182			601,243	707,182	-14.9%
<b>Total expenses</b>	<b>8,053,779</b>	<b>7,844,296</b>	<b>486,405</b>	<b>493,105</b>	<b>8,540,184</b>	<b>8,337,401</b>	<b>+2.4%</b>
<b>CHANGE IN NET ASSETS</b>	<b>374,622</b>	<b>640,686</b>	<b>48,684</b>	<b>2,831</b>	<b>423,306</b>	<b>643,517</b>	
Net assets beginning of year	5,472,475	4,831,789	169,072	166,241	5,641,547	4,998,030	+12.8%
Net assets end of year	5,847,097	5,472,475	217,756	169,072	6,064,853	5,641,547	+7.5%

In fiscal year 2009 property tax and unrestricted state grants account for 58.1% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87.3% of the total expenses.

The decrease in charges for services is due to a decrease 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 decreased and the decrease in state foundation aid and 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 decreased due to lower retail sales in the county.

The change of +2.4% in total expenditures was mainly due to increases due to contract settlements and the expansion of the At-Risk program to the PK-8 building during the 2008-2009 school year. The district is exploring ways to curb increases in expenditures for future years. Major reductions and restructuring were undertaken for the 2008-2009 fiscal year and all expenditures continue to be assessed for ways to reduce expenditures.

**Governmental Activities**

Revenues for governmental activities were \$8,428,401 and expenses were \$8,053,779. In a difficult budget year, the District did need to dip into the general fund balance to cover expenses. The district is making significant cuts to the general fund for the 2009-2010 fiscal year. Other governmental funds such as the Management and Construction Funds had excess revenue which 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 shows 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**

	<b>Total Cost of Services 2009</b>	<b>Total Cost of Services 2008</b>	<b>Net Cost of Services 2009</b>	<b>Net Cost of Services 2008</b>
	\$	\$	\$	\$
Instruction	5,388,722	5,169,321	3,549,589	3,402,254
Support Services	2,063,814	1,967,793	2,007,836	1,904,945
Other Expenses	601,243	707,182	121,005	439,814
<b>TOTAL</b>	<b>8,053,779</b>	<b>7,844,296</b>	<b>5,678,430</b>	<b>5,747,013</b>

- The cost of all governmental activities this year was \$8,053,779.
- The cost financed by users of the District’s programs was \$993,905. 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 \$1,172,714.
- The net cost of governmental activities was financed with \$2,925,481 in property and other taxes and \$3,127,571 in unrestricted state grants, investment earnings and miscellaneous revenues.

**Business Type Activities**

Revenues for business type activities were \$535,089 and expenses were \$486,405. 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, the sale of the 2008 student built home, and investment income. As of June 30, 2009, the house built by the Carpentry students in 2009 remained unsold.

The board did approve an increase in meal prices for the 2008-2009 school year; and this did allow the School Nutrition Fund to see an increase in its’ ending fund 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 \$1,610,951, above last year's ending fund balances of \$1,523,705. However, the primary reason for the increase in combined fund balances in fiscal 2009 is due to the increase in the fund balance in the Capital Projects Fund.

### Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the result of many factors. 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 was implemented in 2008-2009 and more changes are being implemented in 2009-2010. The Board and Administration is looking at ways to best provide services during times of economic downturns and yet still meet the requirements of No Child Left Behind and other state, federal, and local expectations. The administration of the Garner-Hayfield Community School District feels that our enrollment is stabilizing and the District should not see large swings in either direction in coming years, which should aid in the planning process.
- The General Fund balance decreased from \$727,070 to \$467,224, due in part to expenditures increasing more than revenues did as well as a decrease in revenues requiring the District to use carryover fund balance to meet its financial obligations during the year. The Board and Administration continue to take seriously the financial health of this District.
- The Capital Projects Fund balance increased from \$616,160 in 2008 to \$892,879 in 2009 mainly due to the District being the recipient of a significant bequest to be used for building projects.
- The Nonmajor Governmental (Management and Activity) Funds balance changed from \$141,857 to \$216,966 due to revenues increasing more than expenditures did, mainly due to the payment of unemployment expenses to employees who were laid off from their positions being less than anticipated.
- The Nonmajor Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$13,952 in fiscal 2008 to \$17,153 in fiscal 2009. This small change reflects that summer projects for 2009 were mainly started and completed after July 1, 2009, and were not encumbered at the end of the 2008-2009 fiscal year.

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 decreased expenditures over revenues.

### Proprietary Fund Highlights

The School Nutrition Fund and the House Construction Fund net assets increased from \$169,072 at June 30, 2008 to \$217,756 at June 30, 2009, representing an increase of approximately 24.7%. The House Construction Fund balance increase of \$22,639 is due to the 2008 house being sold during fiscal year 2009. The 2009 house was not sold during the 2009 fiscal year. The School Nutrition Fund balance increased \$26,045; local revenues (as a result of increased charges for meals) and federal revenues increased while expenditures remained steady.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the Garner-Hayfield Community School District amended its annual budget one time to reflect additional expenditures associated with additional personnel costs not anticipated at the time the original budget was prepared.

The District's revenues were \$126,999 more than budgeted revenues. Most of this difference is due to local sources revenue and revenues from federal sources being higher than anticipated.

Total expenditures were \$713,781 less than budgeted. Increased personnel costs were the majority of the increase in expenditures. 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.

The District did not exceed its certified budget during the 2008-2009 fiscal year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, the District had invested \$4,863,126, 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 increase of .9% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$272,279. During 2009 capital assets were purchased as revenue became available and totaled approximately \$369,000 for computers, roof replacement, furniture, and other equipment.

The original cost of the District's capital assets was \$8,851,561. Governmental funds account for \$8,714,502, 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 construction in progress category. Construction in progress consists of a renovation project in the K-3 classroom wing started before, but not completed by June 30, 2009. The District has committed \$55,656 to complete this phase of the renovation project.

