

Grundy Center Community School District

**Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings**

June 30, 2012

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Independent Auditor's Report

To the Board of Education of
Grundy Center Community School District:

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

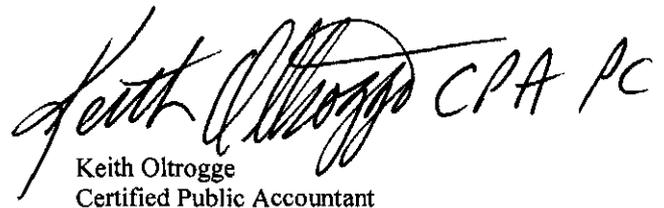
I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable 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. I believe that my audit provides a reasonable basis for my opinions.

In my 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 Grundy Center Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated February 15, 2013 on my consideration of Grundy Center Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 my 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 36 through 38 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. I 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 my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grundy Center Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and 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 my 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 my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 CPA PC
Keith Oltrogge
Certified Public Accountant

February 15, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Grundy Center Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,099,035 in fiscal 2011 to \$6,431,915 in fiscal 2012, and General Fund expenditures increased from \$6,087,567 in fiscal 2011 to \$6,285,088 in fiscal 2012. The District's General Fund balance increased from \$752,601 in fiscal 2011 to \$899,428 in fiscal 2012, a 16.3% increase.
- The increase in General Fund revenues was attributable to an increase in local tax and state grant revenue in fiscal 2012. The increase in expenditures was due primarily to an increase in instruction expenditures.
- An increase in the District's General Fund balance resulted in the District's solvency ratio increasing from 8.5% in fiscal 2011 to 13.2% in fiscal 2012. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

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 Grundy Center 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 Grundy Center 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 Grundy Center Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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 non-major governmental funds.

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

Figure A-1
Grundy Center Community School District Annual Financial Report

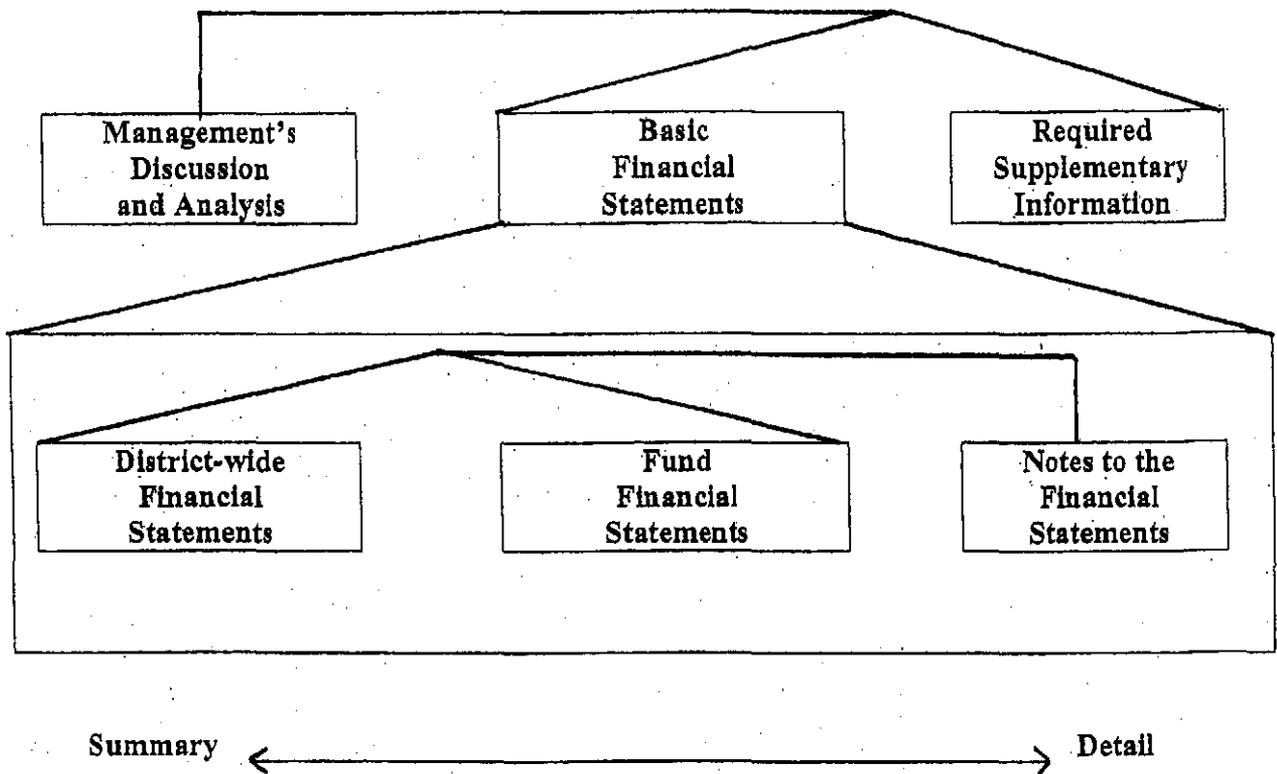


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2
Major Features of the Government-wide and Fund Financial Statements**

| | Government-wide Statements | Fund Statements | | |
|--|--|--|--|---|
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire District (except fiduciary funds) | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance | Activities the District operates similar to private businesses: food services and adult education | Instances in which the District administers resources on behalf of someone else, such as scholarship programs |
| Required financial statements | Statement of net assets Statement of activities | Balance sheet Statement of revenues, expenditures and changes in fund balances | Statement of net assets Statement of revenues, expenses and changes in fund net assets Statement of cash flows | 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 the Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Funds – The District accounts for outside donations for scholarships for individual students in these funds.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

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.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
|---|-------------------------|--------------|--------------------------|----------|----------------|--------------|--------------|
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2011-2012 |
| Current and other assets | \$4,920,437 | \$4,602,114 | \$7,389 | \$26,186 | \$4,927,826 | \$4,628,300 | 6.5% |
| Capital assets | 6,343,597 | 6,202,378 | 42,200 | 40,862 | 6,385,797 | 6,243,240 | 2.3% |
| Total assets | \$11,264,034 | \$10,804,492 | \$49,589 | \$67,048 | \$11,313,623 | \$10,871,540 | 4.1% |
| Long-term liabilities | \$1,031,699 | \$1,468,935 | \$- | \$- | \$1,031,699 | \$1,468,935 | -29.8% |
| Other liabilities | 3,346,982 | 3,171,826 | 7,933 | 5,462 | 3,354,915 | 3,177,288 | 5.6% |
| Total liabilities | \$4,378,681 | \$4,640,761 | \$7,933 | \$5,462 | \$4,386,614 | \$4,646,223 | -5.6% |
| Net assets: | | | | | | | |
| Invested in capital assets, net of related debt | \$5,653,089 | \$5,040,431 | \$42,200 | \$40,862 | \$5,695,289 | \$5,081,293 | 12.1% |
| Restricted | 638,977 | 878,810 | 20,306 | 20,306 | 659,283 | 899,116 | -26.7% |
| Unrestricted | 593,287 | 244,490 | -20,850 | 418 | 572,437 | 244,908 | 133.7% |
| Total net assets | \$6,885,353 | \$6,163,731 | \$41,656 | \$61,586 | \$6,927,009 | \$6,225,317 | 11.3% |

The District's combined net assets increased by approximately 11.3%, or \$701,692, 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 at June 30, 2012 decreased by approximately 27%, or \$239,833, over the prior year. The decrease was primarily a result of the \$165,513 less in categorical funding.

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 approximately \$327,500, or 23.3%. The increase in unrestricted net assets was primarily a result of the increase in revenues exceeding the increase in expenditures.

