

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

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

June 30, 2013

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Garner-Hayfield Community School District, Garner, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above presents 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 Garner-Hayfield Community School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operation, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Garner-Hayfield Community School District's basic financial statements. We previously audited, in accordance with the standards referred in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein). Our opinions for 2006-2012 were unqualified. For 2005 and 2004 we expressed unqualified opinions on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information and we did not issue an opinion on the discretely presented component unit. The supplementary information included in Schedules 1 through 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 29, 2014 on our consideration of Garner-Hayfield Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Garner-Hayfield Community School District's internal control over financial reporting and compliance.

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

May 29, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Garner-Hayfield Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,938,721 in fiscal 2012 to \$8,788,121 in fiscal 2013, while General Fund expenditures increased from \$7,680,802 in fiscal 2012 to \$8,766,538 in fiscal 2013. The District's General Fund balance increased from \$913,284 in fiscal 2012 to \$939,838 in fiscal 2013, a 3% increase.
- General Fund revenues increases are attributable to revenues an increase in tuition paid to the district, Whole Grade Sharing tuition and an increase in revenue from shared positions: SPED Coordinator, Business Manager, Superintendent, and teachers. The increase in expenditures was due primarily to increases in wages due to negotiated settlements, an increase in tuition paid due to whole grade sharing, and purchased services of Ventura CSD teachers (3 positions).
- **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 Position and a Statement of Activities. These provide information about the activities of Garner-Hayfield Community School District as a whole and present an overall view of the District's finances.

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

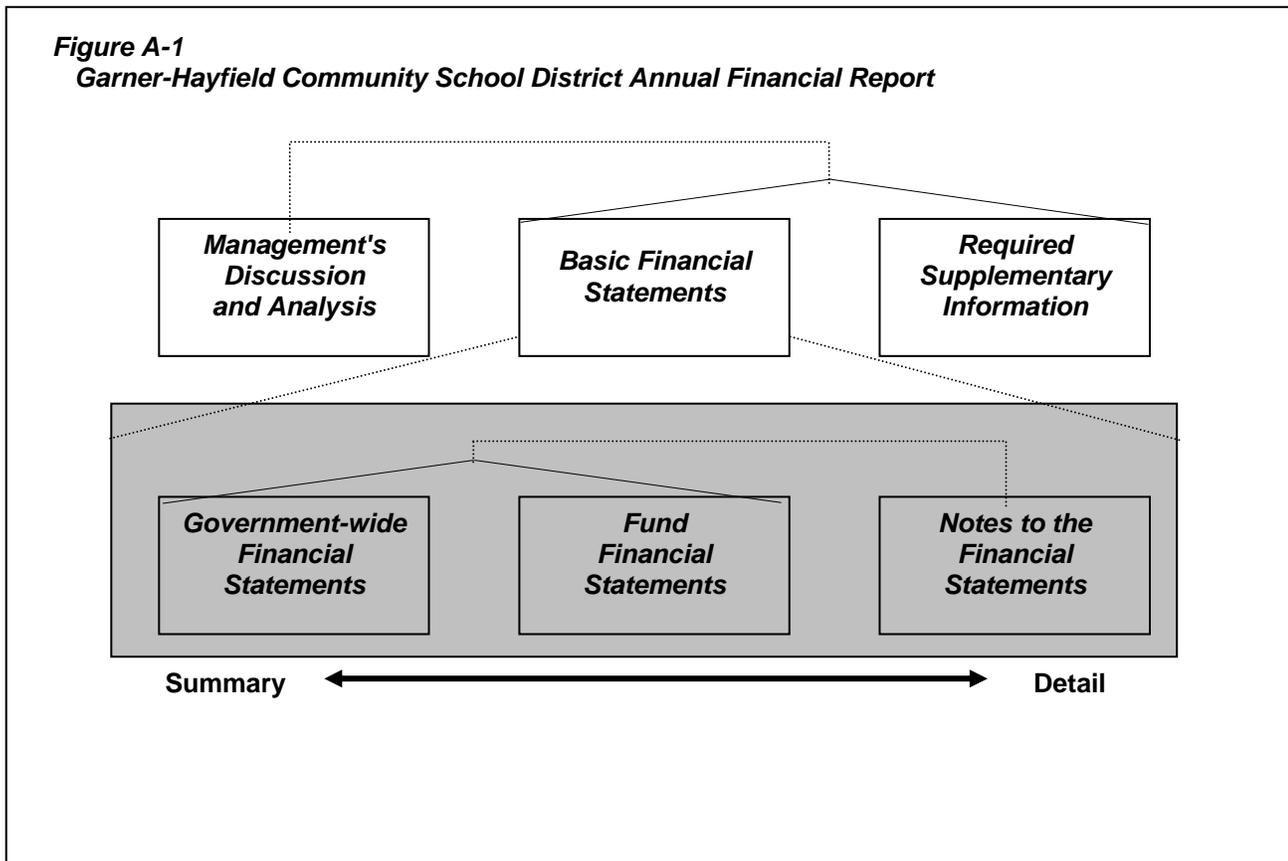


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and the house construction project	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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 Position 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 position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

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

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

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District’s net position at June 30, 2013 compared to June 30, 2012.

Figure A-3

	Condensed Statement of Net Position						Percentage Change 2012-2013 %
	Governmental Activities		Business-type Activities		Total School District		
	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	
Current and other assets	5,723,815	5,426,738	207,563	206,661	5,931,378	5,633,399	5.3%
Capital assets	5,767,198	5,603,218	37,150	40,524	5,804,348	5,643,742	2.8%
Total assets	11,491,013	11,029,956	244,713	247,185	11,735,726	11,277,141	4.1%
Long-term liabilities	715,436	875,652	1,537	0	716,973	875,652	-18.1%
Other liabilities	2,996,284	2,750,144	14,385	20,383	3,010,669	2,770,527	8.7%
Total liabilities	3,711,720	3,625,796	15,922	20,383	3,727,642	3,646,179	2.2%
Net Position:							
Investment in capital assets	5,596,868	5,351,306	37,150	40,524	5,634,018	5,391,830	4.5%
Restricted	1,723,349	1,715,774	0	0	1,723,349	1,715,774	.4%
Unrestricted	459,076	337,080	191,641	186,278	650,717	523,358	24.3%
TOTAL NET POSITION	7,779,293	7,404,160	228,791	226,802	8,008,084	7,630,962	4.9%

The District’s total net position increased by 4.9%, or \$377,122, over the prior year. The largest portion of the District’s net position 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 resources other than capital assets. The biggest items to impact this amount were succeeding year property taxes, delinquent property taxes, and amounts due from other government bodies (tuition, etc.). Investment in capital assets increased by 2.8% due to computer purchases, a new scoreboard and new bleachers at the football/track complex, as well as the purchase of a John Deere tractor, and a new 78 passenger school bus. Long-term liabilities decreased mainly due to payment on the one-to one computers and a decrease in termination benefits.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by 127,359 or 24.3% as a result of revenues exceeding projections and a decrease in construction in progress at year end compared to construction in progress at the end of fiscal year 2012.

