

GMG 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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Independent Auditor's Report

To the Board of Education of
GMG Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of GMG Community School District, Garwin, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of GMG Community School District as of 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 reports dated June 14, 2013, on our consideration of GMG Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract 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 12 and 41 through 43 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 GMG Community School District's basic financial statements. The financial statements for the eight years ended June 30, 2011, (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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

June 14, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

GMG 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 decreased from \$4,681,821 in fiscal 2011 to \$4,510,123 in fiscal 2012, while General Fund expenditures decreased from \$4,753,189 in fiscal 2011 to \$4,564,763 in fiscal 2012. The District's General Fund balance increased from \$716,626 in fiscal 2011 to \$716,916 in fiscal 2012, a less than 1% increase.

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 GMG 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 GMG 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 GMG 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.

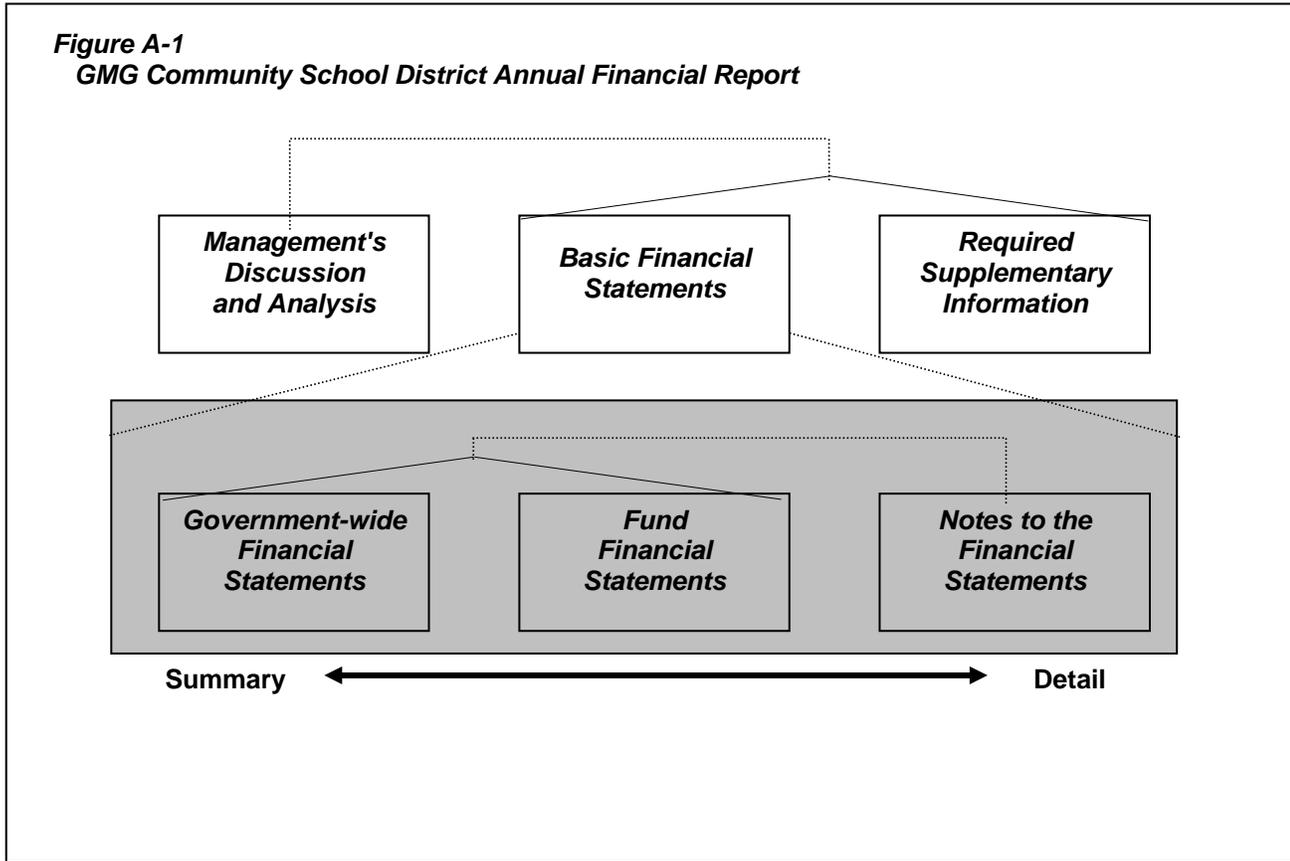


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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	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.

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, 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 one Enterprise Fund, the School Nutrition Fund.

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

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

- Agency Funds – These are funds through which the District administers and accounts for certain monies behalf of other entities.

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	4,022,126	4,121,239	22,956	41,943	4,045,082	4,163,182	3%
Capital assets	8,207,248	7,884,454	25,649	34,174	8,232,897	7,918,628	-4%
Total assets	12,229,374	12,005,693	48,605	76,117	12,277,979	12,081,810	-2%
Long-term liabilities	6,576,621	6,321,222	-	1,826	6,576,621	6,323,048	-4%
Other liabilities	2,335,920	2,472,324	11,260	19,573	2,347,180	2,491,897	6%
Total liabilities	8,912,541	8,793,546	11,260	21,399	8,923,801	8,814,945	-1%
Net Assets:							
Invested in capital assets, net of related debt	1,852,248	1,650,712	25,649	34,174	1,877,897	1,684,886	-10%
Restricted	848,401	774,877	-	-	848,401	774,877	-9%
Unrestricted	616,184	786,558	11,696	20,544	627,880	807,102	29%
TOTAL NET ASSETS	3,316,833	3,212,147	37,345	54,718	3,354,178	3,266,865	-3%

The District's combined total net assets decreased 3%, or \$87,313, 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.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$73,524 or 9% over the prior year.

