

**GEORGE – LITTLE ROCK COMMUNITY  
SCHOOL DISTRICT  
INDEPENDENT AUDITOR’S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
JUNE 30, 2011**

**GEORGE - LITTLE ROCK COMMUNITY SCHOOL DISTRICT**

**OFFICIALS**

<u>Name</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
<b>Board of Education (After September 2009 Election)</b>		
Donell Nagel	President	2011
Amy Jurrens	Vice President	2011
Ryan Klingenberg	Board Member	2013
Terrence Clark	Board Member	2013
Doug Krull	Board Member	2011
<b>School Officials</b>		
Dave Ackerman	Superintendent	June 30, 2011
Delinda Kruger	District Secretary/Treasurer and Business Manager	Indefinite
Thomas Whorley	Attorney	Indefinite

# GEORGE - LITTLE ROCK COMMUNITY SCHOOL DISTRICT

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# EAST, VANDER WOUDE, GRANT & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## **Independent Auditor's Report**

To the Board of Education of the  
George - Little Rock Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of George – Little Rock Community School District, George and Little Rock, 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's 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of George – Little Rock Community School District at June 30, 2011, and the respective changes in financial positions and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated January 10, 2012 on our consideration of the George – Little Rock Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Early Retiree Plan on pages 6 through 14 and 40 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. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise George – Little Rock 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 four years ended June 30, 2010 (which is not presented herein) and expressed unqualified opinions on that financial statement. The previous audits for June 30, 2006, 2005, and 2004 were done by another firm, but were in accordance with the standards referred to in the second paragraph of this report, the financial statements for the years ended June 30, 2006, 2005, and 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 financial statements taken as a whole.

*East, Vander Woude, Grant & Co., P.C.*

East, Vander Woude, Grant & Co., P.C.  
Sioux Falls, SD  
January 10, 2012

## Management's Discussion and Analysis

George – Little Rock 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**

- The General Fund revenues increased from \$4,834,976 in fiscal year 2010 to \$5,098,052 in fiscal year 2011, while General Fund expenditures increased from \$4,384,470 in fiscal year 2010 to \$4,523,172 in fiscal 2011. The District's General Fund balance increased from \$554,200 in fiscal 2010 to \$1,129,080 in fiscal 2011, a 103.7% increase.
- The fiscal year 2011 increase in General Fund revenues were attributable to increases in property tax and state aid revenue. The increase in expenditures was due primarily to an increase in negotiated salaries, benefits and equipment purchases.
- A decline in interest rates during the past three fiscal years, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone decreasing from \$23,388 in fiscal year 2010 to \$2,435 in fiscal year 2011.

### **Using this Annual Report**

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the George – Little Rock 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 George – Little Rock Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the 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 to the District's budget for the year, as well as presenting the Schedule of Summary of Projected Cash Flows for Postemployment Benefit Plan.
- Other Supplementary Information provides detailed information about the nonmajor governmental funds and capital project accounts.

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

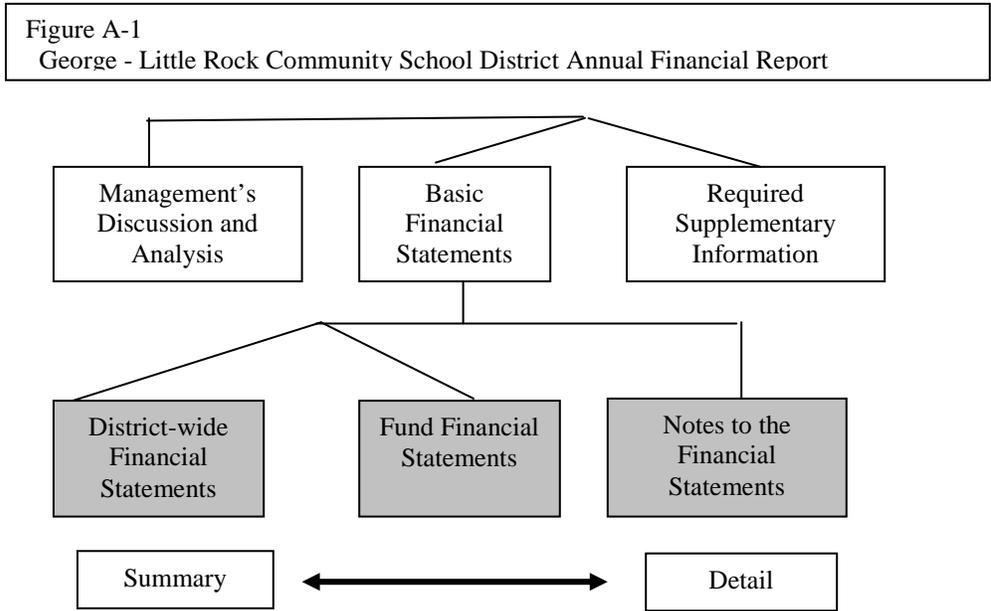


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities covered and the types of information contained.

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

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide 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 position. Over time, increases or decreases in the District's net assets are an indicator of whether its 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 building 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 taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District's school nutrition program and FFA activities are included here.

### Fund Financial Statements

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

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

The District has two kinds of funds:

- *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 funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

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

- *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 Fund, one type of proprietary fund, is the same as its business-type activities, but provides more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the FFA Property Fund.

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.

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 (Expressed in Thousands)								
	Governmental Activities		Business type Activities		Total Activities		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2011	2010	2011	2010	2011	2010	2010 - 2011	
Current and other assets	\$ 5,218	\$ 4,890	\$ 24	\$ 11	\$ 5,242	\$ 4,901	\$ 341	7.0%
Capital assets	6,456	6,327	82	82	6,538	6,409	129	2.0%
Total assets	11,674	11,217	106	93	11,780	11,310	470	4.2%
Long-term Liabilities	3,524	3,773	-	-	3,524	3,773	(249)	(6.60%)
Other Liabilities	3,588	3,652	18	9	3,606	3,661	(55)	(1.50%)
Total Liabilities	7,112	7,425	18	9	7,130	7,434	(304)	(4.09%)
Net Assets								
Invested in capital assets, net of related debt	2,673	2,496	82	82	2,755	2,578	177	6.9%
Restricted	1,029	972	-	-	1,029	972	57	5.9%
Unrestricted	859	324	6	2	865	326	539	165.3%
Total net assets	<u>\$ 4,561</u>	<u>\$ 3,792</u>	<u>\$ 88</u>	<u>\$ 84</u>	<u>\$ 4,649</u>	<u>\$ 3,876</u>	<u>\$ 773</u>	19.9%

The District's combined net assets increased by 19.9 % or approximately \$773,000 the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, intangibles, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$57,000, or 5.9% from the prior year. The increase was primarily a result of the increased revenues in the General Fund, Statewide Sales, Services and Use Tax Fund, and Physical Plant and Equipment Levy Fund.

