

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

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Independent Auditor's Report

To the Board of Education of
[Clarion-Goldfield](#) Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of [Clarion-Goldfield](#) Community School District, [Clarion](#), Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of [Clarion-Goldfield](#) Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 11 to the financial statements, during the year ended June 30, 2004, [Clarion-Goldfield](#) Community School District adopted Governmental Accounting Standards Board Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement Number 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement Number 38, Certain Financial Statement Note Disclosures; Statement Number 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation Number 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated [November 23, 2004](#), on our consideration of [Clarion-Goldfield](#) Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 41 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clarion-Goldfield Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003, (none of which are presented herein) and expressed an unqualified opinions on those financial statements for 2001. Our opinions for 2003 and 2002 were qualified because the general fixed assets account group was omitted. The supplemental information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

November 23, 2004

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Clarion-Goldfield 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, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,854,011 in fiscal year 2003 to \$6,909,191 in fiscal year 2004, while General Fund expenditures increased from \$6,903,169 in fiscal year 2003 to \$6,961,104 in fiscal year 2004.
- The increase in General Fund revenues was primarily attributable to an increase in tuition and miscellaneous revenue. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. The General Fund balance decreased due to a mid-year reduction in state aid and an Iowa Insurance Commissioner's directive to transfer \$100,000 from the general fund to a medical health insurance side-fund, that forced the district to use existing balances to balance the budget.
- Due to budget planning the district has maintained a solvency ratio of 11%. This level must be maintained in future years.

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 Statement of Net Assets and a Statement of Activities. These provide information about the activities of Clarion-Goldfield 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 Clarion-Goldfield Community School District 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 Clarion-Goldfield Community School District acts solely as agent or custodian for the benefit of those outside of District government.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

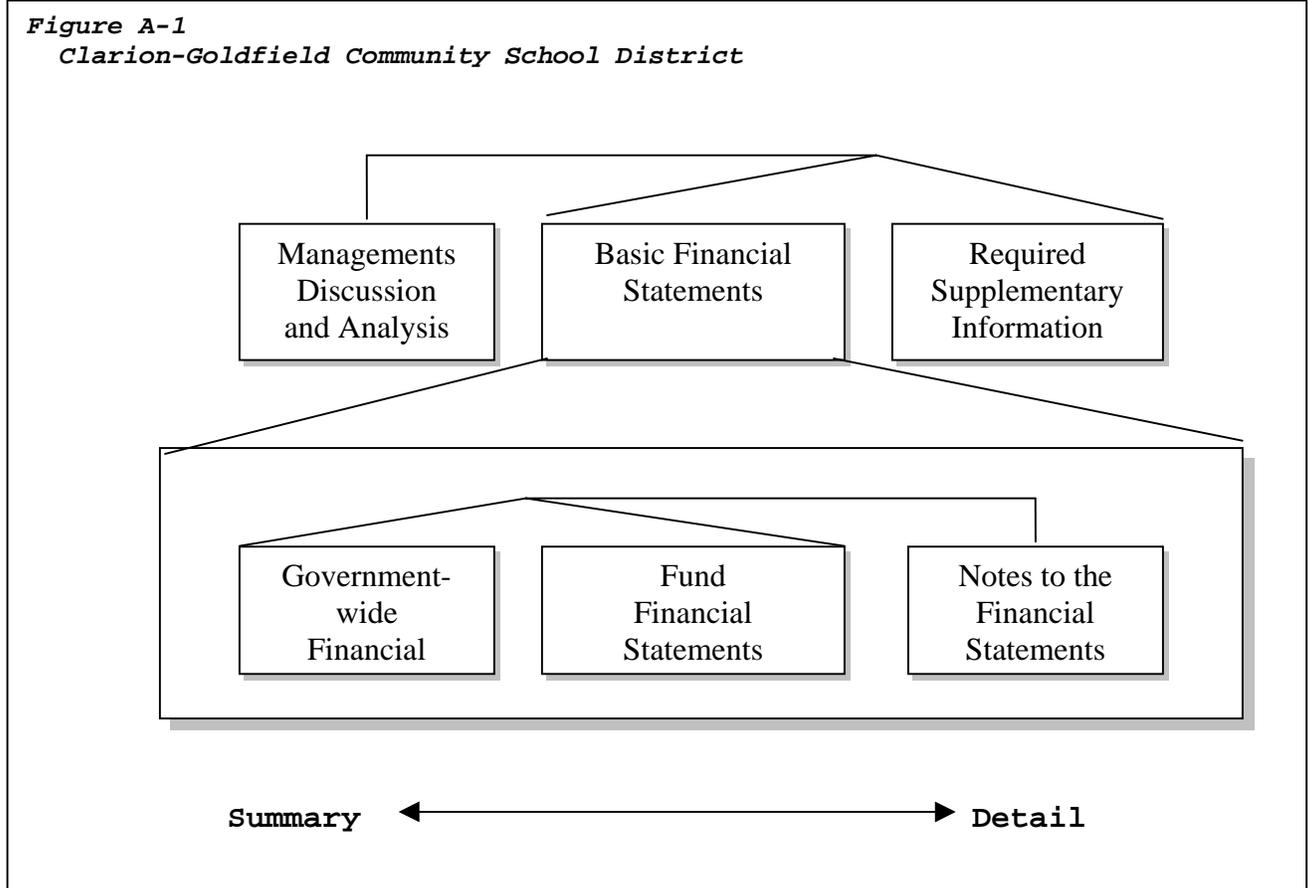


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain the remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets 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 funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's program.