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 – increased \$179,222, or 29%.

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 2011-2012 %
	Governmental Activities		Business-type Activities		Total School District		
	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	
Revenues							
Program Revenues:							
Charges for services	1,108,131	1,208,975	118,474	110,066	1,226,605	1,319,041	8%
Operating grants & contributions	902,466	598,462	114,184	120,580	1,016,650	719,042	-29%
Capital grants & contributions	-	-	-	-	-	-	-
General Revenues:							
Property taxes	1,673,407	1,824,377	-	-	1,673,407	1,824,377	9%
Income surtax	157,308	169,367	-	-	157,308	169,367	8%
Statewide sales, service & use tax	236,787	249,781	-	-	236,787	249,781	5%
Unrestricted state grants	1,286,401	1,254,040	-	-	1,286,401	1,254,040	-3%
Unrestricted investment earnings	9,816	7,708	-	34	9,816	7,742	-21%
Other revenue	176,985	61,535	-	-	176,985	61,535	-65%
Total Revenues	5,551,301	5,374,245	232,658	230,680	5,783,959	5,604,925	-3%
Expenses:							
Instruction	3,263,546	3,313,255	-	-	3,263,546	3,313,255	2%
Support services	1,163,789	1,514,414	-	-	1,163,789	1,514,414	30%
Non-instructional programs	-	-	246,172	231,824	246,172	231,824	-6%
Other expenditures	746,209	684,967	-	-	746,209	684,967	-8%
Total expenses	5,173,544	5,512,636	246,172	231,824	5,419,716	5,744,460	6%
Change in net assets before transfers	377,757	(138,391)	(13,514)	(1,144)	364,243	(139,535)	-138%
Transfers	-	(18,517)	-	18,517	-	-	-
CHANGE IN NET ASSETS	377,757	(156,908)	(13,514)	17,373	364,243	(139,535)	-138%
Net assets beginning of year, as restated	2,939,076	3,369,055	50,859	37,345	2,989,935	3,406,400	14%
Net assets end of year	3,316,833	3,212,147	37,345	54,718	3,354,178	3,266,865	-3%

In fiscal year 2012 property tax and unrestricted state grants account for 55% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 84% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 3% decrease in revenues and a 6% increase in expenses. Property tax increased \$150,970 to fund increases in expenses. The increases in expenses related to increases in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$5,374,245 and expenses were \$5,512,636. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2011	2012	Percent Change 2011-2012	2011	2012	Percent Change 2011-2012
	\$	\$	%	\$	\$	%
Instruction	3,263,546	3,313,255	2%	1,417,540	1,643,256	16%
Support Services	1,163,789	1,514,414	30%	1,154,740	1,514,414	31%
Other Expenses	746,209	684,967	-8%	590,667	547,529	-7%
TOTAL	5,173,544	5,512,636	7%	3,162,947	3,705,199	17%

For the year ended June 30, 2012

- The cost financed by users of the District's programs was \$1,208,975. 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 \$598,462.
- The net cost of governmental activities was financed with \$2,243,525 in property and local other taxes and \$1,254,040 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$230,680 and expenses were \$231,824. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,534,032, below last year's ending fund balances of \$1,690,400.

Governmental Fund Highlights

- The General Fund balance increased from \$716,626 to \$716,916.
- The Capital Projects Fund balance decreased from \$705,875 to \$602,000.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$37,345 at June 30, 2011 to \$54,718 at June 30, 2012, representing an increase of approximately 47%.

BUDGETARY HIGHLIGHTS

Over the course of the year, GMG Community School District amended its annual budget one time to reflect additional revenue and expenditures associated with the elementary building capital project activity.

The District's receipts were \$13,353 less than budgeted receipts, a variance of less than 1%.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services, non-instruction programs and other expenditures functional areas due to lack of knowledge of unexpected expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$7.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 4% 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 \$332,786.

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	54,500	54,500	-	-	54,500	54,500	0%
Buildings	7,611,718	7,437,135	-	-	7,611,718	7,437,135	-2%
Equipment & furniture	541,030	392,819	25,649	8,525	566,679	401,344	-29%
TOTAL	8,207,248	7,884,454	25,649	8,525	8,232,897	7,892,979	-4%

Long-Term Debt

At June 30, 2012 the District had \$6,323,048 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of 5% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

In fiscal year 2011, the District borrowed almost \$200,000 for the purchase of laptop computers for the students.

In fiscal year 2010, the District borrowed \$300,000 from the USDA to assist in completing the construction of an addition to the existing high school.

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

	Total School District		Percentage Change
	2011	2012	2011-2012
	\$	\$	%
Governmental activities:			
General obligation bonds	4,500,000	4,285,000	-5%
Revenue bonds	1,655,000	1,600,000	-3%
USDA Rural Econ. Devel. Loan	255,000	225,000	-12%
Capital leases	173,240	123,742	-29%
Termination benefits	-	16,584	100%
Net OPEB liability	48,381	70,896	47%
Business type activities:			
Net OPEB liability	-	1,826	100%
	6,631,621	6,323,048	-5%

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:

- Statewide sales, services and use tax is being used for keeping the district transportation fleet updated, updating technology, and updating buildings.
- The District has experienced increasing open enrollment in over the past several years. Enrollment history since 1994 shows a significant increase from 54.2 in 1994-1995 to 166 in 2011-2012.
- Health insurance continues to be a very costly item to the District. The district will look into increasing deductibles to control the cost of premiums in the future. GMG is much better off than several other districts in the fact that employees working 30 hours or more a week already receive insurance. The impact of the Health Care Act is much less than it could be.

