

FARRAGUT COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2012

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Farragut Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2011 Election)		
Robert Lynn	President	2013
Rob Lightfoot	Vice President	2013
Stacie Scroggie	Board Member	2011
Kelly Carey	Board Member	2013
Jenny Varellas	Board Member	2011
Diane Dee Owen	Board Member	2011
Monica Whitehead	Board Member	2011
(After September 2011 Election)		
Robert Lynn	President	2013
Scott Lashier	Vice President	2015
Jenny Varellas	Board Member	2015
Tim Blank	Board Member	2015
Monica Whitehead	Board Member	2015
School Officials		
Jay Lutt	Superintendent	2012
Gloria McComb	District Treasurer/ Business Manager	2012
Gruhn Law Firm	Attorney	2012

FARRAGUT COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Farragut 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 Farragut Community School District, Farragut, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Farragut Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 11, 2013 on our consideration of Farragut Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 44 through 46 be presented to supplement the basic

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financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Farragut 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 year ended June 30, 2011. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for seven years ended June 30, 2010 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Farragut Community School District provides the 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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,055,336 in fiscal 2011 to \$3,822,886 in fiscal 2012, while General Fund expenditures increased from \$3,198,466 in fiscal 2011 to \$3,803,933 in fiscal 2012. This resulted in an increase in the District's General Fund balance from a deficit balance of \$125,072 in fiscal 2011 to a deficit balance of \$106,119 in fiscal 2012, which is a 15.15% increase from the prior year.
- The increase in General Fund revenues was attributable to increases in local sources in fiscal 2012. The increase in expenditures was due primarily to increases in instruction costs.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Farragut 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 Farragut Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Farragut Community School District acts solely as an agent or custodial for the benefit of those outside of School District.

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 of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

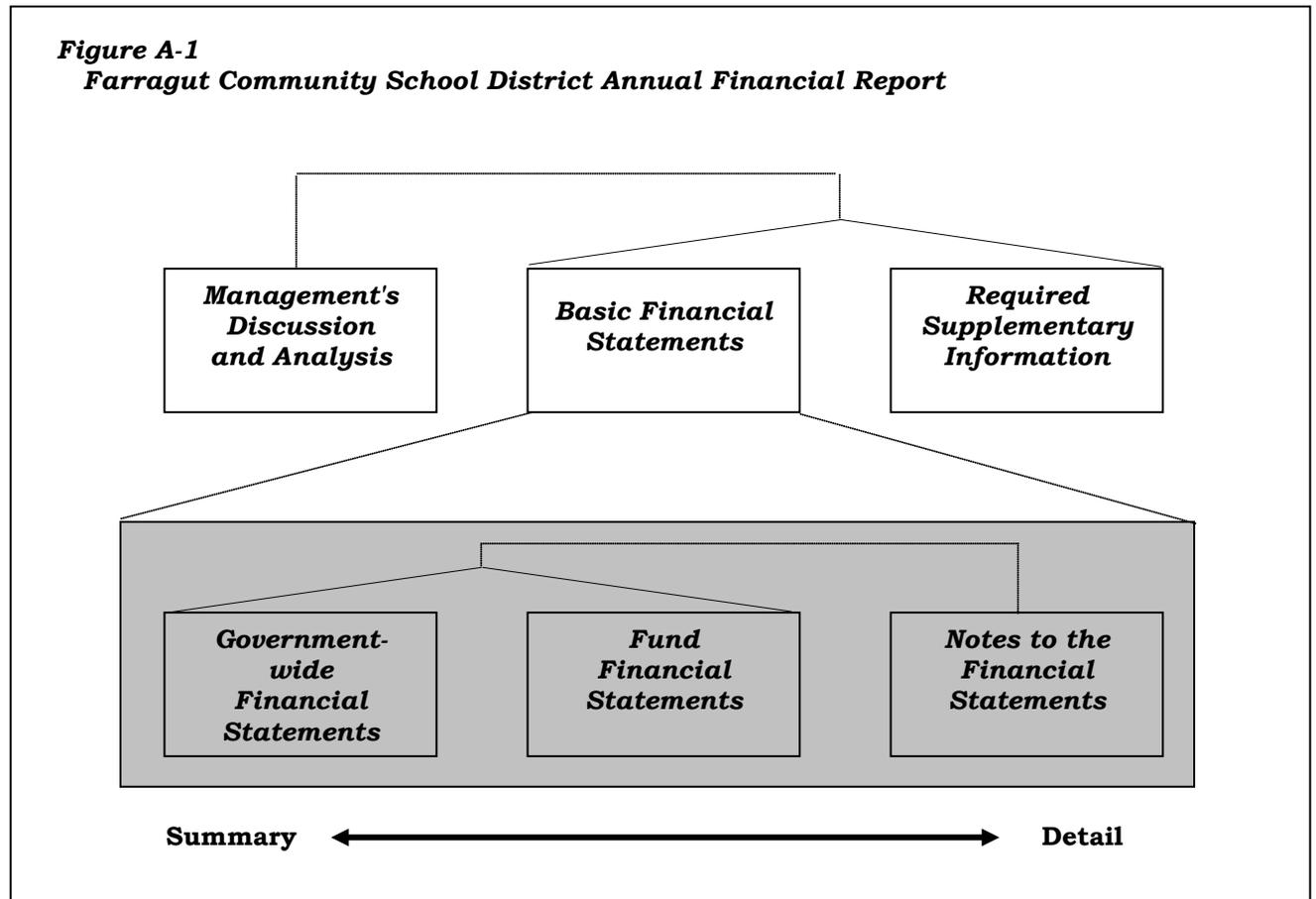


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

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

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

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 3,451,592	2,418,502	8,044	12,177	3,459,636	2,430,679	42.33%
Capital assets	1,486,146	1,042,926	0	0	1,486,146	1,042,926	42.50%
Total assets	4,937,738	3,461,428	8,044	12,177	4,945,782	3,473,605	42.38%
Long-term obligations	794,499	25,780	0	0	794,499	25,780	2981.84%
Other liabilities	2,500,761	1,971,132	28,766	16,154	2,529,527	1,987,286	27.29%
Total liabilities	3,295,260	1,996,912	28,766	16,154	3,324,026	2,013,066	65.12%
Net assets:							
Invested in capital assets, net of related debt	751,146	1,042,926	0	0	751,146	1,042,926	-27.98%
Restricted	985,667	459,867	0	0	985,667	459,867	114.34%
Unrestricted	(94,335)	(38,277)	(20,722)	(3,977)	(115,057)	(42,254)	172.30%
Total net assets	\$ 1,642,478	1,464,516	(20,722)	(3,977)	1,621,756	1,460,539	11.04%