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

- 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 statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District also has an Internal Service Fund that it uses to account for its self-insured health insurance plan.

- 3) *Fiduciary Funds*: The District is the trustee, or fiduciary, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations for specific purpose in this fund. The District is responsible for ensuring that the assets reported in these 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.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets – Figure A-3 below provides a summary of the District’s net assets for the year ended June 30, 2004.

Figure A-3
Condensed Statement of Net Assets
(expressed in thousands)

| | Governmental Activities | | Business-type Activities | | Total School District | | Percentage Change 2003-04 |
|--|-------------------------|--------------|--------------------------|------------|-----------------------|--------------|------------------------------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | |
| | \$ | \$ | \$ | \$ | \$ | \$ | |
| Current assets | 5,860 | 5,051 | 155 | 122 | 6,015 | 5,173 | 16.28% |
| Capital assets | 6,251 | 4,202 | 23 | 18 | 6,274 | 4,220 | 48.67% |
| Total assets | 12,111 | 9,253 | 178 | 140 | 12,289 | 9,393 | 30.83% |
| Current liabilities | 3,665 | 3,687 | 3 | - | 3,668 | 3,687 | -0.52% |
| Non-current liabilities | 3,921 | 1,225 | - | - | 3,921 | 1,225 | 220.08% |
| Total liabilities | 7,586 | 4,912 | 3 | - | 7,589 | 4,912 | 54.50% |
| Net assets | | | | | | | |
| Invested in capital assets, Net of related debt | 3,602 | 3,468 | 23 | 18 | 3,625 | 3,486 | 3.99% |
| Restricted | 265 | 252 | - | - | 265 | 252 | 5.16% |
| Unrestricted | 658 | 621 | 152 | 122 | 810 | 743 | 9.02% |
| Total net assets | 4,525 | 4,341 | 175 | 140 | 4,700 | 4,481 | 4.89% |

The District’s combined net assets increased by 4.89%, or approximately \$219,000 over the prior year. The largest portion of the District’s net assets is invested in capital assets.

Unrestricted net assets – the part of the net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$67,000 or 9.02%. This increase in unrestricted net assets was a result of increased revenue and savings realized as a result of cost savings measures.

Figure A-4 shows the changes in net assets for the year ended June 30, 2004.

Figure A-4
Change in Net Assets
(expressed in thousands)

| | Governmental Activities | Business-type Activities | Total School District |
|--|----------------------------|-----------------------------|-----------------------------|
| | \$ | \$ | \$ |
| Revenues: | | | |
| Program revenues: | | | |
| Charges for service and sales | 558 | 184 | 742 |
| Operating grants, contributions and restricted interest | 873 | 176 | 1,049 |
| Capital grants, contributions and restricted interest | 185 | | 185 |
| General revenues: | | | |
| Property tax | 3,525 | - | 3,525 |
| Unrestricted state grants | 2,576 | - | 2,576 |
| Unrestricted investment earnings | 19 | 1 | 20 |
| Other | 175 | - | 175 |
| Total revenues | <u>7,911</u> | <u>361</u> | <u>8,272</u> |
| Program expenses: | | | |
| Governmental activities: | | | |
| Instruction | 4,980 | - | 4,980 |
| Support Services | 2,071 | - | 2,071 |
| Non-instructional programs | 21 | 327 | 348 |
| Other expenses | 655 | - | 655 |
| Total expenses | <u>7,727</u> | <u>327</u> | <u>8,054</u> |
| Change in net assets | <u>184</u> | <u>34</u> | <u>218</u> |

Property tax and unrestricted state grants account for 74% of the total revenue. The District's expenses primarily relate to instruction and support services that account for 88% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$7,913,415 and expenses were \$10,308,453.

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

Figure A-5
Total and Net Cost of Governmental
(expressed in thousands)

| | Total Cost of Services \$ | Net Cost of Services \$ |
|--------------------------|---------------------------------|-------------------------------|
| Instruction | 4,980 | 3,805 |
| Support Services | 2,071 | 1,967 |
| Noninstructional program | 21 | 21 |
| Other expenditures | <u>655</u> | <u>317</u> |
| Totals | <u><u>7,727</u></u> | <u><u>6,110</u></u> |

The cost financed by users of the District's programs was \$557,760.

