

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

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

June 30, 2011

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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, 2011, which collectively comprise the District's basic financial statements 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, 2011, 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 March 9, 2012, 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 41 through 43 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 seven years ended June 30, 2010, (which are not presented herein). Our opinions for 2006 to 2010 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 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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

March 9, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Garner-Hayfield Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,002,961 in fiscal 2010 to \$7,638,138 in fiscal 2011, while General Fund expenditures increased from \$6,897,244 in fiscal 2010 to \$7,558,366 in fiscal 2011. The District's General Fund balance increased from \$573,391 in fiscal 2010 to \$655,105 in fiscal 2011, a 14% increase.
- General Fund revenues increases are attributable to revenues from the Ed Jobs Funds monies, an increase in property tax receipts, an increase in tuition paid to the district, and an increase in state aid due to increasing enrollment. The increase in expenditures was due primarily to increases in wages due to negotiated settlements, payment of Ed Jobs funds monies, and the necessary infrastructure and software purchases to prepare for the One to One Computer Program to be implemented in 2011-2012.

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 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 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 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal program benefitting the District.

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

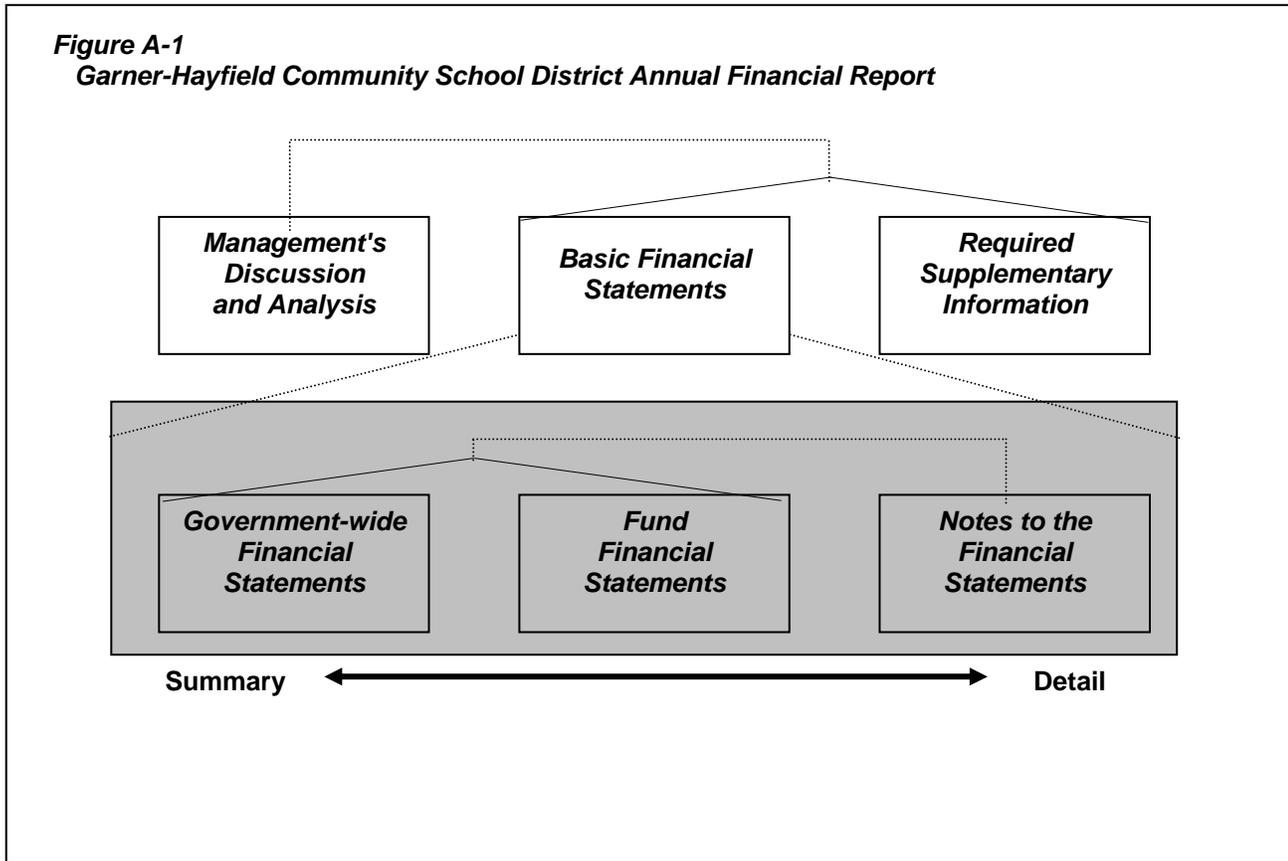


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Fund.

- 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, 2011 compared to June 30, 2010.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2010-2011 %
	Governmental Activities		Business-type Activities		Total School District		
	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	
Current and other assets	5,237,518	5,085,421	207,090	188,340	5,444,608	5,273,761	-3.1%
Capital assets	5,225,783	5,242,744	18,511	39,164	5,244,294	5,281,908	+7%
Total assets	10,463,301	10,328,165	225,601	227,504	10,688,902	10,555,669	-1.2%
Long-term liabilities	742,810	418,272	0	0	742,810	418,272	-43.7%
Other liabilities	3,147,236	2,737,109	25,877	7,983	3,173,113	2,745,092	-13.5%
Total liabilities	3,890,046	3,155,381	25,877	7,983	3,915,923	3,163,364	-19.2%
Net Assets:							
Invested in capital assets, net of related debt	4,953,315	5,242,744	18,511	39,164	4,971,826	5,281,908	+6.2%
Restricted	1,213,236	1,530,942	0	0	1,213,236	1,530,942	+26.2%
Unrestricted	406,704	399,098	181,213	180,357	587,917	579,455	-1.4%
TOTAL NET ASSETS	6,573,255	7,172,784	199,724	219,521	6,772,979	7,392,305	+9.1%

The District's combined total net assets increased by nearly 9.1%, or approximately \$619,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. The biggest items to impact this amount were succeeding year property taxes, delinquent property taxes, and amounts due from other government bodies (tuition, etc.). Investment in capital assets increased by 6.2% due computer purchases, a security entrance system at the K-8 building, a school bus, and infrastructure to implement the One to One Computer System at the high school. Long-term liabilities decreased mainly due to the bond issue for the K8 Addition being paid in full.

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 by 1.4% as a result of expenditures exceeding projections.

Figure A-4 shows the change in net assets for the years ended June 30, 2011 and 2010.