Figure A-4 shows the change in net position for the years ended June 30, 2013 compared to the year ended June 30, 2012.

Figure A-4

	Change in Net Position						Percentage Change 2012-2013 %
	Governmental Activities		Business-type Activities		Total School District		
	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	
Revenues							
Program Revenues:							
Charges for services	2,345,526	1,483,085	582,282	248,914	2,927,808	1,731,999	69.0%
Operating grants & contributions	1,284,501	1,337,417	180,802	180,874	1,465,303	1,518,291	-3.5%
Capital grants & contributions							.0%
General Revenues:							
Property taxes	2,309,520	2,201,587			2,309,520	2,201,587	4.9%
Income Surtax	373,956	324,731			373,956	324,731	15.2%
Statewide sales tax	651,319	583,062			651,319	583,062	11.7%
Unrestricted state grants	3,421,881	3,412,443			3,421,881	3,412,443	.3%
Unrestricted investment earnings	12,251	4,547	96	132	12,347	4,679	163.9%
Other revenue	10,545	8,229			10,545	8,229	28.1%
Total Revenues	10,409,499	9,355,101	763,180	429,920	11,172,679	9,785,021	14.2%
Expenses:							
Instruction	6,903,845	6,049,799			6,903,845	6,049,799	14.1%
Support services	2,460,375	2,430,081			2,460,375	2,430,081	1.2%
Non-instructional programs	0	0	761,191	422,639	761,191	422,639	80.1%
Other expenditures	670,146	643,845			670,146	643,845	4.1%
Total expenses	10,034,366	9,123,725	761,191	422,639	10,795,557	9,546,364	13.1%
CHANGE IN NET POSITION	375,133	231,376	1,989	7,281	377,122	238,657	58.0%
Net position beginning of year	7,404,160	7,172,784	226,802	219,521	7,630,962	7,392,305	3.2%
Net position end of year	7,779,293	7,404,160	228,791	226,802	8,008,084	7,630,962	4.9%

In fiscal year 2013 property tax and unrestricted state grants account for 51% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 14.2% increase in revenues and a 13.1% increase in expenses. The Whole Grade Sharing agreement with the Ventura Community School District as well as the sharing of more administrative staff and teachers impacted both the revenues and expenditures. The increases in expenses related to increases in the negotiated salaries and benefit also had an impact on the expenditure side.

Governmental Activities

Revenues for governmental activities were \$10,409,499 and expenses were \$10,034,366. The increase in revenues allowed the district to increase the ending fund balance in a year when expenditures also increased.

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

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2013	2012	Percent Change 2012-2013	2013	2012	Percent Change 2012-2013
	\$		%	\$	\$	
Instruction	6,903,845	6,049,799	14.1%	4,117,427	3,845,861	7.1%
Support Services	2,460,375	2,430,081	1.2%	1,921,317	2,119,158	-9.3%
Other Expenses	670,146	643,845	4.1%	365,595	338,204	8.1%
TOTAL	10,034,366	9,123,725	10.0%	6,404,339	6,303,223	1.6%

For the year ended June 30, 2013

- The cost of all governmental activities this year was \$10,034,366.
- The cost financed by users of the District's programs was \$2,345,526. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,284,501.
- The net cost of governmental activities was financed with \$3,334,795 in property and local other taxes and \$3,421,881 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$763,180 and expenses were \$761,191. The District's business type activities include the School Nutrition Fund and the House Construction Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. The increase in revenues and expenditures for 2013 is due to the sale of two student built home in the same fiscal year..

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,373,210, above last year's ending fund balances of \$2,278,991 with the bulk of the increase in the Capital Projects Fund.

Governmental Fund Highlights

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

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

- The General Fund balance increased from \$913,284 to \$939,838, due in large part the increase in tuition paid to our district from other districts. The increase in revenue experienced by the District also is reflected in this increase.
- The Capital Projects Fund balance increased due to the diligence of the board to set aside monies for a possible renovation of the high school building in the near future. The District ended fiscal 2013 with a balance of \$1,203,364 which will be used for further renovations, equipment purchases, and roof replacements.

Proprietary Fund Highlights

The School Nutrition Fund and the House Construction fund net position increased from \$226,802 at June 30, 2012 to \$228,791 at June 30, 2013, representing an increase of 1%. Nutrition Fund accounts receivables increased by approximately \$1,635. Efforts continue to be taken to address the negative lunch account balances.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Garner-Hayfield Community School District receipts were \$1,601,557 more than budgeted receipts, a variance of 16.7%. The most significant variance resulted from the District receiving more in property taxes than originally anticipated as well as the whole grade sharing tuition.

Total expenditures were \$130,906 more than budgeted, due primarily to the negotiated settlements and the tuition paid for our whole grade sharing junior high students at Ventura CSD. The District manages or controls General Fund spending through its line-item budget. The District's certified budget should always exceed actual expenditures for the year and we budget between what we think we will actually spend and the maximum authorized spending authority for the General Fund. During the year the District adopted one budget amendment increasing budgeted expenditures by \$579,579.

In spite of the District's budgetary practice, the certified budget was exceeded in the instructional, support services and non-instruction functional areas due to the timing of expenditures paid at year-end without sufficient time to amend the certified budget

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$5,804,348 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 2.8% 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 \$434,959.

The largest change in capital asset activity during the year occurred in the furniture and equipment and buildings areas as the previous year's renovations were added in as well as the purchase of a new school bus.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change
	2013	2012	2013	2012	2013	2012	2012-2013
	\$	\$	\$	\$	\$	\$	%
Land	48,803	48,803	0	0	48,803	48,803	0%
Construction in progress	9,400	92,535	0	0	9,400	92,535	-89.8%
Buildings	4,614,923	4,434,240	0	0	4,614,923	4,434,240	4.1%
Improvements	461,848	471,675	0	0	461,848	471,675	-2.1%
Equipment & furniture	632,224	555,965	37,150	40,524	669,374	596,489	12.2%
TOTAL	5,767,198	5,603,218	37,150	40,524	5,804,348	5,643,742	2.8%

Long-Term Debt

At June 30, 2013 the District had \$716,973 of other long-term debt outstanding. This represents a decrease of approximately 109% 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 early retirement debt decreased by \$129,159 due to the completion of early retirement benefits for some participants and there being no early retirement offered during the 2012-2013 fiscal year.