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 the legal requirements – increased approximately \$539,000 or 165.3%. This increase in unrestricted net assets was primarily a result of the increases in the District's revenues and controlling expenditures in the current year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010

Figure A-4  
Changes in Net Assets  
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2011	2010	2011	2010	2011	2010	2010 - 2011
Revenue							
Program revenue:							
Charges for service	\$ 472	\$ 418	\$ 122	\$ 119	\$ 594	\$ 537	10.61%
Operating grants, contributions and restricted interest	943	1,140	116	119	1,059	1,259	(15.89%)
Capital grants, contributions and restricted interest	18	19	19	-	37	19	94.74%
General revenues:							
Property tax	2,614	2,437	-	-	2,614	2,437	7.26%
Local option sales and service tax	330	259	-	-	330	259	27.41%
Unrestricted state grants	1,748	1,543	-	-	1,748	1,543	13.29%
Other	5	26	-	-	5	26	(80.77%)
Total revenues	<u>6,130</u>	<u>5,842</u>	<u>257</u>	<u>238</u>	<u>6,387</u>	<u>6,080</u>	5.05%
Program expenses:							
Governmental activities:							
Instruction	3,296	3,318	-	-	3,296	3,318	(0.66%)
Support service	1,594	1,540	-	-	1,594	1,540	3.51%
Non-instructional programs	-	-	253	234	253	234	8.12%
Other expenses	470	398	-	-	470	398	18.09%
Total expenses	<u>5,360</u>	<u>5,256</u>	<u>253</u>	<u>234</u>	<u>5,613</u>	<u>5,490</u>	2.24%
Change in net assets	<u>\$ 770</u>	<u>\$ 586</u>	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ 774</u>	<u>\$ 590</u>	31.19%

In fiscal year 2011, property tax, statewide sales and service tax, and unrestricted state grants account for 76.5 percent of governmental activities revenue while charges for services and operating grants, contributions and restricted interest accounted for 92.6% of the business type activities revenue. The District's expenses primarily relate to instruction and support services, which account for 88.5 percent of the total expenses.

The District's total revenues were approximately \$6.387 million, of which \$6.130 million was for governmental activities and approximately \$257,000 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.05% increase in revenues and a 2.24% increase in expenses. Increases in property tax, federal grants and charges for services off set the decreases in state grants, local option sales and service tax and capital grants. Increase in expenses related to support services and other expenses.

### Governmental Activities

Revenues for governmental activities were \$6,129,811 and expenses were \$5,360,284 for the year ended June 30, 2011. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District’s major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 3,296	\$ 3,318	(0.66%)	\$ 2,093	\$ 1,994	4.96%
Support services	1,594	1,540	3.51%	1,584	1,506	5.18%
Non-instructional programs	-	-	0.00%	-	-	0.00%
Other expenses	470	398	18.09%	250	179	39.66%
Totals	<u>\$ 5,360</u>	<u>\$ 5,256</u>	1.98%	<u>\$ 3,927</u>	<u>\$ 3,679</u>	6.74%

For the year ended June 30, 2011:

- The cost financed by users of the District’s programs was \$472,162.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$961,113.
- The net cost of governmental activities was financed with \$2,943,817 in property and other taxes and \$1,747,969 in unrestricted state grants.

### Business Type Activities

Revenues for business type activities were \$257,326, representing a 7.94% increase over the prior year, while expenses totaled \$253,121, a 8.207% increase over the prior year. The District’s business type activities include the School Nutrition Fund and FFA Property (first year). Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and contributions for capital project improvements. The increase in revenues is a result of more federal sources in the current year.

### INDIVIDUAL FUND ANALYSIS

As previously noted, George – Little Rock 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 \$1,935,393, an increase of \$402,757. The primary reason for the increase in combined fund balances in fiscal 2011 is due an increase in revenues and small increase in expenditures.

### Governmental Fund Highlights

- The District’s improving General Fund financial position is the result of many factors. Growth during the year in tax and state foundation aid resulted in an increase in revenues. Additionally, the small increases in expenditures allowed District to increase the fund balance during the year.
- The General Fund balance increased from \$554,200 to \$1,129,080, due in part to the increases in local taxes, state foundation aid and small increases in expenditures for the District.

- The Debt Service Fund balance decreased from \$167,129 in fiscal 2010 to \$165,340 in fiscal 2011. The decreased was due to a reduction in the amount of local taxes received.
- The Capital Projects Fund balance decreased due to the increase expenditures for equipment purchased and transfers to Debt Service Fund. The District ended fiscal 2010 with a \$669,527 balance and ended fiscal 2011 ended with a balance of \$507,632.

### **Proprietary Fund Highlights**

School Nutrition Fund cash balance increased from \$5,673 at June 30, 2010 to \$10,313 at June 30, 2011, representing an increase of \$4,640. This is due primarily from the loan from the General Fund to the School Nutrition Fund this year. FFA Property Fund started this year with the purchase of land in which FFA members are raising hogs. The cash balance at June 30, 2011 is \$5,298.

### **BUDGETARY HIGHLIGHTS**

The District's receipts were \$345,010 less than budgeted receipts, with a variance of (5.14%). The most significant variance resulted from the decreases in state and federal revenues and increases in local taxes from the budgeted amounts.

Total expenditures were less than budgeted over all, but over budget in support services, non-instructional and other expenditures functions during the school year. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services, non-instructional and other expenditures functional areas due to the timing of expenditures 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 \$6.538 million, 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 2.01% 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 \$264,856.

The original cost of the District's capital assets was \$10.038 million. Governmental funds account for \$9.814 million, with the remainder of \$224,000 accounted for in the Proprietary – School Nutrition Fund.

The largest change in capital asset activity during the year occurred with addition of \$10,000 in land, \$72,197 in buildings, \$259,345 of furniture and equipment and \$52,813 of improvements other than buildings in fiscal year 2011.

Figure A-6  
Capital Assets, net of Depreciation  
(expressed in thousands)

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010 - 2011
Land	\$ 49	\$ 39	\$ -	\$ -	\$ 49	\$ 39	25.64%
Buildings	5,236	5,300	-	-	5,236	5,300	(1.21%)
Improvements other than buildings	113	72	-	-	113	72	56.94%
Furniture and Equipment	1,058	916	82	82	1,140	998	14.23%
Totals	<u>\$ 6,456</u>	<u>\$ 6,327</u>	<u>\$ 82</u>	<u>\$ 82</u>	<u>\$ 6,538</u>	<u>\$ 6,409</u>	2.01%

### Long-Term Debt

At June 30, 2011, the District had \$3,814,281 in general obligation, revenue and other long-term debt outstanding compared to \$4,049,670 last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

In March 2005, the District's voters authorized the issuance of \$4,360,000 in general obligation bonds to pay for construction of the additions to buildings in George and Little Rock. Planning for the project started in fiscal 2005 and bonds were sold during fiscal 2006. At the same time the District issued \$685,000 of local option sales and services tax revenue bonds for the same project. The District had total outstanding bonded indebtedness at June 30, 2011 of \$3,725,000.

The District also had early retirement obligations of \$47,563 at June 30, 2011 with \$20,106 due in FY 2012 and \$27,457 long term.

The District entered into a capital lease agreement for a new tractor this year. As of June 30, 2001 the balance of the lease was \$41,717 with \$10,429 due in FY 2012 and \$31,288 long term.

Figure A-7  
Outstanding Long-Term Obligations  
(Expressed in Thousands)

	Total School District		Total Change
	June 30,		June 30,
	2011	2010	2010 - 2011
General Obligation Bonds	3,445,000	3,615,000	(4.703%)
Revenue Bonds	280,000	365,000	(23.288%)
Capital Lease	41,717	-	100.000%
Early Retirement	47,563	69,669	(31.730%)
Totals	<u>\$ 3,814,280</u>	<u>\$ 4,049,669</u>	(5.813%)

## **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:

- The financial history of the State of Iowa's support for public K-12 schools has translated into restricted levels of state aid funding for education at the local level. Future needs of the District will continue to grow and it is hoped that allowable growth would match the needs of public K-12 education.
- District enrollment decreased in fiscal year 2010-2011 with a budget enrollment of 483. The District has a sharing agreement with Central Lyon Community School District for the Superintendent position so the District has an additional 10 enrollment supplement. Under Iowa's school finance formula, funding is highly dependent upon enrollment. During the 2010-2011 school year, George – Little Rock students who open enroll out to other districts remained the same as last year of 28. Because George – Little Rock is the resident district, the student is counted for state funding, but then funding is paid to the receiving district. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- Fiscal 2011 the District decided on a one-year contract with George-Little Rock Education Association due to the unknown factors of state funding and number of students enrolled. The District will negotiate a new agreement each year until funding and enrollment stabilizes. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

## **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Delinda Kruger, Board Secretary/Business Manager at the George – Little Rock Community School District, 500 E. Indiana Ave., George, IA 51237 or 712-475-3311.