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

**Figure A-4
Changes in Net Assets**

| | Governmental Activities | | Business Type Activities | | Total District | | Total Change 2011-2012 |
|---|-------------------------|--------------------|--------------------------|------------------|--------------------|--------------------|---------------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for service | \$744,036 | \$694,799 | \$189,975 | \$187,767 | \$934,011 | \$882,566 | 5.8% |
| Operating grants, contributions and restricted interest | 798,378 | 974,510 | 120,444 | 124,024 | 918,822 | 1,098,534 | -16.4% |
| Capital grants, contributions and restricted interest | - | - | - | - | - | - | - |
| General revenues: | | | | | | | |
| Property tax | 3,065,024 | 2,911,525 | - | - | 3,065,024 | 2,911,525 | 5.3% |
| Statewide sales, service and use tax | 471,445 | 418,232 | - | - | 471,445 | 418,232 | 12.7% |
| Unrestricted state grants | 2,820,088 | 2,481,503 | - | - | 2,820,088 | 2,481,503 | 13.6% |
| Unrestricted investment earnings | 11,866 | 14,957 | 211 | 373 | 12,077 | 15,330 | -21.2% |
| Other | 128,304 | 233,389 | - | - | 128,304 | 233,389 | -45.0% |
| Total revenues | \$8,039,141 | \$7,728,915 | \$310,630 | \$312,164 | \$8,349,771 | \$8,041,079 | 3.8% |
| Program expenses: | | | | | | | |
| Governmental activities: | | | | | | | |
| Instruction | \$5,069,973 | \$4,823,424 | \$- | \$- | \$5,069,973 | \$4,823,424 | 5.1% |
| Support services | 1,918,541 | 1,869,963 | - | - | 1,918,541 | 1,869,963 | 2.6% |
| Non-instructional programs | 4,580 | 4,832 | 330,560 | 317,791 | 335,140 | 322,623 | 3.9% |
| Other expenses | 324,425 | 351,047 | - | - | 324,425 | 351,047 | -7.6% |
| Total expenses | 7,317,519 | \$7,049,266 | \$330,560 | \$317,791 | \$7,648,079 | \$7,367,057 | 3.8% |
| Change in net assets | \$721,622 | \$679,649 | -\$19,930 | -\$5,627 | \$701,692 | \$674,022 | 4.1% |

In fiscal year 2012, property tax and unrestricted state grants account for 73.2% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.9% of business type activities revenue.

The District's total revenues were approximately \$8.3 million, of which approximately \$8.0 million was for governmental activities and less than \$0.3 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.8% increase in revenues and a 4.1% increase in expenses. Property tax increased approximately \$153,500. The increase in expenses is related to an increase in instruction, support services and non-instructional expenses.

Governmental Activities

Revenues for governmental activities were \$8,039,141 and expenses were \$7,317,519. 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 and Net Cost of Governmental Activities

| | Total Cost of Services | | | Net Cost of Services | | |
|----------------------------|------------------------|--------------------|---------------------|----------------------|--------------------|---------------------|
| | 2012 | 2011 | Change 2011-2012 | 2012 | 2011 | Change 2011-2012 |
| Instruction | \$5,069,973 | \$4,823,424 | 5.1% | \$3,599,726 | \$3,209,603 | 12.2% |
| Support Services | 1,918,541 | 1,869,963 | 2.6% | 1,846,374 | 1,814,475 | 1.8% |
| Non-instructional programs | 4,580 | 4,832 | -5.2% | 4,580 | 4,832 | -5.2% |
| Other expenses | 324,425 | 351,047 | -7.6% | 324,425 | 351,047 | -7.6% |
| Totals | \$7,317,519 | \$7,049,266 | 3.8% | \$5,775,105 | \$5,379,957 | 7.3% |

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$934,011.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$918,822.
- The net cost of governmental activities was financed with \$3,536,469 in property and other taxes and \$2,820,088 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$310,630 and expenses were \$330,560. 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, Grundy Center 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 \$1,584,851 above last year's ending fund balances of \$1,446,097. The primary reason for the increase in combined fund balances in fiscal 2012 is due to revenue exceeding expenditures for the year.

Governmental Fund Highlights

- The General Fund balance increased from \$752,601 to \$899,428 due primarily to the increase in local and state sources.
- The Capital Projects Fund balance decreased from \$483,558 in fiscal 2011 to \$429,182 in fiscal 2012, due to an increase in support services expenditures for computers and copier leases.
- The Debt Service Fund increased from \$34,878 in fiscal 2011 to \$38,887 in fiscal 2012, due to the transfer in from the Capital Projects Fund.

Proprietary Fund Highlights

- School Nutrition Fund net assets decreased from \$61,586 at June 30, 2011 to \$41,656 at June 30, 2012, representing a decrease of approximately 32.4%.

BUDGETARY HIGHLIGHTS

The District's receipts were \$244,854 less than budgeted receipts, a variance of 2.9%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

In spite of the District's budgetary practices, the certified budget was exceeded in the support services functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$6.3 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 2.3% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$474,698.

The original cost of the District's capital assets was \$13.8 million. Governmental funds account for \$13.7 million, with the remainder of \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the furniture and equipment category. This increase resulted from the capital lease of laptop computers and copiers.

Figure A-6
Capital Assets, net of Depreciation

| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
|-----------------------------------|-------------------------|-------------|--------------------------|----------|----------------|-----------|--------------|
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2011-2012 |
| Land | \$21,252 | \$21,252 | \$- | \$- | \$21,252 | \$21,252 | - |
| Buildings | 4,243,294 | 4,203,646 | - | - | 4,243,294 | 4,203,646 | 0.9% |
| Improvements other than buildings | 245,445 | 246,878 | - | - | 245,445 | 246,878 | -0.6% |
| Furniture and equipment | 1,833,606 | 1,730,602 | 42,200 | 40,862 | 1,874,468 | 1,771,464 | 5.8% |
| Totals | \$6,343,597 | \$6,202,378 | \$42,200 | \$40,862 | \$6,384,459 | 6,243,240 | 2.3% |

Long-Term Debt

At June 30, 2012, the District had \$690,508 in general obligation, notes payable and other long-term debt outstanding. This represents a decrease of approximately 40.6% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$14.5 million.

Figure A-7
Outstanding Long-term Obligations

| | Total District | | Total Change |
|--------------------------|----------------|-------------|--------------|
| | June 30, | | June 30, |
| | 2012 | 2011 | 2011-2012 |
| Revenue bond | \$315,000 | \$410,000 | -23.2% |
| General obligation bonds | - | 310,000 | -100% |
| Capital leases | 275,508 | 241,947 | 13.9% |
| Notes payable | 100,000 | 200,000 | -50.0% |
| Totals | \$690,508 | \$1,161,947 | -40.6% |

ECONOMIC FACTORS BEARING ON THE DISTRICTS FUTURE

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

- The District has experienced steady enrollment which maintains tax dollars for state aid at unchanged levels.
- Federal and state agencies are proposing reduced funding for some programs which could result in budget shortfalls in the future.

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 District Secretary/Treasurer and Business Manager, Grundy Center Community School District, 1301-12th Street, Grundy Center IA 50638.

Basic Financial Statements

Grundy Center Community School District

Statement of Net Assets

June 30, 2012

| | Govern- mental Activities | Business Type Activities | Total |
|---|---------------------------------|--------------------------------|----------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 1,472,564 | \$ 5,876 | \$ 1,478,440 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 38,511 | - | 38,511 |
| Succeeding year | 2,893,640 | - | 2,893,640 |
| Accounts | 73,379 | 601 | 73,980 |
| Due from other governments | 442,343 | - | 442,343 |
| Inventories | - | 912 | 912 |
| Capital assets, net of accumulated depreciation | 6,343,597 | 42,200 | 6,385,797 |
| Total Assets | \$ 11,264,034 | \$ 49,589 | \$ 11,313,623 |
| Liabilities | | | |
| Accounts payable | \$ 184,129 | \$ 1,866 | \$ 185,995 |
| Salaries and benefits payable | 32,903 | - | 32,903 |
| Accrued interest payable | 11,396 | - | 11,396 |
| Deferred revenue-succeeding year property tax | 2,893,640 | - | 2,893,640 |
| Deferred revenue-other | 224,914 | 6,067 | 230,981 |
| Long-term liabilities: | | | |
| Portion due within one year: | | | |
| Revenue bond | 100,000 | - | 100,000 |
| Capital leases | 194,413 | - | 194,413 |
| Notes payable | 100,000 | - | 100,000 |
| Early retirement | 68,435 | - | 68,435 |
| Portion due after one year: | | | |
| Revenue bond | 215,000 | - | 215,000 |
| Early retirement | 174,803 | - | 174,803 |
| Capital leases | 81,095 | - | 81,095 |
| Net OPEB liability | 97,953 | - | 97,953 |
| Total Liabilities | \$ 4,378,681 | \$ 7,933 | \$ 4,386,614 |
| Net Assets | | | |
| Invested in capital assets, net of related debt | \$ 5,653,089 | \$ 42,200 | \$ 5,695,289 |
| Restricted for: | | | |
| Categorical funding | 71,512 | - | 71,512 |
| Capital projects | 394,649 | - | 394,649 |
| Physical plant and equipment | 34,533 | - | 34,533 |
| Student activities | 99,396 | - | 99,396 |
| Debt service | 38,887 | - | 38,887 |
| Other | - | 20,306 | 20,306 |
| Unrestricted | 593,287 | -20,850 | 572,437 |
| Total Net Assets | \$ 6,885,353 | \$ 41,656 | \$ 6,927,009 |