**Figure A-6**

**Capital Assets (net of depreciation)**

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2008-2009
	2009	2008	2009	2008	2009	2008	
	\$	\$	\$	\$	\$	\$	
Land	48,803	48,803	0	0	48,803	48,803	0%
Construction in progress	109,456	53,800	0	0	109,456	53,800	+103.4%
Buildings	3,916,507	3,895,445	0	0	3,916,507	3,895,445	+5%
Improvements	487,443	507,695	0	0	487,443	507,695	-3.9%
Equipment & Furniture	300,917	310,875	15,219	18,915	316,136	329,790	-4.1%
<b>TOTAL</b>	<b>4,863,126</b>	<b>4,816,618</b>	<b>15,219</b>	<b>18,915</b>	<b>4,878,345</b>	<b>4,835,533</b>	<b>+9%</b>

## Long-Term Debt

At June 30, 2009 the District had \$1,059,681 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of 17.9% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

There is a Capital Lease outstanding in the amount of \$62,707 for the new computers leased from Apple Computer. The early retirement debt decreased \$118,022 due to the completion of early retirement benefits for some employees as well as the early retirement benefit not being offered for fiscal year 2008-2009. Compensated absences increased to \$137,603 due to the increases in wages and an accumulation of unused vacation benefits from the prior year as well as a change in the negotiated benefit upon termination with both the GHESA and GHEA.

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

	<b>Total School District</b>		<b>Percentage</b>
	<b>2009</b>	<b>2008</b>	<b>Change</b>
			<b>2008-2009</b>
	\$	\$	
General Obligation Bonds	470,000	690,000	-31.9%
Equipment Loans – Computers	22,131	20,367	+8.6%
Capital Leases	62,707	59,958	+4.6%
Early Retirement	367,240	485,262	-24.3%
Compensated Absences	137,603	36,336	+278.7%
	<u>1,059,681</u>	<u>1,291,923</u>	<u>-17.9%</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 October 2009 enrollment increased by 5 students. The District has also entered into a sharing agreement for the services of the Transportation Director with the Forest City Community School District that will provide supplemental weighting to our District. With the District projecting enrollment to stabilize, the largest negative factor continues to be the economic downturn in the nation's and state's economies.
- The District will negotiate a new contract with the Garner-Hayfield Education Association (GHEA) and the Garner-Hayfield Education Services Association (GHESA) during fiscal 2010. 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, 2009

	Governmental Activities	Business Type Activities	Total	Garner-Hayfield Community School District Education Foundation
	\$	\$	\$	\$
<b>Assets</b>				
Cash and cash equivalents	1,910,881	42,479	1,953,360	12,298
Investments	-	-	-	448,147
Receivables:				
Property tax:				
Delinquent	28,578	-	28,578	-
Succeeding year	2,373,384	-	2,373,384	-
Accounts	46,595	6,806	53,401	-
Due from other governments	516,820	-	516,820	-
Inventories	-	160,258	160,258	-
Notes receivable	22,131	-	22,131	-
Capital assets, net of accumulated depreciation	4,863,126	15,219	4,878,345	-
<b>Total assets</b>	<b>9,761,515</b>	<b>224,762</b>	<b>9,986,277</b>	<b>460,445</b>
<b>Liabilities</b>				
Accounts payable	341,613	3,917	345,530	-
Salaries and benefits payable	37,569	-	37,569	-
Accrued interest payable	5,118	-	5,118	-
Deferred revenue:				
Succeeding year property tax	2,373,384	-	2,373,384	-
Other	97,053	3,089	100,142	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	230,000	-	230,000	-
Capital lease	31,061	-	31,061	-
Equipment note payable	10,130	-	10,130	-
Termination benefits	96,892	-	96,892	-
Compensated absences	50,898	-	50,898	-
Portion due after one year:				
General obligation bonds payable	240,000	-	240,000	-
Capital lease	31,646	-	31,646	-
Equipment note payable	12,001	-	12,001	-
Termination benefits	270,348	-	270,348	-
Compensated absences	86,705	-	86,705	-
<b>Total liabilities</b>	<b>3,914,418</b>	<b>7,006</b>	<b>3,921,424</b>	<b>-</b>

## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total	Garner-Hayfield Community School District Education Foundation
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Net assets</b>				
Invested in capital assets, net of related debt	4,330,419	15,219	4,345,638	-
Restricted for:				
Endowment by donors	-	-	-	448,147
Categorical funding	59,824	-	59,824	-
Physical plant and equipment levy	114,941	-	114,941	-
Other special revenue purposes	116,859	-	116,859	-
Sales tax capital projects	892,879	-	892,879	-
Debt service	5,121	-	5,121	-
Unrestricted	<u>327,054</u>	<u>202,537</u>	<u>529,591</u>	<u>12,298</u>
<b>Total net assets</b>	<u><u>5,847,097</u></u>	<u><u>217,756</u></u>	<u><u>6,064,853</u></u>	<u><u>460,445</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

<b>Functions/Programs</b>	<b>Program Revenues</b>			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
<b>Governmental activities:</b>				
<b>Instruction:</b>				
Regular	3,348,645	488,396	744,688	-
Special	927,512	99,944	39,146	-
Other	1,112,565	404,090	62,869	-
	<u>5,388,722</u>	<u>992,430</u>	<u>846,703</u>	<u>-</u>
<b>Support services:</b>				
Student	401,811	-	54,503	-
Instructional staff	117,261	-	-	-
Administration	683,146	-	-	-
Operation and maintenance of plant	661,250	1,475	-	-
Transportation	200,346	-	-	-
	<u>2,063,814</u>	<u>1,475</u>	<u>54,503</u>	<u>-</u>
<b>Other expenditures:</b>				
Facilities acquisition	117,404	-	-	208,730
Long-term debt interest	33,061	-	213	-
AEA flowthrough	271,295	-	271,295	-
Depreciation (unallocated)*	179,483	-	-	-
	<u>601,243</u>	<u>-</u>	<u>271,508</u>	<u>208,730</u>
<b>Total governmental activities</b>	<u>8,053,779</u>	<u>993,905</u>	<u>1,172,714</u>	<u>208,730</u>
<b>Business type activities:</b>				
<b>Non-instructional programs:</b>				
Food service operations	372,539	239,847	158,631	-
Student house construction project	113,866	136,505	-	-
<b>Total business-type activities</b>	<u>486,405</u>	<u>376,352</u>	<u>158,631</u>	<u>-</u>
<b>Total primary government</b>	<u>8,540,184</u>	<u>1,370,257</u>	<u>1,331,345</u>	<u>208,730</u>
<b>Component Units</b>				
Garner-Hayfield Community School				
District Education Foundation	21,348	-	3,185	-
<b>Total</b>	<u>8,561,532</u>	<u>1,370,257</u>	<u>1,334,530</u>	<u>208,730</u>