The District's obligation for compensated absences decreased by \$9,739. This change was due to the decrease of staff numbers.

Figure A-7

Outstanding Long-Term Obligations

	Total School District		Percentage Change
	2013	2012	2012-2013
	\$	\$	%
Governmental activities:			
Equipment Loans - Computers	0	1,199	-100.0%
Capital leases	170,330	251,912	-32.4%
Early retirement	314,605	443,764	-29.1%
Compensated absences	169,038	178,777	-5.4%
Net OPEB liability	61,463	0	100.0%
Business type activities:			
Net OPEB liability	1,537	0	100.0%
	<u>716,973</u>	<u>875,652</u>	<u>-18.1%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- School financing is highly dependent upon student enrollment. The District's October 2013 enrollment increased by 15.67 students K-12. The District is in the second year of a Whole Grade Sharing Agreement with the Ventura Community School District. The District is in the fifth year of a sharing agreement for the services of the Transportation Director with the Forest City Community School District that will provide supplemental weighting to our District. The District is sharing the services of our Superintendent with the Ventura Community School District again this year and this will provide supplemental weighting to our District in the future as well as one-half of his salaries and expenses reimbursed by the Ventura Community School District. The district is also sharing the services of the business manager, curriculum coordinator, special education coordinator, and five teachers with the Ventura Community School District. Supplemental weighting will be received for the shared Business Manager position. A portion of the salaries and benefits for the business manager, curriculum coordinator, and special education coordinator will be reimbursed by the Ventura Community School District.
- The District will negotiate a new contract with the Garner-Hayfield Education Association (GHEA) and the Garner-Hayfield Education Services Association (GHESA) during fiscal 2014. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- The Garner community continues to grow and the business and manufacturing climate remains strong in our community which gives stability to enrollment in our district. New housing continues to be built in the new subdivision in town.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2013

	Governmental Activities	Business Type Activities	Total	Garner- Hayfield Community School District Education Foundation
	\$	\$	\$	\$
Assets				
Cash, cash equivalents and pooled investments	2,426,716	180,752	2,607,468	47,753
Investments	-	-	-	740,959
Receivables:				
Property tax:				
Delinquent	31,562	-	31,562	-
Succeeding year	2,489,393	-	2,489,393	-
Accounts	39,336	9,807	49,143	-
Due from other governments	736,808	-	736,808	-
Inventories	-	17,004	17,004	-
Capital assets, net of accumulated depreciation	5,767,198	37,150	5,804,348	-
Total assets	11,491,013	244,713	11,735,726	788,712
Liabilities				
Accounts payable	458,273	6,711	464,984	-
Salaries and benefits payable	43,678	-	43,678	-
Accrued interest payable	4,940	-	4,940	-
Deferred revenue:				
Succeeding year property tax	2,489,393	-	2,489,393	-
Other	-	7,674	7,674	-
Long-term liabilities:				
Portion due within one year:				
Capital lease	83,948	-	83,948	-
Termination benefits	88,946	-	88,946	-
Compensated absences	25,000	-	25,000	-
Portion due after one year:				
Capital lease	86,382	-	86,382	-
Termination benefits	225,659	-	225,659	-
Compensated absences	144,038	-	144,038	-
Net OPEB liability	61,463	1,537	63,000	-
Total liabilities	3,711,720	15,922	3,727,642	-

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2013

	Governmental Activities	Business Type Activities	Total	Garner- Hayfield Community School District Education Foundation
	\$	\$	\$	\$
Net position				
Net investment in capital assets	5,596,868	37,150	5,634,018	-
Restricted for:				
Endowment by donors	-	-	-	740,959
Categorical funding	301,009	-	301,009	-
Physical plant and equipment levy	159,445	-	159,445	-
Student activities	123,854	-	123,854	-
School infrastructure	1,135,558	-	1,135,558	-
Debt service	3,483	-	3,483	-
Unrestricted	459,076	191,641	650,717	47,753
Total net position	<u>7,779,293</u>	<u>228,791</u>	<u>8,008,084</u>	<u>788,712</u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2013

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	4,216,120	1,207,743	665,320	-
Special	1,141,198	266,416	39,654	-
Other	1,546,527	512,203	95,082	-
	<u>6,903,845</u>	<u>1,986,362</u>	<u>800,056</u>	<u>-</u>
Support services:				
Student	399,942	-	185,054	-
Instructional staff	239,227	-	-	-
Administration	790,049	350,693	-	-
Operation and maintenance of plant	754,643	1,222	-	-
Transportation	276,514	2,089	-	-
	<u>2,460,375</u>	<u>354,004</u>	<u>185,054</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	104,595	5,160	-	-
Long-term debt interest	4,940	-	-	-
AEA flowthrough	299,391	-	299,391	-
Depreciation (unallocated)*	261,220	-	-	-
	<u>670,146</u>	<u>5,160</u>	<u>299,391</u>	<u>-</u>
Total governmental activities	<u>10,034,366</u>	<u>2,345,526</u>	<u>1,284,501</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	477,800	267,931	180,802	-
Student house construction project	283,391	314,351	-	-
Total business type activities	<u>761,191</u>	<u>582,282</u>	<u>180,802</u>	<u>-</u>
Total primary government	<u>10,795,557</u>	<u>2,927,808</u>	<u>1,465,303</u>	<u>-</u>
Component Units				
Garner-Hayfield Community School				
District Education Foundation	21,614	-	120,820	-
Total	<u>10,817,171</u>	<u>2,927,808</u>	<u>1,586,123</u>	<u>-</u>

General Revenues:

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

Change in net position

Net position beginning of year	
Net position end of year	

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

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business Type Activities	Total	Component Unit
\$	\$	\$	\$
(2,343,057)	-	(2,343,057)	-
(835,128)	-	(835,128)	-
(939,242)	-	(939,242)	-
(4,117,427)	-	(4,117,427)	-
(214,888)	-	(214,888)	-
(239,227)	-	(239,227)	-
(439,356)	-	(439,356)	-
(753,421)	-	(753,421)	-
(274,425)	-	(274,425)	-
(1,921,317)	-	(1,921,317)	-
(99,435)	-	(99,435)	-
(4,940)	-	(4,940)	-
-	-	-	-
(261,220)	-	(261,220)	-
(365,595)	-	(365,595)	-
(6,404,339)	-	(6,404,339)	-
-	(29,067)	(29,067)	-
-	30,960	30,960	-
-	1,893	1,893	-
(6,404,339)	1,893	(6,402,446)	-
-	-	-	99,206
(6,404,339)	1,893	(6,402,446)	99,206
2,178,179	-	2,178,179	-
131,341	-	131,341	-
373,956	-	373,956	-
651,319	-	651,319	-
3,421,881	-	3,421,881	-
12,251	96	12,347	5,291
10,545	-	10,545	-
6,779,472	96	6,779,568	5,291
375,133	1,989	377,122	104,497
7,404,160	226,802	7,630,962	684,215
7,779,293	228,791	8,008,084	788,712