Figure A-4

	Change in Net Assets						Percentage Change 2010-2011 %
	Governmental Activities		Business-type Activities		Total School District		
	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	
Revenues							
Program Revenues:							
Charges for services	993,548	1,232,301	362,347	532,726	1,355,895	1,765,027	+30.2%
Operating grants & contributions	1,698,024	1,596,088	176,629	175,095	1,874,653	1,771,183	-5.5%
Capital grants & contributions	21,886	50,804			21,886	50,804	+132.1%
General Revenues:							
Property taxes	2,409,918	2,559,063			2,409,918	2,559,063	+6.2%
Income Surtax	357,496	315,896			357,496	315,896	-11.6%
Statewide sales tax	438,832	524,571			438,832	524,571	+19.5%
Unrestricted state grants	2,527,862	2,918,646			2,527,862	2,918,646	+15.5%
Unrestricted investment earnings	18,168	20,581	113	150	18,281	20,731	+13.4%
Other revenue	10,145	11,982			10,145	11,982	+18.1%
Total Revenues	8,475,879	9,229,932	539,089	707,971	9,014,968	9,937,903	10.2%
Expenses:							
Instruction	5,164,912	5,718,306			5,164,912	5,718,306	+10.7%
Support services	1,990,655	2,099,813			1,990,655	2,099,813	+5.5%
Non-instructional programs	0	0	557,121	688,174	557,121	688,174	+23.5%
Other expenditures	594,154	812,284			594,154	812,284	+36.7%
Total expenses	7,749,721	8,630,403	557,121	688,174	8,306,842	9,318,577	+12.2%
CHANGE IN NET ASSETS	726,158	599,529	-18,032	19,797	708,126	619,326	-12.5 %
Net assets beginning of year	5,847,097	6,573,255	217,756	199,724	6,064,853	6,772,979	+11.7%
Net assets end of year	6,573,255	7,172,784	199,724	219,521	6,772,979	7,392,305	+9.1%

In fiscal year 2011 property tax and unrestricted state grants account for 55% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 84% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 10.2% increase in revenues and a 12.8% increase in expenses. Property tax increased \$149,000 to assist the increase in state aide due to increased enrollment to fund increased expenses. The increases in property taxes and state aide allowed the district to show an increase in net assets at the end of year even while experiencing increased expenditures.

Governmental Activities

Revenues for governmental activities were \$9,229,932 expenses were \$8,630,403. The increase in revenues allowed the district to increase the ending fund balance in a year when expenditures also increased.

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

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2010	2011	Percent Change 2010-2011	2010	2011	Percent Change 2010-2011
	\$		%	\$	\$	
Instruction	5,164,912	5,718,306	+10.7%	2,871,493	3,341,173	+16.4%
Support Services	1,990,655	2,099,813	+5.5%	1,909,566	1,974,636	+3.4%
Other Expenses	594,154	812,284	+36.7%	255,258	435,401	70.6%
TOTAL	7,749,721	8,630,403	+11.4%	5,036,317	5,751,210	14.2%

For the year ended June 30, 2011

- The cost of all governmental activities this year was \$8,630,403.
- The cost financed by users of the District's programs was \$1,232,301. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,596,088.
- The net cost of governmental activities was financed with \$3,399,530 in property and local other taxes and \$2,918,646 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$707,971 and expenses were \$688,174. The District's business type activities include the School Nutrition Fund and the House Construction Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. The increase in revenues and expenditures for 2011 is due to both the 2010 and 2011 homes being sold this fiscal year.

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 \$1,864,241, above last year's ending fund balances of \$1,631,623 with the bulk of the increase in the General Fund and the Capital Projects Fund.

Governmental Fund Highlights

- The District's General Fund financial position is improving and is the result of many factors. Growth during the year in property taxes and charges for services resulted in an increase in revenues. 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. 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.
- The General Fund balance increased from \$573,391 to \$655,105, due in large part the increase in tuition paid to our district from other districts. The increase in revenue experienced by the District also is reflected in this increase.
- The Capital Projects Fund balance increased due to the diligence of the board to set aside monies for a possible renovation of the high school building in the near future. The District ended fiscal 2011 with a balance of \$872,885 which will be used for further renovations, roof replacements, and the purchase of computers for the One To One Computer Program as deemed necessary.

Proprietary Fund Highlights

The School Nutrition Fund and the House Construction fund net assets increased from \$199,724 at June 30, 2010 to \$219,521 at June 30, 2011, representing an increase of approximately 10%. The increase was due in large part to having both the 2010 and 2011 student built houses sold as of June 30, 2011. Nutrition Fund accounts receivables also decreased by approximately \$1,600 due to increased efforts to collect monies owing on lunch accounts.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Garner-Hayfield Community School District receipts were \$304,219 more than budgeted receipts, a variance of 3.2%. The most significant variance resulted from the District receiving more in property taxes than originally anticipated.

Total expenditures were \$29,345 more than budgeted, due primarily to the Ed Jobs Funds monies expended in this fiscal year. The District manages or controls General Fund spending through its line-item budget. The District's certified budget should always exceed actual expenditures for the year and we budget between what we think we will actually spend and the maximum authorized spending authority for the General Fund. In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and support services functional areas due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$5,281,908, 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 .7% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$359,932.

The largest change in capital asset activity during the year occurred in the construction in progress category and was a negative as many of the summer projects had not begun by June 03, 2011. The equipment and Furniture category increased due to the purchase of computers.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2010-2011
	Activities		Activities		School District		
	2010	2011	2010	2011	2010	2011	
	\$	\$	\$	\$	\$	\$	%
Land	48,803	48,803	0	0	48,803	48,803	0%
Construction in progress	81,634	31,737	0	0	81,634	31,737	-61.1%
Buildings	4,305,325	4,310,700	0	0	4,305,325	4,310,700	+1%
Improvements	537,017	510,439	0	0	537,017	510,439	-4.9%
Equipment & furniture	253,004	341,065	18,512	39,164	271,516	380,229	+40%
TOTAL	5,225,783	5,242,744	18,512	39,164	5,244,295	5,281,908	+7%

Long-Term Debt

At June 30, 2011 the District had \$418,272 of other long-term debt outstanding. This represents a decrease of approximately 44% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

The early retirement debt decreased by \$76,169 due to the completion of early retirement benefits for some participants. The District did offer an early retirement benefit during the 2010-2011 fiscal year. The benefit consisted of the school paying \$15,000 of health insurance premiums over a five year period.

The District's obligation for compensated absences increased (\$10,791). This change was due to the staff salaries increasing due to the negotiated settlement.

Figure A-7

Outstanding Long-Term Obligations

	Total School District		Percentage Change 2010-2011
	2010	2011	
	\$	\$	%
General obligation bonds	240,000	0	-100%
Equipment Loans - Computers	11,950	7,134	-40.3%
Capital leases	32,468	0	-100%
Early retirement	300,470	224,301	-25.3%
Compensated absences	139,922	150,713	+7.7%
Net OPEB liability	18,000	36,124	+100.7%
	<u>742,810</u>	<u>418,272</u>	<u>-43.7%</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 2011 enrollment decreased by 3 students K-12 and 12 students in the four-year-old preschool. The state is also funding a lower amount on the pre-school students than it has done in the past. The District did increase 20 students that we are serving from other districts and this will provide tuition monies to our District. The District is in the third year of 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. The District is sharing the services of our Superintendent with the Ventura Community School District this year and this will provide supplemental weighting to our District in the future as well as one-half of his salaries and expenses reimbursed by the Ventura Community School District.
- The District will negotiate a new contract with the Garner-Hayfield Education Association (GHEA) and the Garner-Hayfield Education Services Association (GHESA) during fiscal 2012. 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.
- The District anticipates that with Whole Grade Sharing with the Ventura Community School District taking place in 2012-2013 that efficiencies in services will occur in our District. Six teachers and one non-certified position are accepting early retirement at the end of the 2011-2012 school year, and their positions may be able to be filled with personnel shifts in our current staff with no layoffs anticipated due to our seventh and eighth grade students being served at the Ventura District during the 2012-2013 school year. With Ventura high school students coming into our building we anticipate that 1 or 2 additional position may be needed at the high school level.

