

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

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

June 30, 2012

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Gary E. Horton CPA

902 Central Ave. E.-PO Box 384
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Garner-Hayfield Community School District, Garner, Iowa, as of and for the year ended June 30, 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of Garner-Hayfield 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 February 13, 2013, on our consideration of Garner-Hayfield Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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 4 through 13 and 40 through 42 be presented to supplement the basic 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of 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 Garner-Hayfield Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011, (which are not presented herein). Our opinions for 2006 to 2011 were unqualified. For 2005 and 2004 we expressed unqualified opinions on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information and we did not issue an opinion on the discretely presented component unit. The supplementary information included in Schedules 1 through 9, 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.

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

February 13, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Garner-Hayfield Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$7,638,138 in fiscal 2011 to \$7,938,721 in fiscal 2012, while General Fund expenditures increased from \$7,558,366 in fiscal 2011 to \$7,680,802 in fiscal 2012. The District's General Fund balance increased from \$655,105 in fiscal 2011 to \$913,284 in fiscal 2012, a 39% increase.
- General Fund revenues increases are attributable to revenues an increase in tuition paid to the district, and an increase in state aid due to increasing enrollment. The increase in expenditures was due primarily to increases in wages due to negotiated settlements, an increase in administration with the district going from a superintendent/elementary principal position to a shared superintendent with the Ventura CSD with Garner-Hayfield CSD holding the contract, an a separate full-time elementary principal position. A part-time middle school principal position was added to allow the high school principal to serve the high school only.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor funds.

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

Figure A-1
Garner-Hayfield Community School District Annual Financial Report

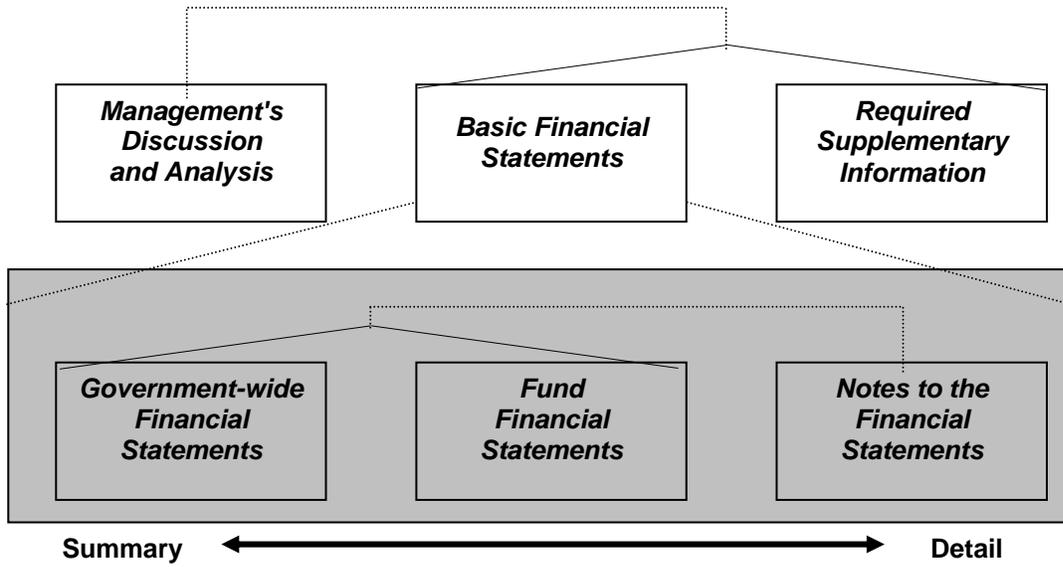


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2011-2012 %
	Governmental Activities		Business-type Activities		Total School District		
	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	
Current and other assets	5,085,421	5,426,738	188,340	206,661	5,273,761	5,633,399	+6.8%
Capital assets	5,242,744	5,603,218	39,164	40,524	5,281,908	5,643,742	+6.9%
Total assets	10,328,165	11,029,956	227,504	247,185	10,555,669	11,277,141	+6.8%
Long-term liabilities	418,272	875,652	0	0	418,272	875,652	+109.3%
Other liabilities	2,737,109	2,750,144	7,983	20,383	2,745,092	2,770,527	+1.0%
Total liabilities	3,155,381	3,625,796	7,983	20,383	3,163,364	3,646,179	+15.3%
Net Assets:							
Invested in capital assets, net of related debt	5,242,744	5,351,306	39,164	40,524	5,281,908	5,391,830	+2.1%
Restricted	1,530,942	1,715,774	0	0	1,530,942	1,715,774	+12.1%
Unrestricted	399,098	337,080	180,357	186,278	579,455	523,358	-9.7%
TOTAL NET ASSETS	7,172,784	7,404,160	219,521	226,802	7,392,305	7,630,962	+3.1%

The District’s combined total net assets increased by nearly 3.1%, or approximately \$238,000, over the prior year. The largest portion of the District’s net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. The biggest items to impact this amount were succeeding year property taxes, delinquent property taxes, and amounts due from other government bodies (tuition, etc.). Investment in capital assets increased by 2.0% due to computer purchases, the electrical upgrade at the high school, and new bleachers at the football/track complex. Long-term liabilities increased mainly due to the lease/purchase of 300 computers for the One-to-One Computer program and at the high school and an increase to termination benefits due to early retirements.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased by approximately \$56,000 or 9.7% as a result of expenditures exceeding projections and construction in progress at year end.

Figure A-4 shows the change in net assets for the years ended June 30, 2012 and 2011.

Figure A-4

	Change in Net Assets						Percentage Change 2010-2011 %
	Governmental Activities		Business-type Activities		Total School District		
	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	
Revenues							
Program Revenues:							
Charges for services	1,232,301	1,483,085	532,726	248,914	1,765,027	1,731,999	-1.9%
Operating grants & contributions	1,596,088	1,337,417	175,095	180,874	1,771,183	1,518,291	-14.3%
Capital grants & contributions	50,804				50,804		-100.0%
General Revenues:							
Property taxes	2,559,063	2,201,587			2,559,063	2,201,587	-14.0%
Income Surtax	315,896	324,731			315,896	324,731	+2.8%
Statewide sales tax	524,571	583,062			524,571	583,062	+11.1%
Unrestricted state grants	2,918,646	3,412,443			2,918,646	3,412,443	+16.9%
Unrestricted investment earnings	20,581	4,547	150	132	20,731	4,679	-77.4%
Other revenue	11,982	8,229			11,982	8,229	-31.3%
Total Revenues	9,229,932	9,355,101	707,971	429,920	9,937,903	9,785,021	-1.5%
Expenses:							
Instruction	5,718,306	6,049,799			5,718,306	6,049,799	+5.8%
Support services	2,099,813	2,430,081			2,099,813	2,430,081	+15.7%
Non-instructional programs	0	0	688,174	422,639	688,174	422,639	-38.6%
Other expenditures	812,284	643,845			812,284	643,845	-20.7%
Total expenses	8,630,403	9,123,725	688,174	422,639	9,318,577	9,546,364	+2.4%
CHANGE IN NET ASSETS	599,529	231,376	19,797	7,281	619,326	238,657	-61.5%
Net assets beginning of year	6,573,255	7,172,784	199,724	219,521	6,772,979	7,392,305	+9.1%
Net assets end of year	7,172,784	7,404,160	219,521	226,802	7,392,305	7,630,962	+3.2%

In fiscal year 2012 property tax and unrestricted state grants account for 57% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 1.5% decrease in revenues and a 2.4% increase in expenses. The 2011-2012 student built house being unsold after the end of the fiscal year was the main factor in the decrease in revenue to the district. The increases in expenses related to increases in the negotiated salaries and benefits as well as the change in the administrative make-up.