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 Deb Stahl, District Secretary/Treasurer and Business Manager, GMG Community School District, 306 Park Street, Garwin, Iowa, 50632.

BASIC FINANCIAL STATEMENTS

GMG COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
Other	1,749,963	27,179	1,777,142
Receivables:			
Property tax:			
Delinquent	16,584	-	16,584
Succeeding year	1,927,264	-	1,927,264
Accounts receivable	-	3,470	3,470
Due from other governments	427,428	-	427,428
Inventories	-	11,294	11,294
Capital assets, net of accumulated depreciation	7,884,454	34,174	7,918,628
Total assets	12,005,693	76,117	12,081,810
Liabilities			
Accounts payable	54,855	-	54,855
Salaries and benefits payable	440,261	14,670	454,931
Accrued interest payable	49,944	-	49,944
Deferred revenue:			
Succeeding year property tax	1,927,264	-	1,927,264
Other	-	4,903	4,903
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	225,000	-	225,000
Revenue bonds payable	60,000	-	60,000
USDA rural economic development loan	30,000	-	30,000
Capital leases	49,498	-	49,498
Termination benefits	7,507	-	7,507
Portion due after one year:			
Bond premiums			
General obligation bonds payable	4,060,000	-	4,060,000
Revenue bonds payable	1,540,000	-	1,540,000
USDA rural economic development loan	195,000	-	195,000
Capital leases	74,244	-	74,244
Termination benefits	9,077	-	9,077
Net OPEB liability	70,896	1,826	72,722
Total liabilities	8,793,546	21,399	8,814,945

GMG COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Net assets			
Invested in capital assets, net of related debt	1,650,712	34,174	1,684,886
Restricted for:			
Categorical funding	24,289	-	24,289
Management levy	30,832	-	30,832
Student activities	59,057	-	59,057
School infrastructure	457,380	-	457,380
Debt service	203,319	-	203,319
Unrestricted	<u>786,558</u>	<u>20,544</u>	<u>807,102</u>
Total net assets	<u><u>3,212,147</u></u>	<u><u>54,718</u></u>	<u><u>3,266,865</u></u>

GMG COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,131,875	849,268	330,561	-
Special	474,744	257,848	17,513	-
Other	706,636	101,859	112,950	-
	<u>3,313,255</u>	<u>1,208,975</u>	<u>461,024</u>	<u>-</u>
Support services:				
Student	63,891	-	-	-
Instructional staff	185,482	-	-	-
Administration	531,848	-	-	-
Operation and maintenance of plant	428,578	-	-	-
Transportation	304,615	-	-	-
	<u>1,514,414</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	127,574	-	-	-
Long-term debt interest	245,372	-	-	-
AEA flowthrough	137,438	-	137,438	-
Depreciation (unallocated)*	174,583	-	-	-
	<u>684,967</u>	<u>-</u>	<u>137,438</u>	<u>-</u>
Total governmental activities	5,512,636	1,208,975	598,462	-
Business type activities:				
Non-instructional programs:				
Food service operations	231,824	110,066	120,580	-
Total	<u>5,744,460</u>	<u>1,319,041</u>	<u>719,042</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				

Change in net assets

Net assets beginning of year, as restated

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$	\$	\$
(952,046)	-	(952,046)
(199,383)	-	(199,383)
(491,827)	-	(491,827)
<u>(1,643,256)</u>	<u>-</u>	<u>(1,643,256)</u>
(63,891)	-	(63,891)
(185,482)	-	(185,482)
(531,848)	-	(531,848)
(428,578)	-	(428,578)
(304,615)	-	(304,615)
<u>(1,514,414)</u>	<u>-</u>	<u>(1,514,414)</u>
(127,574)	-	(127,574)
(245,372)	-	(245,372)
-	-	-
(174,583)	-	(174,583)
<u>(547,529)</u>	<u>-</u>	<u>(547,529)</u>
(3,705,199)	-	(3,705,199)
<u>-</u>	<u>(1,178)</u>	<u>(1,178)</u>
<u>(3,705,199)</u>	<u>(1,178)</u>	<u>(3,706,377)</u>
1,435,177	-	1,435,177
389,200	-	389,200
169,367	-	169,367
249,781	-	249,781
1,254,040	-	1,254,040
7,708	34	7,742
61,535	-	61,535
3,566,808	34	3,566,842
(18,517)	18,517	-
3,548,291	18,551	3,566,842
(156,908)	17,373	(139,535)
3,369,055	37,345	3,406,400
<u>3,212,147</u>	<u>54,718</u>	<u>3,266,865</u>