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, or Patricia A. Schmidt, District Secretary/Treasurer and Business Manager, Garner-Hayfield Community School District, 605 Lyon St., Garner, IA 50438.

BASIC FINANCIAL STATEMENTS

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total	Garner-Hayfield Community School District Education Foundation
	\$	\$	\$	\$
Assets				
Cash and cash equivalents	2,123,445	195,869	2,319,314	14,326
Investments	-	-	-	562,991
Receivables:				
Property tax:				
Delinquent	34,234	-	34,234	-
Succeeding year	2,215,085	-	2,215,085	-
Accounts	9,692	4,732	14,424	-
Due from other governments	668,000	-	668,000	-
Internal balances	27,831	(27,831)	-	-
Inventories	-	15,570	15,570	-
Notes receivable	7,134	-	7,134	-
Capital assets, net of accumulated depreciation	5,242,744	39,164	5,281,908	-
Total assets	10,328,165	227,504	10,555,669	577,317
Liabilities				
Accounts payable	477,414	2,191	479,605	-
Salaries and benefits payable	44,610	-	44,610	-
Deferred revenue:				
Succeeding year property tax	2,215,085	-	2,215,085	-
Other	-	5,792	5,792	-
Long-term liabilities:				
Portion due within one year:				
Equipment note payable	5,288	-	5,288	-
Termination benefits	89,234	-	89,234	-
Compensated absences	49,285	-	49,285	-
Portion due after one year:				
Equipment note payable	1,846	-	1,846	-
Termination benefits	135,067	-	135,067	-
Compensated absences	101,428	-	101,428	-
Net OPEB liability	36,124	-	36,124	-
Total liabilities	3,155,381	7,983	3,163,364	-

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total	Garner-Hayfield Community School District Education Foundation
	\$	\$	\$	\$
Net assets				
Invested in capital assets, net of related debt	5,242,744	39,164	5,281,908	-
Restricted for:				
Endowment by donors	-	-	-	562,991
Categorical funding	413,179	-	413,179	-
Physical plant and equipment levy	129,084	-	129,084	-
Student activities	119,192	-	119,192	-
School infrastructure	861,076	-	861,076	-
Debt service	8,411	-	8,411	-
Unrestricted	<u>399,098</u>	<u>180,357</u>	<u>579,455</u>	<u>14,326</u>
Total net assets	<u><u>7,172,784</u></u>	<u><u>219,521</u></u>	<u><u>7,392,305</u></u>	<u><u>577,317</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

Functions/Programs	<u>Program Revenues</u>			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	3,375,018	717,845	1,034,581	-
Special	925,295	93,180	39,498	-
Other	1,417,993	420,460	71,569	-
	<u>5,718,306</u>	<u>1,231,485</u>	<u>1,145,648</u>	<u>-</u>
Support services:				
Student	381,469	-	124,361	-
Instructional staff	95,016	-	-	-
Administration	657,569	-	-	-
Operation and maintenance of plant	731,845	466	-	-
Transportation	233,914	350	-	-
	<u>2,099,813</u>	<u>816</u>	<u>124,361</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	226,658	-	-	50,804
Long-term debt interest	10,277	-	331	-
AEA flowthrough	325,748	-	325,748	-
Depreciation (unallocated)*	249,601	-	-	-
	<u>812,284</u>	<u>-</u>	<u>326,079</u>	<u>50,804</u>
Total governmental activities	<u>8,630,403</u>	<u>1,232,301</u>	<u>1,596,088</u>	<u>50,804</u>
Business type activities:				
Food service operations	396,761	239,343	175,095	-
Student house construction project	291,413	293,383	-	-
Total business type activities	<u>688,174</u>	<u>532,726</u>	<u>175,095</u>	<u>-</u>
Total primary government	<u>9,318,577</u>	<u>1,765,027</u>	<u>1,771,183</u>	<u>50,804</u>
Component Units				
Garner-Hayfield Community School District Education Foundation	20,809	-	487	-
Total	<u>9,339,386</u>	<u>1,765,027</u>	<u>1,771,670</u>	<u>50,804</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

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
\$	\$	\$	\$
(1,622,592)	-	(1,622,592)	-
(792,617)	-	(792,617)	-
(925,964)	-	(925,964)	-
<u>(3,341,173)</u>	<u>-</u>	<u>(3,341,173)</u>	<u>-</u>
(257,108)	-	(257,108)	-
(95,016)	-	(95,016)	-
(657,569)	-	(657,569)	-
(731,379)	-	(731,379)	-
(233,564)	-	(233,564)	-
<u>(1,974,636)</u>	<u>-</u>	<u>(1,974,636)</u>	<u>-</u>
(175,854)	-	(175,854)	-
(9,946)	-	(9,946)	-
-	-	-	-
(249,601)	-	(249,601)	-
<u>(435,401)</u>	<u>-</u>	<u>(435,401)</u>	<u>-</u>
<u>(5,751,210)</u>	<u>-</u>	<u>(5,751,210)</u>	<u>-</u>
-	17,677	17,677	-
-	1,970	1,970	-
-	19,647	19,647	-
(5,751,210)	19,647	(5,731,563)	-
-	-	-	(20,322)
<u>(5,751,210)</u>	<u>19,647</u>	<u>(5,731,563)</u>	<u>(20,322)</u>
2,319,786	-	2,319,786	-
123,525	-	123,525	-
115,752	-	115,752	-
315,896	-	315,896	-
524,571	-	524,571	-
2,918,646	-	2,918,646	-
20,581	150	20,731	84,425
11,982	-	11,982	-
<u>6,350,739</u>	<u>150</u>	<u>6,350,889</u>	<u>84,425</u>
599,529	19,797	619,326	64,103
<u>6,573,255</u>	<u>199,724</u>	<u>6,772,979</u>	<u>513,214</u>
<u>7,172,784</u>	<u>219,521</u>	<u>7,392,305</u>	<u>577,317</u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	713,879	794,145	342,224	1,850,248
Receivables:				
Property tax:				
Delinquent	23,998	6,305	3,931	34,234
Succeeding year	1,935,902	129,182	150,001	2,215,085
Accounts	1,025	-	600	1,625
Interfund receivable	27,831	-	-	27,831
Due from other governments	450,762	217,238	-	668,000
Notes receivable	7,134	-	-	7,134
Total assets	<u>3,160,531</u>	<u>1,146,870</u>	<u>496,756</u>	<u>4,804,157</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	253,570	27,528	10,504	291,602
Salaries and benefits payable	44,610	-	-	44,610
Deferred revenue:				
Succeeding year property tax	1,935,902	129,182	150,001	2,215,085
Income surtax	246,066	92,275	-	338,341
Other	25,278	25,000	-	50,278
Total liabilities	<u>2,505,426</u>	<u>273,985</u>	<u>160,505</u>	<u>2,939,916</u>
Fund balances:				
Restricted for:				
Categorical funding	413,179	-	-	413,179
Debt service	-	-	8,411	8,411
Management levy	-	-	208,648	208,648
Student activities	-	-	119,192	119,192
School infrastructure	-	861,076	-	861,076
Physical plant and equipment	-	11,809	-	11,809
Unassigned	241,926	-	-	241,926
Total fund balances	<u>655,105</u>	<u>872,885</u>	<u>336,251</u>	<u>1,864,241</u>
Total liabilities and fund balances	<u>3,160,531</u>	<u>1,146,870</u>	<u>496,756</u>	<u>4,804,157</u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