Governmental Activities

Revenues for governmental activities were \$ 9,355,101 and expenses were \$9,123,725. The increase in revenues allowed the district to increase the ending fund balance in a year when expenditures also increased.

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

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2011	2012	Percent Change 2011-2012	2011	2012	Percent Change 2011-2012
	\$		%	\$	\$	
Instruction	5,718,306	6,049,799	+5.8%	3,341,173	3,845,861	+15.1%
Support Services	2,099,813	2,430,081	+15.7%	1,974,636	2,119,158	+7.3%
Other Expenses	812,284	643,845	-20.7%	435,401	338,204	-22.3%
TOTAL	8,630,403	9,123,725	+5.7%	5,751,210	6,303,223	+9.6%

For the year ended June 30, 2012

- The cost of all governmental activities this year was \$9,123,725.
- The cost financed by users of the District's programs was \$1,483,085. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,337,417.
- The net cost of governmental activities was financed with \$3,109,380 in property and local other taxes and \$3,412,443 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$429,788 and expenses were \$422,639. The District's business type activities include the School Nutrition Fund and the House Construction Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. The decrease in revenues and expenditures for 2012 is due to the 2012 home not being sold this fiscal year.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,278,991, above last year's ending fund balances of \$1,864,241 with the bulk of the increase in the General Fund and the Capital Projects Fund.

Governmental Fund Highlights

- The District's General Fund financial position is improving and is the result of many factors. Growth during the year in state funding sources and charges for services resulted in an increase in revenues. The board and administration continually look for ways to provide a quality educational experience to the students of this District in a fiscally responsible manner. The Board and Administration is looking at ways to best

provide services during times of economic downturns and yet still meet the requirements of No Child Left Behind and other state, federal, and local expectations. The administration of the Garner-Hayfield Community School District feels that our enrollment is stabilizing and possibly increasing slightly and the District should not see large swings in either direction in coming years.

- The General Fund balance increased from \$655,105 to \$913,284, due in large part the increase in tuition paid to our district from other districts. The increase in revenue experienced by the District also is reflected in this increase.
- The Capital Projects Fund balance increased due to the diligence of the board to set aside monies for a possible renovation of the high school building in the near future. The District ended fiscal 2012 with a balance of \$1,056,185 which will be used for further renovations, roof replacements, and the purchase of computers for the One To One Computer Program as deemed necessary.

Proprietary Fund Highlights

The School Nutrition Fund and the House Construction fund net assets increased from \$219,521 at June 30, 2011 to \$226,802 at June 30, 2012, representing an increase of approximately 3%. The 2012 student built house remained unsold as of June 30, 2012. Nutrition Fund accounts receivables increased by approximately \$3,400. Efforts will under taken to reduce the amounts owing on lunch accounts.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Garner-Hayfield Community School District receipts were \$415,269 more than budgeted receipts, a variance of 4.5%. The most significant variance resulted from the District receiving more in property taxes than originally anticipated.

Total expenditures were \$243,131 more than budgeted, due primarily to the negotiated settlements and the change in the administrative duties in the district. The District manages or controls General Fund spending through its line-item budget. The District's certified budget should always exceed actual expenditures for the year and we budget between what we think we will actually spend and the maximum authorized spending authority for the General Fund. In spite of the District's budgetary practice, the certified budget was exceeded in the instruction support services and other expenditures functional areas due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$5,643,742 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 6.8% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$397,906.

The largest change in capital asset activity during the year occurred in the furniture and equipment and buildings areas as the previous year's renovations were added in and the One-to-One Computer lease equipment was added. The construction in progress category was a positive as many of the summer projects had begun by June 30, 2012, but were not completed.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change
	2011	2012	2011	2012	2011	2012	2011-2012
	\$	\$	\$	\$	\$	\$	%
Land	48,803	48,803	0	0	48,803	48,803	0%
Construction in progress	31,737	92,535	0	0	31,737	92,535	+191.6%
Buildings	4,310,700	4,434,240	0	0	4,310,700	4,434,240	+2.9%
Improvements	510,439	471,675	0	0	510,439	471,675	-7.6%
Equipment & furniture	341,065	555,965	39,164	40,524	380,229	596,489	+56.9%
TOTAL	5,242,744	5,603,218	39,164	40,524	5,281,908	5,643,742	+6.9%

Long-Term Debt

At June 30, 2012 the District had \$875,652 of other long-term debt outstanding. This represents a increase of approximately 109% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The early retirement debt increased by \$219,463 due to the completion of early retirement benefits for some participants and the addition of benefits for eight new participants. The District did offer an early retirement benefit during the 2011-2012 fiscal year. The benefit consisted of the school paying \$40,000 of health insurance premiums to be used before the age of 65. For non-certified personnel the benefit was 60% of their annual salary during the year of retirement.