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2013

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Assets				
Cash, cash equivalents and pooled investments	926,418	1,051,607	195,636	2,173,661
Receivables:				
Property tax:				
Delinquent	27,783	1,718	2,061	31,562
Succeeding year	2,128,616	135,777	225,000	2,489,393
Accounts	4,973	1	34,362	39,336
Due from other governments	495,112	241,696	-	736,808
Total assets	3,582,902	1,430,799	457,059	5,470,760
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	226,400	19	2,051	228,470
Salaries and benefits payable	43,676	-	-	43,676
Deferred revenue:				
Succeeding year property tax	2,128,616	135,777	225,000	2,489,393
Income surtax	244,372	91,639	-	336,011
Total liabilities	2,643,064	227,435	227,051	3,097,550
Fund balances:				
Restricted for:				
Categorical funding	301,009	-	-	301,009
Debt service	-	-	8,423	8,423
Management levy	-	-	97,731	97,731
Student activities	-	-	123,854	123,854
School infrastructure	-	1,135,558	-	1,135,558
Physical plant and equipment	-	67,806	-	67,806
Unassigned	638,829	-	-	638,829
Total fund balances	939,838	1,203,364	230,008	2,373,210
Total liabilities and fund balances	3,582,902	1,430,799	457,059	5,470,760

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

June 30, 2013

	\$
Total fund balances of governmental funds (Exhibit C)	2,373,210
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,767,198
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	326,924
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	(4,940)
An internal service fund is used by the District's management to charge the costs health insurance and health insurance deductible reimbursements to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	32,337
Long-term liabilities, including notes payable, capital leases payable, termination benefits, compensated absences and other postemployment benefits are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.	<u>(715,436)</u>
Net position of governmental activities (Exhibit A)	<u><u>7,779,293</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	General	Capital Projects	Nonmajor Governmental	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,293,546	882,200	150,072	3,325,818
Tuition	1,334,550	-	-	1,334,550
Other	453,802	13,443	570,643	1,037,888
State sources	4,442,186	73	86	4,442,345
Federal sources	264,037	-	-	264,037
Total revenues	<u>8,788,121</u>	<u>895,716</u>	<u>720,801</u>	<u>10,404,638</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,075,419	-	156,638	4,232,057
Special	1,132,747	-	-	1,132,747
Other	1,051,378	-	558,180	1,609,558
	<u>6,259,544</u>	<u>-</u>	<u>714,818</u>	<u>6,974,362</u>
Support services:				
Student	398,405	-	-	398,405
Instructional staff	114,852	123,607	-	238,459
Administration	763,657	-	13,391	777,048
Operation and maintenance of plant	690,034	-	56,419	746,453
Transportation	240,655	91,907	15,687	348,249
	<u>2,207,603</u>	<u>215,514</u>	<u>85,497</u>	<u>2,508,614</u>
Other expenditures:				
Facilities acquisition	-	444,136	-	444,136
Long-term debt:				
Principal	-	-	81,582	81,582
Interest and fiscal charges	-	-	7,305	7,305
AEA flowthrough	299,391	-	-	299,391
	<u>299,391</u>	<u>444,136</u>	<u>88,887</u>	<u>832,414</u>
Total expenditures	<u>8,766,538</u>	<u>659,650</u>	<u>889,202</u>	<u>10,315,390</u>
Excess (deficiency) of revenues over (under) expenditures	<u>21,583</u>	<u>236,066</u>	<u>(168,401)</u>	<u>89,248</u>
Other financing sources (uses):				
Compensation for loss of fixed assets	1,236	-	-	1,236
Sales of equipment	3,735	-	-	3,735
Operating transfers in	-	-	88,887	88,887
Operating transfers out	-	(88,887)	-	(88,887)
Total other financing sources (uses)	<u>4,971</u>	<u>(88,887)</u>	<u>88,887</u>	<u>4,971</u>
Change in fund balances	26,554	147,179	(79,514)	94,219
Fund balances beginning of year	<u>913,284</u>	<u>1,056,185</u>	<u>309,522</u>	<u>2,278,991</u>
Fund balances end of year	<u>939,838</u>	<u>1,203,364</u>	<u>230,008</u>	<u>2,373,210</u>

See notes to financial statements.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		94,219
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense in the current year are as follows:		
Expenditures for capital assets	590,355	
Depreciation expense	<u>(426,375)</u>	163,980
Income surtaxes and other revenues not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		(1,309)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		82,781
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.		2,365
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	129,159	
Compensated absences	9,739	
Other postemployment benefits	<u>(61,463)</u>	77,435
An internal service fund is used by the District's management to charge the costs of the health insurance premiums and health insurance deductible reimbursements to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		<u>(44,338)</u>
Changes in net position of governmental activities (Exhibit B)		<u><u>375,133</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Net Position
Proprietary Funds

June 30, 2013

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	<u>\$</u>	<u>\$</u>
Assets		
Current assets:		
Cash and cash equivalents	180,752	253,055
Accounts receivable	9,807	9,085
Inventories	17,004	-
Total current assets	<u>207,563</u>	<u>262,140</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>37,150</u>	<u>-</u>
Total assets	<u>244,713</u>	<u>262,140</u>
Liabilities		
Current liabilities:		
Accounts payable	6,711	229,803
Deferred revenue	7,674	-
Total current liabilities	<u>14,385</u>	<u>229,803</u>
Noncurrent liabilities:		
Net OPEB liability	<u>1,537</u>	<u>-</u>
Total liabilities	<u>15,922</u>	<u>229,803</u>
Net position		
Investment in capital assets	37,150	-
Unrestricted	<u>191,641</u>	<u>32,337</u>
Total net position	<u>228,791</u>	<u>32,337</u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	Nonmajor Enterprise Funds	Governmental Activities - Internal Service Fund
	<u>\$</u>	<u>\$</u>
Operating revenue:		
Local sources:		
Sale of student constructed homes	314,351	-
Charges for service	267,931	1,261,675
Total operating revenue	<u>582,282</u>	<u>1,261,675</u>
Operating expenses:		
Non-instructional programs:		
Salaries	176,070	-
Benefits	29,394	1,306,013
Supplies	546,919	-
Depreciation	8,584	-
Other	224	-
Total operating expenses	<u>761,191</u>	<u>1,306,013</u>
Operating income (loss)	<u>(178,909)</u>	<u>(44,338)</u>
Non-operating revenues:		
State sources	4,050	-
Federal sources	176,752	-
Interest income	96	-
Total non-operating revenues	<u>180,898</u>	<u>-</u>
Change in net position	1,989	(44,338)
Net position beginning of year	<u>226,802</u>	<u>76,675</u>
Net position end of year	<u><u>228,791</u></u>	<u><u>32,337</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2013