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

June 30, 2011

	\$
Total fund balances of governmental funds (Exhibit C)	1,864,241
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,242,744
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	388,619
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.	95,452
Long-term liabilities, including notes payable, termination benefits, compensated absences and other postemployment benefits are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(418,272)</u>
Net assets of governmental activities (Exhibit A)	<u><u>7,172,784</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,335,840	729,548	345,405	3,410,793
Tuition	629,391	-	-	629,391
Other	219,825	75,870	406,880	702,575
State sources	3,941,745	66	202	3,942,013
Federal sources	511,337	-	-	511,337
Total revenues	<u>7,638,138</u>	<u>805,484</u>	<u>752,487</u>	<u>9,196,109</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,326,167	-	116,973	3,443,140
Special	923,119	-	-	923,119
Other	997,040	-	414,686	1,411,726
	<u>5,246,326</u>	<u>-</u>	<u>531,659</u>	<u>5,777,985</u>
Support services:				
Student	380,744	-	-	380,744
Instructional staff	75,748	33,321	-	109,069
Administration	633,505	-	24,963	658,468
Operation and maintenance of plant	672,417	-	28,473	700,890
Transportation	223,878	47,000	11,670	282,548
	<u>1,986,292</u>	<u>80,321</u>	<u>65,106</u>	<u>2,131,719</u>
Other expenditures:				
Facilities acquisition	-	444,831	-	444,831
Long-term debt:				
Principal	-	-	272,468	272,468
Interest and fiscal charges	-	-	12,682	12,682
AEA flowthrough	325,748	-	-	325,748
	<u>325,748</u>	<u>444,831</u>	<u>285,150</u>	<u>1,055,729</u>
Total expenditures	<u>7,558,366</u>	<u>525,152</u>	<u>881,915</u>	<u>8,965,433</u>
Excess (deficiency) of revenues over (under) expenditures	<u>79,772</u>	<u>280,332</u>	<u>(129,428)</u>	<u>230,676</u>
Other financing sources (uses):				
Sales of equipment	1,942	-	-	1,942
Operating transfers in	-	-	159,780	159,780
Operating transfers out	-	(159,780)	-	(159,780)
Total other financing sources (uses)	<u>1,942</u>	<u>(159,780)</u>	<u>159,780</u>	<u>1,942</u>
Net change in fund balances	81,714	120,552	30,352	232,618
Fund balances beginning of year, as restated	<u>573,391</u>	<u>752,333</u>	<u>305,899</u>	<u>1,631,623</u>
Fund balances end of year	<u>655,105</u>	<u>872,885</u>	<u>336,251</u>	<u>1,864,241</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, 2011

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		232,618
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	372,631	
Depreciation expense	<u>(355,670)</u>	16,961
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.		
		31,881
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.		
		272,468
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.		
		2,405
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	76,169	
Compensated absences	(10,791)	
Other postemployment benefits	<u>(18,124)</u>	47,254
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>(4,058)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>599,529</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2011

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Assets		
Cash and cash equivalents	195,869	273,197
Accounts receivable	4,732	8,067
Inventories	15,570	-
Capital assets, net of accumulated depreciation	39,164	-
	<u>255,335</u>	<u>281,264</u>
Total assets		
Liabilities		
Accounts payable	2,191	185,812
Interfund payables	27,831	-
Deferred revenue	5,792	-
	<u>35,814</u>	<u>185,812</u>
Total liabilities		
Net assets		
Invested in capital assets	39,164	-
Unrestricted	180,357	95,452
	<u>219,521</u>	<u>95,452</u>
Total net assets		

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	<u>\$</u>	<u>\$</u>
Operating revenue:		
Local sources:		
Sale of student constructed homes	293,383	-
Charges for service	239,343	1,093,058
Total operating revenue	<u>532,726</u>	<u>1,093,058</u>
Operating expenses:		
Non-instructional programs:		
Salaries	152,432	-
Benefits	22,277	1,097,116
Purchased services	3,855	-
Supplies	505,000	-
Depreciation	4,292	-
Other	318	-
Total operating expenses	<u>688,174</u>	<u>1,097,116</u>
Operating income (loss)	<u>(155,448)</u>	<u>(4,058)</u>
Non-operating revenues:		
State sources	4,006	-
Federal sources	171,089	-
Interest income	150	-
Total non-operating revenues	<u>175,245</u>	<u>-</u>
Change in net assets	19,797	(4,058)
Net assets beginning of year	<u>199,724</u>	<u>99,510</u>
Net assets end of year	<u>219,521</u>	<u>95,452</u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2011

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	241,035	-
Cash payments from sale of house	293,383	-
Cash payments from services to other funds	-	1,092,078
Cash payments to employees for services	(174,882)	(1,091,495)
Cash payments to suppliers for goods or services	(336,634)	-
Net cash provided by operating activities	<u>22,902</u>	<u>583</u>
Cash flows from non-capital financing activities:		
Loan from (repaid to) General Fund	26,943	-
State grants received	4,006	-
Federal grants received	141,880	-
Net cash provided by non-capital financing activities	<u>172,829</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Proceeds from (repayment of) bank loan	(18,500)	-
Acquisition of capital assets	(24,945)	-
Net cash used by capital and related financing activities	<u>(43,445)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	150	-
Net increase (decrease) in cash and cash equivalents	152,436	583
Cash and cash equivalents at beginning of year	43,433	272,614
Cash and cash equivalents at end of year	<u>195,869</u>	<u>273,197</u>
Reconciliation of operating income (loss) to net cash used by operating activities:		
Operating income (loss)	(155,448)	(4,058)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Commodities used	29,209	-
Depreciation	4,292	-
Decrease (increase) in inventories	142,646	-
Decrease (increase) in accounts receivable	1,597	(980)
(Decrease) increase in accounts payable	684	5,621
(Decrease) increase in salaries and benefits payable	(173)	-
(Decrease) increase in deferred revenue	95	-
Net cash provided by operating activities	<u>22,902</u>	<u>583</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$29,209 of federal commodities.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2011

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	11,397
Accrued interest receivable	<u>34</u>
Total Assets	11,431
Liabilities	
Accounts payable	<u>30</u>
Net Assets	
Reserved for scholarships	<u><u>11,401</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2011

	Private Purpose Trust Scholarship <u> </u> \$
Additions:	
Local sources:	
Gifts and contributions	50
Interest	71
Total additions	<u>121</u>
Deductions:	
Support services:	
Scholarships awarded	<u>3,500</u>
Change in net assets	(3,379)
Net assets beginning of year	<u>14,780</u>
Net assets end of year	<u><u>11,401</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

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 non-fiduciary 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. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other 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 and other capital assets.