The District's obligation for compensated absences increased by \$28,064. This change was due to the staff salaries increasing due to the negotiated settlement.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Percentage Change
	2011	2012	2011-2012
	\$	\$	%
Equipment Loans - Computers	7,134	1,199	-83.1%
Capital leases	0	251,912	0.0%
Early retirement	224,301	443,764	+97.8%
Compensated absences	150,713	178,777	+18.6%
Net OPEB liability	36,124	0	-100.0%
	418,272	875,652	+109.3%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- School financing is highly dependent upon student enrollment. The District's October 2012 enrollment increased by 10.7 students K-12 and 35 students in the four-year-old preschool which includes 20 from Redeemer Luther Preschool in Ventura, that is operating under a 28E Agreement with the Garner-Hayfield Community School District beginning in fiscal year 2013. The District is in the first year of a Whole Grade Sharing Agreement with the Ventura Community School District. The District is in the fourth year of a sharing agreement for the services of the Transportation Director with the Forest City Community School District that will provide supplemental weighting to our District. The District is sharing the services of our Superintendent with the Ventura Community School District again this year and this will provide supplemental weighting to our District in the future as well as one-half of his salaries and expenses reimbursed by the Ventura Community School District. The district is also sharing the services of the business manager, school nurse, and special education coordinator with the Ventura Community School District. Supplemental weighting will be received for the shared Business Manager position. A portion of the salaries and benefits for the business manager, nurse, and special education coordinator will be reimbursed by the Ventura Community School District.
- The District will negotiate a new contract with the Garner-Hayfield Education Association (GHEA) and the Garner-Hayfield Education Services Association (GHESA) during fiscal 2013. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- The Garner community continues to grow and the business and manufacturing climate remains strong in our community which gives stability to enrollment in our district.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total	Garner- Hayfield Community School District Education Foundation
	\$	\$	\$	\$
Assets				
Cash and cash equivalents	2,497,516	46,202	2,543,718	16,304
Investments	-	-	-	667,911
Receivables:				
Property tax:				
Delinquent	23,196	-	23,196	-
Succeeding year	2,308,531	-	2,308,531	-
Accounts	14,088	8,172	22,260	-
Due from other governments	582,208	-	582,208	-
Inventories	-	152,287	152,287	-
Notes receivable	1,199	-	1,199	-
Capital assets, net of accumulated depreciation	5,603,218	40,524	5,643,742	-
Total assets	11,029,956	247,185	11,277,141	684,215
Liabilities				
Accounts payable	385,516	536	386,052	-
Salaries and benefits payable	48,792	-	48,792	-
Bank loan payable	-	15,000	15,000	-
Accrued interest payable	7,305	-	7,305	-
Deferred revenue:				
Succeeding year property tax	2,308,531	-	2,308,531	-
Other	-	4,847	4,847	-
Long-term liabilities:				
Portion due within one year:				
Capital lease	81,582	-	81,582	-
Equipment note payable	1,199	-	1,199	-
Termination benefits	130,821	-	130,821	-
Compensated absences	25,000	-	25,000	-
Portion due after one year:				
Capital lease	170,330	-	170,330	-
Termination benefits	312,943	-	312,943	-
Compensated absences	153,777	-	153,777	-
Total liabilities	3,625,796	20,383	3,646,179	-

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total	Garner- Hayfield Community School District Education Foundation
	\$	\$	\$	\$
Net assets				
Invested in capital assets, net of related debt	5,351,306	40,524	5,391,830	-
Restricted for:				
Endowment by donors	-	-	-	667,911
Categorical funding	451,932	-	451,932	-
Physical plant and equipment levy	126,999	-	126,999	-
Student activities	117,352	-	117,352	-
School infrastructure	1,018,377	-	1,018,377	-
Debt service	1,114	-	1,114	-
Unrestricted	<u>337,080</u>	<u>186,278</u>	<u>523,358</u>	<u>16,304</u>
Total net assets	<u><u>7,404,160</u></u>	<u><u>226,802</u></u>	<u><u>7,630,962</u></u>	<u><u>684,215</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2012

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	3,749,979	690,957	728,948	-
Special	848,452	162,544	38,731	-
Other	1,451,368	515,406	67,352	-
	<u>6,049,799</u>	<u>1,368,907</u>	<u>835,031</u>	<u>-</u>
Support services:				
Student	459,752	-	196,745	-
Instructional staff	256,804	6,360	-	-
Administration	785,532	104,499	-	-
Operation and maintenance of plant	669,757	2,370	-	-
Transportation	258,236	949	-	-
	<u>2,430,081</u>	<u>114,178</u>	<u>196,745</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	90,399	-	-	-
Long-term debt interest	7,305	-	8	-
AEA flowthrough	305,633	-	305,633	-
Depreciation (unallocated)*	240,508	-	-	-
	<u>643,845</u>	<u>-</u>	<u>305,641</u>	<u>-</u>
Total governmental activities	<u>9,123,725</u>	<u>1,483,085</u>	<u>1,337,417</u>	<u>-</u>
Business type activities:				
Food service operations	422,639	248,914	180,874	-
Student house construction project	-	-	-	-
Total business type activities	<u>422,639</u>	<u>248,914</u>	<u>180,874</u>	<u>-</u>
Total primary government	<u>9,546,364</u>	<u>1,731,999</u>	<u>1,518,291</u>	<u>-</u>
Component Units				
Garner-Hayfield Community School				
District Education Foundation	24,850	-	124,106	-
Total	<u>24,850</u>	<u>-</u>	<u>124,106</u>	<u>-</u>
Total	<u>9,571,214</u>	<u>1,731,999</u>	<u>1,642,397</u>	<u>-</u>

General Revenues:

Property taxes levied for:
 General purposes
 Capital outlay
 Income surtax
 Statewide sales, services and use tax
 Unrestricted state grants
 Unrestricted investment earnings
 Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business Type Activities	Total	Component Unit
\$	\$	\$	\$
(2,330,074)	-	(2,330,074)	-
(647,177)	-	(647,177)	-
(868,610)	-	(868,610)	-
<u>(3,845,861)</u>	<u>-</u>	<u>(3,845,861)</u>	<u>-</u>
(263,007)	-	(263,007)	-
(250,444)	-	(250,444)	-
(681,033)	-	(681,033)	-
(667,387)	-	(667,387)	-
(257,287)	-	(257,287)	-
<u>(2,119,158)</u>	<u>-</u>	<u>(2,119,158)</u>	<u>-</u>
(90,399)	-	(90,399)	-
(7,297)	-	(7,297)	-
-	-	-	-
<u>(240,508)</u>	<u>-</u>	<u>(240,508)</u>	<u>-</u>
<u>(338,204)</u>	<u>-</u>	<u>(338,204)</u>	<u>-</u>
<u>(6,303,223)</u>	<u>-</u>	<u>(6,303,223)</u>	<u>-</u>
-	7,149	7,149	-
-	-	-	-
<u>-</u>	<u>7,149</u>	<u>7,149</u>	<u>-</u>
(6,303,223)	7,149	(6,296,074)	-
-	-	-	99,256
<u>(6,303,223)</u>	<u>7,149</u>	<u>(6,296,074)</u>	<u>99,256</u>
2,073,150	-	2,073,150	-
128,437	-	128,437	-
324,731	-	324,731	-
583,062	-	583,062	-
3,412,443	-	3,412,443	-
4,547	132	4,679	7,642
8,229	-	8,229	-
<u>6,534,599</u>	<u>132</u>	<u>6,534,731</u>	<u>7,642</u>
231,376	7,281	238,657	106,898
<u>7,172,784</u>	<u>219,521</u>	<u>7,392,305</u>	<u>577,317</u>
<u>7,404,160</u>	<u>226,802</u>	<u>7,630,962</u>	<u>684,215</u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2012