GMG COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2012

	General	Capital Projects	Debt Service	Nonmajor	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	1,034,386	511,057	105,107	99,413	1,749,963
Receivables:					
Property tax:					
Delinquent	12,593	-	3,536	455	16,584
Succeeding year	1,254,809	120,688	391,766	160,001	1,927,264
Interfund receivable	-	-	-	6,605	6,605
Due from other governments	336,485	90,943	-	-	427,428
Total assets	<u>2,638,273</u>	<u>722,688</u>	<u>500,409</u>	<u>266,474</u>	<u>4,127,844</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	54,855	-	-	-	54,855
Salaries and benefits payable	440,261	-	-	-	440,261
Interfund payable	6,605	-	-	-	6,605
Deferred revenue:					
Succeeding year property tax	1,254,809	120,688	391,766	160,001	1,927,264
Income surtax	164,827	-	-	-	164,827
Total liabilities	<u>1,921,357</u>	<u>120,688</u>	<u>391,766</u>	<u>160,001</u>	<u>2,593,812</u>
Fund balances:					
Restricted for:					
Categorical funding	24,289	-	-	-	24,289
Debt service	-	144,620	108,643	-	253,263
Management levy	-	-	-	47,416	47,416
Student activities	-	-	-	59,057	59,057
School infrastructure	-	457,380	-	-	457,380
Unassigned	692,627	-	-	-	692,627
Total fund balances	<u>716,916</u>	<u>602,000</u>	<u>108,643</u>	<u>106,473</u>	<u>1,534,032</u>
Total liabilities and fund balances	<u>2,638,273</u>	<u>722,688</u>	<u>500,409</u>	<u>266,474</u>	<u>4,127,844</u>

GMG 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)	1,534,032
<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.	7,884,454
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	164,827
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.	(49,944)
Long-term liabilities, including bonds payable, notes payable, capital leases payable, termination benefits, and other post employment benefits payable, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(6,321,222)</u>
Net assets of governmental activities (Exhibit A)	<u><u>3,212,147</u></u>

GMG COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	General	Capital Projects	Debt Service	Nonmajor	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,544,187	249,781	389,200	50,051	2,233,219
Tuition	1,039,039	-	-	-	1,039,039
Other	79,165	350	781	108,627	188,923
State sources	1,738,649	-	85	11	1,738,745
Federal sources	109,083	-	-	-	109,083
Total revenues	<u>4,510,123</u>	<u>250,131</u>	<u>390,066</u>	<u>158,689</u>	<u>5,309,009</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,935,455	-	-	74,303	2,009,758
Special	472,310	-	-	-	472,310
Other	606,738	-	-	99,289	706,027
	<u>3,014,503</u>	<u>-</u>	<u>-</u>	<u>173,592</u>	<u>3,188,095</u>
Support services:					
Student	63,891	-	-	-	63,891
Instructional staff	183,656	-	-	-	183,656
Administration	524,575	-	-	4,224	528,799
Operation and maintenance of plant	401,371	-	-	25,990	427,361
Transportation	239,329	-	-	9,228	248,557
	<u>1,412,822</u>	<u>-</u>	<u>-</u>	<u>39,442</u>	<u>1,452,264</u>
Other expenditures:					
Facilities acquisition	-	146,091	-	-	146,091
Long-term debt:					
Principal	-	-	349,498	-	349,498
Interest and fiscal charges	-	-	246,921	-	246,921
AEA flowthrough	137,438	-	-	-	137,438
	<u>137,438</u>	<u>146,091</u>	<u>596,419</u>	<u>-</u>	<u>879,948</u>
Total expenditures	<u>4,564,763</u>	<u>146,091</u>	<u>596,419</u>	<u>213,034</u>	<u>5,520,307</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(54,640)</u>	<u>104,040</u>	<u>(206,353)</u>	<u>(54,345)</u>	<u>(211,298)</u>

GMG COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	General	Capital Projects	Debt Service	Nonmajor	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Compensation for loss of fixed assets	54,930	-	-	-	54,930
Operating transfers in	-	-	207,915	-	207,915
Operating transfers out	-	(207,915)	-	-	(207,915)
Total other financing sources (uses)	<u>54,930</u>	<u>(207,915)</u>	<u>207,915</u>	<u>-</u>	<u>54,930</u>
Net change in fund balances	290	(103,875)	1,562	(54,345)	(156,368)
Fund balances beginning of year, as restated	<u>716,626</u>	<u>705,875</u>	<u>107,081</u>	<u>160,818</u>	<u>1,690,400</u>
Fund balances end of year	<u><u>716,916</u></u>	<u><u>602,000</u></u>	<u><u>108,643</u></u>	<u><u>106,473</u></u>	<u><u>1,534,032</u></u>

GMG 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)		(156,368)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
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	-	
Depreciation expense	<u>(322,794)</u>	(322,794)
Income surtaxes and receivables 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.		10,306
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.		349,498
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.		1,549
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	(16,584)	
Other postemployment benefits	<u>(22,515)</u>	<u>(39,099)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>(156,908)</u></u>

GMG COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2012

	Nonmajor School Nutrition <u> </u> \$
Assets	
Cash and cash equivalents	27,179
Accounts receivable	3,470
Inventories	11,294
Capital assets, net of accumulated depreciation	<u>34,174</u>
Total assets	<u>76,117</u>
Liabilities	
Salaries and benefits payable	14,670
Deferred revenue	4,903
Net OPEB liability	<u>1,826</u>
Total liabilities	<u>21,399</u>
Net assets	
Invested in capital assets	34,174
Unrestricted	<u>20,544</u>
Total net assets	<u><u>54,718</u></u>

GMG COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>110,066</u>
Operating expenses:	
Non-instructional programs:	
Salaries	65,561
Benefits	32,047
Supplies	123,920
Depreciation	9,992
Other	304
Total operating expenses	<u>231,824</u>
Operating income (loss)	<u>(121,758)</u>
Non-operating revenue:	
State sources	2,448
Federal sources	118,132
Interest income	34
Total non-operating revenue	<u>120,614</u>
Income (loss) before contributions	(1,144)
Capital contributions	<u>18,517</u>
Change in net assets	17,373
Net assets beginning of year	<u>37,345</u>
Net assets end of year	<u><u>54,718</u></u>