The District's combined net assets increased by 11.04%, or \$161,217, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources 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 114.34%, or \$525,800, over the prior year. The increase was primarily due to the increase in the Capital Projects: Statewide Sales, Services, and Use Tax Fund, and the Debt Service 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 other legal requirements – decreased \$72,803, or 172.30%. The decrease in unrestricted net assets is primarily a result of the decrease in the Nutrition Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues:							
Program revenues:							
Charges for services	\$ 1,239,142	440,461	40,478	43,961	1,279,620	484,422	164.15%
Operating grants and contributions and restricted interest	214,092	219,892	45,936	45,896	260,028	265,788	-2.17%
General revenues:							
Property tax	1,562,708	1,320,225	0	0	1,562,708	1,320,225	18.37%
Income surtax	117,735	135,798	0	0	117,735	135,798	-13.30%
Statewide sales, services and use tax	165,647	141,694	0	0	165,647	141,694	16.90%
Unrestricted state grants	846,344	1,012,863	0	0	846,344	1,012,863	-16.44%
Nonspecific program federal grants	796	80,560	0	0	796	80,560	100.00%
Unrestricted investment earnings	1,278	2,177	38	14	1,316	2,191	-39.94%
Other	69,015	39,114	334	1,690	69,349	40,804	69.96%
Total revenues	4,216,757	3,392,784	86,786	91,561	4,303,543	3,484,345	23.51%
Program expenses:							
Governmental activities:							
Instructional	2,759,160	2,091,190	0	0	2,759,160	2,091,190	31.94%
Support services	1,077,216	1,317,936	0	0	1,077,216	1,317,936	-18.26%
Non-instructional programs	0	0	103,531	99,743	103,531	99,743	3.80%
Other expenses	202,419	154,473	0	0	202,419	154,473	31.04%
Total expenses	4,038,795	3,563,599	103,531	99,743	4,142,326	3,663,342	13.08%
Changes in net assets	177,962	(170,815)	(16,745)	(8,182)	161,217	(178,997)	-190.07%
Beginning net assets	1,464,516	1,635,331	(3,977)	4,205	1,460,539	1,639,536	-10.92%
Ending net assets	\$ 1,642,478	1,464,516	(20,722)	(3,977)	1,621,756	1,460,539	11.04%

In fiscal 2012, property tax, income surtax, statewide sales, services and use tax, and unrestricted state grants account for 63.85% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.57% of the revenue from business type activities.

The District's total revenues were approximately \$4.30 million of which approximately \$4.21 million was for governmental activities and approximately \$0.09 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 23.51% increase in revenues and a 13.08% increase in expenses. Property tax increased \$242,483 to fund increases in expenditures. The increase in expenses related to an increase in instructional costs.

Governmental Activities

Revenues for governmental activities were \$4,216,757 and expenses were \$4,038,795.

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, 2012 compared to the year ended June 30, 2011.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change	2012	2011	Change
			2011-12			2011-12
Instruction	\$ 2,759,160	2,091,190	31.94%	1,579,236	1,620,600	-2.55%
Support services	1,077,216	1,317,936	-18.26%	890,740	1,230,170	-27.59%
Other expenses	202,419	154,473	31.04%	115,585	52,476	120.26%
Totals	\$ 4,038,795	3,563,599	13.33%	2,585,561	2,903,246	-10.94%

- The cost financed by users of the District's programs was \$1,239,142.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$214,092.
- The net cost of governmental activities was financed with \$1,562,708 in property tax, \$117,735 in income surtax, \$165,647 in statewide sales, services and use tax, \$846,344 in unrestricted state grants, \$796 in nonspecific program federal grants, \$1,278 in interest income and \$69,015 in other general revenues.

Business type Activities

Revenues of the District's business type activity were \$86,786 and expenses were \$103,531. The District's business type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Farragut 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 combined fund balances of \$826,970, above last year's ending fund balances of \$318,841. However, the primary reason for the increase in combined fund balances is due to the increase in fund balance of the General Fund and Capital Projects Funds.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. Growth during the year in local source revenues resulted in an increase in revenues. The increase in instructional costs is one of the reasons for the increase in expenditures. The net result was an increase in fund balance from a deficit of \$125,072 in fiscal 2011 to a deficit fund balance of \$106,119 in fiscal 2012.
- The Capital Projects Accounts balance overall increased from \$257,015 in fiscal 2011 to \$665,770 in fiscal 2012. During the year ended June 30, 2012 the Statewide Sales, Services and Use Tax Fund balance increased from \$196,731 to \$573,852. The Physical Plant and Equipment Levy Fund balance increased during the year ended June 30, 2012 from \$60,284 to \$91,918.

Proprietary Fund Highlights

As of the year ended June 30, 2012, the School Nutrition Fund experienced a decrease in revenues and an increase in expenses as compared to June 30, 2011. Overall, net assets decreased from a deficit \$3,977 at June 30, 2011 to a deficit \$20,722 at June 30, 2012, representing a decrease of 421.05%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$473,730 more than budgeted revenues, a variance of 12.36%. The most significant variances resulted from the District receiving more in local sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. 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 instruction and other expenditures functional areas and in total. The District also exceeded its General Fund unspent authorized balance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$1,486,146, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities and transportation equipment. (See Figure A-6) This amount represents a net increase of 42.50% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$138,233.

The original cost of the District's capital assets was \$4,510,099. Governmental funds account for \$4,493,635 with the remainder of \$16,464 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$513,992 at June 30, 2011 as compared to \$1,233,458 at June 30, 2012. This increase is due to the completed HVAC work in the District.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 15,020	15,020	0	0	15,020	15,020	0.00%
Construction in progress	0	248,590	0	0	0	248,590	100.00%
Land improvements	71,798	90,288	0	0	71,798	90,288	-20.48%
Buildings	1,233,458	513,992	0	0	1,233,458	513,992	139.98%
Machinery and equipment	165,870	175,036	0	0	165,870	175,036	-5.24%
Total	\$ 1,486,146	1,042,926	0	0	1,486,146	1,042,926	42.50%

Long-Term Debt

At June 30, 2012, the District had \$794,499 in other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had revenue bonds outstanding of \$735,000 in the governmental activities.

The District had early retirement outstanding of \$16,901 in the governmental activities.