	<u>General</u>	<u>Capital</u>	<u>Nonmajor</u>	<u>Total</u>
	\$	\$	\$	\$
Assets				
Cash and pooled investments	920,593	1,007,850	308,831	2,237,274
Receivables:				
Property tax:				
Delinquent	20,310	1,320	1,566	23,196
Succeeding year	2,027,205	131,326	150,000	2,308,531
Accounts	2,590	-	2,117	4,707
Due from other governments	385,079	197,129	-	582,208
Notes receivable	1,199	-	-	1,199
	<u>3,356,976</u>	<u>1,337,625</u>	<u>462,514</u>	<u>5,157,115</u>
Total assets				
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	128,653	60,923	2,992	192,568
Salaries and benefits payable	48,792	-	-	48,792
Succeeding year property tax	2,027,205	131,326	150,000	2,308,531
Income surtax	237,843	89,191	-	327,034
Other	1,199	-	-	1,199
Total liabilities	<u>2,443,692</u>	<u>281,440</u>	<u>152,992</u>	<u>2,878,124</u>
Fund balances:				
Restricted for:				
Categorical funding	451,932	-	-	451,932
Debt service	-	-	8,419	8,419
Management levy	-	-	183,751	183,751
Student activities	-	-	117,352	117,352
School infrastructure	-	1,018,377	-	1,018,377
Physical plant and equipment	-	37,808	-	37,808
Unassigned	461,352	-	-	461,352
Total fund balances	<u>913,284</u>	<u>1,056,185</u>	<u>309,522</u>	<u>2,278,991</u>
	<u>3,356,976</u>	<u>1,337,625</u>	<u>462,514</u>	<u>5,157,115</u>
Total liabilities and fund balances				

GARNER-HAYFIELD 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 (Exhibit C)	2,278,991
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,603,218
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	328,233
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(7,305)
An internal service fund is used by the District's management to charge the costs health insurance and health insurance deductible reimbursements to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	76,675
Long-term liabilities, including notes payable, capital leases payable, termination benefits, compensated absences and other postemployment benefits are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(875,652)</u>
Net assets of governmental activities (Exhibit A)	<u><u>7,404,160</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,168,465	803,146	149,076	3,120,687
Tuition	811,293	-	-	811,293
Other	216,426	7,603	483,240	707,269
State sources	4,456,418	1,140	1,366	4,458,924
Federal sources	286,119	25,000	-	311,119
Total revenues	<u>7,938,721</u>	<u>836,889</u>	<u>633,682</u>	<u>9,409,292</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,390,129	-	111,463	3,501,592
Special	852,786	-	-	852,786
Other	980,817	-	475,232	1,456,049
	<u>5,223,732</u>	<u>-</u>	<u>586,695</u>	<u>5,810,427</u>
Support services:				
Student	461,197	-	-	461,197
Instructional staff	93,148	413,513	-	506,661
Administration	743,344	-	27,888	771,232
Operation and maintenance of plant	634,035	-	31,525	665,560
Transportation	219,713	-	14,303	234,016
	<u>2,151,437</u>	<u>413,513</u>	<u>73,716</u>	<u>2,638,666</u>
Other expenditures:				
Facilities acquisition	-	491,988	-	491,988
Long-term debt:				
Principal	-	-	88,887	88,887
AEA flowthrough	305,633	-	-	305,633
	<u>305,633</u>	<u>491,988</u>	<u>88,887</u>	<u>886,508</u>
Total expenditures	<u>7,680,802</u>	<u>905,501</u>	<u>749,298</u>	<u>9,335,601</u>
Excess (deficiency) of revenues over (under) expenditures	<u>257,919</u>	<u>(68,612)</u>	<u>(115,616)</u>	<u>73,691</u>
Other financing sources (uses):				
Proceeds from capital lease	-	340,799	-	340,799
Sales of equipment	260	-	-	260
Operating transfers in	-	-	88,887	88,887
Operating transfers out	-	(88,887)	-	(88,887)
Total other financing sources (uses)	<u>260</u>	<u>251,912</u>	<u>88,887</u>	<u>341,059</u>
Net change in fund balances	258,179	183,300	(26,729)	414,750
Fund balances beginning of year	<u>655,105</u>	<u>872,885</u>	<u>336,251</u>	<u>1,864,241</u>
Fund balances end of year	<u>913,284</u>	<u>1,056,185</u>	<u>309,522</u>	<u>2,278,991</u>

See notes to financial statements.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		414,750
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	745,888	
Depreciation expense	<u>(385,414)</u>	360,474
Income surtaxes and other revenues not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		(54,451)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		88,887
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		(7,305)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	(219,463)	
Compensated absences	(28,064)	
Other postemployment benefits	<u>36,124</u>	(211,403)
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		(340,799)
An internal service fund is used by the District's management to charge the costs of the health insurance premiums and health insurance deductible reimbursements to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		<u>(18,777)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>231,376</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2012

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Assets		
Cash and cash equivalents	46,202	260,242
Accounts receivable	8,172	9,381
Inventories	152,287	-
Capital assets, net of accumulated depreciation	40,524	-
	<u>247,185</u>	<u>269,623</u>
Total assets	<u>247,185</u>	<u>269,623</u>
Liabilities		
Accounts payable	536	192,948
Bank loan payable	15,000	-
Deferred revenue	4,847	-
	<u>20,383</u>	<u>192,948</u>
Total liabilities	<u>20,383</u>	<u>192,948</u>
Net assets		
Invested in capital assets	40,524	-
Unrestricted	186,278	76,675
	<u>226,802</u>	<u>76,675</u>
Total net assets	<u><u>226,802</u></u>	<u><u>76,675</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Nonmajor Enterprise Funds <u> </u> \$	Governmental Activities - Internal Service Fund <u> </u> \$
Operating revenue:		
Local sources:		
Charges for service	<u>248,914</u>	<u>1,136,567</u>
Operating expenses:		
Non-instructional programs:		
Salaries	160,625	-
Benefits	25,110	1,155,344
Supplies	231,209	-
Depreciation	5,695	-
Total operating expenses	<u>422,639</u>	<u>1,155,344</u>
Operating income (loss)	<u>(173,725)</u>	<u>(18,777)</u>
Non-operating revenues:		
State sources	4,226	-
Federal sources	176,648	-
Interest income	132	-
Total non-operating revenues	<u>181,006</u>	<u>-</u>
Change in net assets	7,281	(18,777)
Net assets beginning of year	<u>219,521</u>	<u>95,452</u>
Net assets end of year	<u><u>226,802</u></u>	<u><u>76,675</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2012