See notes to financial statements.

Grundy Center Community School District

Statement of Activities

Year Ended June 30, 2012

| | Program Revenues | | | |
|---|---------------------|----------------------------|--|--|
| | Expenses | Charges for Services | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| Functions/Programs | | | | |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular instruction | \$ 3,088,477 | \$ 284,105 | \$ 660,731 | \$ - |
| Special instruction | 878,592 | 64,257 | 104,910 | - |
| Other instruction | 1,102,904 | 330,551 | 25,693 | - |
| | <u>\$ 5,069,973</u> | <u>\$ 678,913</u> | <u>\$ 791,334</u> | <u>\$ -</u> |
| Support Services: | | | | |
| Student services | \$ 136,585 | \$ - | \$ 4,173 | \$ - |
| Instructional staff services | 286,478 | - | - | - |
| Administration services | 709,726 | - | - | - |
| Operation and maintenance of plant services | 493,824 | 13,441 | - | - |
| Transportation services | 291,928 | 51,682 | 2,871 | - |
| | <u>\$ 1,918,541</u> | <u>\$ 65,123</u> | <u>\$ 7,044</u> | <u>\$ -</u> |
| Non-instructional programs | \$ 4,580 | \$ - | \$ - | \$ - |
| Other Expenditures: | | | | |
| Facilities acquisition | \$ 39,386 | \$ - | \$ - | \$ - |
| Long-term debt interest | 36,009 | - | - | - |
| AEA flow-through | 249,030 | - | - | - |
| | <u>\$ 324,425</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total Governmental Activities | <u>\$ 7,317,519</u> | <u>\$ 744,036</u> | <u>\$ 798,378</u> | <u>\$ -</u> |
| Business Type Activities: | | | | |
| Non-Instructional Programs: | | | | |
| Food service operations | \$ 330,560 | \$ 189,975 | \$ 120,444 | \$ - |
| Total | <u>\$ 7,648,079</u> | <u>\$ 934,011</u> | <u>\$ 918,822</u> | <u>\$ -</u> |

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Assets

| Governmental Activities | Business Type Activities | Total |
|----------------------------|--------------------------------|----------------------|
| \$ -2,143,641 | \$ - | \$ -2,143,641 |
| -709,425 | - | -709,425 |
| -746,660 | - | -746,660 |
| <u>\$ -3,599,726</u> | <u>\$ -</u> | <u>\$ -3,599,726</u> |
| \$ -132,412 | \$ - | \$ -132,412 |
| -286,478 | - | -286,478 |
| -709,726 | - | -709,726 |
| -480,383 | - | -480,383 |
| -237,375 | - | -237,375 |
| <u>\$ -1,846,374</u> | <u>\$ -</u> | <u>\$ -1,846,374</u> |
| \$ -4,580 | \$ - | \$ -4,580 |
| \$ -39,386 | \$ - | \$ -39,386 |
| -36,009 | - | -36,009 |
| -249,030 | - | -249,030 |
| <u>\$ -324,425</u> | <u>\$ -</u> | <u>\$ -324,425</u> |
| \$ -5,775,105 | \$ - | \$ -5,775,105 |
| \$ - | \$ -20,141 | \$ -20,141 |
| <u>\$ -5,775,105</u> | <u>\$ -20,141</u> | <u>\$ -5,795,246</u> |

Grundy Center Community School District

Statement of Activities

Year Ended June 30, 2012

| | Program Revenues | | |
|----------|------------------|---------------|--|
| | Operating | Capital | |
| | Grants, | Grants, | |
| | Contributions | Contributions | |
| | and | and | |
| | Restricted | Restricted | |
| | Interest | Interest | |
| Expenses | Charges | | |
| | for | | |
| | Services | | |

General Revenues:

Property Tax Levied For:

General purposes

Debt service

Capital outlay

Statewide sales, services and use tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total General Revenues

Change in net assets

Net assets beginning of year

Net Assets End of Year

Net (Expense) Revenue
And Changes in Net Assets

| Governmental Activities | Business Type Activities | Total |
|----------------------------|--------------------------------|--------------|
| \$ 2,442,663 | \$ - | \$ 2,442,663 |
| 319,854 | - | 319,854 |
| 302,507 | - | 302,507 |
| 471,445 | - | 471,445 |
| 2,820,088 | - | 2,820,088 |
| 11,866 | 211 | 12,077 |
| 128,304 | - | 128,304 |
| \$ 6,496,727 | \$ 211 | \$ 6,496,938 |
| \$ 721,622 | \$ -19,930 | \$ 701,692 |
| 6,163,731 | 61,586 | 6,225,317 |
| \$ 6,885,353 | \$ 41,656 | \$ 6,927,009 |

Grundy Center Community School District

Balance Sheet
Governmental Funds

June 30, 2012

| | General | Capital Projects | Debt Service | Non-Major | Total |
|--|---------------------|---------------------|------------------|-------------------|---------------------|
| Assets | | | | | |
| Cash and pooled investments | \$ 941,371 | \$ 257,679 | \$ 34,669 | \$ 238,845 | \$ 1,472,564 |
| Receivables: | | | | | |
| Property Tax: | | | | | |
| Delinquent | 27,642 | 3,989 | 4,218 | 2,662 | 38,511 |
| Succeeding year | 2,371,507 | 322,132 | - | 200,001 | 2,893,640 |
| Accounts | 70,288 | - | - | 3,091 | 73,379 |
| Due from other governments | 258,678 | 183,665 | - | - | 442,343 |
| Total Assets | \$ 3,669,486 | \$ 767,465 | \$ 38,887 | \$ 444,599 | \$ 4,920,437 |
| Liabilities and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 152,491 | \$ 16,151 | \$ - | \$ 15,487 | \$ 184,129 |
| Salaries and benefits payable | 21,146 | - | - | 11,757 | 32,903 |
| Deferred Revenue: | | | | | |
| Succeeding year property tax | 2,371,507 | 322,132 | - | 200,001 | 2,893,640 |
| Other | 224,914 | - | - | - | 224,914 |
| Total Liabilities | \$ 2,770,058 | \$ 338,283 | \$ - | \$ 227,245 | \$ 3,335,586 |
| Fund Balances: | | | | | |
| Restricted for: | | | | | |
| Categorical funding | \$ 71,512 | \$ - | \$ - | \$ - | \$ 71,512 |
| Debt service | - | - | 38,887 | - | 38,887 |
| Management levy purposes | - | - | - | 117,958 | 117,958 |
| Student activities | - | - | - | 99,396 | 99,396 |
| School infrastructure | - | 394,649 | - | - | 394,649 |
| Physical plant and equipment | - | 34,533 | - | - | 34,533 |
| Unassigned | 827,916 | - | - | - | 827,916 |
| Total Fund Balance | \$ 899,428 | \$ 429,182 | \$ 38,887 | \$ 217,354 | \$ 1,584,851 |
| Total Liabilities and Fund Balances | \$ 3,669,486 | \$ 767,465 | \$ 38,887 | \$ 444,599 | \$ 4,920,437 |