The District's had two proprietary enterprise funds during the year ended June 30, 2011. 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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the district's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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 the lower of cost or market, using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles, 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
Intangibles	25,000
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
Intangibles	3-10 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, 2011. 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 fund balances are classified as follows:

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

Unassigned – All amounts not included in other classifications.

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, 2011, expenditures in the instruction and support services functional areas exceeded the amounts budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 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, 2011, the District had investments in the Iowa Schools Joint Investment Trust. Which are valued at an amortized cost of \$9,046 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 Receivables and Payables

The detail of interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
General Fund	Nonmajor Enterprise – School Nutrition Fund	27,831

The General Fund has loaned the School Nutrition Fund money for cash flow.

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Nonmajor Debt Service	Capital Projects Fund	159,780

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

5. Anticipatory Warrants

The District's nonmajor enterprise Student Construction Fund financed the construction of a house with a line of credit at a local bank. The interest rate on the loan was 2.75% and \$318 of interest was paid during the year. Transactions during the year were as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
18,500	1,500	20,000	-

6. Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	48,803	-	-	48,803
Construction in progress	81,634	31,737	81,634	31,737
Total capital assets not being depr.	130,437	31,737	81,634	80,540
Capital assets being depreciated:				
Buildings	7,239,024	216,182	-	7,455,206
Improvements other than buildings	769,487	12,186	-	781,673
Furniture and equipment	1,190,988	194,130	48,323	1,336,795
Total capital assets being deprec.	9,199,499	422,498	48,323	9,573,674
Less accumulated depreciation for:				
Buildings	2,933,699	210,807	-	3,144,506
Improvements other than buildings	232,470	38,764	-	271,234
Furniture and equipment	937,984	106,069	48,323	995,730
Total accumulated depreciation	4,104,153	355,640	48,323	4,411,470
Total capital assets being depreciated, net	5,095,346	66,858	-	5,162,204
Governmental activities capital assets, net	5,225,783	98,595	(81,634)	5,242,744
Business type activities:				
Furniture and equipment	144,741	24,945	-	169,686
Less accumulated depreciation	126,230	4,292	-	130,522
Business type activities capital assets, net	18,511	20,653	-	39,164

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	28,002
Other	4,575
Support services:	
Instructional support	19,026
Operation and maintenance of plant services	29,720
Transportation	24,716
	<u>106,039</u>
Unallocated depreciation	249,601
	<u>355,640</u>
Total depreciation expense – governmental activities	
Business type activities:	
Food services	<u>4,292</u>

7. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	240,000	-	240,000	-	-
Capital lease	32,468	-	32,468	-	-
Equipment loans	11,950	4,176	8,992	7,134	5,288
Termination benefits	300,470	15,905	92,074	224,301	89,234
Compensated absences	139,922	13,140	2,349	150,713	49,285
Net OPEB liability	18,000	18,124	-	36,124	-
	<u>742,810</u>	<u>51,345</u>	<u>375,883</u>	<u>418,272</u>	<u>143,807</u>
Total					

Termination Benefits

The District offered a voluntary early retirement plan to its employees in fiscal year 2011 and in several prior years. Eligible employees must be at least age fifty-five on or before July 1, in the calendar year in which early retirement commenced and must have 10 years of consecutive service.

Fiscal year 2011 early retirement benefits consist of the school paying up to \$15,000 of health insurance premiums over a five year period.

At June 30, 2011, the District has obligations to 16 participants with a total liability of \$224,301. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$92,074.

Equipment Loans

The District has borrowed money, at an interest rate of 2.99%, to purchase computers for resale to teachers. The District also has notes receivable from the teachers in the same amounts and at the same interest rates as the notes payable. The teachers have agreed to have the monthly payments withheld from their payroll checks. Payment details are as follows:

Year Ending June 30,	Principal	Interest	Total
	\$	\$	\$
2012	5,288	144	5,432
2013	1,846	30	1,876
	<u>7,134</u>	<u>174</u>	<u>7,308</u>

8. 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 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$307,219, \$275,592 and \$271,136 respectively, equal to the required contributions for each year.

9. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 93 active and 19 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	248,000
Interest on net OPEB obligation	810
Adjustment to annual required contribution	<u>(686)</u>
Annual OPEB cost	248,124
Contributions made	<u>230,000</u>
Increase in net OPEB obligation	18,124
Net OPEB obligation beginning of year	<u>18,000</u>
Net OPEB obligation end of year	<u>36,124</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$230,000 to the medical plan. Plan members eligible for benefits contributed \$170,000, or 43% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u> %	<u>Net OPEB Obligation</u> \$
2010	248,000	93%	18,000
2011	248,124	93%	36,124

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$2,860,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,860,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,834,000, and the ratio of the UAAL to covered payroll was 74.6%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced .5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$11,676 per capita for individuals age 60. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

10. 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.

11. 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 \$325,748 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

12. Construction and other Commitments

The District has entered into contracts totaling \$228,100 for electrical improvements and roof repairs. Work on the projects had not started at June 30, 2011. The District had also committed \$345,728 for the lease purchase of 300 computers. The computers had not been delivered at June 30, 2011.

13. 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 year are as follows:

Year Ended June 30	Lease Payment
2012	\$ 10,060

14. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

Program	Amount
	\$
Preschool	131,204
Mentoring	3,513
Gifted and talented	13,788
Returning dropout and dropout prevention program	177,890
Teacher salary supplement	43,106
Core curriculum	38,218
Educator quality, professional development	90
Market factor	5,370
	<u>413,179</u>

15. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund type Definitions, was implemented during the year ended 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ 732,808	\$ 19,525
Change in fund type classification per implementation of GASB Statement No. 54	<u>19,525</u>	<u>(19,525)</u>
Balances July 1, 2010, as restated	<u>752,333</u>	<u>-</u>

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, 2011

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	4,642,986	532,876	5,175,862	4,736,720	4,736,720	439,142
State sources	3,942,013	4,006	3,946,019	4,410,118	4,410,118	(464,099)
Federal sources	511,337	171,089	682,426	353,250	353,250	329,176
Total revenues	<u>9,096,336</u>	<u>707,971</u>	<u>9,804,307</u>	<u>9,500,088</u>	<u>9,500,088</u>	<u>304,219</u>
Expenditures/Expenses:						
Instruction	5,669,869	-	5,669,869	5,492,500	5,492,500	(177,369)
Support services	2,131,719	-	2,131,719	2,106,615	2,106,615	(25,104)
Non-instructional programs	-	688,174	688,174	775,000	775,000	86,826
Other expenditures	1,055,729	-	1,055,729	1,142,031	1,142,031	86,302
Total expenditures/expenses	<u>8,857,317</u>	<u>688,174</u>	<u>9,545,491</u>	<u>9,516,146</u>	<u>9,516,146</u>	<u>(29,345)</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	239,019	19,797	258,816	(16,058)	(16,058)	274,874
Other financing sources (uses) net	<u>1,942</u>	<u>-</u>	<u>1,942</u>	<u>-</u>	<u>-</u>	<u>1,942</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	240,961	19,797	260,758	(16,058)	(16,058)	276,816
Balance beginning of year	<u>1,613,826</u>	<u>199,724</u>	<u>1,813,550</u>	<u>1,588,205</u>	<u>1,588,205</u>	<u>225,345</u>
Balance end of year	<u><u>1,854,787</u></u>	<u><u>219,521</u></u>	<u><u>2,074,308</u></u>	<u><u>1,572,147</u></u>	<u><u>1,572,147</u></u>	<u><u>502,161</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2011

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 did not amend its budget.