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	\$	\$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	244,529	-
Cash payments from services to other funds	-	1,135,253
Cash payments to employees for services	(185,735)	(1,148,208)
Cash payments to suppliers for goods or services	(343,268)	-
Net cash used by operating activities	<u>(284,474)</u>	<u>(12,955)</u>
Cash flows from non-capital financing activities:		
Loan from (repaid to) General Fund	(27,831)	-
State grants received	4,226	-
Federal grants received	150,335	-
Net cash provided by non-capital financing activities	<u>126,730</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Proceeds from (repayment of) bank loan	15,000	-
Acquisition of capital assets	(7,055)	-
Net cash provided by capital and related financing activities	<u>7,945</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	132	-
Net increase (decrease) in cash and cash equivalents	(149,667)	(12,955)
Cash and cash equivalents at beginning of year	195,869	273,197
Cash and cash equivalents at end of year	<u>46,202</u>	<u>260,242</u>
Reconciliation of operating income (loss) to net cash used by operating activities:		
Operating income (loss)	(173,725)	(18,777)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Commodities used	26,313	-
Depreciation	5,695	-
Decrease (increase) in inventories	(136,717)	-
Decrease (increase) in accounts receivable	(3,440)	(1,314)
(Decrease) increase in accounts payable	(1,655)	7,136
(Decrease) increase in deferred revenue	(945)	-
Net cash used by operating activities	<u>(284,474)</u>	<u>(12,955)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$26,313 of federal commodities.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2012

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	11,315
Liabilities	
	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>11,315</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2012

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	4,615
Interest	49
Total additions	<u>4,664</u>
Deductions:	
Support services:	
Scholarships awarded	<u>4,750</u>
Change in net assets	(86)
Net assets beginning of year	<u>11,401</u>
Net assets end of year	<u><u>11,315</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

The Garner-Hayfield Community School District Education Foundation has been included in the financial statements as required by Chapters 11.6 and 279.62 of the Code of Iowa. It is included as a discretely presented component unit. The Garner-Hayfield Community School District Education Foundation was established, by the District, for charitable, educational, and scientific purposes which benefit the Garner-Hayfield Community School District. Foundation financial statements are shown in the Statement of Net Assets and the Statement of Activities in separate columns.

Also, the All Sports Booster Club was established by the District during fiscal year 2007 under Chapter 279.62 of the Code of Iowa. As required by Chapter 11.6 of the Code of Iowa, the booster club has been audited as part of the District's annual audit and is blended as part of the Nonmajor Student Activity Fund.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District's had two proprietary enterprise funds during the year ended June 30, 2012. The School Nutrition Fund is used to account for the food service operations of the District. The Student Construction Fund is used to account for the proceeds from the sale of and the costs of the construction of a house.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 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 the lower of cost or market, using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received. Proprietary fund inventories include \$139,920 for a house constructed by students that is being held for resale.

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	3,000
Improvements other than buildings	3,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-50 years
Improvements other than buildings	20 years
Intangibles	3-10 years
Furniture and equipment	5-12 years

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for vacation and sick leave time that has been used. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Equity – In the governmental fund financial statements fund balances are classified as follows:

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

Unassigned – All amounts not included in other classifications.

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, support services and other expenditures functional areas exceeded the amounts budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust, which are valued at an amortized cost of \$27,637 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

3. Interfund Transfers

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

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Nonmajor Debt Service	Capital Projects Fund	88,887

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

4. Anticipatory Warrants

The District's nonmajor Enterprise, Student Construction Fund financed the construction of a house with a line of credit at a local bank. The interest rate on the loan was 2.95% and no interest was paid during the year. Transactions during the year were as follows:

<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
\$	\$	\$	\$
-	15,000	-	15,000

5. 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	48,803	-	-	48,803
Construction in progress	31,737	92,535	31,737	92,535
Total capital assets not being depr.	<u>80,540</u>	<u>92,535</u>	<u>31,737</u>	<u>141,338</u>
Capital assets being depreciated:				
Buildings	7,455,206	325,284	-	7,780,490
Improvements other than buildings	781,673	-	-	781,673
Furniture and equipment	1,336,795	359,806	-	1,696,601
Total capital assets being deprec.	<u>9,573,674</u>	<u>685,090</u>	<u>-</u>	<u>10,258,764</u>
Less accumulated depreciation for:				
Buildings	3,144,506	201,744	-	3,346,250
Improvements other than buildings	271,234	38,764	-	309,998
Furniture and equipment	995,730	144,906	-	1,140,636
Total accumulated depreciation	<u>4,411,470</u>	<u>385,414</u>	<u>-</u>	<u>4,796,884</u>
Total capital assets being depreciated, net	<u>5,162,204</u>	<u>299,676</u>	<u>-</u>	<u>5,461,880</u>
Governmental activities capital assets, net	<u>5,242,744</u>	<u>392,211</u>	<u>31,737</u>	<u>5,603,218</u>
Business type activities:				
Furniture and equipment	169,686	7,055	-	176,741
Less accumulated depreciation	<u>130,522</u>	<u>5,695</u>	<u>-</u>	<u>136,217</u>
Business type activities capital assets, net	<u>39,164</u>	<u>1,360</u>	<u>-</u>	<u>40,524</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	20,466
Other	2,191
Support services:	
Instructional support	91,424
Operation and maintenance of plant services	6,605
Transportation	24,220
	<u>144,906</u>
Unallocated depreciation	<u>240,508</u>
Total depreciation expense – governmental activities	<u>385,414</u>
Business type activities:	
Food services	<u>5,695</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Capital lease	-	340,799	88,887	251,912	81,582
Equipment loans	7,134	-	5,935	1,199	1,199
Termination benefits	224,301	309,947	90,484	443,764	130,821
Compensated absences	150,713	28,064	-	178,777	25,000
Net OPEB liability	36,124	-	36,124	-	-
Total	<u>418,272</u>	<u>678,810</u>	<u>221,430</u>	<u>875,652</u>	<u>238,602</u>

Termination Benefits

The District offered a voluntary early retirement plan to its employees in fiscal year 2012 and in several prior years. Eligible employees must be at least age fifty-five on or before July 1, in the calendar year in which early retirement commenced and must have 10 years of consecutive service.

Fiscal year 2012 early retirement benefits consist of the school paying up to \$40,000 of health insurance premiums per retiree.

At June 30, 2012, the District has obligations to 24 participants with a total liability of \$443,764. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$90,484.

Equipment Loans

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

Year Ending June 30,	Principal	Interest	Total
	\$	\$	\$
2013	1,199	17	1,216

Capital Leases

The District has leased computers under a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2012.

Year Ending June 30,	Amount
	\$
2013	88,887
2014	88,887
2015	88,887
Minimum Lease Payments	<u>266,661</u>
Less Amount Representing Interest	<u>14,749</u>
Present Value of Minimum Lease Payments	<u>251,912</u>

7. Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$368,289, \$307,219 and \$275,592 respectively, equal to the required contributions for each year.