Grundy Center Community School District

Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Assets

June 30, 2012

| | |
|---|----------------------------|
| Total fund balances of governmental funds (page 16) | \$ 1,584,851 |
| <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 | 6,343,597 |
| 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 | -11,396 |
| Long-term liabilities, including bonds and notes payable, early retirement, other postemployment benefits payable and accrued vacations are not due and payable in the current period and, therefore, are not reported in the funds | <u>-1,031,699</u> |
| Net assets of governmental activities (page 13) | <u>\$ 6,885,353</u> |

Grundy Center Community School District

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

Year Ended June 30, 2012

| | General | Capital Projects | Debt Service | Non-Major | Total |
|--|---------------------|---------------------|-------------------|-------------------|---------------------|
| Revenues: | | | | | |
| Local Sources: | | | | | |
| Local tax | \$ 2,247,609 | \$ 773,952 | \$ 319,854 | \$ 195,054 | \$ 3,536,469 |
| Tuition | 307,834 | - | - | - | 307,834 |
| Other | 258,463 | 1,985 | 347 | 315,577 | 576,372 |
| Intermediate sources | - | - | - | - | - |
| State sources | 3,486,092 | 168 | 178 | 111 | 3,486,549 |
| Federal sources | 131,917 | - | - | - | 131,917 |
| Total Revenues | \$ 6,431,915 | \$ 776,105 | \$ 320,379 | \$ 510,742 | \$ 8,039,141 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular instruction | \$ 2,648,552 | \$ - | \$ - | \$ 94,791 | \$ 2,743,343 |
| Special instruction | 876,095 | - | - | - | 876,095 |
| Other instruction | 725,501 | - | - | 332,558 | 1,058,059 |
| | \$ 4,250,148 | \$ - | \$ - | \$ 427,349 | \$ 4,677,497 |
| Support Services: | | | | | |
| Student services | \$ 135,985 | \$ - | \$ - | \$ 600 | \$ 136,585 |
| Instructional staff services | 278,862 | 182,558 | - | - | 461,420 |
| Administration services | 684,559 | 70,845 | - | 2,000 | 757,404 |
| Operation and maintenance of plant services | 438,054 | 43,899 | - | 27,903 | 509,856 |
| Transportation services | 248,450 | 29,644 | - | 8,596 | 286,690 |
| | \$ 1,785,910 | \$ 326,946 | \$ - | \$ 39,099 | \$ 2,151,955 |
| Non-instructional programs | \$ - | \$ - | \$ - | \$ 2,000 | \$ 2,000 |
| Other Expenditures: | | | | | |
| Facilities acquisition | \$ - | \$ 308,045 | \$ - | \$ - | \$ 308,045 |
| Long-Term Debt: | | | | | |
| Principal | - | - | 696,892 | - | 696,892 |
| Interest and fiscal charges | - | - | 40,422 | - | 40,422 |
| AEA flow-through | 249,030 | - | - | - | 249,030 |
| | \$ 249,030 | \$ 308,045 | \$ 737,314 | \$ - | \$ 1,294,389 |
| Total Expenditures | \$ 6,285,088 | \$ 634,991 | \$ 737,314 | \$ 468,448 | \$ 8,125,841 |
| Excess (deficiency) of revenues over (under) expenditures | \$ 146,827 | \$ 141,114 | \$ -416,935 | \$ 42,294 | \$ -86,700 |
| Other Financing Sources (Uses): | | | | | |
| Proceeds from capital lease | \$ - | \$ 225,454 | \$ - | \$ - | \$ 225,454 |
| Transfers in | - | 945 | 421,889 | - | 422,834 |
| Transfers out | - | -421,889 | -945 | - | -422,834 |
| Total other financing sources (uses) | \$ - | \$ -195,490 | \$ 420,944 | \$ - | \$ 225,454 |
| Net change in fund balances | \$ 146,827 | \$ -54,376 | \$ 4,009 | \$ 42,294 | \$ 138,754 |
| Fund balances beginning of year | 752,601 | 483,558 | 34,878 | 175,060 | 1,446,097 |
| Fund Balances End of Year | \$ 899,428 | \$ 429,182 | \$ 38,887 | \$ 217,354 | \$ 1,584,851 |

See notes to financial statements.

Grundy Center Community School District

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
To the Statement of Activities

Year Ended June 30, 2012

Net change in fund balances – total governmental funds (page 18) \$ 138,754

Amounts reported for governmental activities in the Statement of Activities are different because:

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

| | | |
|---------------------------------|-----------------|---------|
| Expenditures for capital assets | \$ 615,918 | |
| Depreciation expense | <u>-474,698</u> | 141,220 |

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

| | | |
|--------|----------------|---------|
| Issued | \$ -225,454 | |
| Repaid | <u>696,892</u> | 471,438 |

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.

4,413

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

| | | |
|-------------------------------|----------------|---------|
| Early retirement | \$ -3,237 | |
| Other postemployment benefits | <u>-30,966</u> | -34,203 |

Change in Net Assets of Governmental Activities (page 15) \$ 721,622

Grundy Center Community School District

Statement of Net Assets
Proprietary Fund

June 30, 2012

| | <u>School Nutrition</u> |
|---|-----------------------------|
| Assets | |
| Cash and cash equivalents | \$ 5,876 |
| Accounts receivable | 601 |
| Inventories | 912 |
| Capital assets, net of accumulated depreciation | 42,200 |
| Total Assets | <u>\$ 49,589</u> |
| Liabilities | |
| Account payable | \$ 1,866 |
| Deferred revenue | 6,067 |
| Total Liabilities | <u>\$ 7,933</u> |
| Net Assets | |
| Invested in capital assets, net of related debt | \$ 42,200 |
| Restricted | 20,306 |
| Unrestricted | <u>-20,850</u> |
| Total Net Assets | <u>\$ 41,656</u> |

See notes to financial statements.

Grundy Center Community School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

Year Ended June 30, 2012

| | <u>School Nutrition</u> |
|------------------------------|-----------------------------|
| Operating revenues: | |
| Local sources: | |
| Charges for service | \$ 189,975 |
| Operating expenses: | |
| Non-instructional programs: | |
| Food service operations: | |
| Salaries | \$ 88,793 |
| Benefits | 38,186 |
| Purchased services | 3,844 |
| Supplies | 191,971 |
| Depreciation | 7,766 |
| Total operating expenses | <u>\$ 330,560</u> |
| Operating loss | <u>\$ -140,585</u> |
| Non-operating revenues: | |
| State sources | \$ 2,829 |
| Federal sources | 117,615 |
| Interest income | 211 |
| Total non-operating revenues | <u>\$ 120,655</u> |
| Change in net assets | \$ -19,930 |
| Net assets beginning of year | <u>61,586</u> |
| Net Assets End of Year | <u>\$ 41,656</u> |

See notes to financial statements.

Grundy Center Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2012

| | School Nutrition |
|---|---------------------|
| Cash flows from operating activities: | |
| Cash received from sale of lunches and breakfasts | \$ 190,974 |
| Cash paid to employees for services | -126,979 |
| Cash paid to suppliers for goods or services | -174,562 |
| Net cash used by operating activities | <u>\$ -110,567</u> |
| Cash flows from non-capital financing activities: | |
| State grants received | \$ 2,829 |
| Federal grants received | 99,208 |
| Net cash provided by non-capital financing activities | <u>\$ 102,037</u> |
| Cash flows from capital and related financing activities: | |
| Acquisition of capital assets | <u>\$ -8,604</u> |
| Cash flows from investing activities: | |
| Interest on investments | <u>\$ 211</u> |
| Net decrease in cash and cash equivalents | \$ -16,923 |
| Cash and cash equivalents beginning of year | <u>22,799</u> |
| Cash and Cash Equivalents End of Year | <u>\$ 5,876</u> |
| Reconciliation of operating loss to net cash used by operating activities: | |
| Operating loss | \$ -140,585 |
| Adjustments to reconcile operating loss to net cash used by operating activities: | |
| Commodities used | 18,407 |
| Depreciation | 7,766 |
| Decrease in inventories | 2,017 |
| (Increase) in accounts receivable | -143 |
| Increase in accounts payable | 828 |
| Increase in deferred revenue | 1,143 |
| Net Cash Used by Operating Activities | <u>\$ -110,567</u> |

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$18,407 of federal commodities.