During the year ended June 30, 2011, expenditures in the instruction and support services functions exceeded the amounts budgeted.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	2,860,000	2,860,000	0.0%	3,574,000	80.0%
2011	July 1, 2009	-	2,860,000	2,860,000	0.0%	3,834,000	74.6%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2011

Assets	Special Revenue Funds				Total
	Management Levy	Student Activity	District Support Trust	Debt Service	
	\$	\$	\$	\$	
Cash and pooled investments	206,360	121,413	7,433	7,018	342,224
Receivables:					
Property tax:					
Delinquent	2,538	-	-	1,393	3,931
Succeeding year	150,001	-	-	-	150,001
Accounts	-	600	-	-	600
Total assets	358,899	122,013	7,433	8,411	496,756
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	250	10,254	-	-	10,504
Deferred revenue:					
Succeeding year property tax	150,001	-	-	-	150,001
Total liabilities	150,251	10,254	-	-	160,505
Fund balances:					
Restricted for:					
Debt service	-	-	-	8,411	8,411
Management levy	208,648	-	-	-	208,648
Student activities	-	111,759	7,433	-	119,192
Total fund balances	208,648	111,759	7,433	8,411	336,251
Total liabilities and fund balances	358,899	122,013	7,433	8,411	496,756

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Special Revenue Funds				Total
	Management	Student	District	Debt	
	Levy	Activity	Support	Service	
	\$	\$	Trust	\$	\$
Revenues:					
Local sources:					
Local tax	221,880	-	-	123,525	345,405
Other	11,510	393,703	1,336	331	406,880
State sources	132	-	-	70	202
Total revenues	<u>233,522</u>	<u>393,703</u>	<u>1,336</u>	<u>123,926</u>	<u>752,487</u>
Expenditures:					
Current:					
Instruction:					
Regular	116,129	-	844	-	116,973
Other	-	414,686	-	-	414,686
Support services:					
Administration	24,963	-	-	-	24,963
Operation and maintenance of plant	28,473	-	-	-	28,473
Transportation	11,670	-	-	-	11,670
Other expenditures:					
Long-term debt:					
Principal	-	-	-	272,468	272,468
Interest and fiscal charges	-	-	-	12,682	12,682
Total expenditures	<u>181,235</u>	<u>414,686</u>	<u>844</u>	<u>285,150</u>	<u>881,915</u>
Excess (deficiency) of revenues over (under) expenditures	52,287	(20,983)	492	(161,224)	(129,428)
Other financing sources (uses):					
Operating transfers in	-	-	-	159,780	159,780
Net change in fund balance	52,287	(20,983)	492	(1,444)	30,352
Fund balances beginning of year, as restated	156,361	132,742	6,941	9,855	305,899
Fund balances end of year	<u>208,648</u>	<u>111,759</u>	<u>7,433</u>	<u>8,411</u>	<u>336,251</u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2011

	Enterprise Funds		
	School Nutrition	Student Construction	Total Nonmajor Funds
	\$	\$	\$
Assets			
Cash and cash equivalents	68,603	127,266	195,869
Accounts receivable	4,732	-	4,732
Inventories	15,570	-	15,570
Capital assets, net of accumulated depreciation	39,164	-	39,164
Total assets	128,069	127,266	255,335
Liabilities			
Accounts payable	-	2,191	2,191
Interfund payables	27,831	-	27,831
Deferred revenue	5,792	-	5,792
Total liabilities	33,623	2,191	35,814
Net assets			
Invested in capital assets	39,164	-	39,164
Unrestricted	55,282	125,075	180,357
Total net assets	94,446	125,075	219,521

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

	Enterprise Funds		
	School Nutrition	Student Construction	Total Nonmajor
	\$	\$	\$
Operating revenue:			
Local sources:			
Sale of student constructed homes	-	293,383	293,383
Charges for service	239,343	-	239,343
Total operating revenue	<u>239,343</u>	<u>293,383</u>	<u>532,726</u>
Operating expenses:			
Non-instructional programs:			
Salaries	152,432	-	152,432
Benefits	22,277	-	22,277
Purchased services	3,855	-	3,855
Supplies	213,905	291,095	505,000
Depreciation	4,292	-	4,292
Other	-	318	318
Total operating expenses	<u>396,761</u>	<u>291,413</u>	<u>688,174</u>
Operating income (loss)	<u>(157,418)</u>	<u>1,970</u>	<u>(155,448)</u>
Non-operating revenues:			
State sources	4,006	-	4,006
Federal sources	171,089	-	171,089
Interest income	150	-	150
Total non-operating revenues	<u>175,245</u>	<u>-</u>	<u>175,245</u>
Change in net assets	17,827	1,970	19,797
Net assets beginning of year	<u>76,619</u>	<u>123,105</u>	<u>199,724</u>
Net assets end of year	<u>94,446</u>	<u>125,075</u>	<u>219,521</u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2011

	Enterprise Funds		
	School Nutrition	Student Construction	Total Nonmajor Funds
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	241,035	-	241,035
Cash payments from sale of house	-	293,383	293,383
Cash payments to employees for services	(174,882)	-	(174,882)
Cash payments to suppliers for goods or services	(189,905)	(146,729)	(336,634)
Net cash (used) provided by operating activities	<u>(123,752)</u>	<u>146,654</u>	<u>22,902</u>
Cash flows from non-capital financing activities:			
Loan from (repaid to) General Fund	27,831	(888)	26,943
State grants received	4,006	-	4,006
Federal grants received	141,880	-	141,880
Net cash (used) provided by non-capital financing activities	<u>173,717</u>	<u>(888)</u>	<u>172,829</u>
Cash flows from capital and related financing activities:			
Proceeds from (repayment of) bank loan	-	(18,500)	(18,500)
Acquisition of capital assets	(24,945)	-	(24,945)
Net cash used by capital and related financing activities	<u>(24,945)</u>	<u>(18,500)</u>	<u>(43,445)</u>
Cash flows from investing activities:			
Interest on investments	150	-	150
Net increase (decrease) in cash and cash equivalents	25,170	127,266	152,436
Cash and cash equivalents at beginning of year	43,433	-	43,433
Cash and cash equivalents at end of year	<u>68,603</u>	<u>127,266</u>	<u>195,869</u>
Reconciliation of operating income (loss) to net cash (used) provided by operating activities:			
Operating income (loss)	(157,418)	1,970	(155,448)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Commodities used	29,209	-	29,209
Depreciation	4,292	-	4,292
Decrease (increase) in inventories	(1,354)	144,000	142,646
Decrease (increase) in accounts receivable	1,597	-	1,597
(Decrease) increase in accounts payable	-	684	684
(Decrease) increase in salaries and benefits payable	(173)	-	(173)
(Decrease) increase in deferred revenue	95	-	95
Net cash (used) provided by operating activities	<u>(123,752)</u>	<u>146,654</u>	<u>22,902</u>