8. Other Postemployment Benefits (OPEB)

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

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

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

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

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

	\$
Annual required contribution	248,000
Interest on net OPEB obligation	1,625
Adjustment to annual required contribution	<u>(1,377)</u>
Annual OPEB cost	248,248
Contributions made	<u>284,372</u>
Increase in net OPEB obligation	(36,124)
Net OPEB obligation beginning of year	<u>36,124</u>
Net OPEB obligation end of year	<u><u>-</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$284,372 to the medical plan. Plan members eligible for benefits contributed \$200,000, or 41% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u> %	<u>Net OPEB Obligation</u> \$
2010	248,000	93%	18,000
2011	248,124	93%	36,124
2012	248,248	115%	-

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 \$2,860,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,860,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,916,000, and the ratio of the UAAL to covered payroll was 73.0%. 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 health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

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

9. Risk Management

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

10. 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 \$305,633 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.

11. Construction and other Commitments

The District has entered into a \$93,196 contract for roof repairs. As of June 30, 2012 costs of \$45,593 had been incurred against the contract. The balances remaining at June 30, 2012 will be paid as work on the project progresses.

12. Lease Commitment

The District entered into a contract to lease copiers in fiscal year 2012. The payments the District will make over the next four years are as follows:

Year Ended June 30	Lease Payment
	\$
2013	10,512
2014	10,512
2015	10,512
2016	1,752

13. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

Program	Amount
	\$
Preschool	170,213
Mentoring	4,530
Gifted and talented	15,234
Returning dropout and dropout prevention program	193,218
Teacher salary supplement	12,128
Core curriculum	4,000
Educator quality, professional development	47,910
Market factor	4,699
	<u>451,932</u>

REQUIRED SUPPLEMENTARY INFORMATION

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2012

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	4,495,456	249,046	4,744,502	4,404,894	4,404,894	339,608
State sources	4,458,924	4,226	4,463,150	4,459,256	4,459,256	3,894
Federal sources	311,119	176,648	487,767	416,000	416,000	71,767
Total revenues	<u>9,265,499</u>	<u>429,920</u>	<u>9,695,419</u>	<u>9,280,150</u>	<u>9,280,150</u>	<u>415,269</u>
Expenditures/Expenses:						
Instruction	5,706,232	-	5,706,232	5,601,953	5,601,953	(104,279)
Support services	2,638,666	-	2,638,666	2,475,673	2,475,673	(162,993)
Non-instructional programs	-	422,639	422,639	615,000	615,000	192,361
Other expenditures	886,508	-	886,508	718,288	718,288	(168,220)
Total expenditures/expenses	<u>9,231,406</u>	<u>422,639</u>	<u>9,654,045</u>	<u>9,410,914</u>	<u>9,410,914</u>	<u>(243,131)</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	34,093	7,281	41,374	(130,764)	(130,764)	172,138
Other financing sources (uses) net	<u>341,059</u>	<u>-</u>	<u>341,059</u>	<u>-</u>	<u>-</u>	<u>341,059</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	375,152	7,281	382,433	(130,764)	(130,764)	513,197
Balance beginning of year	<u>1,864,241</u>	<u>219,521</u>	<u>2,083,762</u>	<u>2,328,853</u>	<u>2,328,853</u>	<u>(245,091)</u>
Balance end of year	<u>2,239,393</u>	<u>226,802</u>	<u>2,466,195</u>	<u>2,198,089</u>	<u>2,198,089</u>	<u>268,106</u>

GARNER-HAYFIELD 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 Internal Service, Private Purpose Trust, Agency Funds and blended component units. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

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

During the year ended June 30, 2012, expenditures in the instruction, support services and other expenditures functions exceeded the amounts budgeted.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	2,860,000	2,860,000	0.0%	3,574,000	80.0%
2011	July 1, 2009	-	2,860,000	2,860,000	0.0%	3,834,000	74.6%
2012	July 1, 2009	-	2,860,000	2,860,000	0.0%	3,916,000	73.0%

See Note 8 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

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2012

Assets	Special Revenue Funds				Total
	Management Levy	Student Activity	District Support Trust	Debt Service	
	\$	\$	\$	\$	
Cash and pooled investments	182,185	111,948	6,279	8,419	308,831
Receivables:					
Property tax:					
Delinquent	1,566	-	-	-	1,566
Succeeding year	150,000	-	-	-	150,000
Accounts	-	2,117	-	-	2,117
Total assets	333,751	114,065	6,279	8,419	462,514
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	-	2,960	32	-	2,992
Deferred revenue:					
Succeeding year property tax	150,000	-	-	-	150,000
Total liabilities	150,000	2,960	32	-	152,992
Fund balances:					
Restricted for:					
Debt service	-	-	-	8,419	8,419
Management levy	183,751	-	-	-	183,751
Student activities	-	111,105	6,247	-	117,352
Total fund balances	183,751	111,105	6,247	8,419	309,522
Total liabilities and fund balances	333,751	114,065	6,279	8,419	462,514

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Special Revenue Funds				Total
	Management	Student	District	Debt	
	Levy	Activity	Support	Service	
	\$	\$	Trust	\$	\$
Revenues:					
Local sources:					
Local tax	149,076	-	-	-	149,076
Other	7,519	474,578	1,135	8	483,240
State sources	1,366	-	-	-	1,366
Total revenues	<u>157,961</u>	<u>474,578</u>	<u>1,135</u>	<u>8</u>	<u>633,682</u>
Expenditures:					
Current:					
Instruction:					
Regular	109,142	-	2,321	-	111,463
Other	-	475,232	-	-	475,232
Support services:					
Administration	27,888	-	-	-	27,888
Operation and maintenance of plant	31,525	-	-	-	31,525
Transportation	14,303	-	-	-	14,303
Other expenditures:					
Long-term debt:					
Principal	-	-	-	88,887	88,887
Total expenditures	<u>182,858</u>	<u>475,232</u>	<u>2,321</u>	<u>88,887</u>	<u>749,298</u>
Excess (deficiency) of revenues over (under) expenditures	(24,897)	(654)	(1,186)	(88,879)	(115,616)
Other financing sources (uses):					
Operating transfers in	-	-	-	88,887	88,887
Net change in fund balance	(24,897)	(654)	(1,186)	8	(26,729)
Fund balances beginning of year	208,648	111,759	7,433	8,411	336,251
Fund balances end of year	<u>183,751</u>	<u>111,105</u>	<u>6,247</u>	<u>8,419</u>	<u>309,522</u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2012