	Nonmajor Enterprise Funds \$	Governmental Activities - Internal Service Fund \$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	269,123	-
Cash payments from sale of house	314,351	-
Cash payments from services to other funds	-	1,261,971
Cash payments to employees for services	(203,927)	(1,269,158)
Cash payments to suppliers for goods or services	(391,596)	-
Net cash used by operating activities	<u>(12,049)</u>	<u>(7,187)</u>
Cash flows from non-capital financing activities:		
State grants received	4,050	-
Federal grants received	147,663	-
Net cash provided by non-capital financing activities	<u>151,713</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(5,210)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>96</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	134,550	(7,187)
Cash and cash equivalents at beginning of year	<u>46,202</u>	<u>260,242</u>
Cash and cash equivalents at end of year	<u><u>180,752</u></u>	<u><u>253,055</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:		
Operating income (loss)	(178,909)	(44,338)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Commodities used	29,089	-
Depreciation	8,584	-
Decrease (increase) in inventories	126,531	-
Decrease (increase) in accounts receivable	(1,635)	296
(Decrease) increase in accounts payable	(73)	36,855
(Decrease) increase in deferred revenue	2,827	-
(Decrease) increase in other postemployment benefits	1,537	-
Net cash used by operating activities	<u><u>(12,049)</u></u>	<u><u>(7,187)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$29,089 of federal commodities.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2013

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash, cash equivalents and pooled investments	12,935
Liabilities	
	<u>-</u>
Net Position	
Reserved for scholarships	<u><u>12,935</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2013

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	4,850
Interest	20
Total additions	<u>4,870</u>
Deductions:	
Support services:	
Scholarships awarded	<u>3,250</u>
Change in net position	1,620
Net position beginning of year	<u>11,315</u>
Net position end of year	<u><u>12,935</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2013

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental

revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

The District's had two proprietary enterprise funds during the year ended June 30, 2013. The School Nutrition Fund is used to account for the food service operations of the District. The Student Construction Fund is used to account for the proceeds from the sale of and the costs of the construction of a house.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted, net position 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.

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

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

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

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

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

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

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

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

Deferred revenue in the Statement of Net Position 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 and sick leave for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for vacation and sick leave time that has been used. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures in the instruction, non-instructional programs, and support services expenditures functional areas exceeded the amounts budgeted.

2. Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$25,954 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAm by Standard & Poor's Financial Services.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer To	Transfer From	Amount
		\$
Nonmajor Debt Service	Capital Projects Fund	88,887

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

4. Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	48,803	-	-	48,803
Construction in progress	92,535	9,400	92,535	9,400
Total capital assets not being depr.	<u>141,338</u>	<u>9,400</u>	<u>92,535</u>	<u>58,203</u>
Capital assets being depreciated:				
Buildings	7,780,490	401,981	-	8,182,471
Improvements other than buildings	781,673	30,095	-	811,768
Furniture and equipment	1,696,601	241,414	-	1,938,015
Total capital assets being deprec.	<u>10,258,764</u>	<u>673,490</u>	<u>-</u>	<u>10,932,254</u>
Less accumulated depreciation for:				
Buildings	3,346,250	221,298	-	3,567,548
Improvements other than buildings	309,998	39,922	-	349,920
Furniture and equipment	1,140,636	165,155	-	1,305,791
Total accumulated depreciation	<u>4,796,884</u>	<u>426,375</u>	<u>-</u>	<u>5,223,259</u>
Total capital assets being depreciated, net	<u>5,461,880</u>	<u>247,115</u>	<u>-</u>	<u>5,708,995</u>
Governmental activities capital assets, net	<u>5,603,218</u>	<u>256,515</u>	<u>92,535</u>	<u>5,767,198</u>

Business type activities:

Furniture and equipment	176,741	5,210	-	181,951
Less accumulated depreciation	<u>136,217</u>	<u>8,584</u>	<u>-</u>	<u>144,801</u>
Business type activities capital assets, net	<u>40,524</u>	<u>(3,374)</u>	<u>-</u>	<u>37,150</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	116,657
Other	4,963
Support services:	
Administration	6,855
Operation and maintenance of plant services	4,348
Transportation	<u>32,332</u>
	165,155
Unallocated depreciation	<u>261,220</u>
Total depreciation expense – governmental activities	<u>426,375</u>
Business type activities:	
Food services	<u>8,584</u>

5. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Capital lease	251,912	-	81,582	170,330	83,948
Equipment loans	1,199	-	1,199	-	-
Termination benefits	443,764	439	129,598	314,605	88,946
Compensated absences	178,777	15,261	25,000	169,038	25,000
Net OPEB liability	-	61,463	-	61,463	-
Total	<u>875,652</u>	<u>77,163</u>	<u>237,379</u>	<u>715,436</u>	<u>197,894</u>
Business type activities:					
Net OPEB liability	<u>-</u>	<u>1,537</u>	<u>-</u>	<u>1,537</u>	<u>-</u>

Termination Benefits

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

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

At June 30, 2013, the District has obligations to 19 participants with a total liability of \$314,605. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$129,598.

Capital Leases

The District has leased computers under a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2013.

	<u>Year Ending June 30,</u>	<u>Amount</u>
		\$
	2014	88,887
	2015	88,888
Minimum Lease Payments		<u>177,775</u>
Less Amount Representing Interest		<u>7,445</u>
Present Value of Minimum Lease Payments		<u><u>170,330</u></u>

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 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$405,110, \$368,289 and \$307,219 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 82 active and 19 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	270,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>270,000</u>
Contributions made	<u>207,000</u>
Increase in net OPEB obligation	63,000
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>63,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. 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, 2013.

For the year ended June 30, 2013, the District contributed \$207,000 to the medical plan. Plan members eligible for benefits contributed \$43,289, or 30% 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, 2013 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
2010	248,000	93%	18,000
2011	248,124	93%	36,124
2012	248,248	115%	-
2013	270,000	77%	63,000

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$2,591,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,591,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,885,000, and the ratio of the UAAL to covered payroll was 66.7%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes

to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2012 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 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced .5% each year until reaching the 5% ultimate trend rate.