## **BASIC FINANCIAL STATEMENTS**

**George – Little Rock Community School District**

George - Little Rock Community School District  
Statement of Net Assets  
June 30, 2011

Exhibit A

	Governmental Activities	Business Type Activities	Totals
<b>Assets</b>			
Cash and cash equivalents	\$ 2,363,652	\$ 15,611	\$ 2,379,263
Receivables:			
Property tax:			
Delinquent	29,372	-	29,372
Succeeding year	2,371,788	-	2,371,788
Local option sales taxes	27,591	-	27,591
Accounts Receivable	72,247	-	72,247
Accrued interest:			
Other	158	-	158
Due from other governments	342,950	-	342,950
Due from (to) other funds	10,000	(10,000)	-
Inventories	-	8,095	8,095
Capital assets, net of accumulated depreciation	6,456,093	82,301	6,538,394
<b>Total assets</b>	<b>11,673,851</b>	<b>96,007</b>	<b>11,769,858</b>
<b>Liabilities</b>			
Accounts payable	53,527	-	53,527
Salaries and benefits payable	439,546	6,404	445,950
Accrued interest payable	15,833	-	15,833
Deferred revenue - other	417,504	1,492	418,996
Deferred revenue - succeeding year property tax	2,371,788	-	2,371,788
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	180,000	-	180,000
Revenue bonds payable	90,000	-	90,000
Capital Lease	41,717	-	41,717
Early retirement	20,106	-	20,106
Portion due after one year:			
General obligation bonds payable	3,265,000	-	3,265,000
Revenue bonds payable	190,000	-	190,000
Early retirement	27,457	-	27,457
Total liabilities	7,112,478	7,896	7,120,374
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,673,543	82,301	2,755,844
Restricted for:			
Categorical funding	49,449	-	49,449
Debt Service	496,615	-	496,615
Management levy	32,258	-	32,258
Physical plant and equipment	27,647	-	27,647
Student activities	51,330	-	51,330
Capital projects	176,357	-	176,357
Other	195,428	-	195,428
Unrestricted	858,746	5,810	864,556
<b>Total net assets</b>	<b>\$ 4,561,373</b>	<b>\$ 88,111</b>	<b>\$ 4,649,484</b>

See notes to financial statements.

George - Little Rock Community School District  
Statement of Activities  
June 30, 2011

Functions/Programs	Program Revenues			
	Expenses	Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
<b>Governmental activities:</b>				
Instruction:				
Regular instruction	\$ 2,323,987	\$ 213,639	\$ 476,831	\$ -
Special instruction	529,722	31,227	248,103	-
Other instruction	442,259	222,641	10,316	-
	<u>3,295,968</u>	<u>467,507</u>	<u>735,250</u>	<u>-</u>
Support services:				
Student services	134,153	-	4,414	-
Instructional staff services	188,083	-	-	-
Administration services	452,723	-	-	-
Operation and maintenance of plant services	538,295	4,655	-	-
Transportation services	281,459	-	1,334	-
	<u>1,594,713</u>	<u>4,655</u>	<u>5,748</u>	<u>-</u>
Non-instructional programs				
Other expenses:				
Facilities acquisition	103,751	-	-	17,771
Long-term debt interest	163,508	-	-	-
AEA flow-through	202,344	-	202,344	-
	<u>469,603</u>	<u>-</u>	<u>202,344</u>	<u>17,771</u>
Total governmental activities	5,360,284	472,162	943,342	17,771
<b>Business type activities:</b>				
Non-instructional programs:				
FFA Propety	5,353	1,020	-	9,631
Food service operations	247,768	121,748	115,895	9,001
Total	<u>\$ 5,613,405</u>	<u>\$ 594,930</u>	<u>\$ 1,059,237</u>	<u>\$ 36,403</u>
<b>General Revenues:</b>				
Property tax levied for:				
General purposes				
Debt service				
Local option sales and services 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				

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ (1,633,517)	\$ -	\$ (1,633,517)
(250,392)	-	(250,392)
(209,302)	-	(209,302)
<u>(2,093,211)</u>	<u>-</u>	<u>(2,093,211)</u>
(129,739)	-	(129,739)
(188,083)	-	(188,083)
(452,723)	-	(452,723)
(533,640)	-	(533,640)
(280,125)	-	(280,125)
<u>(1,584,310)</u>	<u>-</u>	<u>(1,584,310)</u>
<u>-</u>	<u>-</u>	<u>-</u>
(85,980)	-	(85,980)
(163,508)	-	(163,508)
<u>-</u>	<u>-</u>	<u>-</u>
<u>(249,488)</u>	<u>-</u>	<u>(249,488)</u>
<u>(3,927,009)</u>	<u>-</u>	<u>(3,927,009)</u>
-	5,298	5,298
<u>-</u>	<u>(1,124)</u>	<u>(1,124)</u>
<u>(3,927,009)</u>	<u>4,174</u>	<u>(3,922,835)</u>
2,591,803	-	2,591,803
21,810	-	21,810
330,204	-	330,204
1,747,969	-	1,747,969
4,594	31	4,625
156	-	156
<u>4,696,536</u>	<u>31</u>	<u>4,696,567</u>
769,527	4,205	773,732
3,791,846	83,906	3,875,752
<u>\$ 4,561,373</u>	<u>\$ 88,111</u>	<u>\$ 4,649,484</u>

See notes to financial statements.

George - Little Rock Community School District  
Balance Sheet  
Governmental Funds  
June 30, 2011

Exhibit C

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
<b>Assets</b>					
Cash and pooled investments	\$ 1,632,565	\$ 165,062	\$ 431,139	\$ 134,886	\$ 2,363,652
Receivables:					
Property tax:					
Delinquent	25,230	278	2,162	1,702	29,372
Succeeding year	2,038,815	15,000	185,123	132,850	2,371,788
Local option sales taxes	-	-	27,591	-	27,591
Accounts	72,247	-	-	-	72,247
Accrued interest:					
Other	-	-	70	88	158
Due from other funds	14,915	-	51,585	-	66,500
Due from other governments	237,759	-	105,191	-	342,950
<b>Total assets</b>	<b>4,021,531</b>	<b>180,340</b>	<b>802,861</b>	<b>269,526</b>	<b>5,274,258</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	53,527	-	-	-	53,527
Salaries and benefits payable	436,211	-	-	3,335	439,546
Due to other funds	51,585	-	4,915	-	56,500
Deferred revenue:					
Succeeding year property tax	2,038,815	15,000	185,123	132,850	2,371,788
Other	312,313	-	105,191	-	417,504
<b>Total liabilities</b>	<b>2,892,451</b>	<b>15,000</b>	<b>295,229</b>	<b>136,185</b>	<b>3,338,865</b>
Fund balances:					
Restricted for:					
Debt service	-	165,340	331,275	-	496,615
Categorical funding	49,449	-	-	-	49,449
Management levy	-	-	-	54,364	54,364
Student Activities	-	-	-	51,330	51,330
Public Education Recreation	-	-	-	27,647	27,647
Physical plant and equipment	-	-	176,357	-	176,357
Other	195,428	-	-	-	195,428
Unreserved	884,203	-	-	-	884,203
<b>Total fund balances</b>	<b>1,129,080</b>	<b>165,340</b>	<b>507,632</b>	<b>133,341</b>	<b>1,935,393</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,021,531</b>	<b>\$ 180,340</b>	<b>\$ 802,861</b>	<b>\$ 269,526</b>	<b>\$ 5,274,258</b>

See notes to financial statements.