GMG COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2012

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	111,178
Cash payments to employees for services	(92,051)
Cash payments to suppliers for goods or services	(112,579)
Net cash used by operating activities	<u>(93,452)</u>
Cash flows from non-capital financing activities:	
State grants received	2,448
Federal grants received	103,026
Net cash provided by non-capital financing activities	<u>105,474</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>34</u>
Net increase (decrease) in cash and cash equivalents	12,056
Cash and cash equivalents at beginning of year	<u>15,123</u>
Cash and cash equivalents at end of year	<u><u>27,179</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(121,758)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	15,106
Depreciation	9,992
Decrease (increase) in inventories	(3,461)
Decrease (increase) in accounts receivable	(3,470)
(Decrease) increase in salaries and benefits payable	3,731
(Decrease) increase in deferred revenue	4,582
(Decrease) increase in other postemployment benefits	1,826
Net cash used by operating activities	<u><u>(93,452)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$15,106 of federal commodities.

During the year ended June 30, 2012 the School Nutrition Fund received \$18,517 of equipment that had been purchased by other funds.

GMG COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2012

	<u>Agency</u>
	\$
Assets	
Cash and pooled investments	2,627
Land	<u>111,650</u>
Total Assets	<u>114,277</u>
Liabilities	
Other payables	<u>114,277</u>
Net Assets	<u><u>-</u></u>

GMG COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2012

1. Summary of Significant Accounting Policies

GMG Community School District is a political subdivision of the State of Iowa and provides public education for children in grades kindergarten through twelve. The geographic area served includes the Cities of Garwin and Green Mountain, Iowa and the predominately agricultural territory in a portion of Marshall and Tama Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instruction, 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 Debt Service Fund is utilized to account for the payment of interest and principal on the District's long-term debt.

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

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 Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

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

The District maintains its financial records 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 balance sheet:

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

Capital Assets – Capital assets, which include property, furniture, 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	1,000
Buildings	10,000
Improvements other than buildings	10,000
Intangibles	50,000
Furniture and equipment:	
School Nutrition Fund equipment	2,000
Other furniture and equipment	2,000

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	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	5-15 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.

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

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

Deferred revenue 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 hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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 support services, non-instructional programs and other expenditures functions 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 \$570,756 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 Receivables and Payables

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

Receivable Fund	Payable Fund	Amount
		\$
General	Nonmajor Governmental, Management	6,605

The interfund receivable payable is the result of a year-end revenue reclassification.

4. Interfund Transfers

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

Transfer To	Transfer From	Amount
		\$
Debt Service	Capital Projects	207,915

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

5. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The Series 2011-2012A included taxable and tax-exempt warrants. The District participated in the issuance of the taxable warrants. The interest rates on the taxable Series 2011-2012A and taxable Series 2011-2012B warrants are variable rates, calculated daily, based on the one-month LIBOR rate plus 100 basis points. A summary of the District's ISCAP activity for the year ended June 30, 2012 is as follows:

Series	Warrant Date	Final Warrant Maturity Date	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
			\$	\$	\$	\$
2011-12A	6/30/11	6/23/12	-	12,501	12,501	-

During the year ended June 30, 2012, the District paid \$9 of interest on the ISCAP warrants.

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	54,500	-	-	54,500
Capital assets being depreciated:				
Buildings	10,699,144	-	-	10,699,144
Furniture and equipment	1,730,716	-	-	1,730,716
Total capital assets being deprec.	<u>12,429,860</u>	<u>-</u>	<u>-</u>	<u>12,429,860</u>
Less accumulated depreciation for:				
Buildings	3,087,426	174,583	-	3,262,009
Furniture and equipment	1,189,686	148,211	-	1,337,897
Total accumulated depreciation	<u>4,277,112</u>	<u>322,794</u>	<u>-</u>	<u>4,599,906</u>
Total capital assets being depreciated, net	<u>8,152,748</u>	<u>(322,794)</u>	<u>-</u>	<u>7,829,954</u>
Governmental activities capital assets, net	<u>8,207,248</u>	<u>(322,794)</u>	<u>-</u>	<u>7,884,454</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	133,185	18,517	-	151,702
Less accumulated depreciation	<u>107,536</u>	<u>9,992</u>	<u>-</u>	<u>117,528</u>
Business type activities capital assets, net	<u>25,649</u>	<u>8,525</u>	<u>-</u>	<u>34,174</u>

Depreciation expense was charged to the following functions:

	Amount
	\$
Governmental activities:	
Instruction:	
Regular	90,930
Support Services:	
Administration services	1,832
Transportation	<u>55,449</u>
	148,211
Unallocated depreciation	<u>174,583</u>
Total depreciation expense – governmental activities	<u>322,794</u>

Business type activities:
Food services

9,992

7. Long-Term Liabilities

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

	Balance Beginning of Year, as Restated	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	4,500,000	-	215,000	4,285,000	225,000
Revenue bonds	1,655,000	-	55,000	1,600,000	60,000
USDA Rural Econ. Devel. Loan	255,000	-	30,000	225,000	30,000
Capital leases	173,240	-	49,498	123,742	49,498
Termination benefits	-	50,604	34,020	16,584	7,507
Net OPEB liability	48,381	22,515	-	70,896	-
Total	<u>6,631,621</u>	<u>73,119</u>	<u>383,518</u>	<u>6,321,222</u>	<u>372,005</u>

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Business type activities:					
Net OPEB liability	-	1,826	-	1,826	-

Termination Benefits

The District has approved a voluntary early retirement plan for employees. Eligible employees must have completed at least eight years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education and no more than five employees per year will be granted benefits under the policy.