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

Projected claim costs of the medical plan are \$9,874 per capita for individuals age 60. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

8. Risk Management

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

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 \$299,391 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Construction and other Commitments

The District has entered into a \$92,840 contract for roof repairs. As of June 30, 2013 no costs had been incurred against the contract. The balances remaining at June 30, 2013 will be paid as work on the project progresses.

11. Lease Commitment

The District entered into a contract to lease copiers in fiscal year 2013. The payments the District will make over the next three years are as follows:

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

12. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Preschool	95,774
Mentoring	1,352
Gifted and talented	15,381
Returning dropout and dropout prevention program	87,750
Teacher salary supplement	29,629
Core curriculum	4,000
Educator quality, professional development	60,941
Early intervention	6,182
	<u>301,009</u>

REQUIRED SUPPLEMENTARY INFORMATION

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2013

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	5,698,256	582,378	6,280,634	4,761,234	4,761,234	1,519,400
Intermediate sources	-	-	-	500	500	(500)
State sources	4,442,345	4,050	4,446,395	4,412,527	4,412,527	33,868
Federal sources	264,037	176,752	440,789	392,000	392,000	48,789
Total revenues	<u>10,404,638</u>	<u>763,180</u>	<u>11,167,818</u>	<u>9,566,261</u>	<u>9,566,261</u>	<u>1,601,557</u>
Expenditures/Expenses:						
Instruction	6,974,362	-	6,974,362	5,915,421	6,400,000	(574,362)
Support services	2,508,614	-	2,508,614	2,371,068	2,371,068	(137,546)
Non-instructional programs	-	761,191	761,191	630,000	725,000	(36,191)
Other expenditures	832,414	-	832,414	1,449,607	1,449,607	617,193
Total expenditures/expenses	<u>10,315,390</u>	<u>761,191</u>	<u>11,076,581</u>	<u>10,366,096</u>	<u>10,945,675</u>	<u>(130,906)</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	89,248	1,989	91,237	(799,835)	(1,379,414)	1,470,651
Other financing sources (uses) net	<u>4,971</u>	<u>-</u>	<u>4,971</u>	<u>-</u>	<u>-</u>	<u>4,971</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	94,219	1,989	96,208	(799,835)	(1,379,414)	1,475,622
Balance beginning of year	<u>2,278,991</u>	<u>226,802</u>	<u>2,505,793</u>	<u>2,253,757</u>	<u>2,253,757</u>	<u>252,036</u>
Balance end of year	<u><u>2,373,210</u></u>	<u><u>228,791</u></u>	<u><u>2,602,001</u></u>	<u><u>1,453,922</u></u>	<u><u>874,343</u></u>	<u><u>1,727,658</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment increasing budgeted expenditures by \$579,579.

During the year ended June 30, 2013, expenditures in the instructional, support services and non-instructional functions exceeded the amended amounts budgeted.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	2,860,000	2,860,000	0.0%	3,574,000	80.0%
2011	July 1, 2009	-	2,860,000	2,860,000	0.0%	3,834,000	74.6%
2012	July 1, 2009	-	2,860,000	2,860,000	0.0%	3,916,000	73.0%
2013	July 1, 2012	-	2,591,000	2,591,000	0.0%	3,885,000	66.7%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2013

Assets	Special Revenue Funds				Total
	Management Levy	Student Activity	District Support Trust	Debt Service	
	\$	\$	\$	\$	
Cash, cash equivalents and pooled investments	95,668	85,735	5,810	8,423	195,636
Receivables:					
Property tax:					
Delinquent	2,061	-	-	-	2,061
Succeeding year	225,000	-	-	-	225,000
Accounts	2	34,360	-	-	34,362
Total assets	322,731	120,095	5,810	8,423	457,059
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	-	2,051	-	-	2,051
Deferred revenue:					
Succeeding year property tax	225,000	-	-	-	225,000
Total liabilities	225,000	2,051	-	-	227,051
Fund balances:					
Restricted for:					
Debt service	-	-	-	8,423	8,423
Management levy	97,731	-	-	-	97,731
Student activities	-	118,044	5,810	-	123,854
Total fund balances	97,731	118,044	5,810	8,423	230,008
Total liabilities and fund balances	322,731	120,095	5,810	8,423	457,059

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	Special Revenue Funds				Total
	Management	Student	District	Debt	
	Levy	Activity	Support	Service	
	\$	\$	Trust	\$	\$
Revenues:					
Local sources:					
Local tax	150,072	-	-	-	150,072
Other	4,045	565,119	1,475	4	570,643
State sources	86	-	-	-	86
Total revenues	<u>154,203</u>	<u>565,119</u>	<u>1,475</u>	<u>4</u>	<u>720,801</u>
Expenditures:					
Current:					
Instruction:					
Regular	154,726	-	1,912	-	156,638
Other	-	558,180	-	-	558,180
Support services:					
Administration	13,391	-	-	-	13,391
Operation and maintenance of plant	56,419	-	-	-	56,419
Transportation	15,687	-	-	-	15,687
Other expenditures:					
Long-term debt:					
Principal	-	-	-	81,582	81,582
Interest and fiscal charges	-	-	-	7,305	7,305
Total expenditures	<u>240,223</u>	<u>558,180</u>	<u>1,912</u>	<u>88,887</u>	<u>889,202</u>
Excess (deficiency) of revenues over (under) expenditures	(86,020)	6,939	(437)	(88,883)	(168,401)
Other financing sources (uses):					
Operating transfers in	-	-	-	88,887	88,887
Change in fund balance	(86,020)	6,939	(437)	4	(79,514)
Fund balances beginning of year	<u>183,751</u>	<u>111,105</u>	<u>6,247</u>	<u>8,419</u>	<u>309,522</u>
Fund balances end of year	<u><u>97,731</u></u>	<u><u>118,044</u></u>	<u><u>5,810</u></u>	<u><u>8,423</u></u>	<u><u>230,008</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Position
Nonmajor Enterprise Funds

June 30, 2013

	Enterprise Funds		
	School Nutrition \$	Student Construction \$	Total Nonmajor Funds \$
Assets			
Cash, cash equivalents and pooled investments	20,577	160,175	180,752
Accounts receivable	9,807	-	9,807
Inventories	14,504	2,500	17,004
Capital assets, net of accumulated depreciation	37,150	-	37,150
Total assets	82,038	162,675	244,713
Liabilities			
Accounts payable	71	6,640	6,711
Deferred revenue	7,674	-	7,674
Net OPEB liability	1,537	-	1,537
Total liabilities	9,282	6,640	15,922
Net position			
Investment in capital assets	37,150	-	37,150
Unrestricted	35,606	156,035	191,641
Total net position	72,756	156,035	228,791