George - Little Rock Community School District  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets  
June 30, 2011

Exhibit D

<b>Total fund balances of governmental funds (page 20)</b>	\$ 1,935,393
Amounts reported for governmental activities in the Statements of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,456,093
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental	(15,833)
Long-term liabilities, including bonds and notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(3,814,280)</u>
<b>Net assets of governmental activities (page 19)</b>	<u><u>\$ 4,561,373</u></u>

See notes to financial statements.

George - Little Rock Community School District  
Statement of Revenues, Expenditures and Changes in  
Fund Balances - Governmental Funds  
June 30, 2011

Exhibit E

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 2,190,113	\$ 21,810	\$ 599,865	\$ 132,029	\$ 2,943,817
Tuition	114,611	-	-	-	114,611
Other	102,172	142	47,228	230,530	380,072
State sources	2,413,225	10	81	64	2,413,380
Federal sources	277,931	-	-	-	277,931
<b>Total Revenues</b>	<b>5,098,052</b>	<b>21,962</b>	<b>647,174</b>	<b>362,623</b>	<b>6,129,811</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular instruction	2,098,614	-	-	277,703	2,376,317
Special instruction	535,914	-	-	-	535,914
Other instruction	446,294	-	-	-	446,294
	<u>3,080,822</u>	<u>-</u>	<u>-</u>	<u>277,703</u>	<u>3,358,525</u>
Support services:					
Student services	104,618	-	29,535	-	134,153
Instructional staff services	149,624	-	-	-	149,624
Administration services	459,774	-	16,556	-	476,330
Operation and maintenance of plant services	282,581	-	58,885	91,145	432,611
Transportation services	243,409	-	119,837	205	363,451
	<u>1,240,006</u>	<u>-</u>	<u>224,813</u>	<u>91,350</u>	<u>1,556,169</u>
Non-instructional programs	-	-	-	-	-
Other expenditures:					
Facilities acquisition	-	-	229,164	2,009	231,173
Long-term debt principal	-	255,000	-	-	255,000
Long-term debt interest	-	165,560	-	-	165,560
AEA flow-through	202,344	-	-	-	202,344
	<u>202,344</u>	<u>420,560</u>	<u>229,164</u>	<u>2,009</u>	<u>854,077</u>
<b>Total expenditures</b>	<b>4,523,172</b>	<b>420,560</b>	<b>453,977</b>	<b>371,062</b>	<b>5,768,771</b>
Excess (deficiency) of revenues over (under) expenditures	574,880	(398,598)	193,197	(8,439)	361,040
<b>Other financing sources (uses):</b>					
Operating transfers in (out)	-	396,809	(396,809)	-	-
Proceeds from capital lease	-	-	41,717	-	41,717
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>396,809</b>	<b>(355,092)</b>	<b>-</b>	<b>41,717</b>
Net change in fund balances	574,880	(1,789)	(161,895)	(8,439)	402,757
Fund balances beginning of year	554,200	167,129	669,527	141,780	1,532,636
<b>Fund balances end of year</b>	<b>\$ 1,129,080</b>	<b>\$ 165,340</b>	<b>\$ 507,632</b>	<b>\$ 133,341</b>	<b>\$ 1,935,393</b>

See notes to financial statements.

George - Little Rock 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

Exhibit F

**Net change in fund balance - total governmental funds (page 22)** \$ 402,757

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 Net Assets 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	385,354	
Assets Disposed	-	
Depreciation expense	<u>(256,481)</u>	128,873

Proceeds from issuing long-term liabilities provided current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	(41,717)	
Repaid	<u>255,000</u>	213,283

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 governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

2,052

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:

Early retirement	<u>22,562</u>	<u>22,562</u>
------------------	---------------	---------------

**Change in net assets of governmental activities (page 19)** \$ 769,527

See notes to financial statements.

George - Little Rock Community School District  
Statement of Net Assets  
Proprietary Funds  
June 30, 2011

Exhibit G

	School Nutrition	FFA Property	Totals
<b>Assets</b>			
Cash and cash equivalents	\$ 10,313	\$ 5,298	\$ 15,611
Inventories	8,095	-	8,095
Capital assets, net of accumulated depreciation	82,301	-	82,301
<b>Total assets</b>	100,709	5,298	106,007
<b>Liabilities</b>			
Due to other funds	10,000	-	10,000
Deferred revenue	1,492	-	1,492
Salaries and benefits payable	6,404	-	6,404
<b>Total Liabilities</b>	17,896	-	17,896
<b>Net Assets</b>			
Invested in capital assets, net of related debt	82,301	-	82,301
Unrestricted	512	5,298	5,810
<b>Total net assets</b>	\$ 82,813	\$ 5,298	\$ 88,111

See notes to financial statements.

George - Little Rock Community School District  
Statement of Revenues, Expenses and Changes in  
Fund Net Assets - Proprietary Funds  
June 30, 2011

Exhibit H

	<u>School Nutrition</u>	<u>FFA Property</u>	<u>Totals</u>
Operating revenues:			
Local sources:			
Charges for service	\$ 121,748	\$ 1,020	\$ 122,768
Operating expenses:			
Non-instructional programs:			
Operations:			
Salaries	95,452	-	95,452
Benefits	13,735	-	13,735
Purchased services	2,053	-	2,053
Supplies	128,153	5,353	133,506
Depreciation	8,375	-	8,375
Total operating expenses	<u>247,768</u>	<u>5,353</u>	<u>253,121</u>
Operating loss	<u>(126,020)</u>	<u>(4,333)</u>	<u>(130,353)</u>
Non-operating revenues:			
State sources	2,369	-	2,369
Federal sources	113,526	-	113,526
Interest income	31	-	31
Capital contributions	9,001	9,631	18,632
Total non-operating revenues	<u>124,927</u>	<u>9,631</u>	<u>134,558</u>
Change in net assets	(1,093)	5,298	4,205
Net assets beginning of year	<u>83,906</u>	<u>-</u>	<u>83,906</u>
Net assets end of year	<u>\$ 82,813</u>	<u>\$ 5,298</u>	<u>\$ 88,111</u>

See notes to financial statements.

George - Little Rock Community School District  
Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2011

EXHIBIT I

	School Nutrition	FFA Property	Totals
<b>Cash flows from operating activities:</b>			
Cash received from sales	\$ 120,737	\$ 1,020	\$ 121,757
Cash paid to employees for services	(99,305)	-	(99,305)
Cash paid to suppliers for goods or services	(115,077)	(5,353)	(120,430)
Net cash used by operating activities	<u>(93,645)</u>	<u>(4,333)</u>	<u>(97,978)</u>
<b>Cash flows from non-capital financing activities:</b>			
State grants received	2,369	-	2,369
Federal grants received	95,885	-	95,885
Net cash provided by non-capital financing activities	<u>98,254</u>	<u>-</u>	<u>98,254</u>
<b>Cash flows from capital and related financing activities:</b>			
Capital contributions	9,001	9,631	18,632
Acquisition of capital assets	(9,001)	-	(9,001)
Net cash used by capital and related financing activities	<u>-</u>	<u>9,631</u>	<u>9,631</u>
<b>Cash flows from investing activities:</b>			
Interest on investments	31	-	31
Net increase (decrease) in cash and cash equivalents	4,640	5,298	9,938
Cash and cash equivalents beginning of year	5,673	-	5,673
Cash and cash equivalents end of year	<u>\$ 10,313</u>	<u>\$ 5,298</u>	<u>\$ 15,611</u>

**Reconciliation of operating loss to net cash used by operating activities**

Operating loss	(126,020)	(4,333)	(130,353)
Adjustments to reconcile operating loss to net cash provided by operating activities			
Commodities used	17,641	-	17,641
Depreciation	8,375	-	8,375
(Increase) decrease in inventories	(2,512)	-	(2,512)
Increase (decrease) in salaries and benefits payable	(118)	-	(118)
Increase (decrease) in deferred revenues	(1,011)	-	(1,011)
Increase (decrease) in due to other governments	10,000	-	10,000
Net cash used in operating activities	<u>\$ (93,645)</u>	<u>\$ (4,333)</u>	<u>\$ (97,978)</u>

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

During the year ended June 30, 2011 the District received \$17,641 of federal commodities.