- Federal and state governments subsidized certain programs with grants and contributions totaling \$905,000.
- The net cost of governmental activities was financed with \$3,525,210 in property and other taxes and \$2,576,380 in unrestricted state grants.

Business-Type Activities

Revenues for business type activities were \$360,101 and expenses were \$326,814. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for food service, federal and state reimbursements and investment income.

During the year ended June 30, 2004, the District held meal prices steady.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,825,012, a 62 percent increase over last year's ending fund balances of \$1,127,128.

Governmental Fund Highlights

- The District's General Fund financial position remains strong is the result of several factors. The District has carefully monitored discretionary spending to avoid decreases in fund balances. The preservation of the General Fund balance is especially important in light of the State's decision to remove the budget guarantee.
- The Physical Plant and Equipment Levy (PEEL levy) decreased over \$120,000 in order to complete improvements to various facilities, including a new boiler in the Goldfield Elementary facility.

- Capital Projects Fund had a balance of \$793,753, however funds were obligated to fund completion of two construction projects at the high school. Projects were funded by capital loan notes and revenue bonds, with PPEL and SILO used to repay the notes, respectively. Revenue bonds require \$126,500 to be held in reserve as a requirement of the revenue bond resolution.
- The Management Levy Fund balance decreased by over \$60,000 to fund early retirements and increases in property, liability and workers compensation insurance. Fund balance was used for expenditures that exceeded revenue. This area requires close monitoring to provide revenue to fund liabilities while being sensitive to keep local property tax rates down.
- Student Activities Fund balance grew by \$7,000, largely due close monitoring of expenditures and donations from the Athletic Booster Club in the form of money and materials.

Proprietary Fund Highlights

The School Nutrition Fund balance increased approximately \$35,000 during the fiscal year ending June 30, 2004. This was due to a combination of increased participation and careful monitoring of labor and food costs.

BUDGETARY HIGHLIGHTS

The District's receipts were \$305,000 higher than budgeted receipts, a variance of 3.8%. This variance resulted from the District receiving more miscellaneous revenue than anticipated.

Total expenditures were more than budgeted, due primarily to the District's budget for the Capital Projects Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. Expenditures in all functions were measurably less than budgeted except for the other expenditures area. This was higher than originally anticipated due to the timing of expenditures related to the high school addition.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$6,273,624 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 48.7% from last year. Depreciation expense for the year was \$203,580.

The original cost of the District's capital assets was \$9,811,406. Governmental funds account for \$9,769,427.

The largest change in capital asset activity during the year occurred in the improvements progress category. The District spent \$2,244,022 on improvements to buildings and sites during the year and had obligated approximately \$925,000 to complete the projects at year-end.

Figure A-6
Condensed Statement of Net Assets
(expressed in thousands)

| | Governmental | | Business-type | | Total | | Total |
|--------------------------|--------------|--------------|---------------|-----------|-----------------|--------------|---------------|
| | Activities | | Activities | | School District | | Change |
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | 2003-2004 |
| | \$ | \$ | \$ | \$ | \$ | \$ | |
| Land | 82 | 82 | - | - | 82 | 82 | 0.00% |
| Construction in progress | 2,181 | - | - | - | 2,181 | - | 1.00% |
| Land improvements | 293 | 289 | - | - | 293 | 289 | 1.38% |
| Buildings | 3,297 | 3,378 | - | - | 3,297 | 3,378 | -2.40% |
| Furniture and equipment | 398 | 452 | 23 | 18 | 421 | 470 | -10.43% |
| Totals | 6,251 | 4,201 | 23 | 18 | 6,274 | 4,219 | 48.71% |

Long-term Debt

The District has outstanding debt of \$3,920,432 for improvements made to the high school, special assessment, capital leases and early retirement. The District issued \$1,265,000 of revenue bonds and \$1,825,000 of capital loan notes during the year. The proceeds from the issues were used for construction and improvements at the high school. The revenue bonds will be paid in the year 2014 and capital loan notes will be paid in 2012. A special assessment for street improvements made by the city was funded with a 5-year loan with a local bank and will be repaid in 2008. Early retirement settlements are funded by the Management Fund and represent a long-term liability due largely to medical health insurance benefit.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The SILO tax was passed in November 18, 2003 and money will begin to be received by the District in September of 2004. The district extended the SILO tax to 2022 by passing an additional election in September 28, 2004. These funds will be used for expansion of and remodeling of existing facilities.
- The District continues to enjoy a favorable financial position however stable enrollment and adequate allowable growth from the Legislature are imperative.
- The District has entered into a ten-year, one-way sharing agreement with the Dows Community School District. This will allow the District to maintain and improve our educational offerings.
- Devaluation of agricultural land and the corresponding increase in property taxes have a negative impact on local property tax revenue, property tax rate and economic development. It is anticipated that in FY05, the district will increase the tax rate by \$1.10, while collecting \$330,000 less than FY04. Commercial property is virtually unprotected and will receive the largest increase of property taxes.
- For the 2003-04 school year the state cut the District's budget by 2.5%. This was an across the board cut, effecting Phase I & II and Teacher Compensation as well as other areas. This will force the District to use some of the cash on hand to maintain programs at current levels. Cuts made during the fiscal year negatively impact the District's balances and forced the district to make budget reductions.

- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. “No Child Left Behind”, “Student Achievement and Teacher Quality Act”, “GASB 34”, reduction in state aid for juvenile homes and the unfunded PSEO mandate to name a few.

CONTACTING THE DISTRICT’S FINANCIAL MANAGMENT

This financial report is designed to provide our 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 Dr. Robert A. Olson, Superintendent, Clarion-Goldfield Community School District, 319 Third Avenue NE, Clarion, Iowa 50525-1113.

BASIC FINANCIAL STATEMENTS

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

| | Governmental Activities | Business Type Activities | Total |
|--|----------------------------|--------------------------------|-------------------------|
| | \$ | \$ | \$ |
| Assets | | | |
| Cash and cash equivalents: | 2,295,767 | 139,376 | 2,435,143 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 30,636 | - | 30,636 |
| Succeeding year | 3,149,584 | - | 3,149,584 |
| Accounts | 35,003 | 5,120 | 40,123 |
| Due from other governments | 349,262 | - | 349,262 |
| Inventories | - | 10,603 | 10,603 |
| Capital assets, net of accumulated depreciation | 6,250,833 | 22,791 | 6,273,624 |
| Total assets | <u>12,111,085</u> | <u>177,890</u> | <u>12,288,975</u> |
| Liabilities | | | |
| Accounts payable | 501,303 | 400 | 501,703 |
| Accrued interest payable | 14,372 | - | 14,372 |
| Deferred revenue: | | | |
| Succeeding year property tax | 3,149,584 | - | 3,149,584 |
| Other | - | 2,954 | 2,954 |
| Long-term liabilities: | | | |
| Portion due within one year: | | | |
| Revenue bonds payable | 65,000 | - | 65,000 |
| Capital loan notes payable | 229,446 | - | 229,446 |
| Special assessment payable | 2,785 | - | 2,785 |
| Capital leases | 158,258 | - | 158,258 |
| Early retirement | 149,272 | - | 149,272 |
| Portion due after one year: | | | |
| Revenue bonds payable | 1,200,000 | - | 1,200,000 |
| Capital loan notes payable | 1,620,000 | - | 1,620,000 |
| Special assessment payable | 28,670 | - | 28,670 |
| Capital leases | 138,464 | - | 138,464 |
| Early retirement | 328,537 | - | 328,537 |
| Total liabilities | <u>7,585,691</u> | <u>3,354</u> | <u>7,589,045</u> |
| Net assets | | | |
| Invested in capital assets, net of related debt | 3,601,963 | 22,791 | 3,624,754 |
| Restricted for: | | | |
| Gifted and talented program | 74,599 | - | 74,599 |
| Physical plant and equipment levy | 14,718 | - | 14,718 |
| Other special revenue purposes | 63,594 | - | 63,594 |
| Debt service | 112,128 | - | 112,128 |
| Unrestricted | 658,392 | 151,745 | 810,137 |
| Total net assets | <u><u>4,525,394</u></u> | <u><u>174,536</u></u> | <u><u>4,699,930</u></u> |

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

| Functions/Programs | Expenses | Program Revenues | | |
|---|------------------|-----------------------------|--|--|
| | | Charges for Services | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular instruction | 3,195,366 | 259,054 | 319,701 | 115,195 |
| Special instruction | 1,161,041 | 131,425 | 165,356 | - |
| Other instruction | 623,153 | 162,893 | 20,707 | - |
| | <u>4,979,560</u> | <u>553,372</u> | <u>505,764</u> | <u>115,195</u> |
| Support services: | | | | |
| Student services | 210,201 | - | 100,236 | - |
| Instructional staff services | 135,894 | - | - | - |
| Administration services | 781,631 | - | - | - |
| Operation and maintenance of plant services | 596,226 | 4,388 | - | - |
| Transportation services | 347,531 | - | - | - |
| | <u>2,071,483</u> | <u>4,388</u> | <u>100,236</u> | <u>-</u> |
| Non-instructional programs | <u>21,361</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other expenditures: | | | | |
| Facilities acquisition | 174,471 | - | - | 70,640 |
| Long-term debt interest | 71,932 | - | - | - |
| AEA flowthrough | 267,447 | - | 267,447 | - |
| Depreciation (unallocated)* | 141,257 | - | - | - |
| | <u>655,107</u> | <u>-</u> | <u>267,447</u> | <u>70,640</u> |
| Total governmental activities | <u>7,727,511</u> | <u>557,760</u> | <u>873,447</u> | <u>185,835</u> |
| Business type activities | | | | |
| Non-instructional programs: | | | | |
| Food services operations | <u>326,814</u> | <u>184,315</u> | <u>175,786</u> | <u>-</u> |
| Total | <u>8,054,325</u> | <u>742,075</u> | <u>1,049,233</u> | <u>185,835</u> |
| General Revenues: | | | | |
| Property taxes levied for: | | | | |
| General purposes | | | | |
| Capital outlay | | | | |
| Income surtax | | | | |
| Local option sales and services tax | | | | |
| Unrestricted state grants | | | | |
| Unrestricted investment earnings | | | | |
| Other | | | | |
| Total general revenues | | | | |