**General Revenues:**

Property taxes levied for:	
General purposes	
Debt service	
Capital outlay	
Income surtax	
Statewide sales and services tax	
Unrestricted state grants	
Unrestricted investment earnings	
Investment losses	
Other	
<b>Total general revenues</b>	

**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
\$	\$	\$	\$
(2,115,561)	-	(2,115,561)	-
(788,422)	-	(788,422)	-
(645,606)	-	(645,606)	-
<u>(3,549,589)</u>	<u>-</u>	<u>(3,549,589)</u>	<u>-</u>
(347,308)	-	(347,308)	-
(117,261)	-	(117,261)	-
(683,146)	-	(683,146)	-
(659,775)	-	(659,775)	-
(200,346)	-	(200,346)	-
<u>(2,007,836)</u>	<u>-</u>	<u>(2,007,836)</u>	<u>-</u>
91,326	-	91,326	-
(32,848)	-	(32,848)	-
-	-	-	-
(179,483)	-	(179,483)	-
<u>(121,005)</u>	<u>-</u>	<u>(121,005)</u>	<u>-</u>
<u>(5,678,430)</u>	<u>-</u>	<u>(5,678,430)</u>	<u>-</u>
-	25,939	25,939	-
-	22,639	22,639	-
-	48,578	48,578	-
(5,678,430)	48,578	(5,629,852)	-
-	-	-	(18,163)
<u>(5,678,430)</u>	<u>48,578</u>	<u>(5,629,852)</u>	<u>(18,163)</u>
1,909,240	-	1,909,240	-
124,349	-	124,349	-
90,828	-	90,828	-
360,101	-	360,101	-
440,963	-	440,963	-
3,084,901	-	3,084,901	-
21,529	106	21,635	240
-	-	-	(93,860)
21,141	-	21,141	-
<u>6,053,052</u>	<u>106</u>	<u>6,053,158</u>	<u>(93,620)</u>
374,622	48,684	423,306	(111,783)
<u>5,472,475</u>	<u>169,072</u>	<u>5,641,547</u>	<u>572,228</u>
<u>5,847,097</u>	<u>217,756</u>	<u>6,064,853</u>	<u>460,445</u>

## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2009

	General Fund	Capital Projects Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	561,560	833,015	228,859	1,623,434
Receivables:				
Property tax:				
Delinquent	22,279	-	6,299	28,578
Succeeding year	1,923,158	-	450,226	2,373,384
Accounts	5,605	-	40,743	46,348
Due from other governments	329,102	89,930	97,788	516,820
Notes receivable	22,131	-	-	22,131
<b>Total assets</b>	<b>2,863,835</b>	<b>922,945</b>	<b>823,915</b>	<b>4,610,695</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	106,915	30,066	25,053	162,034
Salaries and benefits payable	37,569	-	-	37,569
Deferred revenue:				
Succeeding year property tax	1,923,158	-	450,226	2,373,384
Income surtax	209,785	-	89,908	299,693
Other	119,184	-	7,880	127,064
Total liabilities	<b>2,396,611</b>	<b>30,066</b>	<b>573,067</b>	<b>2,999,744</b>
Fund balances:				
Reserved for:				
Categorical funding	59,824	-	-	59,824
Debt service	-	-	10,239	10,239
Unreserved reported in:				
General fund	407,400	-	-	407,400
Special revenue funds	-	-	240,609	240,609
Capital projects funds	-	892,879	-	892,879
Total fund balances	<b>467,224</b>	<b>892,879</b>	<b>250,848</b>	<b>1,610,951</b>
<b>Total liabilities and fund balances</b>	<b>2,863,835</b>	<b>922,945</b>	<b>823,915</b>	<b>4,610,695</b>

## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

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

June 30, 2009

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	1,610,951
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,863,126
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	329,704
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.	(5,118)
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.	108,115
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>(1,059,681)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>5,847,097</u></u>

## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	General Fund	Capital Projects Sales Tax	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	1,914,904	440,963	560,148	2,916,015
Tuition	514,318	-	-	514,318
Other	152,065	198,997	405,114	756,176
State sources	4,036,833	-	317	4,037,150
Federal sources	183,449	-	-	183,449
Total revenues	<u>6,801,569</u>	<u>639,960</u>	<u>965,579</u>	<u>8,407,108</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,175,359	-	141,020	3,316,379
Special	927,512	-	-	927,512
Other	731,922	-	372,696	1,104,618
	<u>4,834,793</u>	<u>-</u>	<u>513,716</u>	<u>5,348,509</u>
Support services:				
Student	401,811	-	-	401,811
Instructional staff	111,260	-	32,733	143,993
Administration	668,362	-	10,222	678,584
Operation and maintenance of plant	607,714	-	39,778	647,492
Transportation	170,127	-	11,754	181,881
	<u>1,959,274</u>	<u>-</u>	<u>94,487</u>	<u>2,053,761</u>
Other expenditures:				
Facilities acquisition	-	246,252	153,510	399,762
Long-term debt:				
Principal	-	-	249,984	249,984
Interest and fiscal charges	-	-	33,231	33,231
AEA flowthrough	271,295	-	-	271,295
	<u>271,295</u>	<u>246,252</u>	<u>436,725</u>	<u>954,272</u>
Total expenditures	<u>7,065,362</u>	<u>246,252</u>	<u>1,044,928</u>	<u>8,356,542</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(263,793)</u>	<u>393,708</u>	<u>(79,349)</u>	<u>50,566</u>
Other financing sources (uses):				
Compensation for loss of fixed assets	3,822	-	-	3,822
Proceeds from long-term debt	-	-	32,733	32,733
Sales of materials and equipment	125	-	-	125
Operating transfers in	-	-	151,849	151,849
Operating transfers out	-	(116,989)	(34,860)	(151,849)
Total other financing sources (uses)	<u>3,947</u>	<u>(116,989)</u>	<u>149,722</u>	<u>36,680</u>
Net change in fund balances	(259,846)	276,719	70,373	87,246
Fund balances beginning of year	<u>727,070</u>	<u>616,160</u>	<u>180,475</u>	<u>1,523,705</u>
Fund balances end of year	<u>467,224</u>	<u>892,879</u>	<u>250,848</u>	<u>1,610,951</u>