See accompanying independent auditor's report.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Combing Balance Sheet
Capital Project Accounts

June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets	\$	\$	\$
Cash and pooled investments	780,092	14,053	794,145
Receivables:			
Property tax:			
Delinquent	-	6,305	6,305
Succeeding year	-	129,182	129,182
Due from other governments	99,963	117,275	217,238
Total assets	880,055	266,815	1,146,870
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	18,979	8,549	27,528
Deferred revenue:			
Succeeding year property tax	-	129,182	129,182
Income surtax	-	92,275	92,275
Other	-	25,000	25,000
Total liabilities	18,979	255,006	273,985
Fund balances:			
Restricted for:			
School infrastructure	861,076	-	861,076
Physical plant and equipment	-	11,809	11,809
Total fund balances	861,076	11,809	872,885
Total liabilities and fund balances	880,055	266,815	1,146,870

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	524,571	204,977	729,548
Other	5,235	70,635	75,870
State sources	-	66	66
Total revenues	<u>529,806</u>	<u>275,678</u>	<u>805,484</u>
Expenditures:			
Current:			
Support services:			
Instructional staff services	-	33,321	33,321
Transportation services	47,000	-	47,000
Other expenditures:			
Facilities acquisition	229,618	215,213	444,831
Total expenditures	<u>276,618</u>	<u>248,534</u>	<u>525,152</u>
Excess (deficiency) of revenues over (under) expenditures	253,188	27,144	280,332
Other financing sources (uses):			
Operating transfers out	<u>(124,920)</u>	<u>(34,860)</u>	<u>(159,780)</u>
Net change in fund balance	128,268	(7,716)	120,552
Fund balances beginning of year, as restated	<u>732,808</u>	<u>19,525</u>	<u>752,333</u>
Fund balance end of year	<u><u>861,076</u></u>	<u><u>11,809</u></u>	<u><u>872,885</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

<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	16,338	35,497	56,038	1,250	(2,953)
Athletic towel service	3,604	6,040	4,450	-	5,194
HS boys track	1,379	1,880	2,076	750	1,933
HS girls golf	199	1,037	698	500	1,038
HS wrestling	433	750	800	638	1,021
Girls basketball	164	4,332	4,050	2,403	2,849
HS boys basketball	562	3,921	4,433	1,650	1,700
Girls volleyball	2,875	2,612	4,286	1,326	2,527
Football	(169)	1,450	3,678	3,265	868
Girls track	1,919	2,240	4,138	750	771
HS baseball	(1,402)	300	1,786	2,500	(388)
HS boys golf	560	895	1,697	500	258
Softball	(91)	3,277	2,303	1,250	2,133
Cross country	277	1,586	3,373	2,912	1,402
Weight room	-	-	-	1,000	1,000
All school sports boosters	977	-	977	-	-
Middle school athletics	1,817	-	1,271	2,000	2,546
Athletic uniforms	13,236	-	21,826	12,000	3,410
Coach's apparel	1,965	-	1,611	1,500	1,854
MS coach's apparel	-	300	429	-	(129)
Soccer	-	-	-	750	750
Cheerleading fund	3,747	1,475	6,413	500	(691)
Pep club	650	-	-	-	650
Student council	3,362	2,209	3,378	-	2,193
Jr. Hi. student council	6,887	12,874	11,924	-	7,837
Curtain club	5	-	-	-	5
Peer helper association	493	132	237	-	388
Que pasa	877	-	-	-	877
Class of 2004	920	-	-	-	920
Class of 2005	1,167	-	-	(57)	1,110
Class of 2006	266	-	-	-	266
Class of 2007	342	-	-	-	342
Class of 2008	101	-	-	-	101
Class of 2009	(57)	-	-	57	-
Class of 2010	695	183	334	-	544
Class of 2011	1,663	2,680	1,725	(1,500)	1,118
Class of 2012	-	2,692	2,241	1,500	1,951
Class of 2013	-	2,601	-	-	2,601
Investments	11,102	139	-	-	11,241
N.O.W. interest	13,090	333	25	-	13,398

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

<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>
	\$	\$	\$	\$	\$
FFA	3,350	39,384	41,642	-	1,092
FCCLA	2,165	2,843	2,886	-	2,122
National Honor Society	779	504	806	-	477
Retail marketing	685	-	-	-	685
NCIBA honor band	16	-	-	-	16
Band trip	585	-	-	-	585
Flag & rifle	779	1,965	1,781	-	963
HS solo & ensemble contest	1,866	-	-	-	1,866
Jr. Hi. solo & ens. contest	(96)	-	-	-	(96)
Impulse dance club	89	4,670	4,894	-	(135)
Annual	1,082	5,760	6,414	-	428
MS annual	602	1,650	1,653	-	599
HS concessions	1,528	871	1,184	-	1,215
K-8 concessions	(33)	1,255	2,082	-	(860)
Speech & drama	13,706	8,389	5,447	-	16,648
Musical productions	5,308	3,172	4,584	-	3,896
PSAT testing	151	495	498	-	148
Video yearbook	698	-	-	-	698
Washington DC trip	8,976	94,093	93,492	-	9,577
Sports Boosters Blended Component Unit	17,797	137,217	108,116	(37,444)	9,454
June 30, 2010 accounts payable	(17,244)	-	(17,244)	-	-
June 30, 2011 accounts payable	-	-	10,254	-	(10,254)
Total	132,742	393,703	414,686	-	111,759

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

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

For the Last Eight Years

	Modified Accrual Basis							
	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:								
Local sources:								
Local tax	3,410,793	3,156,335	2,916,015	3,136,980	2,932,241	2,650,276	2,412,741	2,459,892
Tuition	629,391	507,394	514,318	541,096	559,543	466,075	523,800	559,121
Other	702,575	558,589	756,176	588,427	503,640	443,198	349,782	359,797
State sources	3,942,013	3,484,311	4,037,150	4,026,531	3,681,329	3,646,422	3,579,099	3,138,599
Federal sources	511,337	726,769	183,449	178,780	198,829	173,573	116,954	103,229
Total revenues	<u>9,196,109</u>	<u>8,433,398</u>	<u>8,407,108</u>	<u>8,471,814</u>	<u>7,875,582</u>	<u>7,379,544</u>	<u>6,982,376</u>	<u>6,620,638</u>
Expenditures:								
Instruction:								
Regular	3,443,140	3,140,202	3,316,379	3,155,814	2,967,579	2,849,038	3,067,644	2,849,646
Special	923,119	793,146	927,512	906,536	786,133	809,777	769,429	779,172
Other	1,411,726	1,232,549	1,104,618	1,122,800	1,003,514	903,305	782,127	770,275
Support services:								
Student	380,744	357,455	401,811	284,844	272,471	246,198	116,368	98,749
Instructional staff	109,069	101,943	143,993	113,639	88,734	86,194	63,959	103,534
Administration	658,468	614,114	678,584	645,190	811,925	728,692	662,677	621,615
Operation and maintenance	700,890	685,471	647,492	663,853	625,808	710,105	708,915	589,586
Transportation	282,548	220,630	181,881	206,869	234,521	172,865	181,687	158,696
Other expenditures:								
Facilities acquisition	444,831	666,399	399,762	600,991	204,914	173,524	321,837	165,657
Long-term debt:								
Principal	272,468	260,239	249,984	243,741	333,089	324,565	289,992	180,092
Interest and other charges	12,682	24,176	33,231	41,672	52,874	63,180	67,942	67,607
AEA flowthrough	325,748	316,862	271,295	266,662	248,462	238,664	230,357	225,158
Total expenditures	<u>8,965,433</u>	<u>8,413,186</u>	<u>8,356,542</u>	<u>8,252,611</u>	<u>7,630,024</u>	<u>7,306,107</u>	<u>7,262,934</u>	<u>6,609,787</u>