The District has a net OPEB liability of \$42,598 in the governmental activities.

Figure A-7
Outstanding Long-Term Obligations

	Total District		Total Change
	June 30,		June 30,
	2012	2011	2011-12
Revenue bonds	\$ 735,000	0	100.00%
Early retirement	16,901	0	100.00%
Net OPEB Liability	42,598	25,780	65.24%
Total	<u>\$ 794,499</u>	<u>25,780</u>	<u>2981.84%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten year period beginning in fiscal year 2005.

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 Gloria McComb, Business Manager, Farragut Community School District, 907 Hartford Avenue, Farragut, Iowa, 51639.

FARRAGUT COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

FARRAGUT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business type Activities	Total
Assets			
Cash and pooled investments	\$ 806,441	4,985	811,426
Receivables:			
Property tax:			
Delinquent	90,285	0	90,285
Succeeding year	1,654,865	0	1,654,865
Income surtax	121,310	0	121,310
Accounts	10,989	0	10,989
Inventories	0	3,059	3,059
Due from other funds	147,770	0	147,770
Due from other governments	619,932	0	619,932
Capital assets, net of accumulated depreciation	1,486,146	0	1,486,146
Total Assets	4,937,738	8,044	4,945,782
Liabilities			
Due to other funds	120,000	27,770	147,770
Accounts payable	473,708	0	473,708
Salaries and benefits payable	252,188	0	252,188
Deferred revenue:			
Succeeding year property tax	1,654,865	0	1,654,865
Unearned revenue	0	996	996
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	8,451	0	8,451
Portion due after one year:			
Revenue bonds payable	735,000	0	735,000
Early retirement payable	8,450	0	8,450
Net OPEB liability	42,598	0	42,598
Total Liabilities	3,295,260	28,766	3,324,026
Net Assets			
Invested in capital assets, net of related debt	751,146	0	751,146
Restricted for:			
Categorical funding	69,479	0	69,479
Management levy purposes	51,991	0	51,991
Student activities	121,410	0	121,410
Debt service	77,017	0	77,017
School infrastructure	573,852	0	573,852
Physical plant and equipment	91,918	0	91,918
Unrestricted	(94,335)	(20,722)	(115,057)
Total Net Assets	\$ 1,642,478	(20,722)	1,621,756

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,951,387	828,027	20,743	(1,102,617)	0	(1,102,617)
Special	304,230	86,713	10,793	(206,724)	0	(206,724)
Other	503,543	163,847	69,801	(269,895)	0	(269,895)
	2,759,160	1,078,587	101,337	(1,579,236)	0	(1,579,236)
Support services:						
Student	62,148	0	0	(62,148)	0	(62,148)
Instructional staff	131,836	0	25,921	(105,915)	0	(105,915)
Administration	606,768	112,928	0	(493,840)	0	(493,840)
Operation and maintenance of plant	67,661	47,627	0	(20,034)	0	(20,034)
Transportation	208,803	0	0	(208,803)	0	(208,803)
	1,077,216	160,555	25,921	(890,740)	0	(890,740)
Long-term debt interest	23,075	0	0	(23,075)	0	(23,075)
Other expenses:						
AEA flowthrough	86,834	0	86,834	0	0	0
Depreciation(unallocated)*	92,510	0	0	(92,510)	0	(92,510)
	179,344	0	86,834	(92,510)	0	(92,510)
Total governmental activities	4,038,795	1,239,142	214,092	(2,585,561)	0	(2,585,561)
Business type activities:						
Non-instructional programs:						
Nutrition services	103,531	40,478	45,936	0	(17,117)	(17,117)
Total business type activities	103,531	40,478	45,936	0	(17,117)	(17,117)
Total	\$ 4,142,326	1,279,620	260,028	(2,585,561)	(17,117)	(2,602,678)
General Revenues:						
Property tax for:						
General purposes				\$ 1,529,634	0	1,529,634
Capital outlay				33,074	0	33,074
Income surtax				117,735	0	117,735
Statewide sales, services and use tax				165,647	0	165,647
Unrestricted state grants				846,344	0	846,344
Nonspecific program federal grants				796	0	796
Unrestricted investment earnings				1,278	38	1,316
Other				69,015	334	69,349
Total general revenues				2,763,523	372	2,763,895
Changes in net assets				177,962	(16,745)	161,217
Net assets beginning of year				1,464,516	(3,977)	1,460,539
Net assets end of year				\$ 1,642,478	(20,722)	1,621,756

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

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets				
Cash and pooled investments	\$ 30,278	512,857	260,755	803,890
Receivables:				
Property tax:				
Delinquent	81,765	1,956	6,564	90,285
Succeeding year	1,468,967	35,898	150,000	1,654,865
Income surtax	121,310	0	0	121,310
Due from other funds	27,770	120,000	0	147,770
Accounts	10,989	0	0	10,989
Due from other governments	588,307	31,625	0	619,932
Total Assets	\$ 2,329,386	702,336	417,319	3,449,041
Liabilities and Fund Balances				
Liabilities:				
Due to other funds	\$ 120,000	0	0	120,000
Accounts payable	473,040	668	0	473,708
Salaries and benefits payable	252,188	0	0	252,188
Deferred revenue:				
Succeeding year property tax	1,468,967	35,898	150,000	1,654,865
Income surtax	121,310	0	0	121,310
Total liabilities	2,435,505	36,566	150,000	2,622,071
Fund balances:				
Restricted for:				
Categorical funding	69,479	0	0	69,479
Management levy purposes	0	0	68,892	68,892
Student activities	0	0	121,410	121,410
Debt Service	0	0	77,017	77,017
School infrastructure	0	573,852	0	573,852
Physical plant and equipment	0	91,918	0	91,918
Unassigned:				
General	(175,598)	0	0	(175,598)
Total fund balances	(106,119)	665,770	267,319	826,970
Total Liabilities and Fund Balances	\$ 2,329,386	702,336	417,319	3,449,041

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2012

Total fund balances of governmental funds(page 20) \$ 826,970

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

Capital assets used in governmental activities are not
 financial resources and, therefore, are not reported as
 assets in in the governmental funds. 1,486,146

Blending of the Internal Service Fund to be reflected
 on an entity-wide basis. 2,551

Accounts receivable income surtax, are not yet available
 to finance expenditures of the current fiscal period. 121,310