Early retirement benefits are equal to 33% of the employee's regular contractual salary in effect during the employee's last year of employment, less supplemental pay or extended contract pay.

At June 30, 2012, the District has obligations to one participant with a total liability of \$16,584. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$34,020.

General Obligation Bonds

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Bond Issue of June, 2009				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2013	3.25	225,000	166,015	391,015
2014	3.25	235,000	158,702	393,702
2015	3.50	245,000	151,065	396,065
2016	3.00	255,000	142,490	397,490
2017	3.20	265,000	134,840	399,840
2018-2022	3.40-4.05	1,190,000	540,020	1,730,020
2023-2027	4.10-4.45	1,265,000	308,822	1,573,822
2028-2029	4.55-4.65	605,000	42,253	647,253
		4,285,000	1,644,207	5,929,207

Revenue Bonds

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

Bond Issue of April, 2009				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2013	3.50	60,000	71,170	131,170
2014	3.50	70,000	68,895	138,895
2015	3.50	75,000	66,357	141,357
2016	3.50	75,000	63,732	138,732
2017	3.50	80,000	61,020	141,020
2018-2022	4.00-4.75	420,000	254,725	674,725
2023-2027	4.75-5.05	485,000	148,518	633,518
2028-2030	5.10-5.20	335,000	26,253	361,253
		1,600,000	760,670	2,360,670

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,700,000 bonds issued in 2009. The bonds were issued for the purpose of financing a portion of the costs of remodeling school buildings. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 60% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,360,670. For the current year, \$55,000 of principal and \$73,182 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$249,781.

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

- \$144,620 of the proceeds from the bonds issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.
- Proceeds from the statewide sales, services and use tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the

sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund, after the required transfer to the sinking account, may be used for any lawful purpose. The sinking fund is part of the Debt Service Fund.

United States Department of Agriculture Notes

The District borrowed \$300,000 through the United States Department of Agriculture (USDA) Rural Economic Development Loan Program. The loan is interest free and requires quarterly payments of \$7,500 each. Payments are to be made from the statewide sales, services and use tax. This loan will be paid as follows:

Year Ending June 30,	Principal
	\$
2013	30,000
2014	30,000
2015	30,000
2016	30,000
2017	30,000
2018-2020	75,000
	225,000

During the year ended June 30, 2012 the District made principal and interest payments totaling \$30,000 under the note agreements.

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.

	<u>Year Ending June 30,</u>	<u>Amount</u>
		\$
	2013	49,497
	2014	49,497
	2015	24,748
Minimum lease payments		123,742
Less amount representing interest		-
Present value of minimum lease payments		123,742

8. Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$223,366, \$191,402, and \$177,403 respectively, equal to the required contributions for each year.

9. Risk Management

GMG 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 \$137,438 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. 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 50 active and 0 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 County's net OPEB obligation:

	\$
Annual required contribution	25,840
Interest on net OPEB obligation	600
Adjustment to annual required contribution	2,099
Annual OPEB cost	<u>24,341</u>
Contributions made	-
Increase in net OPEB obligation	<u>24,341</u>
Net OPEB obligation beginning of year	<u>48,381</u>
Net OPEB obligation end of year	<u>72,722</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 \$0 to the medical plan. Plan members eligible for benefits contributed \$3,355, or 100% 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	24,010	0.00	24,040
2011	24,341	0.00	48,381
2012	24,341	0.00	72,722

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 \$191,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$191,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,647,000, and the ratio of the UAAL to covered payroll was 11.6%. 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 frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 group annuity mortality table, projected to 2000.

The UAAL is being amortized over 30 years.

12. Categorical Funding

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

<u>Program</u>	<u>Amount</u>
	\$
Iowa Core	19,082
Educator quality, professional development	<u>5,206</u>
	<u><u>24,288</u></u>

13. Accounting Change

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund type Definitions, was implemented during the year ended 2011. As part of the implementation, the District has combined the former Physical Plant and Equipment Levy Fund and the Statewide Sales Services and Use Tax Fund into one Capital Projects Fund for financial reporting at June 30, 2012. The Physical Plant and Equipment Levy Fund did not have a fund balance at June 30, 2011.

14. Restatement of Beginning Fund Balances and Net Assets

The beginning fund balances for the Capital Projects Fund, the Debt Service Fund and the beginning net assets balance for the Governmental Activities were restated for the following:

	<u>Capital Projects Fund Balance</u>	<u>Debt Service Fund Balance</u>	<u>Governmental Activities Net Assets</u>
	\$	\$	\$
Balances at June 30, 2011, as previously reported	665,455	9,920	3,316,833
Cash balance for debt sinking fund was understated	-	97,891	97,861
Cash balance in ISJIT was understated	30,133	-	30,133
Sales tax receivable was understated	10,287	-	10,287
Accrued interest payable balance was understated	-	-	(31,059)
Revenue bonds payable balance was understated	<u>-</u>	<u>-</u>	<u>(55,000)</u>
June 30, 2011 balances as restated	<u><u>705,875</u></u>	<u><u>107,811</u></u>	<u><u>3,369,055</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