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	Enterprise Funds		
	School Nutrition \$	Student Construction \$	Total Nonmajor Funds \$
Operating revenue:			
Local sources:			
Sale of student constructed homes	-	314,351	314,351
Charges for service	267,931	-	267,931
Total operating revenue	<u>267,931</u>	<u>314,351</u>	<u>582,282</u>
Operating expenses:			
Non-instructional programs:			
Salaries	176,070	-	176,070
Benefits	29,394	-	29,394
Supplies	263,590	283,329	546,919
Depreciation	8,584	-	8,584
Other	162	62	224
Total operating expenses	<u>477,800</u>	<u>283,391</u>	<u>761,191</u>
Operating income (loss)	<u>(209,869)</u>	<u>30,960</u>	<u>(178,909)</u>
Non-operating revenues:			
State sources	4,050	-	4,050
Federal sources	176,752	-	176,752
Interest income	96	-	96
Total non-operating revenues	<u>180,898</u>	<u>-</u>	<u>180,898</u>
Change in net position	(28,971)	30,960	1,989
Net position beginning of year	<u>101,727</u>	<u>125,075</u>	<u>226,802</u>
Net position end of year	<u>72,756</u>	<u>156,035</u>	<u>228,791</u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2013

	Enterprise Funds		
	School Nutrition	Student Construction	Total Nonmajor Funds
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	269,123	-	269,123
Cash payments from sale of house	-	314,351	314,351
Cash payments to employees for services	(203,927)	-	(203,927)
Cash payments to suppliers for goods or services	(236,873)	(154,723)	(391,596)
Net cash (used) provided by operating activities	<u>(171,677)</u>	<u>159,628</u>	<u>(12,049)</u>
Cash flows from non-capital financing activities:			
State grants received	4,050	-	4,050
Federal grants received	147,663	-	147,663
Net cash provided by non-capital financing activities	<u>151,713</u>	<u>-</u>	<u>151,713</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(5,210)	-	(5,210)
Cash flows from investing activities:			
Interest on investments	96	-	96
Net increase (decrease) in cash and cash equivalents	(25,078)	159,628	134,550
Cash and cash equivalents at beginning of year	45,655	547	46,202
Cash and cash equivalents at end of year	<u>20,577</u>	<u>160,175</u>	<u>180,752</u>
Reconciliation of operating income (loss) to net cash (used) provided by operating activities:			
Operating income (loss)	(209,869)	30,960	(178,909)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Commodities used	29,089	-	29,089
Depreciation	8,584	-	8,584
Decrease (increase) in inventories	(2,137)	128,668	126,531
Decrease (increase) in accounts receivable	(1,635)	-	(1,635)
(Decrease) increase in accounts payable	(73)	-	(73)
(Decrease) increase in deferred revenue	2,827	-	2,827
(Decrease) increase in other psotemployment benefits	1,537	-	1,537
Net cash (used) provided by operating activities	<u>(171,677)</u>	<u>159,628</u>	<u>(12,049)</u>

See accompanying independent auditor's report.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Combing Balance Sheet
Capital Project Accounts

June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets	\$	\$	\$
Cash, cash equivalents and pooled investments	985,501	66,106	1,051,607
Receivables:			
Property tax:			
Delinquent	-	1,718	1,718
Succeeding year	-	135,777	135,777
Accounts	-	1	1
Due from other governments	150,057	91,639	241,696
Total assets	<u>1,135,558</u>	<u>295,241</u>	<u>1,430,799</u>
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	-	19	19
Deferred revenue:			
Succeeding year property tax	-	135,777	135,777
Income surtax	-	91,639	91,639
Total liabilities	<u>-</u>	<u>227,435</u>	<u>227,435</u>
Fund balances:			
Restricted for:			
School infrastructure	1,135,558	-	1,135,558
Physical plant and equipment	-	67,806	67,806
Total fund balances	<u>1,135,558</u>	<u>67,806</u>	<u>1,203,364</u>
Total liabilities and fund balances	<u>1,135,558</u>	<u>295,241</u>	<u>1,430,799</u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	651,319	230,881	882,200
Other	8,246	5,197	13,443
State sources	-	73	73
Total revenues	<u>659,565</u>	<u>236,151</u>	<u>895,716</u>
Expenditures:			
Current:			
Support services:			
Instructional staff services	-	123,607	123,607
Transportation services	89,617	2,290	91,907
Other expenditures:			
Facilities acquisition	363,880	80,256	444,136
Total expenditures	<u>453,497</u>	<u>206,153</u>	<u>659,650</u>
Excess (deficiency) of revenues over (under) expenditures	<u>206,068</u>	<u>29,998</u>	<u>236,066</u>
Other financing sources (uses):			
Operating transfers out	<u>(88,887)</u>	<u>-</u>	<u>(88,887)</u>
Change in fund balance	117,181	29,998	147,179
Fund balances beginning of year	<u>1,018,377</u>	<u>37,808</u>	<u>1,056,185</u>
Fund balance end of year	<u><u>1,135,558</u></u>	<u><u>67,806</u></u>	<u><u>1,203,364</u></u>

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	Beginning of Year				
	\$	\$	\$	\$	\$
Athletics	(16,002)	148,012	157,915	300	(25,605)
Athletic towel service	1,397	6,354	7,248	-	503
Fellowship of Christian athl.	-	24	-	-	24
HS boys track	1,100	3,017	3,335	-	782
HS girls golf	678	1,254	1,773	-	159
HS wrestling	446	750	573	-	623
Girls basketball	1,215	16,900	13,493	-	4,622
HS boys basketball	562	8,445	8,826	-	181
Girls volleyball	3,271	5,354	8,382	-	243
Football	286	10,641	9,685	285	1,527
Girls track	165	2,708	2,522	360	711
HS baseball	(688)	1,490	890	-	(88)
HS boys golf	(25)	954	1,006	-	(77)
Softball	190	2,321	1,436	(360)	715
Cross country	177	2,660	2,716	-	121
Weight room	17	2,000	1,341	(585)	91
Middle school athletics	1,479	72	-	-	1,551
Athletic uniforms	(6,401)	12,835	9,547	-	(3,113)
Coach's apparel	(22)	1,928	1,943	-	(37)
MS coach's apparel	171	-	-	-	171
Soccer	329	2,187	2,814	-	(298)
Cheerleading fund	1,313	6,113	4,437	-	2,989
Pep club	650	-	-	-	650
Student council	2,970	5,610	3,738	-	4,842
Jr. Hi. student council	3,062	1,045	2,269	-	1,838
Curtain club	5	-	-	-	5
Peer helper association	751	1,575	2,192	-	134
Que pasa	877	-	-	-	877
Class of 2004	920	-	-	-	920
Class of 2006	144	-	-	(144)	-
Class of 2007	342	-	-	(87)	255
Class of 2008	101	-	-	-	101
Class of 2010	260	-	-	-	260
Class of 2011	(231)	-	-	231	-
Class of 2012	2,770	1,515	1,260	(1,515)	1,510
Class of 2013	3,295	3,040	1,890	220	4,665
Class of 2014	18	6,551	3,314	1,295	4,550
Class of 2015	-	710	-	-	710
Investments	11,353	85	-	-	11,438
N.O.W. interest	13,700	529	18	-	14,211