Grundy Center Community School District

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2012

| | Private Purpose Trust | |
|-----------------------------|-----------------------------|----------|
| | Scholarship | Agency |
| Assets | | |
| Cash and pooled investments | \$ 538 | \$ 4,967 |
| Liabilities | | |
| Accounts payable | \$ - | \$ 4,967 |
| Net Assets | | |
| Reserved for scholarships | \$ 538 | \$ - |

Grundy Center Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year Ended June 30, 2012

| | Private Purpose Trust |
|------------------------------|-----------------------------|
| | Scholarship |
| Additions: | |
| Local sources: | |
| Gifts and contributions | \$ - |
| Deductions: | |
| Support services: | |
| Services | \$ - |
| Change in net assets | \$ - |
| Net assets beginning of year | 538 |
| Net Assets End of Year | \$ 538 |

Grundy Center Community School District

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

Grundy Center Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Grundy Center, Iowa and portions of the predominately agricultural territories in Grundy 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, Grundy Center 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. Grundy Center Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – 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 non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major 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 instructional, support and other costs.

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

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general obligation long-term debt.

The District reports the following major proprietary fund:

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

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 they do 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 the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 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 and equipment, 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.

| Asset Class | Amount |
|-----------------------------------|----------|
| Land | \$ 2,000 |
| Buildings | 10,000 |
| Improvements other than buildings | 10,000 |
| Furniture and equipment: | |
| School Nutrition Fund equipment | 500 |
| Other furniture and equipment | 2,000 |

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

| Asset Class | Estimated Useful Lives (In Years) |
|-----------------------------------|-----------------------------------|
| Buildings | 50 years |
| Improvements other than buildings | 20 – 50 years |
| Furniture and equipment | 5 – 15 years |

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

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

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to governmental activities will be paid primarily by the General Fund.

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

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

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

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

Unassigned – All amounts not included in other spendable classifications.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

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

During the year ended June 30, 2012, expenditures exceeded the amount budgeted in the support services function.

(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.

(3) **Inter-fund Transfers**

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

| Transfer to | Transfer from | Amount |
|--|--|-------------------|
| Debt Service | Capital Projects – Physical Plant and Equipment Levy | \$ 285,997 |
| Debt Service | Capital Projects – Statewide Sales, Services and Use Tax | 135,892 |
| Capital Projects – Physical Plant and Equipment Levy | Debt Service | 945 |
| | | <u>\$ 422,834</u> |

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

(4) Capital Assets

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

| | Balance Beginning Of Year | Increases | Decreases | Balance End Of Year |
|--|---------------------------------|------------|-----------|---------------------------|
| Governmental Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 21,252 | \$ - | \$ - | \$ 21,252 |
| Total capital assets not being depreciated | \$ 21,252 | \$ - | \$ - | \$ 21,252 |
| Capital assets being depreciated: | | | | |
| Buildings | \$ 7,732,755 | \$ 192,092 | \$ - | \$ 7,924,847 |
| Improvements other than buildings | 525,418 | 16,676 | - | 542,094 |
| Furniture and equipment | 4,862,675 | 407,789 | 30,800 | 5,239,664 |
| Total capital assets being depreciated | \$ 13,120,848 | \$ 616,557 | \$ 30,800 | \$ 13,706,605 |
| Less accumulated depreciation for: | | | | |
| Buildings | \$ 3,529,109 | \$ 152,444 | \$ - | \$ 3,681,553 |
| Improvements other than buildings | 278,540 | 18,109 | - | 296,649 |
| Furniture and equipment | 3,132,073 | 304,145 | 30,160 | 3,406,058 |
| Total accumulated depreciation | \$ 6,939,722 | \$ 474,698 | \$ 30,160 | \$ 7,384,260 |
| Total capital assets being depreciated, net | \$ 6,181,126 | \$ 141,859 | \$ 640 | \$ 6,322,345 |
| Governmental Activities Capital Assets, Net | \$ 6,202,378 | \$ 141,859 | \$ 640 | \$ 6,343,597 |

| | Balance Beginning Of Year | Increases | Decreases | Balance End Of Year |
|--|---------------------------------|-----------|-----------|---------------------------|
| Business type activities: | | | | |
| Furniture and equipment | \$ 80,755 | \$ 9,104 | \$ - | \$ 89,859 |
| Less accumulated depreciation | 39,893 | 7,766 | - | 47,659 |
| Business Type Activities Capital Assets, Net | \$ 40,862 | \$ 1,338 | \$ - | \$ 42,200 |

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

| | |
|---------|------------|
| Regular | \$ 324,917 |
| Special | 2,497 |
| Other | 73,181 |

Support services:

| | |
|------------------------------------|--------|
| Administration | 18,093 |
| Operation and maintenance of plant | 19,783 |
| Transportation | 36,227 |

Total Depreciation Expense -- Governmental Activities \$ 474,698

Business Type Activities:

Food service operations \$ 7,766

(5) **Long-term Liabilities**

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

| | Balance Beginning Of Year | Additions | Reductions | Balance End Of Year | Due Within One Year |
|--------------------------|---------------------------------|------------|------------|---------------------------|---------------------------|
| Revenue bond | \$ 410,000 | \$ - | \$ 95,000 | \$ 315,000 | \$ 100,000 |
| General obligation bonds | 310,000 | - | 310,000 | - | - |
| Capital leases | 241,947 | 225,454 | 191,893 | 275,508 | 194,413 |
| Notes payable | 200,000 | - | 100,000 | 100,000 | 100,000 |
| Early retirement | 240,001 | 65,818 | 62,581 | 243,238 | 68,435 |
| Net OPEB liability | 66,987 | 30,966 | - | 97,953 | - |
| Total | \$ 1,468,935 | \$ 322,238 | \$ 759,474 | \$ 1,031,699 | \$ 462,848 |

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five. Employees must complete an application, which is subject to approval by the Board of Education. Early retirement incentives are a cash payment equal to the employee's current salary minus the current base. Early retirement expenditures for the year ended June 30, 2012 totaled \$62,581.

Prior Year Debt Defeasance

In prior years, the District has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investment and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes the debt has been considered defeased and therefore removed as a liability from the District's Long-Term Debt. As of June 30, 2012, the amount of defeased debt outstanding but removed from the Long-Term Debt amounted to \$1,875,000.

Capital Leases

The District has leased a copier and laptop computers, which are being accounted for as capital leases. The following is a schedule of future lease payments under the capital leases, as of June 30, 2012.

| | Balance Beginning Of Year | Additions | Reductions | Balance End Of Year | Due Within One Year |
|-----------|---------------------------------|------------|------------|---------------------------|---------------------------|
| Copier | \$ 3,474 | \$ 69,900 | \$ 20,724 | \$ 52,650 | \$ 23,400 |
| Computers | 238,473 | 155,554 | 171,169 | 222,858 | 171,013 |
| Total | \$ 241,947 | \$ 225,454 | \$ 191,893 | \$ 275,508 | \$ 194,413 |

During the year ended June 30, 2012 the District made principal and interest payments totaling \$195,512 under the agreements.

Revenue Bond Payable

Details of the District's June 30, 2012 revenue bond indebtedness are as follow:

| Year Ended June 30, | Revenue Bond Issued August 4, 2004 | | | |
|---------------------|------------------------------------|------------|-----------|------------|
| | Interest Rates | Principal | Interest | Total |
| 2013 | 4.45% | \$ 100,000 | \$ 12,225 | \$ 112,225 |
| 2014 | 4.60% | 105,000 | 7,585 | 112,585 |
| 2015 | 4.70% | 110,000 | 2,585 | 112,585 |
| Total | | \$ 315,000 | \$ 22,395 | \$ 337,395 |

During the year ended June 30, 2012, the District made principal and interest payments totaling \$111,492 under the agreement.