Change in net assets

Net assets beginning of year, as restated

Net assets end of year

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

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

Net (Expense) Revenue and Changes in Net Assets

| Governmental Activities | Business Type Activities | Total |
|----------------------------|--------------------------------|--------------------|
| (2,501,416) | - | (2,501,416) |
| (864,260) | - | (864,260) |
| (439,553) | - | (439,553) |
| <u>(3,805,229)</u> | <u>-</u> | <u>(3,805,229)</u> |
| (109,965) | - | (109,965) |
| (135,894) | - | (135,894) |
| (781,631) | - | (781,631) |
| (591,838) | - | (591,838) |
| (347,531) | - | (347,531) |
| <u>(1,966,859)</u> | <u>-</u> | <u>(1,966,859)</u> |
| <u>(21,361)</u> | <u>-</u> | <u>(21,361)</u> |
| (103,831) | - | (103,831) |
| (71,932) | - | (71,932) |
| - | - | - |
| (141,257) | - | (141,257) |
| <u>(317,020)</u> | <u>-</u> | <u>(317,020)</u> |
| (6,110,469) | - | (6,110,469) |
| <u>-</u> | <u>33,287</u> | <u>33,287</u> |
| <u>(6,110,469)</u> | <u>33,287</u> | <u>(6,077,182)</u> |
| 3,058,304 | - | 3,058,304 |
| 466,906 | - | 466,906 |
| 167,887 | - | 167,887 |
| 783 | - | 783 |
| 2,576,380 | - | 2,576,380 |
| 18,755 | 1,428 | 20,183 |
| 5,517 | - | 5,517 |
| <u>6,294,532</u> | <u>1,428</u> | <u>6,295,960</u> |
| 184,063 | 34,715 | 218,778 |
| <u>4,341,331</u> | <u>139,821</u> | <u>4,481,152</u> |
| <u>4,525,394</u> | <u>174,536</u> | <u>4,699,930</u> |

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2004

| | General Fund | Capital Projects | Physical Plant and Equipment Levy | Nonmajor Governmental Funds | Total |
|--|------------------|---------------------|--|-----------------------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Assets | | | | | |
| Cash and pooled investments | 598,874 | 1,219,232 | 69,566 | 122,162 | 2,009,834 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | 25,040 | - | 4,033 | 1,563 | 30,636 |
| Succeeding year | 2,561,487 | - | 408,097 | 180,000 | 3,149,584 |
| Accounts | 120 | - | - | - | 120 |
| Interfund receivable/payable | 12,799 | - | (12,799) | - | - |
| Due from other governments | 349,262 | - | - | - | 349,262 |
| Total assets | 3,547,582 | 1,219,232 | 468,897 | 303,725 | 5,539,436 |
| Liabilities and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable | 14,362 | 298,979 | 46,082 | 1,259 | 360,682 |
| Deferred revenue: | | | | | |
| Succeeding year property tax | 2,561,487 | - | 408,097 | 180,000 | 3,149,584 |
| Other | 204,158 | - | - | - | 204,158 |
| Total liabilities | <u>2,780,007</u> | <u>298,979</u> | <u>454,179</u> | <u>181,259</u> | <u>3,714,424</u> |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| Gifted and talented program | 74,599 | - | - | - | 74,599 |
| Debt service | - | 126,500 | - | - | 126,500 |
| Unreserved | 692,976 | 793,753 | 14,718 | 122,466 | 1,623,913 |
| Total fund balances | <u>767,575</u> | <u>920,253</u> | <u>14,718</u> | <u>122,466</u> | <u>1,825,012</u> |
| Total liabilities and fund balances | 3,547,582 | 1,219,232 | 468,897 | 303,725 | 5,539,436 |

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

| | |
|--|-----------|
| Total fund balances of governmental funds (Exhibit C) | 1,825,012 |
|--|-----------|

***Amounts reported for governmental activities in the
Statement of Net Assets are different because:***

| | |
|--|-----------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | 6,250,833 |
|--|-----------|

| | |
|---|---------|
| Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. | 204,158 |
|---|---------|

| | |
|---|----------|
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds | (14,372) |
|---|----------|

| | |
|---|---------|
| An internal service fund is used by the District's management to charge the costs of the self-funded health insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. | 180,195 |
|---|---------|

| | |
|--|--------------------|
| Long-term liabilities, including bonds payable, notes payable, capital leases payable and early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds. | <u>(3,920,432)</u> |
|--|--------------------|

| | |
|--|-------------------------|
| Net assets of governmental activities (Exhibit A) | <u><u>4,525,394</u></u> |
|--|-------------------------|