See notes to financial statements.

**GEORGE - LITTLE ROCK COMMUNITY SCHOOL DISTRICT**  
**Notes to Financial Statements**  
**June 30, 2011**

**(1) Summary of Significant Accounting Policies**

The George – Little Rock Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of George and Little Rock, Iowa and the predominately agricultural territory in Lyon, Sioux and Osceola Counties. 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, George – Little Rock 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 George – Little Rock Community School District has no component units, which meet the Governmental Accounting Standards Board criteria.

**B. Basis of Presentation**

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the 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 assets and liabilities, with the difference reported as net assets. Net assets are reported in the following 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 that do not meet the definition of the 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 is 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 main operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the property tax and other revenues to be used for payment of interest and principal on the District's general long-term debt.

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

The District reports the following major proprietary fund:

The Enterprise – School Nutrition Fund. This fund is used to account for the food service operations of the District. The other Enterprise – FFA Property Fund which is used to account for the FFA hog raising operations.

### C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated

absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under 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 are 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 which are non-negotiable certificates of deposit which are stated at cost and the investments 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 become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments, is based on January 1, 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 at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment are reported in the applicable governmental or business type activity columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair 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 one year.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	2,500
Other furniture and equipment	2,500

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

Asset Class	Estimated Useful Lives
Buildings	100 years
Improvements other than buildings	15 - 50 years
Furniture and equipment:	3 - 15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

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 represents 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 succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

Fund Equity – In the governmental fund financial statements, fund balance 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 law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action to employed to commit those amounts.

Unassigned – All amounts not included in other spendable 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 imposed by law through constitutional provisions or enabling legislation.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

#### (2) **Cash and Pooled Investments**

The District's deposits 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 Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,402,118 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk for the investments in the Iowa Schools Joint Investment Trust were rated AAA by Moody's Investor Service.

**(3) Due From and Due to Other Funds**

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	School Lunch	<u>\$ 10,000</u>
General	Physical Plant & Equipment	<u>\$ 4,915</u>
Physical Plant & Equipment	General	<u>\$ 51,585</u>

The School Lunch Fund will be repaying the General for an advance to pay expenditures of the Fund when the cash flow improves.

**(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>
Capital Projects	Statewide Sales Tax	\$ 13,668
Debt Service	Statewide Sales Tax	396,809
Statewide Sales Tax	Capital Projects	46,594
		<u>\$ 457,071</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(5) Categorical Funding**

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

<u>Program</u>	
Gifted and Talented Program	\$ 36,140
Educator Quality, Professional Development	<u>13,309</u>
	<u>\$ 49,449</u>

**(6) Capital Assets**

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 39,270	\$ 10,000	\$ -	\$ 49,270
Total capital assets not being depreciated	39,270	10,000	-	49,270
Capital assets being depreciated:				
Buildings	7,112,842	72,197	6,876	7,178,163
Improvements other than buildings	449,430	52,813	-	502,243
Furniture and equipment	1,874,395	250,344	39,801	2,084,938
Total capital assets being depreciated	9,436,667	375,354	46,677	9,765,344
Less accumulated depreciation for:				
Buildings	1,812,941	136,177	6,876	1,942,242
Improvements other than buildings	377,231	11,676	-	388,907
Furniture and equipment	958,545	108,628	39,801	1,027,372
Total accumulated depreciation	3,148,717	256,481	46,677	3,358,521
Total capital assets being depreciated, net	6,287,950	118,873	-	6,406,823
Governmental activities capital assets, net	\$ 6,327,220	\$ 128,873	\$ -	\$ 6,456,093

<b>Business type activities:</b>				
Furniture and equipment	\$ 215,010	\$ 9,001	\$ -	\$ 224,011
Less accumulated depreciation	(133,335)	(8,375)	-	(141,710)
Business type activities capital assets, net	\$ 81,675	\$ 626	\$ -	\$ 82,301

Depreciation expense was charged to the following functions:

Governmental activities:		
Instruction:		
Regular		\$ 26,793
Support services:		
Instructional staff		38,459
Operation and maintenance of plant		152,384
Transportation		38,845
		<u>256,481</u>
Unallocated		-
Total depreciation expense - governmental activities		<u>\$ 256,481</u>
Business type activities:		
Food service operations		<u>\$ 8,375</u>

**(7) Long-Term Debt**

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
Revenue Bonds	\$ 365,000	\$ -	\$ 85,000	\$ 280,000	\$ 90,000
General Obligation	3,615,000	-	170,000	3,445,000	180,000
Capital Lease	-	41,717	-	41,717	10,429
Early Retirement	69,669	-	22,106	47,563	20,106
Total	<u>\$ 4,049,669</u>	<u>\$ 41,717</u>	<u>\$ 277,106</u>	<u>\$ 3,814,280</u>	<u>\$ 300,535</u>

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June, 30	Interest Rates	Bond Issue July 1, 2005 Series 2005A		
		Principal	Interest	Total
2012	4%	\$ 180,000	\$ 145,000	\$ 325,000
2013	4%	190,000	137,800	327,800
2014	4%	195,000	130,200	325,200
2015	4%	205,000	122,400	327,400
2016	4%	215,000	113,688	328,688
2017-2021	4.25%	1,240,000	422,238	1,662,238
2022-2025	4.25%	1,220,000	132,388	1,352,388
		<u>\$ 3,445,000</u>	<u>\$ 1,203,713</u>	<u>\$ 4,648,713</u>

Revenue Bonds Payable

Details of the District's June 30, 2011 local option (statewide) sales and services tax revenue bonded indebtedness are as follows:

Year Ending June, 30	Interest Rates	Bond Issue July 1, 2005 Series 2005B		
		Principal	Interest	Total
2012	3.10%	\$ 90,000	\$ 8,745	\$ 98,745
2013	3.20%	95,000	5,368	100,368
2014	3.30%	95,000	1,805	96,805
		<u>\$ 280,000</u>	<u>\$ 15,918</u>	<u>\$ 295,918</u>

The local option (statewide) sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option (statewide) sales and service tax revenue bonds includes the following provisions:

1. A sinking fund to be established for all proceeds of the local option (statewide) sales and services tax revenue must be deposited.

2. The amounts to be deposited into the sinking fund shall be equal to the amount of principal and interest coming due on the bonds and any other obligations payable from the local option (statewide) sales and service tax revenues
3. A reserve fund is required to be maintained on deposit an amount equal to the lesser of 10% of the proceeds of the Series 2005B or 125% of the average annual debt service on Series 2005B

The District did comply with all of the provisions during the year ended June 30, 2011. The required reserve account was established by the District with a balance of \$68,500 and the sinking fund had \$95,246.

During the year ended June 30, 2011, the District made interest payments totaling \$163,610 under the agreements.