Capital Loan Notes

The District refinanced \$300,000 of capital loan notes during the year ended June 30, 2010 to complete construction on the stadium project. The payments are due are follows:

| Year Ended June 30, | Interest Rates | Refinanced Note April 20, 2010 | | |
|---------------------|----------------|--------------------------------|----------|------------|
| | | Principal | Interest | Total |
| 2013 | 5.30% | \$ 100,000 | \$ 5,300 | \$ 105,300 |
| | | \$ 100,000 | \$ 5,300 | \$ 105,300 |

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$311,139, \$261,941, and \$228,964, respectively, equal to the required contributions for each year.

(7) 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 69 active and 20 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate 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 which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

| | | |
|--|----|----------|
| Annual required contribution | \$ | 160,000 |
| Interest on net OPEB obligation | | 2,679 |
| Adjustment to annual required contribution | | -2,713 |
| Annual OPEB cost | \$ | 159,966 |
| Contributions made | | -129,000 |
| Increase in net OPEB obligation | \$ | 30,966 |
| Net OPEB obligation beginning of year | | 66,987 |
| Net OPEB obligation end of year | \$ | 97,953 |

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 \$603,655 to the medical plan. Plan members eligible for benefits contributed \$40,241, or 6.2% 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:

| Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------|------------------|--|---------------------|
| June 30, 2010 | \$160,000 | 83.13% | \$27,000 |
| June 30, 2011 | \$160,000 | 75.00% | \$66,987 |
| June 30, 2012 | \$160,000 | 80.63% | \$97,953 |

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 \$1,457 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,457 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3,528,411 and the ratio of the UAAL to covered payroll was 41.3%. 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, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

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

Projected claim costs of the medical plan are \$561 per month for retirees less than age 65 and \$330 per month for retirees who have attained age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

Grundy Center 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.

(9) 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 \$249,030 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.

(10) Categorical Funding

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

| <u>Program</u> | <u>Amount</u> |
|---------------------------|------------------|
| Home School Assistance | \$ 3,707 |
| Dropout Prevention | 60,648 |
| Teacher Salary Supplement | 1,852 |
| Core Curriculum | 5,305 |
| Total | <u>\$ 71,512</u> |

(11) Subsequent Events

The District has evaluated subsequent events through February 15, 2013 which is the date that the financial statements were available to be issued.

Required Supplementary Information

Grundy Center 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 Funds Actual | Proprietary Fund Actual |
|--|---------------------------------|-------------------------------|
| Receipts: | | |
| Local sources | \$ 4,420,675 | \$ 190,186 |
| Intermediate sources | - | - |
| State sources | 3,486,549 | 2,829 |
| Federal sources | 131,917 | 117,615 |
| Total Receipts | <u>\$ 8,039,141</u> | <u>\$ 310,630</u> |
| Disbursements: | | |
| Instruction | \$ 4,677,497 | \$ - |
| Support services | 2,151,955 | - |
| Non-instructional programs | 2,000 | 330,560 |
| Other expenditures | 1,294,389 | - |
| Total Disbursements | <u>\$ 8,125,841</u> | <u>\$ 330,560</u> |
| Excess (deficiency) of revenue over (under) expenditures/expenses | \$ -86,700 | \$ -19,930 |
| Other financing sources, net | <u>225,454</u> | - |
| Excess (deficiency) of revenue and other financing sources over (under) expenditures/expenses and other financing uses | \$ 138,754 | \$ -19,930 |
| Balances beginning of year | <u>1,446,097</u> | <u>61,586</u> |
| Balances End of Year | <u>\$ 1,584,851</u> | <u>\$ 41,656</u> |

See accompanying independent auditor's report.

| | Total Actual | Budgeted Amounts | Budgeted to Actual Variance |
|----|------------------|---------------------|-----------------------------------|
| \$ | 4,610,861 | \$ 4,710,447 | \$ -99,586 |
| | - | - | - |
| | 3,489,378 | 3,602,178 | -112,800 |
| | 249,532 | 282,000 | -32,468 |
| \$ | <u>8,349,771</u> | <u>\$ 8,594,625</u> | <u>\$ -244,854</u> |
| \$ | 4,677,497 | \$ 5,165,000 | \$ 487,503 |
| | 2,151,955 | 2,119,025 | -32,930 |
| | 332,560 | 366,500 | 33,940 |
| | 1,294,389 | 1,457,608 | 163,219 |
| \$ | <u>8,456,401</u> | <u>\$ 9,108,133</u> | <u>\$ 651,732</u> |
| \$ | -106,630 | \$ -513,508 | \$ 406,878 |
| | 225,454 | - | 225,454 |
| \$ | 118,824 | \$ -513,508 | \$ 632,332 |
| | 1,507,683 | 1,332,433 | 175,250 |
| \$ | <u>1,626,507</u> | <u>\$ 818,925</u> | <u>\$ 807,582</u> |

Grundy Center 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 Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

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

During the year ended June 30, 2012, expenditures in the support service function exceeded the amount budgeted.

Grundy Center Community School District

**Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)**

Required Supplementary Information

June 30, 2012

| 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 | - | \$1,457 | \$1,457 | - | \$3,153 | 46.2% |
| 2011 | July 1, 2009 | - | \$1,457 | \$1,457 | - | \$3,425 | 42.5% |
| 2012 | July 1, 2009 | - | \$1,457 | \$1,457 | - | \$3,528 | 41.3% |

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Other Supplementary Information

Grundy Center Community School District

Combining Balance Sheet
Non-Major Funds

June 30, 2012

| | Special Revenue | | Total |
|--|-------------------|-------------------|-------------------|
| | Management | Student Activity | |
| Assets | | | |
| Cash and pooled investments | \$ 127,053 | \$ 111,792 | \$ 238,845 |
| Receivables: | | | |
| Property Tax: | | | |
| Delinquent | 2,662 | - | 2,662 |
| Succeeding year | 200,001 | - | 200,001 |
| Accounts | - | 3,091 | 3,091 |
| Total Assets | \$ 329,716 | \$ 114,883 | \$ 444,599 |
| Liabilities and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | \$ - | \$ 15,487 | \$ 15,487 |
| Salaries and benefits payable | 11,757 | - | 11,757 |
| Deferred Revenue: | | | |
| Succeeding year property tax | 200,001 | - | 200,001 |
| Total Liabilities | \$ 211,758 | \$ 15,487 | \$ 227,245 |
| Fund Balances: | | | |
| Restricted for: | | | |
| Management levy purposes | \$ 117,958 | \$ - | \$ 117,958 |
| Student activities | - | 99,396 | 99,396 |
| Total fund balances | \$ 117,958 | \$ 99,396 | \$ 217,354 |
| Total Liabilities and Fund Balances | \$ 329,716 | \$ 114,883 | \$ 444,599 |

Grundy Center Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Funds

Year Ended June 30, 2012

| | <u>Special Revenue</u> | | |
|---|------------------------|-------------------------|-------------------|
| | <u>Management</u> | <u>Student Activity</u> | <u>Total</u> |
| Revenues: | | | |
| Local Sources: | | | |
| Local tax | \$ 195,054 | \$ - | \$ 195,054 |
| Other | 6,972 | 308,605 | 315,577 |
| State sources | 111 | - | 111 |
| Total Revenues | <u>\$ 202,137</u> | <u>\$ 308,605</u> | <u>\$ 510,742</u> |
| Expenditures: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular instruction | \$ 94,791 | \$ - | \$ 94,791 |
| Other instruction | - | 332,558 | 332,558 |
| Support Services: | | | |
| Student services | 600 | - | 600 |
| Administration services | 2,000 | - | 2,000 |
| Operation and maintenance of plant services | 27,903 | - | 27,903 |
| Transportation | 8,596 | - | 8,596 |
| Non-instructional programs | 2,000 | - | 2,000 |
| Total Expenditures | <u>\$ 135,890</u> | <u>\$ 332,558</u> | <u>\$ 468,448</u> |
| Excess (deficiency) of revenues over (under) expenditures | \$ 66,247 | \$ -23,953 | \$ 42,294 |
| Fund balances beginning of year | <u>51,711</u> | <u>123,349</u> | <u>175,060</u> |
| Fund Balances End of Year | <u>\$ 117,958</u> | <u>\$ 99,396</u> | <u>\$ 217,354</u> |

See accompanying independent auditor's report.