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2004

| | General Fund | Capital Projects | Physical Plant and Equipment Levy | Nonmajor Governmental Funds | Total |
|---|------------------|---------------------|--|-----------------------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Revenues: | | | | | |
| Local sources: | | | | | |
| Local tax | 3,052,519 | 783 | 467,022 | 179,710 | 3,700,034 |
| Tuition | 321,870 | - | - | - | 321,870 |
| Other | 85,449 | 12,176 | 146,382 | 165,077 | 409,084 |
| Intermediate sources | 900 | - | - | - | 900 |
| State sources | 3,105,861 | - | 342 | 132 | 3,106,335 |
| Federal sources | 342,592 | 25,000 | 7,600 | - | 375,192 |
| Total revenues | <u>6,909,191</u> | <u>37,959</u> | <u>621,346</u> | <u>344,919</u> | <u>7,913,415</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular instruction | 3,065,597 | - | 70,227 | 138,825 | 3,274,649 |
| Special instruction | 1,176,085 | - | - | - | 1,176,085 |
| Other instruction | 480,131 | - | - | 156,532 | 636,663 |
| | <u>4,721,813</u> | <u>-</u> | <u>70,227</u> | <u>295,357</u> | <u>5,087,397</u> |
| Support services: | | | | | |
| Student services | 212,954 | - | - | - | 212,954 |
| Instructional staff services | 138,951 | - | - | - | 138,951 |
| Administration services | 758,069 | - | 10,506 | 30,224 | 798,799 |
| Operation and maintenance of plant services | 555,013 | - | 1,000 | 40,161 | 596,174 |
| Transportation services | 303,300 | - | - | 14,782 | 318,082 |
| | <u>1,968,287</u> | <u>-</u> | <u>11,506</u> | <u>85,167</u> | <u>2,064,960</u> |
| Non-instructional programs | <u>3,557</u> | <u>-</u> | <u>-</u> | <u>17,804</u> | <u>21,361</u> |
| Other expenditures: | | | | | |
| Facilities acquisition | - | 2,164,674 | 228,912 | - | 2,393,586 |
| Long-term debt: | | | | | |
| Principal | - | - | - | 412,672 | 412,672 |
| Interest and fiscal charges | - | - | - | 61,030 | 61,030 |
| AEA flowthrough | 267,447 | - | - | - | 267,447 |
| | <u>267,447</u> | <u>2,164,674</u> | <u>228,912</u> | <u>473,702</u> | <u>3,134,735</u> |
| Total expenditures | <u>6,961,104</u> | <u>2,164,674</u> | <u>310,645</u> | <u>872,030</u> | <u>10,308,453</u> |

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2004

| | General Fund | Capital Projects | Physical Plant and Equipment Levy | Nonmajor Governmental Funds | Total |
|---|-----------------|---------------------|--|-----------------------------------|-------------|
| | \$ | \$ | \$ | \$ | \$ |
| Excess (deficiency) of revenues over (under) expendit | (51,913) | (2,126,715) | 310,701 | (527,111) | (2,395,038) |
| Other financing sources (uses): | | | | | |
| Compensation for loss of fixed assets | 400 | - | 2,049 | - | 2,449 |
| Proceeds from long-term loans | - | - | 1,825,000 | - | 1,825,000 |
| Bonds issued | - | 1,265,000 | - | - | 1,265,000 |
| Sales of materials and equipment | 473 | - | - | - | 473 |
| Operating transfers in | - | 1,825,537 | - | 473,702 | 2,299,239 |
| Operating transfers out | - | (40,256) | (2,258,983) | - | (2,299,239) |
| Total other financing sources (uses) | 873 | 3,050,281 | (431,934) | 473,702 | 3,092,922 |
| Net change in fund balances | (51,040) | 923,566 | (121,233) | (53,409) | 697,884 |
| Fund balances beginning of year, as restated | 818,615 | (3,313) | 135,951 | 175,875 | 1,127,128 |
| Fund balances end of year | 767,575 | 920,253 | 14,718 | 122,466 | 1,825,012 |

CLARION-GOLDFIELD 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, 2004

| | \$ | \$ |
|--|------------------|-----------------------|
| Net change in fund balances - total governmental funds (Exhibit E) | | 697,884 |
| <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 Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the year as follows: | | |
| Expenditures for capital assets | 2,250,570 | |
| Depreciation expense | <u>(201,616)</u> | 2,048,954 |
| Income surtaxes 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. | | (4,763) |
| Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. | | 412,672 |
| 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. | | (10,902) |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows: | | |
| Early retirement | 13,525 | |
| Street assessment | <u>(31,455)</u> | (17,930) |
| Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets. | | (3,090,000) |
| An internal service fund is used by the District's management to charge the costs of the self-funded health insurance program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities. | | <u>148,148</u> |
| Changes in net assets of governmental activities (Exhibit B) | | <u><u>184,063</u></u> |