Capital Lease

During the year the District entered into a capital lease agreement to purchase a tractor. The total cost of the lease is \$46,717.50. The District made a \$5,000 downpayment and will have installments of \$10,429.12 to be made each April 20 until 2015 and the final payment of \$1 made April 20, 2016.

Year	Ending	Payment
2012	\$	10,429
2013		10,429
2014		10,429
2015		10,429
2016		1
	\$	<u>41,717</u>

**(8) Termination Benefits**

The District offered a voluntary early retirement plan to its employees until November 30, 2007. Eligible employees must have completed at least fifteen years of continuous service in the district and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement was subject to approval by the Board of Directors by February 1 of the applicable year.

Early retirement benefits are a flat \$2,000 per year for 5 years and health insurance payments based on the retirement year rate until the retiree reaches 65 years of age. If health insurance rates go up the retiree will need to pay the difference.

At June 30, 2011, the District has obligations to three participants with a total liability of \$47,563. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$22,106. Details of the early retirement obligations at June 30, 2011 are as follows:

Year	Health		
Ending	Compensation	Insurance	Total
2012	\$ 4,000	\$ 16,106	\$ 20,106
2013	4,000	9,804	13,804
2014	-	5,461	5,461
2015	-	5,461	5,461
2016	-	2,731	2,731
	\$ 8,000	\$ 39,563	\$ 47,563

**(9) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit 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, IA, 50306-9117.

Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$191,155, \$178,916 and \$176,658 respectively, equal to the required contributions for each year.

**(10) Other Postemployment Benefits (OPEB)**

Plan Description – The District offers a single-employer early retirement incentive plan which provides health insurance benefits to teachers, administrators, and business managers who are between the ages of 55 and 62 with 15 or more years of service at retirement.

The benefit is in the form of a cash payment, sick leave payout, and medical premium subsidy until the age of 65. The subsidy is in the amount of the single premium at the time of retirement, and retirees are responsible for any increase in the premium.

Funding Policy – The District currently finances the postretirement benefit plan on a pay-as-you-go basis.

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

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

Annual required contribution	\$ 124,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	124,000
Contributions made	(64,000)
Increase in net OPEB obligation	60,000
Net OPEB obligation beginning of year	61,000
Net OPEB obligation end of year	<u>\$ 121,000</u>

The end of the 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 \$14,876 to the medical plan. Plan members eligible for benefits contributed \$3,549.33 or 19% of the premium costs.

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. 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:

Year Ended	Annual OPEB Costs	Percentage of Annual OPEB Cost	Net OPEB Obligation
6/30/11	\$ 124,000	52%	\$ 121,000

Funding Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$1.209 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.209 million. 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 9-Year Summary of Projected Cash Flows, presented as Required Supplementary Information in the section following the Notes to Financial statements, presents the projected net benefits for the District’s post retirement benefit plan based on the current population.

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 July 1, 2009 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District’s funding policy. The projected annual medical trend rate is 11.00%. The ultimate medical trend rate is 5.00%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP-2000 Table, applied on a gender-specific basis. Average life expectancy for the George-Little Rock Community School Distribution participants based on this table is 82 years of age. Employees are assumed to retire at the latest of age 55 or the eligibility age. Table 1 of GASB 45 paragraph 35(b) is used to assign the probability of remaining employed until assumed retirement age.

Projected annual premiums of the medical plan for participants range from \$6,667.68 for a \$200 deductible to \$5,835.24 for a \$750 deductible. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized over the maximum allowable period of 30 years on an open basis.

**(11) Risk Management**

The 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.

**(12) 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 \$202,344 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.

**(13) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassification is as follows:

	<u>Capital Projects</u>	<u>Special Revenue - Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ 405,660	\$ 263,866
Change in fund type classification per implementation of GASB Statement No. 54	<u>263,866</u>	<u>(263,866)</u>
Balances June 30, 2010, as restated	<u>\$ 669,526</u>	<u>\$ -</u>

**(14) Operating Lease**

As of June 30, 2011, the District was leasing copiers under operating lease agreement with an office equipment company. The lease was entered into on July 6, 2007 with monthly payments of \$741.75 made on the 6<sup>th</sup> of each month and the final payment to be made on July 6, 2012. The future minimum payments required for the existing operating leases will be \$8,901.00 for fiscal year 2011-2012 and \$741.75 for fiscal year 2012-2013.

**(15) Subsequent Event**

On October 10, 2011 the Board of Education approved refinancing of the General Obligation School Bonds Series 2005A. The refinancing of the certificates will save the District approximately \$150,000 over the period of the refinancing.

**George – Little Rock Community School District  
Required Supplementary Information**

George - Little Rock Community School District  
 Budgetary Comparison Schedule of Revenues, Expenditure and Changes in Balances -  
 Budget and Actual - All Governmental Funds and Proprietary Funds  
 Required Supplementary Information  
 Year ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual
Revenues:		
Local Sources	\$ 3,438,500	\$ 121,779
Intermediate sources	-	-
State sources	2,413,380	2,369
Federal sources	277,931	113,526
Total revenues	<u>6,129,811</u>	<u>237,674</u>
Expenditures		
Instruction	3,358,525	-
Support services	1,556,169	-
Non-instructional programs	-	247,768
Other expenditures	854,077	-
Total expenditures	<u>5,768,771</u>	<u>247,768</u>
Excess (deficiency) of revenues over (under) expenditures	361,040	(10,094)
Other financing sources, net	<u>41,717</u>	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	402,757	(10,094)
Balances beginning of year	<u>1,532,636</u>	<u>83,906</u>
Balances end of year	<u>\$ 1,935,393</u>	<u>\$ 73,812</u>

See accompanying independent auditor's report.

Total Actual	Budgeted Amounts		Final to Actual Variance
	Original	Final	
\$ 3,560,279	\$ 3,455,462	\$ 3,455,462	\$ 104,817
-	-	-	-
2,415,749	2,717,033	2,717,033	(301,284)
391,457	540,000	540,000	(148,543)
<u>6,367,485</u>	<u>6,712,495</u>	<u>6,712,495</u>	<u>(345,010)</u>
3,358,525	3,911,684	3,911,684	(553,159)
1,556,169	1,401,900	1,401,900	154,269
247,768	235,000	235,000	12,768
854,077	753,606	753,606	100,471
<u>6,016,539</u>	<u>6,302,190</u>	<u>6,302,190</u>	<u>(285,651)</u>
350,946	410,305	410,305	(59,359)
<u>41,717</u>	<u>1,200</u>	<u>1,200</u>	<u>40,517</u>
392,663	411,505	411,505	(18,842)
<u>1,616,542</u>	<u>1,443,198</u>	<u>1,443,198</u>	<u>173,344</u>
<u>\$ 2,009,205</u>	<u>\$ 1,854,703</u>	<u>\$ 1,854,703</u>	<u>\$ 154,502</u>

See accompanying independent auditor's report.

George – Little Rock 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 Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the 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 or fund type. 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 functional 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. There were no budget amendments adopted during the year.

During the year ended June 30, 2011, expenditures the support services, non-instructional programs and other expenditures function areas exceeded the amounts budgeted but the District did not exceed its General Fund unspent authorized budget.