Grundy Center Community School District

Combining Balance Sheet
Capital Project Accounts

June 30, 2012

| | Capital Projects | | |
|--|--|--|-------------------|
| | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | Total |
| Assets | | | |
| Cash and pooled investments | \$ 227,135 | \$ 30,544 | \$ 257,679 |
| Receivables: | | | |
| Property Tax: | | | |
| Delinquent | - | 3,989 | 3,989 |
| Succeeding year | - | 322,132 | 322,132 |
| Due from other governments | 183,665 | - | 183,665 |
| Total Assets | \$ 410,800 | \$ 356,665 | \$ 767,465 |
| Liabilities and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | \$ 16,151 | \$ - | \$ 16,151 |
| Deferred revenue: | | | |
| Succeeding year property tax | - | 322,132 | 322,132 |
| Total Liabilities | \$ 16,151 | \$ 322,132 | \$ 338,283 |
| Fund Balances: | | | |
| Restricted for: | | | |
| School infrastructure | \$ 394,649 | \$ - | \$ 394,649 |
| Physical plant and equipment | - | 34,533 | 34,533 |
| Total fund balances | \$ 394,649 | \$ 34,533 | \$ 429,182 |
| Total Liabilities and Fund Balances | \$ 410,800 | \$ 356,665 | \$ 767,465 |

See accompanying independent auditor's report.

Grundy Center Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Capital Project Accounts

Year Ended June 30, 2012

| | Capital Projects | | |
|---|--|--|--------------------|
| | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | Total |
| Revenues: | | | |
| Local Sources: | | | |
| Local tax | \$ 471,445 | \$ 302,507 | \$ 773,952 |
| Other | 1,189 | 796 | 1,985 |
| State sources | - | 168 | 168 |
| Total Revenues | \$ 472,634 | \$ 303,471 | \$ 776,105 |
| Expenditures: | | | |
| Current: | | | |
| Support Services: | | | |
| Instructional staff services | \$ 27,004 | \$ 155,554 | \$ 182,558 |
| Administration service | - | 70,845 | 70,845 |
| Operation and maintenance of plant services | 21,874 | 22,025 | 43,899 |
| Transportation | 29,644 | - | 29,644 |
| Other Expenditures: | | | |
| Facilities acquisition | 278,042 | 30,003 | 308,045 |
| Total Expenditures | \$ 356,564 | \$ 278,427 | \$ 634,991 |
| Excess (deficiency) of revenues over (under) expenditures | \$ 116,070 | \$ 25,044 | \$ 141,114 |
| Other Financing Sources (Uses): | | | |
| Capital lease proceeds | \$ - | \$ 225,454 | \$ 225,454 |
| Operating transfer in | - | 945 | 945 |
| Operating transfers out | -135,892 | -285,997 | -421,889 |
| Total other financing sources (uses) | \$ -135,892 | \$ -59,598 | \$ -195,490 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | \$ -19,822 | \$ -34,554 | \$ -54,376 |
| Fund balances beginning of year | 414,471 | 69,087 | 483,558 |
| Fund Balances End of Year | \$ 394,649 | \$ 34,533 | \$ 429,182 |

See accompanying independent auditor's report.

Grundy Center Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2012

| Account | Balance Beginning Of Year | Revenues and Inter-fund Transfers | Expenditures | Intra- Fund Transfers | Balance End of Year |
|-------------------------------|---------------------------------|--|--------------|-----------------------------|---------------------------|
| Student activity ticket sales | \$ - | \$ 12,937 | \$ 4,324 | \$ -5,266 | \$ 3,347 |
| Class of 2011 | 75 | - | - | - | 75 |
| Class of 2012 | 1,746 | 1,305 | 2,580 | - | 471 |
| Class of 2013 | 389 | 3,571 | 2,120 | - | 1,840 |
| Class of 2014 | 61 | 373 | - | - | 434 |
| Class of 2015 | - | 275 | - | - | 275 |
| Class of 2016 | 18 | 120 | - | - | 138 |
| Class of 2017 | 24 | 77 | - | - | 101 |
| Class of 2018 | - | 119 | - | - | 119 |
| Cross country | - | 3,739 | 4,024 | 285 | - |
| Dance team | - | 11,455 | 14,657 | 3,202 | - |
| Vocal music/GC Jazz | 4,918 | 3,044 | 8,180 | 218 | - |
| Drama/speech | 2,642 | 2,189 | 4,075 | - | 756 |
| Elementary vocal music | 1,179 | 470 | 231 | - | 1,418 |
| Annual | - | 6,438 | 9,335 | 2,897 | - |
| Band | 8,318 | 8,642 | 10,376 | - | 6,584 |
| Middle School student senate | 6,512 | 8,008 | 8,469 | - | 6,051 |
| National Honor Society | - | 121 | 418 | 297 | - |
| High School student senate | 4,462 | 3,296 | 4,841 | - | 2,917 |
| Art club | 1,259 | 359 | 235 | - | 1,383 |
| TAG club | 7,403 | 4,841 | 3,167 | - | 9,077 |
| Middle School fund | 324 | 15 | 196 | - | 143 |
| Elementary student senate | 17,255 | 55,905 | 66,397 | - | 6,763 |
| FFA | 1,777 | 10,104 | 9,809 | - | 2,072 |
| Girls softball | 458 | 3,258 | 4,252 | 536 | - |
| Boys basketball | 9,126 | 10,476 | 11,447 | -964 | 7,191 |
| Football | 3,059 | 29,560 | 29,196 | -505 | 2,918 |
| Boys baseball | 224 | 9,644 | 15,733 | 5,865 | - |
| Boys track | - | 7,368 | 7,982 | 614 | - |
| Boys tennis | - | 332 | 431 | 99 | - |
| Boys golf | 327 | 885 | 1,024 | - | 188 |
| Athletics-general | 729 | 6,545 | 7,990 | 1,012 | 296 |
| Music department | 8,382 | 7,107 | 5,036 | - | 10,453 |
| Speech | - | 781 | 424 | - | 357 |
| Greenhouse account | - | 39 | 16 | - | 23 |
| Germany exchange program | - | 2,980 | - | - | 2,980 |

Grundy Center Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2012

| Account | Balance Beginning Of Year | Revenues and Inter-fund Transfers | Expenditures | Intra- Fund Transfers | Balance End of Year |
|------------------------|---------------------------------|--|--------------|-----------------------------|---------------------------|
| Hall of Fame | \$ - | \$ 1,870 | \$ 1,870 | \$ - | \$ - |
| MS Read Across America | 922 | 18 | 622 | - | 318 |
| Soccer | 1,512 | - | 1,950 | 438 | - |
| Spartan clothing | 48 | 2,150 | 2,041 | - | 157 |
| Concessions | 14,480 | 33,155 | 23,721 | -10,190 | 13,724 |
| Wrestling | 470 | - | - | - | 470 |
| Girls basketball | 15,793 | 12,829 | 18,311 | -2,000 | 8,311 |
| Girls volleyball | 9,457 | 22,738 | 23,702 | -447 | 8,046 |
| Girls track | - | 10,786 | 12,250 | 1,464 | - |
| Girls tennis | - | 571 | 800 | 229 | - |
| Girls golf | - | 1,438 | 2,767 | 1,329 | - |
| Cheerleaders | - | 4,556 | 5,061 | 505 | - |
| Academic Decathlon | - | 2,116 | 2,498 | 382 | - |
| Totals | \$ 123,349 | \$ 308,605 | \$ 332,558 | \$ - | \$ 99,396 |