	Enterprise Funds		
	School Nutrition	Student Construction	Total Nonmajor Funds
	\$	\$	\$
Assets			
Cash and cash equivalents	45,655	547	46,202
Accounts receivable	8,172	-	8,172
Inventories	12,367	139,920	152,287
Capital assets, net of accumulated depreciation	40,524	-	40,524
Total assets	<u>106,718</u>	<u>140,467</u>	<u>247,185</u>
Liabilities			
Accounts payable	144	392	536
Bank loan payable	-	15,000	15,000
Deferred revenue	4,847	-	4,847
Total liabilities	<u>4,991</u>	<u>15,392</u>	<u>20,383</u>
Net assets			
Invested in capital assets	40,524	-	40,524
Unrestricted	61,203	125,075	186,278
Total net assets	<u>101,727</u>	<u>125,075</u>	<u>226,802</u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Enterprise Funds		
	School Nutrition	Student Construction	Total Nonmajor
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	248,914	-	248,914
Operating expenses:			
Non-instructional programs:			
Salaries	160,625	-	160,625
Benefits	25,110	-	25,110
Supplies	231,209	-	231,209
Depreciation	5,695	-	5,695
Total operating expenses	422,639	-	422,639
Operating income (loss)	(173,725)	-	(173,725)
Non-operating revenues:			
State sources	4,226	-	4,226
Federal sources	176,648	-	176,648
Interest income	132	-	132
Total non-operating revenues	181,006	-	181,006
Change in net assets	7,281	-	7,281
Net assets beginning of year	94,446	125,075	219,521
Net assets end of year	101,727	125,075	226,802

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2012

	Enterprise Funds		
	School Nutrition	Student Construction	Total Nonmajor Funds
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	244,529	-	244,529
Cash payments to employees for services	(185,735)	-	(185,735)
Cash payments to suppliers for goods or services	(201,549)	(141,719)	(343,268)
Net cash used by operating activities	<u>(142,755)</u>	<u>(141,719)</u>	<u>(284,474)</u>
Cash flows from non-capital financing activities:			
Loan from (repaid to) General Fund	(27,831)	-	(27,831)
State grants received	4,226	-	4,226
Federal grants received	150,335	-	150,335
Net cash provided by non-capital financing activities	<u>126,730</u>	<u>-</u>	<u>126,730</u>
Cash flows from capital and related financing activities:			
Proceeds from (repayment of) bank loan	-	15,000	15,000
Acquisition of capital assets	(7,055)	-	(7,055)
Net cash (used) provided by capital and related financing activities	<u>(7,055)</u>	<u>15,000</u>	<u>7,945</u>
Cash flows from investing activities:			
Interest on investments	132	-	132
Net increase (decrease) in cash and cash equivalents	(22,948)	(126,719)	(149,667)
Cash and cash equivalents at beginning of year	68,603	127,266	195,869
Cash and cash equivalents at end of year	<u>45,655</u>	<u>547</u>	<u>46,202</u>
Reconciliation of operating income (loss) to net cash (used) provided by operating activities:			
Operating income (loss)	(173,725)	-	(173,725)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Commodities used	26,313	-	26,313
Depreciation	5,695	-	5,695
Decrease (increase) in inventories	3,203	(139,920)	(136,717)
Decrease (increase) in accounts receivable	(3,440)	-	(3,440)
(Decrease) increase in accounts payable	144	(1,799)	(1,655)
(Decrease) increase in deferred revenue	(945)	-	(945)
Net cash used by operating activities	<u>(142,755)</u>	<u>(141,719)</u>	<u>(284,474)</u>

See accompanying independent auditor's report.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Combing 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	971,362	36,488	1,007,850
Receivables:			
Property tax:			
Delinquent	-	1,320	1,320
Succeeding year	-	131,326	131,326
Due from other governments	107,938	89,191	197,129
Total assets	<u>1,079,300</u>	<u>258,325</u>	<u>1,337,625</u>
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	60,923	-	60,923
Deferred revenue:			
Succeeding year property tax	-	131,326	131,326
Income surtax	-	89,191	89,191
Total liabilities	<u>60,923</u>	<u>220,517</u>	<u>281,440</u>
Fund balances:			
Restricted for:			
School infrastructure	1,018,377	-	1,018,377
Physical plant and equipment	-	37,808	37,808
Total fund balances	<u>1,018,377</u>	<u>37,808</u>	<u>1,056,185</u>
Total liabilities and fund balances	<u>1,079,300</u>	<u>258,325</u>	<u>1,337,625</u>

GARNER-HAYFIELD 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	583,062	220,084	803,146
Other	1,232	6,371	7,603
State sources	-	1,140	1,140
Federal sources	-	25,000	25,000
Total revenues	<u>584,294</u>	<u>252,595</u>	<u>836,889</u>
Expenditures:			
Current:			
Support services:			
Instructional staff services	-	413,513	413,513
Other expenditures:			
Facilities acquisition	338,106	153,882	491,988
Total expenditures	<u>338,106</u>	<u>567,395</u>	<u>905,501</u>
Excess (deficiency) of revenues over (under) expenditures	<u>246,188</u>	<u>(314,800)</u>	<u>(68,612)</u>
Other financing sources (uses):			
Proceeds from capital lease	-	340,799	340,799
Operating transfers out	(88,887)	-	(88,887)
Total other financing sources (uses)	<u>(88,887)</u>	<u>340,799</u>	<u>251,912</u>
Net change in fund balance	157,301	25,999	183,300
Fund balances beginning of year	<u>861,076</u>	<u>11,809</u>	<u>872,885</u>
Fund balance end of year	<u><u>1,018,377</u></u>	<u><u>37,808</u></u>	<u><u>1,056,185</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Athletics	(2,953)	63,781	75,990	(840)	(16,002)
Athletic towel service	5,194	6,916	11,561	848	1,397
HS boys track	1,933	1,901	2,261	(473)	1,100
HS girls golf	1,038	249	609	-	678
HS wrestling	1,021	-	275	(300)	446
Girls basketball	2,849	9,041	10,675	-	1,215
HS boys basketball	1,700	376	4,056	2,542	562
Girls volleyball	2,527	3,736	2,992	-	3,271
Football	868	4,233	5,919	1,104	286
Girls track	771	-	606	-	165
HS baseball	(388)	302	639	37	(688)
HS boys golf	258	92	375	-	(25)
Softball	2,133	1,608	3,551	-	190
Cross country	1,402	1,871	3,605	509	177
Weight room	1,000	-	983	-	17
Middle school athletics	2,546	199	1,266	-	1,479
Athletic uniforms	3,410	-	11,458	1,647	(6,401)
Coach's apparel	1,854	-	1,371	(505)	(22)
MS coach's apparel	(129)	-	136	436	171
Soccer	750	20	441	-	329
Cheerleading fund	(691)	3,639	2,867	1,232	1,313
Pep club	650	-	-	-	650
Student council	2,193	3,847	3,070	-	2,970
Jr. Hi. student council	7,837	8,628	13,403	-	3,062
Curtain club	5	-	-	-	5
Peer helper association	388	1,338	975	-	751
Que pasa	877	-	-	-	877
Class of 2004	920	-	-	-	920
Class of 2005	1,110	-	-	(1,110)	-
Class of 2006	266	-	-	(122)	144
Class of 2007	342	-	-	-	342
Class of 2008	101	-	-	-	101
Class of 2010	544	-	284	-	260
Class of 2011	1,118	-	1,349	-	(231)
Class of 2012	1,951	2,720	1,901	-	2,770
Class of 2013	2,601	2,126	3,432	2,000	3,295
Class of 2014	-	18	-	-	18
Investments	11,241	112	-	-	11,353
N.O.W. interest	13,398	327	-	(25)	13,700
FFA	1,092	39,306	38,489	(100)	1,809