Long-term liabilities, including revenue bonds payable,
 other postemployment benefits payable and early retirement
 are not due and payable in the current period and, therefore,
 are not reported as liabilities in the governmental funds (794,499)

Net assets of governmental activities(page 18) \$ 1,642,478

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,614,898	198,721	36,046	1,849,665
Tuition	515,338	0	0	515,338
Other	631,107	517	165,351	796,975
Intermediate sources	600	0	0	600
State sources	966,492	0	0	966,492
Federal sources	91,262	0	0	91,262
TOTAL REVENUES	3,819,697	199,238	201,397	4,220,332
EXPENDITURES:				
Current:				
Instruction:				
Regular	1,932,586	0	0	1,932,586
Special	302,924	0	0	302,924
Other	364,916	0	139,456	504,372
	2,600,426	0	139,456	2,739,882
Support services:				
Student	61,614	0	0	61,614
Instructional staff	99,783	17,234	0	117,017
Administration	561,761	11,122	30,228	603,111
Operation and maintenance of plant	214,767	0	19,929	234,696
Transportation services	178,748	18,696	7,978	205,422
	1,116,673	47,052	58,135	1,221,860
Capital outlay	0	378,741	0	378,741
Long-term debt:				
Principal	0	0	35,000	35,000
Interest and fiscal charges	0	0	23,075	23,075
	0	0	58,075	58,075
Other expenditures:				
AEA flowthrough	86,834	0	0	86,834
	86,834	0	0	86,834
TOTAL EXPENDITURES	3,803,933	425,793	255,666	4,485,392
Excess(Deficiency) of revenues over(under)expenditures	15,764	(226,555)	(54,269)	(265,060)
Other financing sources(uses):				
Transfer in	0	0	134,690	134,690
Transfer out	0	(134,690)	0	(134,690)
Issuance of bonds	0	770,000	0	770,000
Sale of real property	3,189	0	0	3,189
Total other financing sources(uses)	3,189	635,310	134,690	773,189
Net change in fund balances	18,953	408,755	80,421	508,129
Fund balance beginning of year	(125,072)	257,015	186,898	318,841
Fund balance end of year	\$ (106,119)	665,770	267,319	826,970

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT 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, 2012

Net change in fund balances - total governmental funds(page 22) \$ 508,129

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

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

Expenditures for capital assets	\$ 581,453	
Depreciation expense	(138,233)	443,220

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis. (1,093)

Proceeds from issuing long-term liabilities provide 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 are as follows:

Issued	\$ (770,000)	
Repaid	35,000	(735,000)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (3,575)

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.

Early Retirement	\$ (16,901)	
Other postemployment benefits	(16,818)	(33,719)

Changes in net assets of governmental activities(page 19) \$ 177,962

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
ASSETS		
Cash and pooled investments	\$ 4,985	2,551
Inventories	3,059	0
TOTAL ASSETS	8,044	2,551
LIABILITIES		
Due to other funds	27,770	0
Unearned revenue	996	0
TOTAL LIABILITIES	28,766	0
NET ASSETS		
Unrestricted	(20,722)	2,551
TOTAL NET ASSETS	\$ (20,722)	2,551

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Business Type	
	Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 40,478	0
Miscellaneous	334	13,010
TOTAL OPERATING REVENUES	<u>40,812</u>	<u>13,010</u>
OPERATING EXPENSES:		
Support services:		
Administration:		
Benefits	0	14,115
Non-instructional programs:		
Food service operations:		
Salaries	50,678	0
Benefits	7,349	0
Services	753	0
Supplies	44,695	0
Other	56	0
	<u>103,531</u>	<u>0</u>
TOTAL OPERATING EXPENSES	<u>103,531</u>	<u>14,115</u>
OPERATING LOSS	<u>(62,719)</u>	<u>(1,105)</u>
NON-OPERATING REVENUES:		
State sources	875	0
Federal sources	45,061	0
Interest income	38	12
TOTAL NON-OPERATING REVENUES	<u>45,974</u>	<u>12</u>
Changes in net assets	(16,745)	(1,093)
Net assets beginning of year	<u>(3,977)</u>	<u>3,644</u>
Net assets end of year	<u>\$ (20,722)</u>	<u>2,551</u>

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2012

	Business type Activities - Enterprise Fund School Nutrition	Governmental Activities - Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 40,841	0
Cash received from miscellaneous operating activities	334	13,010
Cash payments to employees for services	(58,027)	(14,115)
Cash payments to suppliers for goods or services	(40,363)	0
Net cash used in operating activities	<u>(57,215)</u>	<u>(1,105)</u>
Cash flows from non-capital financing activities:		
Borrowings from General Fund	12,249	0
State grants received	875	0
Federal grants received	39,810	0
Net cash provided by non-capital financing activities	<u>52,934</u>	<u>0</u>
Cash flows from investing activities:		
Interest on investments	38	12
Net decrease in cash and cash equivalents	(4,243)	(1,093)
Cash and cash equivalents at beginning of year	9,228	3,644
Cash and cash equivalents at end of year	<u>\$ 4,985</u>	<u>2,551</u>
Reconciliation of operating income(loss) to net cash used in operating activities:		
Operating loss	\$ (62,719)	(1,105)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	5,251	0
Increase in inventories	(110)	0
Increase in unearned revenue	363	0
Net cash used in operating activities	<u>\$ (57,215)</u>	<u>(1,105)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2012, the District received Federal commodities valued at \$5,251.

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Private Purpose Trust
	Scholarship
ASSETS	
Cash and pooled investments	\$ 32,687
TOTAL ASSETS	32,687
 TOTAL LIABILITIES	 0
 NET ASSETS	
Restricted for scholarships	25,635
Unrestricted	7,052
TOTAL NET ASSETS	\$ 32,687

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2012

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest	\$ 107
Contributions	1,000
Total additions	<u>1,107</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>1,550</u>
Change in net assets	(443)
Net assets beginning of year	<u>33,130</u>
Net assets end of year	<u><u>\$ 32,687</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

FARRAGUT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(1) Summary of Significant Accounting Policies

The Farragut Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the City of Farragut, Iowa, and the agricultural area in Fremont County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Farragut 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 Farragut Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that 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 that are 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 other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts 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 expenses, including instructional, support and other costs.

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

The District also reports two non-major proprietary funds:

The School Nutrition Fund is used to account for the food service operations of the District.