George – Little Rock Community School District  
Schedule of Funding Progress for the Early Retiree Plan  
Required Supplementary Information

Year	Retiree Cost (A)	Subsidy Payments (B)	Total Contributions (C)	Net Benefit Payments	Implicitly Subsidy (A +C)	Explicit Subsidy (B)	Net Benefit Payments
2011	\$ 114,000	\$ 13,000	\$ (63,000)	\$ 64,000	\$ 51,000	\$ 13,000	\$ 64,000
2012	\$ 105,000	\$ 16,000	\$ (55,000)	\$ 66,000	\$ 50,000	\$ 16,000	\$ 66,000
2013	\$ 103,000	\$ 19,000	\$ (54,000)	\$ 68,000	\$ 49,000	\$ 19,000	\$ 68,000
2014	\$ 102,000	\$ 22,000	\$ (54,000)	\$ 70,000	\$ 48,000	\$ 22,000	\$ 70,000
2015	\$ 115,000	\$ 24,000	\$ (61,000)	\$ 78,000	\$ 54,000	\$ 24,000	\$ 78,000
2016	\$ 112,000	\$ 21,000	\$ (59,000)	\$ 74,000	\$ 53,000	\$ 21,000	\$ 74,000
2017	\$ 108,000	\$ 26,000	\$ (57,000)	\$ 77,000	\$ 51,000	\$ 26,000	\$ 77,000
2018	\$ 103,000	\$ 28,000	\$ (55,000)	\$ 76,000	\$ 48,000	\$ 28,000	\$ 76,000
2019	\$ 71,000	\$ 23,000	\$ (38,000)	\$ 56,000	\$ 33,000	\$ 23,000	\$ 56,000

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

**George – Little Rock Community School District**

## **Other Supplementary Information**

George - Little Rock Community School District  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2011

Schedule 1

	Special Revenue			Total
	Management	Student	Public	
	Levy	Activity	Education Recreation Levy	
<b>Assets</b>				
Cash and cash equivalents:				
Cash	\$ 52,945	\$ 46,242	\$ 30,699	\$ 129,886
Investments	-	5,000	-	5,000
Receivables:				
Property tax:				
Delinquent	1,419	-	283	1,702
Succeeding year	110,000	-	22,850	132,850
Accrued interest	-	88	-	88
<b>Total assets</b>	164,364	51,330	53,832	269,526
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Salaries and benefits payable	-	-	3,335	3,335
Deferred revenue - succeeding year				
Property tax	110,000	-	22,850	132,850
Total liabilities	110,000	-	26,185	136,185
Fund equity:				
Unreserved fund balances	54,364	51,330	27,647	133,341
<b>Total liabilities and fund balances</b>	\$ 164,364	\$ 51,330	\$ 53,832	\$ 269,526

See accompanying independent auditor's report.

George - Little Rock Community School District  
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 Year ended June 30, 2011

Schedule 2

	Special Revenue			Total
	Management Levy	Student Activity	Public Education Recreation Levy	
Revenues:				
Local sources:				
Local tax	\$ 110,047	\$ -	\$ 21,982	\$ 132,029
Other	7,397	222,911	222	230,530
State sources	53	-	11	64
Total revenues	117,497	222,911	22,215	362,623
Expenditures:				
Current:				
Instruction:				
Regular instruction	22,765	249,678	5,260	277,703
Support services:				
Operation and maintenance of plant services	85,760	-	5,385	91,145
Student Transportation	-	-	205	205
Other expenditures:				
Facilities acquisition	-	-	2,009	2,009
Total expenditures	108,525	249,678	12,859	371,062
Excess (deficiency) of revenues over (under) expenditures	8,972	(26,767)	9,356	(8,439)
Fund balances beginning of year	45,392	78,097	18,291	141,780
Fund balances end of year	54,364	51,330	27,647	133,341

See accompanying independent auditor's report.

George - Little Rock Community School District  
 Combining Balance Sheet  
 Capital Project Accounts  
 June 30, 2011

Schedule 3

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Capital Projects	Physical Plant and Equipment Levy	
<b>Assets</b>				
Cash and cash equivalents:				
Cash	\$ 303,614	\$ -	\$ 127,525	\$ 431,139
Receivables:				
Property tax:				
Delinquent	-	-	2,162	2,162
Succeeding year	-	-	185,123	185,123
Local option sales taxes	27,591			27,591
Accrued interest	70	-	-	70
Due from other funds	-	-	51,585	51,585
Due from other governments	-	-	105,191	105,191
<b>Total assets</b>	331,275	-	471,586	802,861
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Due to other funds	-	-	4,915	4,915
Deferred revenue - succeeding year				
Property tax	-	-	185,123	185,123
Other	-	-	105,191	105,191
Total liabilities	-	-	295,229	295,229
Fund equity:				
Restricted for:				
Debt Service	331,275	-	-	331,275
Physical plant and equipment	-	-	176,357	176,357
<b>Total liabilities and fund balances</b>	\$ 331,275	\$ -	\$ 471,586	\$ 802,861

See accompanying independent auditor's report.

George - Little Rock Community School District  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Capital Project Accounts  
Year ended June 30, 2011

Schedule 4

	<u>Capital Project Accounts</u>			
	Statewide Sales, Services and Use Tax	Capital Projects	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$ 330,204	\$ -	\$ 269,661	\$ 599,865
Other	5,935	284	41,009	47,228
State sources	-	-	81	81
Total revenues	<u>336,139</u>	<u>284</u>	<u>310,751</u>	<u>647,174</u>
Expenditures:				
Current:				
Support services:				
Student Services	-	-	29,535	29,535
Administration Services	-	-	16,556	16,556
Operation and maintenance of plant services	-	-	58,885	58,885
Student Transportation	-	-	119,837	119,837
Other expenditures:				
Facilities acquisition	-	14,000	215,164	229,164
Total expenditures	<u>-</u>	<u>14,000</u>	<u>439,977</u>	<u>453,977</u>
Excess (deficiency) of revenues over (under) expenditures	<u>336,139</u>	<u>(13,716)</u>	<u>(129,226)</u>	<u>193,197</u>
Other financing sources (uses):				
Proceeds from Capital Leases			41,717	41,717
Operating transfers	(363,883)	(32,926)	-	(396,809)
Total other financing sources (uses)	<u>(363,883)</u>	<u>(32,926)</u>	<u>41,717</u>	<u>(355,092)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(27,744)	(46,642)	(87,509)	(161,895)
Fund balances beginning of year	<u>359,019</u>	<u>46,642</u>	<u>263,866</u>	<u>669,527</u>
Fund balances end of year	<u>\$ 331,275</u>	<u>\$ -</u>	<u>\$ 176,357</u>	<u>\$ 507,632</u>

See accompanying independent auditor's report.

George - Little Rock Community School District  
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
 Year ended June 30, 2011

Schedule 5

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Annual	3,901	6,752	8,620	46	2,079
Resale	1,636	36,637	36,116	(994)	1,163
General	992	35,821	36,332	-	481
Athletics	1,611	10,096	5,260	(6,447)	-
Baseball	380	1,546	3,979	2,053	-
Basketball:					
Boys	-	6,737	7,198	461	-
Boys Fundraiser	66	21,553	20,230	(690)	699
Girls	-	8,745	4,943	(3,802)	-
Girls Fundraiser	2,781	40	3,511	690	-
Track:					
Boys	-	694	6,180	5,486	-
Girls	-	-	2,948	2,948	-
Softball	-	1,751	5,367	3,616	-
Wrestling	-	1,537	551	(986)	-
Wrestling Fundraiser	1,258	-			1,258
Football	-	-	127	127	-
Golf:					
Boys	-	7	437	430	-
Girls	-	-	462	462	-
Volleyball	-	9,786	8,482	(1,304)	-
Cross Country	-	1,857	3,153	1,296	-
Cheerleaders	101	1,225	1,254	-	72
Music - Vocal	-	1,930	2,212	282	-
Music - Instrumental	-	1,175	1,537	362	-
Music Boosters	343	-	-	-	343
Faculty	2,558	6,264	6,603	-	2,219
Future Farmers of America	2,335	31,465	34,454	4,310	3,656
Future Farmers /Savings	27,081	54	11,631	(4,310)	11,194
National Honor Society	215	64	150	-	129
MS Student Council	370	-	-	-	370
HS Student Council	3,743	3,043	3,571	-	3,215
Broadway Bound	247	-	247	-	-
Investor Group	1,849	-	-	-	1,849
Drama Club	-	2,571	3,525	954	-
125th Celebration	4,000	-	4,268	268	-
Interest on Investments	-	163	-	(163)	-
Athletics Resale	-	579	1,435	856	-
Spanish Trip	-	4,036	2,640		1,396

See accompanying independent auditor's report.