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
FCCLA	2,122	1,920	1,857	-	2,185
National Honor Society	477	548	1,269	-	(244)
Retail marketing	685	-	-	-	685
NCIBA honor band	16	-	-	-	16
Band trip	585	-	-	-	585
Flag & rifle	963	2,878	3,126	-	715
HS solo & ensemble contest	1,866	2,347	2,017	-	2,196
Jr. Hi. solo & ens. contest	(96)	-	-	-	(96)
Impulse dance club	(135)	2,853	2,639	-	79
Annual	428	6,751	6,925	-	254
MS annual	599	1,035	617	-	1,017
HS concessions	1,215	-	14	-	1,201
K-8 concessions	(860)	1,680	1,585	-	(765)
Speech & drama	16,648	5,171	6,487	-	15,332
Musical productions	3,896	-	1,600	-	2,296
PSAT testing	148	450	457	-	141
Video yearbook	698	-	-	-	698
Washington DC trip	9,577	146,649	145,199	-	11,027
Sports Boosters Blended Component Unit	9,454	143,793	104,195	(6,880)	42,172
June 30, 2012 accruals	-	2,117	2,960	-	(843)
June 30, 2011 accruals	(10,254)	-	(10,254)	-	-
Total	111,759	474,578	475,232	-	111,105

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

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

For the Last Nine Years

	Modified Accrual Basis								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:									
Local sources:									
Local tax	3,120,687	3,410,793	3,156,335	2,916,015	3,136,980	2,932,241	2,650,276	2,412,741	2,459,892
Tuition	811,293	629,391	507,394	514,318	541,096	559,543	466,075	523,800	559,121
Other	707,269	702,575	558,589	756,176	588,427	503,640	443,198	349,782	359,797
State sources	4,458,924	3,942,013	3,484,311	4,037,150	4,026,531	3,681,329	3,646,422	3,579,099	3,138,599
Federal sources	311,119	511,337	726,769	183,449	178,780	198,829	173,573	116,954	103,229
Total revenues	<u>9,409,292</u>	<u>9,196,109</u>	<u>8,433,398</u>	<u>8,407,108</u>	<u>8,471,814</u>	<u>7,875,582</u>	<u>7,379,544</u>	<u>6,982,376</u>	<u>6,620,638</u>
Expenditures:									
Instruction:									
Regular	3,501,592	3,443,140	3,140,202	3,316,379	3,155,814	2,967,579	2,849,038	3,067,644	2,849,646
Special	852,786	923,119	793,146	927,512	906,536	786,133	809,777	769,429	779,172
Other	1,456,049	1,411,726	1,232,549	1,104,618	1,122,800	1,003,514	903,305	782,127	770,275
Support services:									
Student	461,197	380,744	357,455	401,811	284,844	272,471	246,198	116,368	98,749
Instructional staff	506,661	109,069	101,943	143,993	113,639	88,734	86,194	63,959	103,534
Administration	771,232	658,468	614,114	678,584	645,190	811,925	728,692	662,677	621,615
Operation and maintenance	665,560	700,890	685,471	647,492	663,853	625,808	710,105	708,915	589,586
Transportation	234,016	282,548	220,630	181,881	206,869	234,521	172,865	181,687	158,696
Other expenditures:									
Facilities acquisition	491,988	444,831	666,399	399,762	600,991	204,914	173,524	321,837	165,657
Long-term debt:									
Principal	88,887	272,468	260,239	249,984	243,741	333,089	324,565	289,992	180,092
Interest and other charges	-	12,682	24,176	33,231	41,672	52,874	63,180	67,942	67,607
AEA flowthrough	305,633	325,748	316,862	271,295	266,662	248,462	238,664	230,357	225,158
Total expenditures	<u>9,335,601</u>	<u>8,965,433</u>	<u>8,413,186</u>	<u>8,356,542</u>	<u>8,252,611</u>	<u>7,630,024</u>	<u>7,306,107</u>	<u>7,262,934</u>	<u>6,609,787</u>

See accompanying independent auditor's report.

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Garner-Hayfield Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 13, 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 Garner-Hayfield Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Garner-Hayfield Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Garner-Hayfield Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Garner-Hayfield Community School District's internal control over financial reporting.

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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.

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

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

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

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

February 13, 2013

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

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

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

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

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

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

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

12-II-A Certified Budget: Expenditures for the year ended June 30, 2012 exceeded the amount budgeted in the instruction, support services and other expenditures functions.

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

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

Conclusion: Response accepted.

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

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

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>
David Zrostlik, school board member and board member of local bank	School banking

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

District Response: We will consult with our attorney.

Conclusion: Response accepted.

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

12-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board. When Iowa school districts hold closed meetings the minutes must document that the session was closed by an affirmative roll call vote of at least two-thirds of the members and must document the specific exemption under Chapter 21.5 of the Code of Iowa that allows holding a closed meeting. We noted that these items were not documented in the school board meeting minutes

Recommendation: The district should document the above items in the minutes.

District Response: We will begin to document the above items.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

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

Conclusion: Response accepted.

12-II-G Certified Enrollment: The number of resident students reported to the Iowa Department of Education at October 2011, was understated by one student.

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

District Response: We have contacted these departments.

Conclusion: Response accepted.

12-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.

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

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

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

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

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

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

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

	\$	\$
Beginning balance		861,076
Revenues/transfers in:		
Statewide sales, services and use tax revenue	583,062	
Interest	1,232	584,294
	<hr/>	
Expenditures/transfers out:		
School infrastructure construction	329,144	
Equipment	8,962	
Transfers to debt service fund	88,887	426,993
	<hr/>	<hr/>
Ending balance		<u>1,018,377</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.

12-II-M Old Outstanding Checks: We noted that the District's bank reconciliations included approximately \$1,400 of old outstanding checks. Iowa Code Section 566 specifies that holders unclaimed property, which includes outstanding checks, must file a report with and send the unclaimed property to the Treasurer of Iowa.

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

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

Conclusion: Response accepted.

12-II-N Fees Charged: A Iowa Department of Education declaratory order limits fees that schools may charge to the following: textbooks, school supplies, eye protective devices, ear protective devices, summer school courses, driver education courses and discretionary transportation. We noted that the District is charging a basic fee, a graduation fee and a non-refundable computer deposit fee.

Recommendation: The District should review the fees it charges with its attorney to ensure compliance.

District Response: We will review our fees and make any necessary changes to be in compliance with the Code of Iowa.

Conclusion: Response accepted.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2012

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

12-II-O Deficit Balances: The Student Activity Fund has several accounts with deficit balances at June 30, 2012.

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

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

Conclusion: Response accepted.