GMG 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	3,461,181	110,100	3,571,281	3,466,304	3,466,304	104,977
State sources	1,738,745	2,448	1,741,193	1,905,738	1,905,738	(164,545)
Federal sources	109,083	118,132	227,215	181,000	181,000	46,215
Total revenues	<u>5,309,009</u>	<u>230,680</u>	<u>5,539,689</u>	<u>5,553,042</u>	<u>5,553,042</u>	<u>(13,353)</u>
Expenditures/Expenses:						
Instruction	3,188,095	-	3,188,095	3,687,000	3,687,000	498,905
Support services	1,452,264	-	1,452,264	1,264,000	1,365,000	(87,264)
Non-instructional programs	-	231,824	231,824	170,000	200,000	(31,824)
Other expenditures	879,948	-	879,948	717,519	717,519	(162,429)
Total expenditures/expenses	<u>5,520,307</u>	<u>231,824</u>	<u>5,752,131</u>	<u>5,838,519</u>	<u>5,969,519</u>	<u>217,388</u>
Excess (deficiency) of revenue over (under) expenditures/expenses	(211,298)	(1,144)	(212,442)	(285,477)	(416,477)	204,035
Other financing sources (uses) net	<u>54,930</u>	<u>18,517</u>	<u>73,447</u>	<u>-</u>	<u>-</u>	<u>73,447</u>
Excess (deficiency) of revenue and other financing sources (uses) over (under) expenditures/expenses	(156,368)	17,373	(138,995)	(285,477)	(416,477)	277,482
Balance beginning of year	<u>1,690,400</u>	<u>37,345</u>	<u>1,727,745</u>	<u>1,314,038</u>	<u>1,314,038</u>	<u>413,707</u>
Balance end of year	<u><u>1,534,032</u></u>	<u><u>54,718</u></u>	<u><u>1,588,750</u></u>	<u><u>1,028,561</u></u>	<u><u>897,561</u></u>	<u><u>691,189</u></u>

GMG 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 and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by the fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$131,000.

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

GMG 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	-	196,000	196,000	0.0%	2,762,000	7.1%
2011	July 1, 2009	-	191,000	191,000	0.0%	2,837,000	6.7%
2012	July 1, 2009	-	191,000	191,000	0.0%	1,647,000	11.6%

See Note 11 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

GMG COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2012

Assets	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Management</u>	<u>Student</u>	
	<u>Levy</u>	<u>Activity</u>	
	\$	\$	\$
Cash and pooled investments	40,356	59,057	99,413
Receivables:			
Property tax:			
Delinquent	455	-	455
Succeeding year	160,001	-	160,001
Interfund receivable	6,605	-	6,605
	<u>207,417</u>	<u>59,057</u>	<u>266,474</u>
Total assets			
	<u>207,417</u>	<u>59,057</u>	<u>266,474</u>
Liabilities & Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	160,001	-	160,001
	<u>160,001</u>	<u>-</u>	<u>160,001</u>
Fund balances:			
Restricted for:			
Management levy	47,416	-	47,416
Student activities	-	59,057	59,057
Total fund balances	47,416	59,057	106,473
	<u>47,416</u>	<u>59,057</u>	<u>106,473</u>
Total liabilities and fund balances			
	<u>207,417</u>	<u>59,057</u>	<u>266,474</u>

GMG COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Management Levy	Student Activity	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	50,051	-	50,051
Other	6,605	102,022	108,627
State sources	11	-	11
Total revenues	<u>56,667</u>	<u>102,022</u>	<u>158,689</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	74,303	-	74,303
Other instruction	-	99,289	99,289
Support services:			
Administration services	4,224	-	4,224
Operation and maintenance of plant services	25,990	-	25,990
Transportation services	9,228	-	9,228
Total expenditures	<u>113,745</u>	<u>99,289</u>	<u>213,034</u>
Net change in fund balances	(57,078)	2,733	(54,345)
Fund balances beginning of year	<u>104,494</u>	<u>56,324</u>	<u>160,818</u>
Fund balances end of year	<u><u>47,416</u></u>	<u><u>59,057</u></u>	<u><u>106,473</u></u>

GMG COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Projects Accounts

June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets	\$	\$	\$
Cash and pooled investments	511,057	-	511,057
Receivables:			
Property tax:			
Succeeding year	-	120,688	120,688
Due from other governments	90,943	-	90,943
Total assets	<u>602,000</u>	<u>120,688</u>	<u>722,688</u>
Liabilities & Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	-	120,688	120,688
Fund balances:			
Restricted for:			
Debt service	144,620	-	144,620
School infrastructure	457,380	-	457,380
Total fund balances	<u>602,000</u>	<u>-</u>	<u>602,000</u>
Total liabilities and fund balances	<u>602,000</u>	<u>120,688</u>	<u>722,688</u>

GMG COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2012

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	249,781	-	249,781
Other	350	-	350
Total revenues	<u>250,131</u>	<u>-</u>	<u>250,131</u>
Expenditures:			
Other expenditures:			
Facilities acquisition	<u>146,091</u>	<u>-</u>	<u>146,091</u>
Excess (deficiency) of revenues over (under) expenditures	104,040	-	104,040
Other financing sources (uses):			
Operating transfers out	<u>(207,915)</u>	<u>-</u>	<u>(207,915)</u>
Net change in fund balance	(103,875)	-	(103,875)
Fund balances beginning of year, as restated	<u>705,875</u>	<u>-</u>	<u>705,875</u>
Fund balance end of year	<u><u>602,000</u></u>	<u><u>-</u></u>	<u><u>602,000</u></u>