See notes to financial statements.

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, 2009

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		87,246

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

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

Expenditures for capital assets	315,091	
Depreciation expense	<u>(268,583)</u>	46,508

Income surtaxes and other revenues 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.		17,346
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Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		249,984
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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.		170
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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	118,022	
Compensated absences	<u>(101,267)</u>	16,755

Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		(32,733)
---	--	----------

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>(10,654)</u>
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<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>374,622</u></u>
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## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2009

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	<u>\$</u>	<u>\$</u>
<b>Assets</b>		
Cash and cash equivalents	42,479	287,447
Accounts receivable	6,806	247
Inventories	160,258	-
Capital assets, net of accumulated depreciation	<u>15,219</u>	<u>-</u>
<b>Total assets</b>	<u>224,762</u>	<u>287,694</u>
<b>Liabilities</b>		
Accounts payable	3,917	179,579
Deferred revenue	<u>3,089</u>	<u>-</u>
<b>Total liabilities</b>	<u>7,006</u>	<u>179,579</u>
<b>Net assets</b>		
Invested in capital assets	15,219	-
Unrestricted	<u>202,537</u>	<u>108,115</u>
<b>Total net assets</b>	<u><u>217,756</u></u>	<u><u>108,115</u></u>

## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Operating revenue:		
Local sources:		
Sale of student constructed home	136,505	-
Charges for service	239,847	1,049,891
Total operating revenue	<u>376,352</u>	<u>1,049,891</u>
Operating expenses:		
Non-instructional programs:		
Salaries	139,973	-
Benefits	19,487	1,060,545
Purchased services	4,386	-
Supplies	318,863	-
Depreciation	3,696	-
Total operating expenses	<u>486,405</u>	<u>1,060,545</u>
Operating gain (loss)	<u>(110,053)</u>	<u>(10,654)</u>
Non-operating revenues:		
State sources	4,579	-
Federal sources	154,052	-
Interest income	106	-
Total non-operating revenues	<u>158,737</u>	<u>-</u>
Change in net assets	48,684	(10,654)
Net assets beginning of year	<u>169,072</u>	<u>118,769</u>
Net assets end of year	<u><u>217,756</u></u>	<u><u>108,115</u></u>

## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2009

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	236,430	-
Cash payments from sale of house	136,505	-
Cash payments from services to other funds	-	1,049,644
Cash payments to employees for services	(159,460)	(1,055,987)
Cash payments to suppliers for goods or services	(321,431)	-
Net cash used by operating activities	<u>(107,956)</u>	<u>(6,343)</u>
Cash flows from non-capital financing activities:		
Loan from (repaid to) General Fund	(1,500)	-
State grants received	4,579	-
Federal grants received	120,316	-
Net cash provided by non-capital financing activities	<u>123,395</u>	<u>-</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	106	-
Net increase (decrease) in cash and cash equivalents	15,545	(6,343)
Cash and cash equivalents at beginning of year	<u>26,934</u>	<u>293,790</u>
Cash and cash equivalents at end of year	<u><u>42,479</u></u>	<u><u>287,447</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>		
Operating gain (loss)	(110,053)	(10,654)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	33,815	-
Depreciation	3,696	-
Decrease (increase) in inventories	(35,252)	-
Decrease (increase) in accounts receivable	(3,347)	(247)
(Decrease) increase in accounts payable	3,255	4,558
(Decrease) increase in deferred revenue	(70)	-
Net cash used by operating activities	<u><u>(107,956)</u></u>	<u><u>(6,343)</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2009, the District received \$33,815 of federal commodities.

## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2009

	Private Purpose Trust Scholarship
	<u>\$</u>
<b>Assets</b>	
Cash and pooled investments	11,585
<b>Liabilities</b>	<u>-</u>
<b>Net Assets</b>	
Reserved for scholarships	<u><u>11,585</u></u>

## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2009

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	5,000
Interest	72
Total additions	<u>5,072</u>
Deductions:	
Support services:	
Scholarships awarded	<u>3,750</u>
Change in net assets	1,322
Net assets beginning of year	<u>10,263</u>
Net assets end of year	<u><u>11,585</u></u>

# GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2009

### 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 required by Chapters 11.6 and 279.62 of the Code of Iowa. It is included as a discretely presented component unit. The Garner-Hayfield Community School District Education Foundation was established, by the District, 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 Chapter 11.6 of the Code of Iowa, the booster club has been audited as part of the District's annual audit and is blended 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 attributable 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 not meeting 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 instructional, support and other costs.

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

The District's had two proprietary enterprise funds during the year ended June 30, 2009. 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 the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

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 \$143,581 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 and sick leave 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 and sick leave time that has been used. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. 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, 2009, did not exceed the amounts budgeted.