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	Beginning of Year				
	\$	\$	\$	\$	\$
Art resale	-	78	-	-	78
FFA	1,809	57,237	45,126	-	13,920
FCCLA	2,185	1,069	972	(261)	2,021
National Honor Society	(244)	1,126	826	261	317
Retail marketing	685	-	-	-	685
NCIBA honor band	16	-	-	-	16
Band trip	585	-	-	-	585
Flag & rifle	715	1,774	1,602	-	887
HS solo & ensemble contest	2,196	1,419	1,682	-	1,933
Jr. Hi. solo & ens. contest	(96)	-	-	-	(96)
Impulse dance club	79	3,167	3,068	-	178
Annual	254	6,742	5,961	-	1,035
MS annual	1,017	-	983	-	34
HS concessions	1,201	1,601	1,705	-	1,097
K-8 concessions	(765)	2,093	690	-	638
Speech & drama	15,332	5,680	11,433	-	9,579
Musical productions	2,296	4,799	3,046	-	4,049
PSAT testing	141	630	630	-	141
Video yearbook	698	-	-	-	698
Washington DC trip	11,027	-	11,027	-	-
Sports Boosters Blended Component Unit	42,172	188,782	215,775	-	15,179
June 30, 2012 accruals	(843)	(2,117)	(2,960)	-	-
June 30, 2011 accruals	-	34,360	2,051	-	32,309
Total	111,105	565,119	558,180	-	118,044

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

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

For the Last Ten Years

	Modified Accrual Basis									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	3,325,818	3,120,687	3,410,793	3,156,335	2,916,015	3,136,980	2,932,241	2,650,276	2,412,741	2,459,892
Tuition	1,334,550	811,293	629,391	507,394	514,318	541,096	559,543	466,075	523,800	559,121
Other	1,037,888	707,269	702,575	558,589	756,176	588,427	503,640	443,198	349,782	359,797
State sources	4,442,345	4,458,924	3,942,013	3,484,311	4,037,150	4,026,531	3,681,329	3,646,422	3,579,099	3,138,599
Federal sources	264,037	311,119	511,337	726,769	183,449	178,780	198,829	173,573	116,954	103,229
Total revenues	<u>10,404,638</u>	<u>9,409,292</u>	<u>9,196,109</u>	<u>8,433,398</u>	<u>8,407,108</u>	<u>8,471,814</u>	<u>7,875,582</u>	<u>7,379,544</u>	<u>6,982,376</u>	<u>6,620,638</u>
Expenditures:										
Instruction:										
Regular	4,232,057	3,501,592	3,443,140	3,140,202	3,316,379	3,155,814	2,967,579	2,849,038	3,067,644	2,849,646
Special	1,132,747	852,786	923,119	793,146	927,512	906,536	786,133	809,777	769,429	779,172
Other	1,609,558	1,456,049	1,411,726	1,232,549	1,104,618	1,122,800	1,003,514	903,305	782,127	770,275
Support services:										
Student	398,405	461,197	380,744	357,455	401,811	284,844	272,471	246,198	116,368	98,749
Instructional staff	238,459	506,661	109,069	101,943	143,993	113,639	88,734	86,194	63,959	103,534
Administration	777,048	771,232	658,468	614,114	678,584	645,190	811,925	728,692	662,677	621,615
Operation and maintenance	746,453	665,560	700,890	685,471	647,492	663,853	625,808	710,105	708,915	589,586
Transportation	348,249	234,016	282,548	220,630	181,881	206,869	234,521	172,865	181,687	158,696
Other expenditures:										
Facilities acquisition	444,136	491,988	444,831	666,399	399,762	600,991	204,914	173,524	321,837	165,657
Long-term debt:										
Principal	81,582	88,887	272,468	260,239	249,984	243,741	333,089	324,565	289,992	180,092
Interest and other charges	7,305	-	12,682	24,176	33,231	41,672	52,874	63,180	67,942	67,607
AEA flowthrough	299,391	305,633	325,748	316,862	271,295	266,662	248,462	238,664	230,357	225,158
Total expenditures	<u>10,315,390</u>	<u>9,335,601</u>	<u>8,965,433</u>	<u>8,413,186</u>	<u>8,356,542</u>	<u>8,252,611</u>	<u>7,630,024</u>	<u>7,306,107</u>	<u>7,262,934</u>	<u>6,609,787</u>

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Garner-Hayfield Community School District and of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 29, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Garner-Hayfield Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Garner-Hayfield Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Garner-Hayfield Community School District's Internal Control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified deficiencies in internal control we consider to be material weaknesses and 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 a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings and Responses as items 13-I-A, 13-I-B and 13-I-C to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Garner-Hayfield Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Finding and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Garner-Hayfield Community School District's Responses to Findings

Garner-Hayfield Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Garner-Hayfield Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

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

May 29, 2014

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

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

Recommendation: We realize 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 utilizing currently available staff, including elected officials.

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

Conclusion: Response accepted.

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

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

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

Conclusion: Response accepted.

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

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

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

Part II: Other Findings Related to Required Statutory Reporting:

13-II-A Certified Budget: Expenditures for the year ended June 30, 2013 exceeded the amended budget in the instruction, support services and non-instructional functions.

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

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

Conclusion: Response accepted.

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

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

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

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

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

District Response: We will consult with our attorney.

Conclusion: Response accepted.

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

13-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board

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

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

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

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

- 13-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 13-II-J Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely.
- 13-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 13-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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, 2013, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2013 audit:

Beginning balance	\$	\$
		1,018,377
Revenues/transfers in:		
Statewide sales, services and use tax revenue	651,319	
Interest	8,246	659,565
	<u> </u>	
Expenditures/transfers out:		
School infrastructure construction	363,880	
Equipment	89,617	
Transfers to debt service fund	88,887	542,384
	<u> </u>	<u> </u>
Ending balance		<u>1,135,558</u>

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423e or 423F of the Code of Iowa.

- 13-II-M Deficit Balances: The Student Activity Fund has several accounts with deficit balances at June 30, 2013.

Recommendation: The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

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

GARNER-HAYFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2013

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

Conclusion: Response accepted.