George - Little Rock Community School District  
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
 Year ended June 30, 2011

Schedule 5

Account	Balance Beginning of Year	Revenues	Expenditures	Intra- Fund Transfers	Balance End of Year
Class of:					
2010	974	-	250	(724)	-
2011	2,938	-	320	-	2,618
2012	598	8,590	7,218	800	2,770
2013	299	45	340	-	4
2014	697	15	-	-	712
2015	291	980	784	-	487
2016	157	380	304	-	233
2017	-	640	512	-	128
Insurance	-	457	457	-	-
NOW Interest	-	107	-	(107)	-
Book Fair - George	-	3,123	2,704	-	419
Magazines	-	2,100	1,300	(800)	-
MS Magazines	5,066	3,366	1,986	(2,124)	4,322
MS Yearbook	455	1,077	1,296	-	236
Pictures	-	46	-	(46)	-
MS Reading Program	-	3,964	3,988	24	-
Steve Groenwold Memorial	33	-	-	-	33
Virgil Krull Memorial	233	-	-	-	233
Band Fundraiser	7,064	-	-	-	7,064
Workkeys	601	-	-	-	601
Vending Machine	1,553	148	100	(1,206)	395
Promotions	1,671	1,745	696	(1,768)	952
	<u>\$ 78,097</u>	<u>\$ 222,911</u>	<u>\$ 249,678</u>	<u>\$ -</u>	<u>\$ 51,330</u>

See accompanying independent auditor's report.

George - Little Rock 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
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 2,943,817	\$ 2,695,208	\$ 2,517,385	\$ 2,481,924
Tuition	114,611	103,136	91,462	91,439
Other	380,072	360,195	343,513	330,738
Bonds	-	-	-	-
Intermediate sources				
State sources	2,413,380	2,178,410	2,564,825	2,554,877
Federal sources	277,931	504,774	167,328	306,558
Total	<u>6,129,811</u>	<u>5,841,723</u>	<u>5,684,513</u>	<u>5,765,536</u>
<b>Expenditures:</b>				
Instruction:				
Regular instruction	2,376,317	2,289,367	2,387,719	2,388,562
Special instruction	535,914	558,235	578,651	510,165
Other instruction	446,294	466,432	451,958	406,835
Support services:				
Student services	134,153	99,964	101,281	98,269
Instructional staff services	149,624	114,631	87,340	132,092
Administration services	476,330	544,152	514,709	590,484
Operation and maintenance of plant services	432,611	356,127	396,540	458,106
Transportation services	363,451	215,186	309,019	252,794
Non-instructional programs	-	-	-	74
Other expenditures:				
Facilities acquisition	231,173	69,234	154,293	286,978
Long-term debt				
Principal	255,000	250,000	235,000	232,091
Interest and other charges	165,560	174,991	184,193	191,992
AEA flow-through	202,344	199,217	178,849	169,411
Total	<u>\$ 5,768,771</u>	<u>\$ 5,337,536</u>	<u>\$ 5,579,552</u>	<u>\$ 5,717,853</u>

See accompanying independent auditor's report.

	2007	2006	2005	2004
\$	2,435,179	\$ 2,220,837	\$ 1,843,801	\$ 1,686,118
	64,239	108,869	95,412	78,793
	417,069	454,405	240,651	285,002
	-	5,045,000	43,591	-
	500	1,697	1,344	-
	2,246,580	2,238,731	2,134,833	1,941,302
	498,649	209,369	283,336	179,640
	5,662,216	10,278,908	4,642,968	4,170,855
	2,291,273	2,177,635	1,981,506	1,838,852
	497,948	483,495	557,850	571,727
	376,508	378,093	394,355	292,522
	90,720	96,344	72,976	48,851
	72,786	75,428	80,801	75,841
	557,377	534,224	464,367	628,640
	411,631	355,349	321,735	250,703
	309,222	238,468	223,469	193,493
	2,033	-	672	-
	4,039,507	1,493,337	579,680	287,585
	217,091	135,000	-	-
	201,438	180,602	18,360	17,000
	164,820	155,076	149,090	146,587
\$	9,232,354	\$ 6,303,051	\$ 4,844,861	\$ 4,351,801

See accompanying independent auditor's report.

# EAST, VANDER WOUDE, GRANT & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Education of  
George – Little Rock Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of George – Little Rock 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 January 10, 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 the George – Little Rock Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion of the effectiveness of George – Little Rock Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of George – Little Rock 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies internal control over financial reporting we consider to be material weakness.

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 misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies, internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-11 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the George – Little Rock 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an object of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit is 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.

George – Little Rock Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit George – Little Rock 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 George – Little Rock Community School District and other parties to whom George – Little Rock Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of George – Little Rock 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.

*East, Vander Woude, Grant & Co., P.C.*

East, Vander Woude, Grant & Co., P.C.

Certified Public Accountants

Sioux Falls, SD

January 10, 2012

**GEORGE – LITTLE ROCK COMMUNITY SCHOOL DISTRICT**  
**Schedule of Findings**  
**Year Ended June 30, 2011**

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-11-A Proper controls over financial reporting include an adequate system for recording and processing entries material to the financial statements, as well as the ability to prepare the financial statements and accompanying notes to the financial statements that are materially correct. The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. Inadequate controls over financial reporting of the District result in the likelihood that the District would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Recommendation – While we recognize that this condition is not unusual for organization of your size, is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the District and changes in reporting requirements.

Response – Management and the Board of Education will review and approve for propriety the draft of the financial statements and accompanying notes to the financial statements prepared by the auditors. Due to the District's size, we will accept the risk associated with these conditions based on cost and other considerations.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**GEORGE – LITTLE ROCK COMMUNITY SCHOOL DISTRICT**  
**Schedule of Findings**  
**Year Ended June 30, 2011**

**Part II: Other Findings Related to Required Statutory Reporting:**

IV-11-A Certified Budget – Expenditures for the year ended June 30, 2011, exceeded certified budget amounts in the support services, non-instructional programs and other expenditures functions. The District did not exceed its General Fund unspent authorized budget for the year ended June 30, 2011.

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.

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

Conclusion – Response accepted.

IV-11-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.

IV-11-C Travel Expense - 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.

IV-11-D Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-11-E Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-11-F Board Minutes – No transactions requiring Board approval, which had not been approved by the Board, were noted.

IV-11-G Deposits and Investments - 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 were noted.

IV-11-H Certified Annual Report - The Certified Annual Report was certified to the Iowa Department of Education timely.

IV-11-I Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

IV-11-J Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-11-K Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

**GEORGE – LITTLE ROCK COMMUNITY SCHOOL DISTRICT**  
**Schedule of Findings**  
**Year Ended June 30, 2011**

IV-11-L Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted. Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. 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 and services tax revenue in the District’s CAR:

Beginning balance		\$ 296,254
Statewide sales and services tax revenue		330,204
Expenditures/transfers out:		
School infrastructure		
Land	\$ -	
Buildings	-	
Equipment	(13,668)	
Other improvements	-	
Debt service for school infrastructure:		
General obligation debt	(299,999)	
Revenue debt	(96,810)	(410,477)
Ending Balance		<u>\$ 215,981</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:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt Service Levy	\$ 0.13263	\$ 21,800