The Internal Service Fund is used to account for the employee's flexible spending plan. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and 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 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records during the fiscal year on a cash basis. At the end of the fiscal year, for reporting purposes, the District prepares the financial statements on an accrual basis by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

Property Tax Receivable - Property tax in the governmental funds are 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 that 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 1% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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

Asset Class	Amount
Land	\$ 1,000
Buildings	10,000
Land improvements	10,000
Intangibles	50,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	10,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Land improvements	20-50 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July, 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 represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on 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.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

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

Fund Equity - In the governmental fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

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

Unassigned - All amounts not included in other 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. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012 expenditures in the instruction and other expenditures functional areas exceeded the amount budgeted and the District exceeded its General Fund unspent authorized balance.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2012 were entirely covered by federal depository insurance or 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, 2012, the District had investments in the Iowa Schools Joint Investment Trust Government Obligations Portfolio which are valued at an amortized cost of \$66,232 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	School Nutrition	\$ 27,770
Capital Projects: Statewide Sales, Services, and Use Tax	General Fund	120,000
Total		\$ 147,770

The School Nutrition Fund is repaying the General Fund for salaries and benefits.

The General Fund is repaying the Capital Projects: Statewide Sales, Services, and Use Tax Fund for funds borrowed for cash flow purposes.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 134,690

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

The transfer from the Capital Projects: Statewide Sales, Services and Use Tax Fund to the Debt Service Fund was for debt relief on the District's Revenue Bonds.

(5) Education Cash Flow Fund (ECF)

The District participates in the Education Cash Flow Fund (ECF). ECF is a program of the Iowa School Finance Information Services & Piper Jaffray Co. and is designed to provide funds to participating entities during periods of cash deficits. ECF is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ECF accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Security Bank of Kansas City is the trustee for the program.

The District pledges its grant receipts and ad valorem property tax receipts as security for warrants issued. Repayments must be made by the final maturity date. The interest rate on the 2011-2012 A-1 and 2011-2012 A-3 warrants is 1.50%. A summary of the District's ECF activity for the year ended June 30, 2012 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2011-12A A-1	7/1/2011	2/25/2012	\$ 0	120,000	120,000	0
2011-12A A-3	8/1/2011	2/25/2012	0	150,000	150,000	0
			\$ 0	270,000	270,000	0

During the year ended June 30, 2012, the District paid \$2,445 of interest on the ECF warrants.

(6) Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 15,020	0	0	15,020
Construction in progress	248,590	210,916	459,506	0
Total capital assets not being depreciated	263,610	210,916	459,506	15,020
Capital assets being depreciated:				
Buildings	1,871,568	793,486	0	2,665,054
Land improvements	363,818	0	0	363,818
Machinery and equipment	1,454,107	36,557	40,921	1,449,743
Total capital assets being depreciated	3,689,493	830,043	40,921	4,478,615
Less accumulated depreciation for:				
Buildings	1,357,576	74,020	0	1,431,596
Land improvements	273,530	18,490	0	292,020
Machinery and equipment	1,279,071	45,723	40,921	1,283,873
Total accumulated depreciation	2,910,177	138,233	40,921	3,007,489
Total capital assets being depreciated, net	779,316	691,810	0	1,471,126
Governmental activities capital assets, net	\$ 1,042,926	902,726	459,506	1,486,146
Business type activities:				
Machinery and equipment	\$ 16,464	0	0	16,464
Less accumulated depreciation	16,464	0	0	16,464
Business type activities capital assets, net	\$ 0	0	0	0

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 5,350
Other		738
Support services:		
Instructional staff		14,819
Administration		198
Operation and maintenance		1,892
Transportation		22,726
		45,723
Unallocated depreciation		92,510
Total governmental activities depreciation expense		\$ 138,233

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
Revenue Bonds	\$ 0	770,000	35,000	735,000	0
Early Retirement	0	25,352	8,451	16,901	8,451
Net OPEB Liability	25,780	16,818	0	42,598	0
Total	\$ 25,780	812,170	43,451	794,499	8,451

Revenue Bonds Payable

Details of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2011			
	Interest Rates	Principal	Interest	Total
2013	1.00	% \$ 0	22,900	22,900
2014	2.00	40,000	22,325	62,325
2015	2.00	50,000	21,425	71,425
2016	2.50	55,000	20,237	75,237
2017	2.50	55,000	18,863	73,863
2018-2022	3.00-3.50	315,000	66,887	381,887
2023-2025	3.50-3.75	220,000	12,475	232,475
Total		\$ 735,000	185,112	920,112

The District has pledged future statewide sales, services and use tax revenues to repay the \$770,000 of bonds issued in July 2011. The bonds were issued for the purpose of financing the HVAC work being done in the District. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the district and are payable through 2025. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 35% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$920,112. For the current year principal of \$35,000 and interest of \$23,075 was paid on the bonds and total statewide sales, services and use tax revenues were \$165,647.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- b) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five years old and have served as a public school employee for the Farragut Community School District for fifteen years. Eligible employees are required to submit an application to the District Administrative Office before March 15th, 2011. Submission of a written resignation addressed to the Board of Directors with the written application to participate in the plan; and the Board's acceptance of the written resignation. Early retirement benefits paid during the year ended June 30, 2012, totaled \$8,451. The cost of the early retirement payments expected to be liquidated currently are recorded as a liability of the Special Revenue, Management Levy Fund. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$118,540, \$117,045 and \$107,139 respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 28 active and 2 retired members in the plan.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark Blue Cross Blue Shield of Iowa. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

The following table shows the components of the District's annual OPEB cost for June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 17,499
Interest on net OPEB obligation	645
Adjustment to annual required contribution	(1,326)
Annual OPEB cost	<u>16,818</u>
Amortization of unfunded actuarial accrued liability	0
Increase in net OPEB obligation	<u>16,818</u>
Net OPEB obligation - beginning of year	<u>25,780</u>
Net OPEB obligation - end of year	<u><u>\$ 42,598</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. 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 plans actual contributions for the year ended June 30, 2012.

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, 2012 are summarized as follows:

Year Ended June 30,	Annual OPEB cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 15,451	24.90%	\$ 11,596
2011	\$ 15,630	9.25%	\$ 25,780
2012	\$ 16,818	0.00%	\$ 42,598

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$137,329, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$137,329. The covered payroll (annual payroll of active employees covered by the plan) was \$1,301,630, and the ratio of the UAAL to the covered payroll was 10.55%. As of June 30, 2012, 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 healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each

valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are 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 unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The health cost trend rate for basis of the actuarial was 6% per year.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement probabilities were developed from 2006 Society of Actuaries Study. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, and prescription drugs. District contributions to ISEBA for the year ended June 30, 2012 were \$275,892.