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2004

| | Enterprise Fund <u>Nonmajor School Nutrition</u> \$ | Governmental Activities - Internal Service Fund <u> </u> \$ |
|--|--|---|
| Assets | | |
| Cash and cash equivalents | 139,376 | 285,933 |
| Accounts receivable | 5,120 | 34,883 |
| Inventories | 10,603 | - |
| Capital assets, net of accumulated depreciation | <u>22,791</u> | <u>-</u> |
| Total assets | <u>177,890</u> | <u>320,816</u> |
| Liabilities | | |
| Accounts payable | 400 | 140,621 |
| Deferred revenue | <u>2,954</u> | <u>-</u> |
| Total liabilities | <u>3,354</u> | <u>140,621</u> |
| Net assets | | |
| Invested in capital assets, net of related debt | 22,791 | - |
| Unrestricted | <u>151,745</u> | <u>180,195</u> |
| Total net assets | <u><u>174,536</u></u> | <u><u>180,195</u></u> |

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

| | Enterprise Fund <u>Nonmajor School Nutrition</u> \$ | Governmental Activities - Internal Service Fund \$ |
|------------------------------|--|--|
| Operating revenue: | | |
| Local sources: | | |
| Charges for service | <u>184,315</u> | <u>1,194,142</u> |
| Operating expenses: | | |
| Non-instructional programs: | | |
| Salaries | 127,823 | - |
| Benefits | 46,292 | 1,046,057 |
| Purchased services | 7,140 | - |
| Supplies | 143,434 | - |
| Depreciation | 1,964 | - |
| Other | 161 | - |
| | <u>326,814</u> | <u>1,046,057</u> |
| Operating gain (loss) | <u>(142,499)</u> | <u>148,085</u> |
| Non-operating revenue: | | |
| State sources | 5,231 | - |
| Federal sources | 170,555 | - |
| Interest income | 1,428 | 63 |
| Total non-operating revenue | <u>177,214</u> | <u>63</u> |
| Change in net assets | 34,715 | 148,148 |
| Net assets beginning of year | <u>139,821</u> | <u>32,047</u> |
| Net assets end of year | <u><u>174,536</u></u> | <u><u>180,195</u></u> |

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2004

| | Enterprise Fund | Governmental Activities - Internal Service Fund |
|--|---------------------------------|--|
| | Nonmajor School Nutrition | Fund |
| | \$ | \$ |
| Cash flows form operating activities: | | |
| Cash received from sale of lunches and breakfasts | 182,149 | - |
| Cash received from services provided to other funds | - | 1,153,153 |
| Claims reimbursements | - | 11,566 |
| Cash payments to employees for services | (174,115) | (1,034,940) |
| Cash payments to suppliers for goods or services | (128,066) | - |
| Net cash provided by (used by) operating activities | <u>(120,032)</u> | <u>129,779</u> |
| Cash flows from non-capital financing activities: | | |
| State grants received | 5,231 | - |
| Federal grants received | 140,783 | - |
| Net cash provided by non-capital financing activities | <u>146,014</u> | <u>-</u> |
| Cash flows from capital and related financing activities: | | |
| Acquisition of capital assets | (6,496) | - |
| Cash flows from investing activities: | | |
| Interest on investments | 1,428 | 63 |
| Net increase (decrease) in cash and cash equivalents | 20,914 | 129,842 |
| Cash and cash equivalents at beginning of year | <u>118,462</u> | <u>156,091</u> |
| Cash and cash equivalents at end of year | <u><u>139,376</u></u> | <u><u>285,933</u></u> |
| Reconciliation of operating gain (loss) to net cash used by operating activities: | | |
| Operating gain (loss) | (142,499) | 148,085 |
| Adjustments to reconcile operating gain (loss) to net cash used by operating activities: | | |
| Commodities used | 29,772 | - |
| Depreciation | 1,964 | - |
| Decrease (increase) in inventories | (7,503) | - |
| Decrease (increase) in accounts receivable | (5,120) | (29,423) |
| (Decrease) increase in accounts payable | 400 | 11,117 |
| (Decrease) increase in deferred revenue | 2,954 | - |
| Net cash used in operating activities | <u>(120,032)</u> | <u>129,779</u> |

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$29,772 of federal commodities.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2004

| | Private Purpose Trust <u>Scholarship</u> \$ | <u>Agency</u> \$ |
|-----------------------------|---|---------------------|
| Assets | | |
| Cash and pooled investments | 73,970 | 18,580 |
| Liabilities | | |
| Other payables | <u>-</u> | <u>18,580</u> |
| Net Assets | | |
| Reserved for scholarships | <u><u>73,970</u></u> | <u><u>-</u></u> |

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2004

| | Private Purpose Trust Scholarship \$ |
|------------------------------|--|
| Additions: | |
| Local sources: | |
| Gifts and contributions | 35,898 |
| Interest | <u>596</u> |
| Total additions | <u>36,494</u> |
| Deductions: | |
| Support services: | |
| Scholarships awarded | 3,250 |
| Golden Apple Award | <u>1,000</u> |
| Total deductions | <u>4,250</u> |
| Change in net assets | 32,244 |
| Net assets beginning of year | <u>41,726</u> |
| Net assets end of year | <u><u>73,970</u></u> |

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2004

1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The Physical Plant and Equipment Levy Fund is a special revenue fund that is used to account for the revenues from and expenditures of the physical plant and equipment property tax levy.