## 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2009 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, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
	\$
Diversified Portfolio	643

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, 2009 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Debt Service	Capital Projects Sales Tax Fund	116,989
Nonmajor Debt Service	Nonmajor Physical Plant and Equipment Levy Fund	34,860

The transfers moved revenues from the fund statutorily required to collect the resources to the funds statutorily required to expend the resources.

## 4. Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	48,803	-	-	48,803
Construction in progress	53,800	109,456	53,800	109,456
Total capital assets not being depr.	<u>102,603</u>	<u>109,456</u>	<u>53,800</u>	<u>158,259</u>
Capital assets being depreciated:				
Buildings	6,537,265	166,757	-	6,704,022
Improvements other than buildings	668,202	13,536	-	681,738
Furniture and equipment	1,091,341	79,142	-	1,170,483
Total capital assets being deprec.	<u>8,296,808</u>	<u>259,435</u>	<u>-</u>	<u>8,556,243</u>

Less accumulated depreciation for:				
Buildings	2,641,820	145,695	-	2,787,515
Improvements other than buildings	160,507	33,788	-	194,295
Furniture and equipment	780,466	89,100	-	869,566
Total accumulated depreciation	<u>3,582,793</u>	<u>268,583</u>	<u>-</u>	<u>3,851,376</u>
Total capital assets being depreciated, net	<u>4,714,015</u>	<u>(9,148)</u>	<u>-</u>	<u>4,704,867</u>
Governmental activities capital assets, net	<u>4,816,618</u>	<u>100,308</u>	<u>53,800</u>	<u>4,863,126</u>
	Balance			Balance
	Beginning			End of Year
	of Year	Increases	Decreases	
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	137,059	-	-	137,059
Less accumulated depreciation	<u>118,144</u>	<u>3,696</u>	<u>-</u>	<u>121,840</u>
Business type activities capital assets, net	<u>18,915</u>	<u>(3,696)</u>	<u>-</u>	<u>15,219</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	42,929
Other	7,947
Support services:	
Instructional support	6,001
Operation and maintenance of plant services	13,758
Transportation	<u>18,465</u>
	89,100
Unallocated depreciation	<u>179,483</u>
Total depreciation expense – governmental activities	<u>268,583</u>
Business type activities:	
Food services	<u>3,696</u>

## 5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009, are summarized as follows:

	Balance			Balance End	Due Within
	Beginning	Additions	Reductions	of Year	One Year
	of Year				
	\$	\$	\$	\$	\$
General obligation bonds	690,000	-	220,000	470,000	230,000
Capital lease	59,958	32,733	29,984	62,707	31,061
Equipment loans	20,367	11,207	9,443	22,131	10,130
Termination benefits	485,262	-	118,022	367,240	96,892
Compensated absences	36,336	101,267	-	137,603	50,898
Total	<u>1,291,923</u>	<u>145,207</u>	<u>377,449</u>	<u>1,059,681</u>	<u>418,981</u>

### Termination Benefits

The District offered a voluntary early retirement plan to its employees in prior years. Eligible employees must have completed at least ten years of service to the District and must be at least age fifty-five on or before June 30 in the calendar year in which early retirement commenced.

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, 2009, the District has obligations to eleven participants with a total liability of \$367,240. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$118,022.

### General Obligation Bonds Payable

Details of the District's June 30, 2009 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>
2010	4.05	230,000	19,155	249,155
2011	4.10	240,000	9,840	249,840
		<u>470,000</u>	<u>28,995</u>	<u>498,995</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, 2009.

	<u>Year Ending June 30,</u>	<u>Amount</u>
		<u>\$</u>
	2010	34,860
	2011	34,860
Minimum Lease Payments		<u>69,720</u>
Less Amount Representing Interest		<u>7,013</u>
Present Value of Minimum Lease Payments		<u>62,707</u>

### Equipment Loans

The District has borrowed money, at interest rates of 2.99% to 3.90%, 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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
2010	10,130	590	10,720
2011	8,151	262	8,413
2012	3,850	64	3,914
	<u>22,131</u>	<u>916</u>	<u>23,047</u>

**6. Pension and Retirement Benefits**

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$271,136, \$241,977 and \$219,884 respectively, equal to the required contributions for each year.

**7. 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.

**8. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$271,295 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**9. Construction Commitment**

The District has entered into contracts totaling \$267,562 for flooring, lighting, fire safety projects and a press box. At June 30, 2009, costs of \$45,133 had been incurred against the contracts. The balances remaining at June 30, 2009 will be paid as work on the projects progresses.

**10. Lease Commitment**

The District entered into a four year contract to lease copiers in fiscal year 2009. The payments the District will make over the next three years are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Lease Payment</u>
	\$
2010	12,072
2011	12,072
2012	10,060

REQUIRED SUPPLEMENTARY INFORMATION

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	4,186,509	376,458	4,562,967	4,284,567	4,284,567	278,400
State sources	4,037,150	4,579	4,041,729	4,222,631	4,222,631	(180,902)
Federal sources	183,449	154,052	337,501	308,000	308,000	29,501
Total revenues	<u>8,407,108</u>	<u>535,089</u>	<u>8,942,197</u>	<u>8,815,198</u>	<u>8,815,198</u>	<u>126,999</u>
Expenditures/Expenses:						
Instruction	5,348,509	-	5,348,509	4,956,449	5,356,449	7,940
Support services	2,053,761	-	2,053,761	2,097,600	2,097,600	43,839
Non-instructional programs	-	486,405	486,405	673,000	673,000	186,595
Other expenditures	954,272	-	954,272	1,429,679	1,429,679	475,407
Total expenditures/expenses	<u>8,356,542</u>	<u>486,405</u>	<u>8,842,947</u>	<u>9,156,728</u>	<u>9,556,728</u>	<u>713,781</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	50,566	48,684	99,250	(341,530)	(741,530)	840,780
Other financing sources (uses) net	<u>36,680</u>	<u>-</u>	<u>36,680</u>	<u>-</u>	<u>-</u>	<u>36,680</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	87,246	48,684	135,930	(341,530)	(741,530)	877,460
Balance beginning of year	<u>1,523,705</u>	<u>169,072</u>	<u>1,692,777</u>	<u>1,977,518</u>	<u>1,977,518</u>	<u>(284,741)</u>
Balance end of year	<u><u>1,610,951</u></u>	<u><u>217,756</u></u>	<u><u>1,828,707</u></u>	<u><u>1,635,988</u></u>	<u><u>1,235,988</u></u>	<u><u>592,719</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