The District is exposed to various risks to 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$86,834 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Categorical Funding

The District's ending restricted balances for categorical funding as of June 30, 2012 are comprised of the following projects:

Project	Amount
Limited english proficiency	\$ 1,288
Beginning teacher mentoring	520
Beginning administrator mentoring	1,500
Core curriculum	4,315
Educator quality, basic salary	13,514
Professional development	7,188
Dropout and dropout prevention	41,154
Total	<u>\$ 69,479</u>

(13) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2012, the District exceeded its budget amount in the instruction and other expenditures functional areas and in total. The District also exceeded its General Fund unspent authorized balance.

(14) Deficit Fund Balance/Net Assets

At June 30, 2012, the Nutrition Fund had deficit unrestricted net assets of \$20,722, The District also had a deficit unrestricted net assets balance in the governmental activities of \$94,335 and a deficit unassigned General Fund balance of \$175,598.

REQUIRED SUPPLEMENTARY INFORMATION

FARRAGUT COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2012

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Actual
Revenues:						
Local sources	\$ 3,161,978	40,850	3,202,828	2,282,598	2,282,598	920,230
Intermediate sources	600	0	600	2,400	2,400	(1,800)
State sources	966,492	875	967,367	1,330,811	1,330,811	(363,444)
Federal sources	91,262	45,061	136,323	217,579	217,579	(81,256)
Total revenues	4,220,332	86,786	4,307,118	3,833,388	3,833,388	473,730
Expenditures/Expenses:						
Instruction	2,739,882	0	2,739,882	2,314,000	2,314,000	(425,882)
Support services	1,210,738	0	1,210,738	1,258,000	1,258,000	47,262
Non-instructional programs	0	103,531	103,531	124,000	124,000	20,469
Other expenditures	534,772	0	534,772	299,671	299,671	(235,101)
Total expenditures/expenses	4,485,392	103,531	4,588,923	3,995,671	3,995,671	(593,252)
Excess(Deficiency) of revenues over(under) expenditures/expenses	(265,060)	(16,745)	(281,805)	(162,283)	(162,283)	(119,522)
Other financing sources, net	773,189	0	773,189	0	0	773,189
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	508,129	(16,745)	491,384	(162,283)	(162,283)	653,667
Balance beginning of year	318,841	(3,977)	314,864	1,079,562	1,079,562	764,698
Balance end of year	\$ 826,970	(20,722)	806,248	917,279	917,279	1,418,365

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FARRAGUT COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2012

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 that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2012, expenditures in the instruction and other expenditures functional areas and in total exceeded the amount budgeted and the District exceeded its General Fund unspent authorized balance.

FARRAGUT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	\$ -	\$ 139,709	\$ 139,709	0.0%	\$ 1,611,000	8.67%
2011	July 1, 2009	\$ -	\$ 137,329	\$ 137,329	0.0%	\$ 1,372,311	10.01%
2012	July 1, 2009	\$ -	\$ 137,329	\$ 137,329	0.0%	\$ 1,301,630	10.55%

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

SUPPLEMENTARY INFORMATION

FARRAGUT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue				
	Management Levy	Student Activity	Total	Debt Service	Total
ASSETS					
Cash and pooled investments	\$ 62,328	121,410	183,738	77,017	260,755
Receivables:					
Property tax					
Delinquent	6,564	0	6,564	0	6,564
Succeeding year	150,000	0	150,000	0	150,000
TOTAL ASSETS	\$ 218,892	121,410	340,302	77,017	417,319
LIABILITIES AND FUND BALANCES					
Liabilities:					
Deferred revenue:					
Succeeding year property tax	\$ 150,000	0	150,000	0	150,000
Total liabilities	150,000	0	150,000	0	150,000
Fund balances:					
Restricted for:					
Management levy purposes	68,892	0	68,892	0	68,892
Student activities	0	121,410	121,410	0	121,410
Debt Service	0	0	0	77,017	77,017
Total fund balances	68,892	121,410	190,302	77,017	267,319
TOTAL LIABILITIES AND FUND BALANCES	\$ 218,892	121,410	340,302	77,017	417,319

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FARRAGUT COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2012

	Special Revenue				
	Manage- ment Levy	Student Activity	Total	Debt Service	Total
REVENUES:					
Local sources:					
Local tax	\$ 36,046	0	36,046	0	36,046
Other	1,101	163,848	164,949	402	165,351
TOTAL REVENUES	37,147	163,848	200,995	402	201,397
EXPENDITURES:					
Current:					
Instruction:					
Other	0	139,456	139,456	0	139,456
Support services:					
Administration	30,228	0	30,228	0	30,228
Operation and maintenance of plant	19,929	0	19,929	0	19,929
Transportation	7,978	0	7,978	0	7,978
Long-term debt:					
Principal	0	0	0	35,000	35,000
Interest and fiscal charges	0	0	0	23,075	23,075
TOTAL EXPENDITURES	58,135	139,456	197,591	58,075	255,666
Excess(Deficiency) of revenues over(under) expenditures	(20,988)	24,392	3,404	(57,673)	(54,269)
Other financing sources:					
Transfer in	0	0	0	134,690	134,690
Total other financing sources	0	0	0	134,690	134,690
Net change in fund balances	(20,988)	24,392	3,404	77,017	80,421
Fund balance beginning of year	89,880	97,018	186,898	0	186,898
Fund balance end of year	\$ 68,892	121,410	190,302	77,017	267,319

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FARRAGUT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 422,895	89,962	512,857
Receivables:			
Property tax			
Delinquent	0	1,956	1,956
Succeeding year	0	35,898	35,898
Due from other funds	120,000	0	120,000
Due from other governments	31,625	0	31,625
TOTAL ASSETS	\$ 574,520	127,816	702,336
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 668	0	668
Deferred revenue:			
Succeeding year property tax	0	35,898	35,898
Total liabilities	668	35,898	36,566
Fund Balances:			
Restricted for:			
School infrastructure	573,852	0	573,852
Physical plant and equipment	0	91,918	91,918
Total fund balances	573,852	91,918	665,770
TOTAL LIABILITIES AND FUND BALANCES	\$ 574,520	127,816	702,336