Grundy Center Community School District

Schedule of Changes in Fiduciary Assets and Liabilities –
Agency Funds

Year ended June 30, 2012

| | Balance Beginning of Year | Additions | Deductions | Balance End of Year |
|--------------------------|---------------------------------|-----------|------------|---------------------------|
| Assets | | | | |
| Cash | \$ 4,970 | \$ 249 | \$ 252 | \$ 4,967 |
| Total Assets | <u>\$ 4,970</u> | | | <u>\$ 4,967</u> |
| Liabilities | | | | |
| Accounts payable | \$ 4,970 | \$ 249 | \$ 252 | \$ 4,967 |
| Total Liabilities | <u>\$ 4,970</u> | | | <u>\$ 4,967</u> |

Grundy Center Community School District

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

For the Last Nine Years

| | Modified Accrual Basis | | | |
|---|------------------------|---------------------|---------------------|---------------------|
| | 2012 | 2011 | 2010 | 2009 |
| Revenues: | | | | |
| Local Sources: | | | | |
| Local tax | \$ 3,536,469 | \$ 3,329,757 | \$ 3,189,115 | \$ 3,072,240 |
| Tuition | 307,834 | 303,305 | 325,993 | 337,417 |
| Other | 576,372 | 639,840 | 635,260 | 787,170 |
| Intermediate sources | - | - | - | - |
| State sources | 3,486,549 | 3,150,832 | 2,755,430 | 3,065,231 |
| Federal sources | 131,917 | 305,181 | 497,180 | 204,403 |
| Total | \$ 8,039,141 | \$ 7,728,915 | \$ 7,402,978 | \$ 7,466,461 |
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular instruction | \$ 2,743,343 | \$ 3,031,483 | \$ 2,810,790 | \$ 2,668,124 |
| Special instruction | 876,095 | 731,225 | 836,216 | 782,801 |
| Other instruction | 1,058,059 | 1,082,556 | 1,063,960 | 1,031,035 |
| Support services: | | | | |
| Student services | 136,585 | 72,465 | 69,243 | 114,657 |
| Instructional staff services | 461,420 | 309,405 | 235,957 | 180,266 |
| Administration services | 757,404 | 680,854 | 711,820 | 693,604 |
| Operation and maintenance of plant services | 509,856 | 544,323 | 550,877 | 580,021 |
| Transportation services | 286,690 | 332,743 | 240,659 | 309,105 |
| Non-instructional programs | 2,000 | 1,500 | 1,500 | 1,500 |
| Other expenditures: | | | | |
| Facilities acquisition | 308,045 | 243,170 | 384,328 | 788,163 |
| Long-term debt: | | | | |
| Principal | 696,892 | 662,979 | 464,119 | 435,082 |
| Interest and other charges | 40,422 | 59,411 | 86,488 | 77,051 |
| AEA flow-through | 249,030 | 271,850 | 267,032 | 222,659 |
| Total | \$ 8,125,841 | \$ 8,023,964 | \$ 7,722,989 | \$ 7,884,068 |

See accompanying independent auditor's report.

| Modified Accrual Basis | | | | |
|------------------------|---------------------|---------------------|---------------------|---------------------|
| 2008 | 2007 | 2006 | 2005 | 2004 |
| \$ 2,654,620 | \$ 2,501,957 | \$ 2,458,970 | \$ 2,395,998 | \$ 2,540,526 |
| 369,437 | 415,217 | 399,585 | 487,874 | 462,348 |
| 940,856 | 873,250 | 748,472 | 832,296 | 638,944 |
| - | - | - | - | - |
| 3,022,179 | 2,705,942 | 2,659,509 | 2,498,444 | 2,323,697 |
| 233,811 | 251,312 | 356,802 | 99,457 | 104,417 |
| <u>\$ 7,220,903</u> | <u>\$ 6,747,678</u> | <u>\$ 6,623,338</u> | <u>\$ 6,314,069</u> | <u>\$ 6,069,932</u> |

| | | | | |
|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 2,582,004 | \$ 2,554,867 | \$ 2,595,156 | \$ 2,178,448 | \$ 2,110,808 |
| 642,618 | 669,725 | 641,467 | 640,435 | 674,859 |
| 836,894 | 837,722 | 869,596 | 786,938 | 676,753 |
| 105,105 | 95,360 | 103,293 | 110,848 | 226,532 |
| 220,406 | 252,287 | 261,425 | 191,869 | 106,114 |
| 657,058 | 605,127 | 571,840 | 576,288 | 583,209 |
| 680,273 | 528,455 | 535,578 | 502,216 | 555,027 |
| 209,682 | 185,824 | 250,452 | 222,599 | 242,887 |
| 1,500 | - | - | 370 | 7,000 |
| 248,636 | 302,643 | 253,858 | 908,150 | 22,705 |
| 489,586 | 444,816 | 393,851 | 354,479 | 363,194 |
| 87,956 | 117,043 | 158,870 | 118,524 | 133,838 |
| 215,321 | 194,979 | 186,044 | 178,953 | 179,854 |
| <u>\$ 6,977,039</u> | <u>\$ 6,788,848</u> | <u>\$ 6,821,430</u> | <u>\$ 6,770,117</u> | <u>\$ 5,882,780</u> |

**Independent Auditor's Report 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**

Independent Auditor's Report 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
Grundy Center Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Grundy Center 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 my report thereon dated February 15, 2013. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Grundy Center Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Grundy Center Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Grundy Center Community School District's internal control over financial reporting.

My 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, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses and other deficiencies I consider to be significant deficiencies.

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 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. I consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-12 to be a material weakness.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grundy Center Community School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my 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.

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

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Grundy Center Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge
Certified Public Accountant

February 15, 2013

Grundy Center Community School District

Schedule of Findings

Year Ended June 30, 2012

Part I – Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

I-A-12 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion – Response accepted.

I-B-12 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District's financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is a common control deficiency of most small schools and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the District would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

Grundy Center Community School District

Schedule of Findings

Year Ended June 30, 2012

Part II - Other Findings Related to Statutory Reporting:

II-A-12 Certified Budget – Expenditures for the year ended June 30, 2012 exceeded the certified budget amounts in the support services function.

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 budget.

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

Conclusion – Response accepted.

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

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

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

| <u>Name, Title & Business Connection</u> | <u>Transaction Description</u> | <u>Amount</u> |
|--|--------------------------------|------------------|
| Family Food – Manager – Mark Dunnick – Board Member | Supplies | \$11,311 |
| Grundy National Bank – Board President – Robert Johanns – Board Member | Loan payments | <u>222,049</u> |
| | | <u>\$233,360</u> |

In accordance with an Attorney General’s opinion dated November 9, 1976, the above transactions do not appear to represent conflicts of interest. All bank loans with Grundy National Bank were made before Robert Johanns became the bank’s president. All transactions were board approved.

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

II-F-12 Board Minutes – No transactions requiring Board approval, which had not been approved by the Board, were noted.

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

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

II-I-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

Grundy Center Community School District

Schedule of Findings

Year Ended June 30, 2012

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

II-J-12 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.

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

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

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

| | | | |
|---|----|---------|---------|
| Beginning balance | | \$ | 414,471 |
| Revenues/transfers in: | | | |
| Sales tax revenues | \$ | 278,000 | |
| Other local revenues | | 1,189 | |
| School infrastructure supplemental amount | | 193,445 | |
| | | | <hr/> |
| | | \$ | 472,634 |
| Expenditures/transfers out: | | | |
| Equipment | \$ | 78,522 | |
| School infrastructure construction | | 278,042 | |
| Transfers to other funds: | | | |
| Debt service fund | | 135,892 | |
| | | | <hr/> |
| | | \$ | 492,456 |
| Ending balance | | | <hr/> |
| | | \$ | 394,649 |

For the year ended June 30, 2012, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

| | Per \$1,000 of Taxable Valuation | | Property Tax Dollars |
|--|--|----|----------------------------|
| Debt service levy | \$ 0.5817 | \$ | 471,445 |
| Physical plant and equipment levy | - | | - |
| Public educational and recreational levy | - | | - |