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, Agency Funds and blended component units. 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. During the year the District adopted one budget amendment, increasing budgeted expenditures by \$400,000

OTHER SUPPLEMENTARY INFORMATION

## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2009

Assets	Special Revenue Funds					Total
	Management	Student	Physical	District	Debt	
	Levy	Activity	Plant and	Support	Service	
		Equipment	Trust			
	\$	Fund	Levy	Funds	\$	\$
Cash and pooled investments	106,018	83,502	23,246	7,552	8,541	228,859
Receivables:						
Property tax:						
Delinquent	3,361	-	1,240	-	1,698	6,299
Succeeding year	225,000	-	100,398	-	124,828	450,226
Accounts	-	35,743	5,000	-	-	40,743
Due from other governments	-	-	97,788	-	-	97,788
<b>Total assets</b>	<b>334,379</b>	<b>119,245</b>	<b>227,672</b>	<b>7,552</b>	<b>135,067</b>	<b>823,915</b>
<b>Liabilities &amp; Fund Balances</b>						
Liabilities:						
Accounts payable	2,782	8,876	12,333	1,062	-	25,053
Deferred revenue:						
Succeeding year property tax	225,000	-	100,398	-	124,828	450,226
Income surtax	-	-	89,908	-	-	89,908
Other	-	-	7,880	-	-	7,880
Total liabilities	<u>227,782</u>	<u>8,876</u>	<u>210,519</u>	<u>1,062</u>	<u>124,828</u>	<u>573,067</u>
Fund balances:						
Reserved for debt service	-	-	-	-	10,239	10,239
Unreserved reported in:						
Special revenue funds	106,597	110,369	17,153	6,490	-	240,609
Capital projects funds	-	-	-	-	-	-
Total fund balances	<u>106,597</u>	<u>110,369</u>	<u>17,153</u>	<u>6,490</u>	<u>10,239</u>	<u>250,848</u>
<b>Total liabilities and fund balances</b>	<b>334,379</b>	<b>119,245</b>	<b>227,672</b>	<b>7,552</b>	<b>135,067</b>	<b>823,915</b>

## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2009

	Special Revenue Funds					Total
	Management	Student	Physical	District	Debt	
	Levy	Activity	Plant and	Support	Service	
	Fund	Equipment	Trust			
		Levy	Funds			
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	250,300	-	185,499	-	124,349	560,148
Other	15,263	381,949	6,012	1,677	213	405,114
State sources	174	-	60	-	83	317
Total revenues	<u>265,737</u>	<u>381,949</u>	<u>191,571</u>	<u>1,677</u>	<u>124,645</u>	<u>965,579</u>
Expenditures:						
Current:						
Instruction:						
Regular	138,127	-	-	2,893	-	141,020
Other	-	372,696	-	-	-	372,696
Support services:						
Instructional staff	-	-	32,733	-	-	32,733
Administration	10,222	-	-	-	-	10,222
Operation and maintenance of plant	39,778	-	-	-	-	39,778
Transportation	11,754	-	-	-	-	11,754
Other expenditures:						
Facilities acquisition	-	-	153,510	-	-	153,510
Long-term debt:						
Principal	-	-	-	-	249,984	249,984
Interest and fiscal charges	-	-	-	-	33,231	33,231
Total expenditures	<u>199,881</u>	<u>372,696</u>	<u>186,243</u>	<u>2,893</u>	<u>283,215</u>	<u>1,044,928</u>
Excess (deficiency) of revenues over (under) expenditures	<u>65,856</u>	<u>9,253</u>	<u>5,328</u>	<u>(1,216)</u>	<u>(158,570)</u>	<u>(79,349)</u>
Other financing sources (uses):						
Proceeds from long-term debt	-	-	32,733	-	-	32,733
Operating transfers in	-	-	-	-	151,849	151,849
Operating transfers out	-	-	(34,860)	-	-	(34,860)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(2,127)</u>	<u>-</u>	<u>151,849</u>	<u>149,722</u>
Net change in fund balance	65,856	9,253	3,201	(1,216)	(6,721)	70,373
Fund balances beginning of year	<u>40,741</u>	<u>101,116</u>	<u>13,952</u>	<u>7,706</u>	<u>16,960</u>	<u>180,475</u>
Fund balances end of year	<u>106,597</u>	<u>110,369</u>	<u>17,153</u>	<u>6,490</u>	<u>10,239</u>	<u>250,848</u>

## GARNER-HAYFIELD

Combining Schedule of Net Assets  
Nonmajor Enterprise Funds

June 30, 2009

	Enterprise Funds		
	School Nutrition	Student Construction	Total Nonmajor Funds
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	20,491	21,988	42,479
Accounts receivable	6,806	-	6,806
Inventories	16,677	143,581	160,258
Capital assets, net of accumulated depreciation	15,219	-	15,219
<b>Total assets</b>	<b>59,193</b>	<b>165,569</b>	<b>224,762</b>
<b>Liabilities</b>			
Accounts payable	-	3,917	3,917
Deferred revenue	3,089	-	3,089
<b>Total liabilities</b>	<b>3,089</b>	<b>3,917</b>	<b>7,006</b>
<b>Net assets</b>			
Invested in capital assets	15,219	-	15,219
Unrestricted	40,885	161,652	202,537
<b>Total net assets</b>	<b>56,104</b>	<b>161,652</b>	<b>217,756</b>