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Drama	876	-	-	-	876
Vocal	456	1,518	1,361	-	613
HS cheerleading	3,062	3,798	3,084	-	3,776
Future teachers	176	-	-	-	176
Spanish club	118	-	-	-	118
Class of 2014	1,092	1,113	-	-	2,205
Class of 2016	20	74	-	-	94
Class of 2012	49	1,725	1,628	-	146
Class of 2013	1,844	6,111	7,658	-	297
Interest	316	163	-	(36)	443
SH student council	612	10,320	10,391	-	541
JH student council	703	-	20	-	683
National honor society	790	3,657	3,288	-	1,159
Yearbook	6,746	8,170	8,901	-	6,015
Athletics	29,440	48,576	49,976	-	28,040
Dance team	1,180	2,980	2,146	-	2,014
HS SADD	70	1,535	1,484	-	121
Volleyball	-	80	-	-	80
Art	-	-	36	36	-
Elementary	7,233	9,216	6,967	-	9,482
Class of 2015	510	357	-	-	867
Weightlifting	574	2,629	2,349	-	854
JEL	457	-	-	-	457
Total	56,324	102,022	99,289	-	59,057

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2012

<u>Account</u>	<u>Balance Beginning of Year</u> \$	<u>Additions</u> \$	<u>Deductions</u> \$	<u>Balance End of Year</u> \$
Kienzle Farm	113,102	11,909	10,734	114,277

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Fund Types

For the Last Nine Years

	Modified Accrual Basis								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:									
Local sources:									
Local tax	2,233,219	2,049,657	1,976,063	1,980,054	1,896,066	1,921,034	1,714,967	1,716,960	1,639,511
Tuition	1,039,039	1,108,131	978,243	984,434	910,556	823,345	715,953	560,856	514,681
Other	188,923	326,214	213,196	195,286	227,475	233,166	293,939	159,301	178,438
State sources	1,738,745	1,824,322	1,575,487	1,849,877	1,637,262	1,598,542	1,664,396	1,560,545	1,447,237
Federal sources	109,083	225,132	336,101	159,081	117,313	116,480	120,997	124,088	126,711
Total revenues	<u>5,309,009</u>	<u>5,533,456</u>	<u>5,079,090</u>	<u>5,168,732</u>	<u>4,788,672</u>	<u>4,692,567</u>	<u>4,510,252</u>	<u>4,121,750</u>	<u>3,906,578</u>
Expenditures:									
Instruction	3,188,095	3,239,205	3,223,607	3,180,244	2,840,875	2,747,632	2,591,270	2,464,777	2,336,123
Support services:									
Student services	63,891	43,976	19,623	-	1,432	-	-	-	-
Instructional staff services	183,656	181,067	122,597	121,466	121,705	135,500	105,812	108,056	128,468
Administration services	528,799	526,994	517,862	456,226	462,626	486,484	452,913	426,146	420,295
Operation and maintenance	427,361	528,031	360,622	352,688	313,784	362,544	306,398	304,610	299,448
Transportation services	248,557	256,983	223,895	305,835	224,787	227,957	229,965	183,904	147,865
Central support services	-	-	-	-	-	-	-	8,006	11,193
Non-instructional programs	-	-	-	-	1	6,407	2,400	-	-
Other expenditures:									
Facilities acquisition	146,091	718,385	3,392,182	528,625	158,653	218,476	515,390	211,660	170,629
Long-term debt:									
Principal	349,498	319,749	260,000	2,791,250	209,375	204,375	160,000	150,000	145,000
Interest and other charges	246,921	263,037	269,497	127,590	134,876	143,208	152,807	161,808	170,408
AEA flowthrough	137,438	153,840	147,736	121,637	119,335	117,271	114,952	112,048	110,391
Total expenditures	<u>5,520,307</u>	<u>6,231,267</u>	<u>8,537,621</u>	<u>7,985,561</u>	<u>4,587,449</u>	<u>4,649,854</u>	<u>4,631,907</u>	<u>4,131,015</u>	<u>3,939,820</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
GMG Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of GMG 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 June 14, 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 GMG Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered GMG 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 GMG Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GMG 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 GMG 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.

GMG 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 GMG 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 GMG Community School District and other parties to whom GMG 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 GMG 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

June 14, 2013

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2012

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Significant 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, processing payroll, preparing and posting 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 that 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.

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2012

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

12-I-C Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The board secretary, the other co-signer of the checks has access to the stamp. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The board may designate a person other than the board president to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2012

Part II: Other Findings Related to Statutory Reporting:

12-II-A Certified Budget: Expenditures for the year ended June 30, 2012, exceeded the certified budget amounts budgeted in the support services, non-instructional programs, 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: We did amend our budget but year-end expenditures were more than anticipated.

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: No business transactions between the District and District officials or employees were noted.

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 two General Fund disbursement totaling \$316 and five Student Activity Fund disbursements totaling \$6,717 that were not on the lists of bills approved by the board of directors.

Recommendation: Chapter 279.29 of the Code of Iowa provides that "the Board shall audit all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed." Chapter 279.30 of the Code of Iowa allows payment of specific items, such as utilities, postage, printing, and salaries without prior Board approval. This Board may approve a resolution designating certain other disbursements that may be paid prior to a Board Meeting with the approval of the Superintendent or other appointee. Except as expressly permitted, no checks should be prepared for claims that have not been properly audited and allowed. All bills for which checks are issued prior to audit and allowance by the board must be approved by the board of directors at the next meeting and be entered in the regular minutes of the secretary.

District Response: The disbursements that were not approved by the board were prepaid items. We will be diligent about getting prepaid items approved at the next board meeting.

Conclusion: Response accepted.

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2012

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

- 12-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

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

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

- 12-II-J Certified Annual Report: 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:

	\$	\$
Beginning balance, as restated		705,875
Revenues/transfers in:		
Statewide sales, services and use tax revenue	249,781	
Other local revenues	350	250,131
Expenditures/transfers out:		
School infrastructure construction	105,627	
Equipment	40,464	
Transfers to debt service fund	207,915	354,006
Ending balance		602,000

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.