See accompanying independent auditor's report.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures \$</u>
Direct:			
U.S. Department of Health and Human Services:			
Drug Free Communities Support Program Grants	93.276	5H79SP013540-05	91,129
Subtotal Direct			<u>91,129</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY11	18,962
National School Lunch Program (non-cash)	10.555	FY11	29,209
National School Lunch Program	10.555	FY11	<u>122,918</u>
			<u>171,089</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY11	59,260
Fund for the Improvement of Education	84.215	FY11	25,000
Improving Teacher Quality State Grants	84.367	FY11	18,084
Grants for State Assessments and Related Activities	84.369	FY11	5,187
State Fiscal Stabilization Fund Cluster:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY11	84,067
ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	FY11	<u>35,831</u>
			<u>119,898</u>
Education Jobs Fund	84.410	FY11	152,640
Area Education Agency #267:			
Special Education - Grants to States	84.027	FY11	39,498
English Language Acquisition Grants	84.365	FY11	579
Educational Technology State Grants	84.318	FY11	3,100
Mason City Community School District:			
Career and Technical Education - Basic Grants to States	84.048	FY11	4,817
Iowa Department of Public Health:			
Safe and Drug Free Schools and Communities - State Grants	84.186B	FY11	33,231
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Temporary Assistance for Needy Families	93.558	FY11	<u>5,098</u>
Subtotal Indirect			<u>637,481</u>
Total			<u>728,610</u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Garner-Hayfield Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 9, 2012. 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 11-II-A, 11-II-B and 11-II-C to be 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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 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 Questioned Costs. 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, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

March 9, 2012

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Independent Auditor's Report on Compliance with Requirements That Could Have a Direct
and Material Effect on Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

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

Compliance

We have audited Garner-Hayfield Community School District's compliance with the types of compliance requirements described in the (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Garner-Hayfield Community School District's major federal programs for the year ended June 30, 2011. Garner-Hayfield Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Garner-Hayfield Community School District's management. Our responsibility is to express an opinion on Garner-Hayfield Community School District's compliance based on our audit.

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

In our opinion, Garner-Hayfield Community School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified deficiencies in internal control over compliance we consider to be a material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in Part III of the accompanying Schedule of Findings and Questioned Costs as items 11-III-A and 11-III-B to be material weaknesses.

Garner-Hayfield Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Garner-Hayfield Community School District's responses and, accordingly, we express no opinion on the responses.

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, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

March 9, 2012

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Material weaknesses in internal control over major programs compliance were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Child Nutrition Cluster
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - State Fiscal Stabilization Cluster
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
 - CFDA Number 84.397 – ARRA – State Fiscal Stabilization Fund – Government Services, Recovery Act
 - CDFA Number 84.410 – Education Jobs Fund
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Garner-Hayfield Community School District did not qualify as a low-risk auditee.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

11-II-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, payroll processing, 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.

11-II-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.

11-II-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 Questioned Costs

Year ended June 30, 2011

Part II: 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.

Instances of Noncompliance:

No matters were reported.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part III: Findings and Questioned Costs For Federal Awards:

Instances of Noncompliance:

No matters were noted.

Internal Control Deficiencies:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program and
Federal Award Year: 2011
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.394: ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants,
Recovery Act
CFDA Number 84.397 ARRA – State Fiscal Stabilization Fund – Government Services, Recovery Act
Federal Award Year: 2011
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 84.410: Education Jobs Fund
Federal Award Year: 2011
U.S. Department of Education
Passed through the Iowa Department of Education

11-III-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, payroll processing 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.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part III: Findings and Questioned Costs For Federal Awards (continued):

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program and
Federal Award Year: 2011
U.S. Department of Agriculture
Passed through the Iowa Department of Education

11-III-B Procurement: The grant requires that a bidding or quotation process be used for acquiring food and supplies. The District obtained bids for milk and bread products and was a member of a purchasing consortium for other food and supplies purchases. The consortium had used a bidding process and had a market basket of products that members could purchase for their food service programs. If school purchased any other products it was required to obtain bids or quotes for those products and maintain records of the bids or quotes received. We noted that the District did occasionally purchase other products, but did not maintain documentation of the process used or of the bids or quotes received.

Recommendation: The food service director should attend training pertaining to procurement requirements for the School Nutrition Program. The District should begin documenting the process used and the bids and quotes obtained for items purchased that are covered by the milk or bread bids or included in the consortium market basket. All School Nutrition Program records should be kept for five years.

District Response: The food service director attended procurement training during the summer of 2011. We will immediately begin documenting the bid process used and results. Records will be kept for five years.

Conclusion: Response accepted.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

11-IV-A Certified Budget: Expenditures for the year ended June 30, 2011 exceeded the amount budgeted in the instruction and support services functions.

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

District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

11-IV-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

11-IV-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.

11-IV-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>
David Zrostlik, school board member and board member of local bank	School banking

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

District Response: We will consult with our attorney.

Conclusion: Response accepted.

11-IV-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.

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

11-IV-G Certified Enrollment: The number of resident students reported to the Iowa Department of Education at October 2010, was overstated by one student.

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

District Response: We have contacted these departments.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

Conclusion: Response accepted.

- 11-IV-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 11-IV-I 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.
- 11-IV-J Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely.
- 11-IV-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 11-IV-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance	\$	\$	732,808
Revenues/transfers in:			
Statewide sales, services and use tax revenue	524,571		
Interest	2,764		
Donations	2,471		
		<u>529,806</u>	
Expenditures/transfers out:			
School infrastructure construction	121,376		
Equipment	142,742		
Other	12,500		
Transfers to debt service fund	124,920		
		<u>401,538</u>	
Ending balance			<u><u>861,076</u></u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
	\$	\$
Debt service levy	0.59727	125,170

11-IV-M Old Outstanding Checks: We noted that the District's bank reconciliations included approximately \$2,700 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.

District 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.

10-IV-N Loans to Employees: During the 1980s the District began a program to encourage teachers and administrators to purchase computers for home use. The program benefited the school because it helped the employees develop computer skills necessary to adapt to the changing technology uses within the school and facilitated the ability of employees to work at home. Under the program the school borrowed money from a bank to purchase the computers and the monthly payments, including principal and interest were withheld from the employee's pay check. The District has now purchased laptop computers that employees use at school and may take home and use for school purposes.

Recommendation: The District should discuss with their attorney the appropriateness of continuing to offer the computer purchase loan program.

District Response: We will discuss this issue with our attorney.

Conclusion: Response accepted.