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FARRAGUT COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 165,647	33,074	198,721
Other	436	81	517
TOTAL REVENUES	<u>166,083</u>	<u>33,155</u>	<u>199,238</u>
EXPENDITURES:			
Current:			
Support services:			
Instructional staff	16,209	1,025	17,234
Administration	11,122	0	11,122
Transportation	18,200	496	18,696
Capital outlay	378,741	0	378,741
TOTAL EXPENDITURES	<u>424,272</u>	<u>1,521</u>	<u>425,793</u>
Excess(Deficiency) of revenues over(under) expenditures	(258,189)	31,634	(226,555)
Other financing sources(uses):			
Issuance of bonds	770,000	0	770,000
Transfers out	(134,690)	0	(134,690)
Total other financing sources(uses)	<u>635,310</u>	<u>0</u>	<u>635,310</u>
Net change in fund balances	377,121	31,634	408,755
Fund balance beginning of year	<u>196,731</u>	<u>60,284</u>	<u>257,015</u>
Fund balance end of year	<u>\$ 573,852</u>	<u>91,918</u>	<u>665,770</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FARRAGUT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Athletics	\$ (807)	57,030	47,026	9,197
Pep Club	2,142	9,081	4,233	6,990
Cheerleaders	1,056	1,569	1,569	1,056
Drama	6,227	0	138	6,089
French	329	10,830	329	10,830
FFA	3,939	10,182	11,243	2,878
FCCLA	1,293	1,952	1,298	1,947
Yearbook	2,159	6,752	7,080	1,831
Miscellaneous Activities	492	315	284	523
Vocal Music	2,451	1,071	742	2,780
Shop Resale	0	2,632	2,632	0
Resale	17,180	7,915	3,964	21,131
Art Resale	945	2,127	2,252	820
Student Council	519	0	105	414
Concessions	379	20,488	20,867	0
Instrumental Music	(345)	1,617	1,269	3
Tournament Fund	7,450	5,898	5,423	7,925
Vending	4,813	500	501	4,812
Pictures	2,584	0	1,000	1,584
Greenhouse	144	0	144	0
Class of 2010	580	0	580	0
Class of 2011	563	0	563	0
Class of 2012	1,503	8,213	7,487	2,229
Class of 2013	2,063	5,275	2,536	4,802
Class of 2014	2,097	1,117	1,889	1,325
Class of 2015	0	4,418	1,142	3,276
Alumni	9,686	1,143	10,829	0
Investments	26,818	297	203	26,912
Honor Society	1,725	356	35	2,046
CPR	10	0	0	10
Postage	(977)	3,070	2,093	0
Total	\$ 97,018	163,848	139,456	121,410

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FARRAGUT COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2012

		Private Purpose Trust - Scholarship Fund									
		Helen Limbacher Memorial	Harold Penwell Memorial	W.F. & Lucile Dreyer Memorial	Bruce Gruber Memorial	Clark - Campbell Memorial	Class of 48 Scholarship	Scott Memorial	Richards Memorial	Elizabeth O'Brien Memorial	Total
ASSETS											
Cash and pooled investments	\$	2,692	20,804	2,165	202	2,624	25	2,500	500	1,175	32,687
TOTAL ASSETS		2,692	20,804	2,165	202	2,624	25	2,500	500	1,175	32,687
NET ASSETS											
Restricted for scholarships		2,600	18,420	1,503	0	2,112	0	0	0	1,000	25,635
Unrestricted		92	2,384	662	202	512	25	2,500	500	175	7,052
TOTAL NET ASSETS	\$	2,692	20,804	2,165	202	2,624	25	2,500	500	1,175	32,687

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FARRAGUT COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2012

	Private Purpose Trust - Scholarship Fund									
	Helen Limbacher Memorial	Harold Penwell Memorial	W.F. & Lucile Dreyer Memorial	Bruce Gruber Memorial	Clark - Campbell Memorial	Class of 48 Scholarship	Scott Memorial	Richards Memorial	Elizabeth O'Brien Memorial	Total
ADDITIONS:										
Local sources:										
Interest	\$ 11	60	13	0	16	0	0	0	7	107
Contributions	0	0	0	0	0	0	1,000	0	0	1,000
TOTAL ADDITIONS	11	60	13	0	16	0	1,000	0	7	1,107
DEDUCTIONS:										
Instruction:										
Regular:										
Scholarships awarded	200	300	50	0	0	0	1,000	0	0	1,550
Change in net assets	(189)	(240)	(37)	0	16	0	0	0	7	(443)
Net assets beginning of year	2,881	21,044	2,202	202	2,608	25	2,500	500	1,168	33,130
Net assets end of year	\$ 2,692	20,804	2,165	202	2,624	25	2,500	500	1,175	32,687

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FARRAGUT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST NINE YEARS

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 1,849,665	1,595,369	1,504,397	1,483,012	1,270,110	1,158,628	1,157,033	1,170,737	1,305,766
Tuition	515,338	144,609	294,016	236,566	236,834	152,738	147,971	132,128	123,960
Other	796,975	337,143	161,352	172,695	171,622	186,833	187,644	166,577	166,260
Intermediate sources	600	0	0	0	0	0	0	0	0
State sources	966,492	1,146,805	1,044,757	1,171,283	1,371,746	1,329,290	1,212,495	1,106,808	999,729
Federal sources	91,262	166,510	286,231	62,135	113,815	118,282	172,347	145,366	109,835
Total	\$ 4,220,332	3,390,436	3,290,753	3,125,691	3,164,127	2,945,771	2,877,490	2,721,616	2,705,550
Expenditures:									
Instruction	\$ 2,739,882	2,076,103	2,064,542	1,899,115	1,973,650	1,854,019	1,752,966	1,728,973	1,693,963
Support services:									
Student	61,614	56,234	64,406	50,376	41,456	45,467	42,975	43,245	18,856
Instructional staff	117,017	116,665	126,603	84,670	83,512	82,493	95,038	101,722	77,121
Administration	603,111	654,177	524,899	460,691	435,581	465,806	443,897	384,918	376,357
Operation and maintenance of plant	234,696	228,559	245,558	221,408	248,816	239,083	321,961	259,290	245,947
Transportation	205,422	159,752	179,431	133,534	127,690	186,688	172,451	212,024	101,714
Capital outlay	378,741	330,696	35,123	43,458	202,662	111,370	53,506	57,576	121,788
Long-term debt:									
Principal	35,000	0	0	0	80,000	75,000	75,000	70,000	65,000
Interest and fiscal charges	23,075	0	0	0	2,920	3,989	6,932	9,683	11,238
Other expenditures:									
AEA flow-through	86,834	101,997	102,458	94,294	92,952	91,571	88,117	86,793	87,703
Total	\$ 4,485,392	3,724,183	3,343,020	2,987,546	3,289,239	3,155,486	3,052,843	2,954,224	2,799,687

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FARRAGUT COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

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 the
Farragut 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 Farragut Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 11, 2013. 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

The management of Farragut Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Farragut Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Farragut Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Farragut Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-12 and I-B-12 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-C-12 and I-D-12 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Farragut 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 Farragut 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 Farragut Community School District and other parties to whom Farragut 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 Farragut 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.



NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2013

FARRAGUT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

I-A-12 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

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

Response - We have one person receipting revenues for Hot Lunch, another for Activities, and another for General Fund. Each of these people do reconcile each account but the Business Manager oversees the accounts for input into the software system and also now has access to the bank reconciliations for all funds.

Conclusion - Response acknowledged.

I-B-12 Subsidiary Record Keeping - We noted during our audit that the District's Student Activity Fund is currently using a "one write system" for record keeping. The system originally provided an option to write the check which had a carbon strip that would simultaneously record the check to the check register and onto a ledger card.

However, the District is currently not using the "one write system" to maximize efficiency. The District is currently writing checks, typing a check listing in the disbursement ledger and then writing the same transaction on the ledger card. The transactions are entered again since the "one write system" does not integrate into the District's Uniform Financial Accounting system.

We also noted that the School Nutrition Fund's financial records are being maintained on Quicken. It appeared that the District was not reconciling the Student Activity Fund or School Nutrition Fund subsidiary records to the District's Uniform Financial Accounting system in a timely manner.

Recommendation - The District needs to integrate the financial transactions of the Student Activity Fund and the School Nutrition Fund on the District's Uniform Financial Accounting system. District personnel should receive additional training on how to properly maintain the official records on the District's Uniform Financial Accounting system.

The District may maintain subsidiary records for District activities, but all official records of the District shall be maintained on the District's Uniform Financial Accounting system. If subsidiary records are maintained, the records must be reconciled to the official records monthly.

Response - Both Activity and School Nutrition are as of this audit using the SUI System. They received more training for the SQL system.

Conclusion - Response accepted.

I-C-12 Timely Deposits - We noted during our audit that deposits were prepared but may not be taken to the bank for deposit until several days later.

Recommendation - Better internal control is achieved if deposits are made when receipts are collected. The District should review procedures to ensure that all the deposits are made timely.

Response - A more prompt deposit schedule was given to all secretaries.

Conclusion - Response accepted.

I-D-12 Nutrition Fund Invoices - We noted instances of a check being written to vendors without an invoice or statement for supporting documentation.

Recommendation - The District should review their procedures that are in place to ensure that all bills are supported, approved, and paid from an invoice. The District should adopt processes and procedures to use when an invoice may not be available, such as requiring additional approval or support documentation other than the invoice.

Response - Direction was given to employees, all documentation is present for each payment.

Conclusion - Response accepted.

FARRAGUT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 Certified Budget - District disbursements for the year ended June 30, 2012, exceeded the budgeted amount in the instruction and other expenditures function and in total. The District also exceeded its General Fund unspent authorized budget.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures was allowed to exceed the budget. The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the General Fund unspent authorized budget.

Response - We are aware we did not monitor the allowed expenditures and will improve this mistake to comply with code.

Conclusion - Response accepted.

II-B-12 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-12 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted; however, we noted that there were instances of reimbursements made to employees for meals while traveling which lacked a detailed receipt. According to board policy #401.10, employees and officers using a credit card must submit a detailed receipt in addition to a credit card receipt when requesting reimbursement.

Recommendation - The District should review procedures in place with personnel using the district credit cards to ensure the proper detailed documentation will be available with paid credit card statements.

Response - Proper documentation is being made a priority for all credit card use.

Conclusion - Response accepted.

II-D-12 Business Transactions - No business transactions between the District and District officials were noted.

II-E-12 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 insure that the coverage is adequate for current operations.

II-F-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board Meeting as required by 279.35 of the Code of Iowa.

Response - Minutes are now being published in a prompt manner.

Conclusion - Response accepted.

II-G-12 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was overstated by 1.20.

Recommendation - The Iowa Department of Education and the Department of Management should be contacted to resolve this matter.

Response - Our auditors will be contacting the Iowa Department of Education and the Department of Management to resolve this issue.

Conclusion - Response accepted.

II-H-12 Supplementary Weighting - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-I-12 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-J-12 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-12 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-12 Statewide Sales, Services, and Use Tax - No instances of non-compliance with the use of the statewide sales, services, and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	196,731
Sales tax revenue	\$	165,647	
Other local revenue		436	
Sale of long-term debt		770,000	936,083
			<u>1,132,814</u>
Expenditures/Transfers out:			
School infrastructure:	\$	365,235	
Equipment		47,915	
Other improvements		11,122	
Transfers to Other Funds:			
Debt service fund		134,690	558,962
			<u>558,962</u>
Ending balance		\$	<u>573,852</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the

moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-12 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District to be in compliance with Chapter 291.1 of the Code of Iowa.

Response - We have instructed the Athletic Director of the Code requirements that must be followed.

Conclusion - Response accepted.

II-N-12 Interfund Loans - We noted during our audit that the District has an interfund loan that was on the balance sheet in the prior year and still on the current year balance sheets. As of June 30, 2012, the District has a loan between the General Fund and Nutrition Fund that has not been repaid.

According to a declaratory order issued by the Iowa Department of Education to the Auditor of State dated April 11, 2008, interfund loans on the District's year-end financial statements must be repaid to their respective funds on or before October 1st of the following fiscal year or the date of the District's Board of Directors organizational meeting, whichever is later. If the District is unable to repay the interfund loans by that time, the District must seek external borrowing options to repay the interfund loans.

Recommendation - The District should seek and obtain external borrowings to comply with the declaratory ruling in order to repay the interfund loan.

Response - We will work on the Hot Lunch payroll problem to remove this issue in order to be in compliance.

Conclusion - Response accepted.

II-O-12 District and Regional Rents - We noted during our audit that the District receives money for use of facilities when hosting district and regional events. The District currently receipts district and regional rents into the Student Activity Fund.

Recommendation - Chapter 297.9 of the Code of Iowa requires rent to be receipted into the General Fund. The District should receipt rent collected for facility usage into the General Fund.

Response - This has been changed to be in compliance.

Conclusion - Response accepted.