## GARNER-HAYFIELD

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

Year ended June 30, 2009

	Enterprise Funds		
	School Nutrition	Student Construction	Total Nonmajor Funds
	\$	\$	\$
Operating revenue:			
Local sources:			
Sale of student constructed home	-	136,505	136,505
Charges for service	239,847	-	239,847
Total operating revenue	<u>239,847</u>	<u>136,505</u>	<u>376,352</u>
Operating expenses:			
Non-instructional programs:			
Salaries	139,973	-	139,973
Benefits	19,487	-	19,487
Purchased services	4,386	-	4,386
Supplies	204,997	113,866	318,863
Depreciation	3,696	-	3,696
Total operating expenses	<u>372,539</u>	<u>113,866</u>	<u>486,405</u>
Operating gain (loss)	<u>(132,692)</u>	<u>22,639</u>	<u>(110,053)</u>
Non-operating revenues:			
State sources	4,579	-	4,579
Federal sources	154,052	-	154,052
Interest income	106	-	106
Total non-operating revenues	<u>158,737</u>	<u>-</u>	<u>158,737</u>
Change in net assets	26,045	22,639	48,684
Net assets beginning of year	<u>30,059</u>	<u>139,013</u>	<u>169,072</u>
Net assets end of year	<u><u>56,104</u></u>	<u><u>161,652</u></u>	<u><u>217,756</u></u>

## GARNER-HAYFIELD

Combining Schedule of Cash Flows  
Nonmajor Enterprise Funds

Year ended June 30, 2009

	Enterprise Funds		
	School Nutrition	Student Construction	Total Nonmajor Funds
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	236,430	-	236,430
Cash payments from sale of house	-	136,505	136,505
Cash payments to employees for services	(159,460)	-	(159,460)
Cash payments to suppliers for goods or services	(181,105)	(140,326)	(321,431)
Net cash used by operating activities	<u>(104,135)</u>	<u>(3,821)</u>	<u>(107,956)</u>
Cash flows from non-capital financing activities:			
Loan from (repaid to) General Fund	(1,500)	-	(1,500)
State grants received	4,579	-	4,579
Federal grants received	120,316	-	120,316
Net cash provided by non-capital financing activities	<u>123,395</u>	<u>-</u>	<u>123,395</u>
Cash flows from capital and related financing activities	-	-	-
Cash flows from investing activities:			
Interest on investments	106	-	106
Net increase (decrease) in cash and cash equivalents	19,366	(3,821)	15,545
Cash and cash equivalents at beginning of year	1,125	25,809	26,934
Cash and cash equivalents at end of year	<u>20,491</u>	<u>21,988</u>	<u>42,479</u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>			
Operating gain (loss)	(132,692)	22,639	(110,053)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	33,815	-	33,815
Depreciation	3,696	-	3,696
Decrease (increase) in inventories	(5,537)	(29,715)	(35,252)
Decrease (increase) in accounts receivable	(3,347)	-	(3,347)
(Decrease) increase in accounts payable	-	3,255	3,255
(Decrease) increase in deferred revenue	(70)	-	(70)
Net cash used by operating activities	<u>(104,135)</u>	<u>(3,821)</u>	<u>(107,956)</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, 2009

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Athletics	23,286	39,633	53,148	17,091	26,862
Athletic towel service	874	5,226	1,050	-	5,050
Fellowship of Christian Athletes	36	-	-	(36)	-
HS boys track	1,578	1,233	1,760	-	1,051
HS girls golf	(26)	1,592	598	-	968
HS wrestling	430	1,040	1,089	-	381
Girls basketball	48	2,975	3,149	-	(126)
HS boys basketball	(1,637)	3,924	4,846	248	(2,311)
Girls volleyball	(1,212)	3,754	2,617	-	(75)
Football	(2,092)	3,091	1,167	(81)	(249)
Girls track	1,097	2,056	1,379	-	1,774
HS baseball	5	1,335	2,240	(165)	(1,065)
Girls softball	277	-	-	(277)	-
HS boys golf	(221)	1,221	228	-	772
Softball concessions	(706)	1,857	1,718	277	(290)
Cross country	1,053	2,942	2,892	-	1,103
Weight room	52	-	-	(52)	-
MS volleyball	38	-	-	(38)	-
Boys and girls junior basketball	313	(71)	-	(242)	-
All School Sports Boosters	977	-	-	-	977
Middle school athletics	1,686	2,000	4,250	351	(213)
Athletic uniforms	9,910	1,000	8,458	10,000	12,452
Cheerleading fund	1,300	5,418	8,796	199	(1,879)
Pep club	551	99	-	-	650
Student council	7,912	3,331	8,938	-	2,305
Jr. Hi. student council	1,002	10,770	8,389	-	3,383
Curtain club	5	-	-	-	5
Peer helper association	689	358	652	-	395
Que pasa	877	-	-	-	877
Class of 2004	920	-	-	-	920
Class of 2005	1,217	-	-	-	1,217
Class of 2006	366	-	100	-	266
Class of 2007	592	-	250	-	342
Class of 2008	7	-	(94)	-	101
Class of 2009	(520)	3,218	2,541	-	157
Class of 2010	295	2,436	2,200	-	531
Class of 2011	(75)	985	35	-	875
Investments	10,439	238	-	-	10,677
N.O.W. interest	12,461	344	-	(25)	12,780
FFA	(979)	27,491	24,989	-	1,523
FCCLA	3,217	1,616	2,346	-	2,487

## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
National Honor Society	1,174	725	985	-	914
Retail marketing	685	-	-	-	685
NCIBA honor band	16	-	-	-	16
Band trip	585	-	-	-	585
Flag & rifle	870	1,941	3,011	-	(200)
HS solo & ensemble contest	1,362	2,412	1,955	-	1,819
Jr. Hi. solo & ens. contest	21	-	-	-	21
Impulse dance club	731	572	2,842	-	(1,539)
Annual	2,356	2,679	2,879	-	2,156
MS annual	2,040	1,372	2,659	-	753
HS concessions	367	1,416	1,588	-	195
K-8 concessions	442	2,980	3,259	-	163
Speech & drama	8,796	8,376	5,504	-	11,668
Musical productions	7,276	4,484	5,607	-	6,153
PSAT testing	119	503	483	-	139
Video yearbook	698	-	-	-	698
Washington DC trip	2,370	95,150	90,723	-	6,797
Sports Boosters Blended Component Unit	1,230	128,227	98,658	(27,250)	3,549
June 30, 2008 accounts payable	(6,064)	-	(6,064)	-	-
June 30, 2009 accounts payable	-	-	8,876	-	(8,876)
	<u>101,116</u>	<u>381,949</u>	<u>372,696</u>	<u>-</u>	<u>110,369</u>
Total	<u>101,116</u>	<u>381,949</u>	<u>372,696</u>	<u>-</u>	<u>110,369</u>

## GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

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

For the Last Six Years

	Modified Accrual Basis					
	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	2,916,015	3,136,980	2,932,241	2,650,276	2,412,741	2,459,892
Tuition	514,318	541,096	559,543	466,075	523,800	559,121
Other	756,176	588,427	503,640	443,198	349,782	359,797
State sources	4,037,150	4,026,531	3,681,329	3,646,422	3,579,099	3,138,599
Federal sources	183,449	178,780	198,829	173,573	116,954	103,229
<b>Total revenues</b>	<b>8,407,108</b>	<b>8,471,814</b>	<b>7,875,582</b>	<b>7,379,544</b>	<b>6,982,376</b>	<b>6,620,638</b>
Expenditures:						
Instruction:						
Regular	3,316,379	3,155,814	2,967,579	2,849,038	3,067,644	2,849,646
Special	927,512	906,536	786,133	809,777	769,429	779,172
Other	1,104,618	1,122,800	1,003,514	903,305	782,127	770,275
Support services:						
Student	401,811	284,844	272,471	246,198	116,368	98,749
Instructional staff	143,993	113,639	88,734	86,194	63,959	103,534
Administration	678,584	645,190	811,925	728,692	662,677	621,615
Operation and maintenance	647,492	663,853	625,808	710,105	708,915	589,586
Transportation	181,881	206,869	234,521	172,865	181,687	158,696
Other expenditures:						
Facilities acquisition	399,762	600,991	204,914	173,524	321,837	165,657
Long-term debt:						
Principal	249,984	243,741	333,089	324,565	289,992	180,092
Interest and other charges	33,231	41,672	52,874	63,180	67,942	67,607
AEA flowthrough	271,295	266,662	248,462	238,664	230,357	225,158
<b>Total expenditures</b>	<b>8,356,542</b>	<b>8,252,611</b>	<b>7,630,024</b>	<b>7,306,107</b>	<b>7,262,934</b>	<b>6,609,787</b>

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, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 1, 2010. 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 09-I-A, 09-I-B, 09-I-C and 09-I-D 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, 2009 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

February 1, 2010

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

09-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: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

09-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.

09-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, 2009

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

District Response: We have discussed the control of the signature stamp and have decided that the current procedures allow the office to operate more efficiently.

Conclusion: Response accepted.

09-I-D Financial Reporting: During the audit, we identified accounts receivable and accounts payable that were overstated in the District's financial records. Adjustment was subsequently made by the District to properly include these amounts in the financial statements.

Recommendation: The District should implement procedures to ensure that receivable and payable balances are correct.

District Response: We will double check these in the future to ensure that balances are correct.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

09-II-A Certified Budget: Expenditures for the year ended June 30, 2009 did not exceed the amounts budgeted.

09-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.

09-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.

09-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.

09-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.

09-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

09-II-G Certified Enrollment: The calculations for supplemental weighting on line 12 of the Certified Enrollment Certification Form for October 2008, included open enrollment in students. Only resident students may be counted for supplemental weighting.

Recommendation: The District should review its procedures for compiling the lists of students eligible for supplemental weighting.

District Response: We will review our procedures.

Conclusion: Response accepted.

09-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.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

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

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

09-II-J Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

According to proposed administrative rules, "Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting." We noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, and then were reclassified as categorical spending at the end of the year.

Recommendation: All categorical funding expenditures should be posted to the correct expenditure accounts as the expenditures are incurred.

Response: We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion: Response accepted.

09-II-K Statewide Sales and Services Tax: No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$	\$	-
Statewide sales and services tax revenue			440,963
Expenditures/transfers out:			
School infrastructure:			
Buildings and building improvements	237,545		
Equipment	8,707		
Debt service for school infrastructure:			
General obligation debt	116,989	363,241	
Ending balance			<u>77,722</u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2009

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

09-II-L Old Outstanding Checks: We noted that the District's bank reconciliations included approximately \$2,400 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, and 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.

09-II-M Physical Plant and Equipment Levy Fund (PPEL) Expenditures: The PPEL property tax levy may be spent to purchase and improve grounds; to construct buildings; to purchase, lease or lease purchase a single unit of equipment or technology exceeding \$500 in value per unit; to repair, remodel improve, or expand buildings; for energy conservation; and to purchase transportation equipment.

We noted that the District used the PPEL tax monies to pay \$9,841 for desks and chairs with a per unit cost of less than \$500. These items do not appear to be allowable from the PPEL Fund.

Recommendation: The District should be aware of the limitation on types of expenditures allowed from PPEL and make a reimbursement from the General Fund to the PPEL Fund.

District Response: We are going to contact our attorney for a legal definition of the phrase, "purchase, lease or lease purchase a single unit of equipment or technology exceeding \$500 in value per unit."

Conclusion: Response accepted.

09-II-N Deficit Balances: The Student Activity Fund has several accounts with deficit balances at June 30, 2009.

Recommendation: The District should continue to monitor these accounts and investigate alternatives to eliminate these deficits.

District Response: We are working on ways to eliminate these deficits.

Conclusion: Response accepted.