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

The District's internal service fund is also reported as a proprietary fund. The internal service fund is used to account for the District's self-insured health insurance plan.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003, through June 30, 2004, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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

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

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

| <u>Asset Class</u> | <u>Amount</u> \$ |
|-----------------------------------|---------------------|
| Land | - |
| Buildings | 5,000 |
| Improvements other than buildings | 5,000 |
| Furniture and equipment: | |
| School Nutrition Fund equipment | 500 |
| Other furniture and equipment | 5,000 |

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

| <u>Asset Class</u> | <u>Estimated Useful Life</u> |
|-----------------------------------|------------------------------|
| Buildings | 20-50 years |
| Improvements other than buildings | 20 years |
| Furniture and equipment | 5-20 years |

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the other expenditures function exceeded the amount budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2004 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.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2004 is as follows:

| Receivable Fund | Payable Fund | Amount |
|-----------------|--|--------|
| | | \$ |
| General Fund | Special Revenue: Physical Plant and Equipment Levy Fund | 12,799 |

The interfund receivable/payable represents expenditures paid by the General Fund for the Physical Plant and Equipment Levy Fund. The District expects that this amount will be repaid within the next year.

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

| Transfer to | Transfer from | Amount |
|-----------------------|--|-----------|
| | | \$ |
| Capital Projects Fund | Special Revenue: Physical Plant and Equipment Levy Fund | 1,825,537 |
| Debt Service Fund | Special Revenue: Physical Plant and Equipment Levy Fund | 433,446 |
| Debt Service Fund | Capital Projects Fund | 40,256 |

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

5. Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

| | Balance Beginning of Year, as Restated | Increases | Decreases | Balance End of Year |
|---------------------------------------|---|------------------|---------------|------------------------|
| | \$ | \$ | \$ | \$ |
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Construction in progress | - | 2,208,499 | 27,915 | 2,180,584 |
| Land | 82,379 | - | - | 82,379 |
| Total capital assets not being depr. | <u>82,379</u> | <u>2,208,499</u> | <u>27,915</u> | <u>2,262,963</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 5,817,301 | 35,523 | - | 5,852,824 |
| Improvements other than buildings | 626,476 | 27,915 | - | 654,391 |
| Furniture and equipment | 992,701 | 6,548 | - | 999,249 |
| Total capital assets being deprec. | <u>7,436,478</u> | <u>69,986</u> | <u>-</u> | <u>7,506,464</u> |

| | | | | |
|--|---------------------------------|------------------|---------------|------------------------|
| Less accumulated depreciation for: | | | | |
| Buildings | 2,438,956 | 116,986 | - | 2,555,942 |
| Improvements other than buildings | 337,080 | 24,271 | - | 361,351 |
| Furniture and equipment | <u>540,942</u> | <u>60,359</u> | - | <u>601,301</u> |
| Total accumulated depreciation | <u>3,316,978</u> | <u>201,616</u> | - | <u>3,518,594</u> |
| | | | | |
| Total capital assets being depreciated, net | <u>4,119,500</u> | <u>(131,630)</u> | - | <u>3,987,870</u> |
| | | | | |
| Governmental activities capital assets, net | <u>4,201,879</u> | <u>2,076,869</u> | <u>27,915</u> | <u>6,250,833</u> |
| | | | | |
| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
| | \$ | \$ | \$ | \$ |
| Business type activities: | | | | |
| Furniture and equipment | 35,483 | 6,496 | - | 41,979 |
| Less accumulated depreciation | <u>17,224</u> | <u>1,964</u> | - | <u>19,188</u> |
| | | | | |
| Business type activities capital assets, net | <u>18,259</u> | <u>4,532</u> | - | <u>22,791</u> |

Depreciation expense was charged to the following functions:

| | |
|--|----------------|
| | \$ |
| Governmental activities: | |
| Instruction: | |
| Regular | 7,408 |
| Other | 8,454 |
| Support Services: | |
| Student services | 859 |
| Operation and maintenance of plant services | 8,227 |
| Transportation | <u>35,411</u> |
| | 60,359 |
| Unallocated depreciation | <u>141,257</u> |
| | |
| Total depreciation expense – governmental activities | <u>201,616</u> |
| | |
| Business type activities: | |
| Food services | <u>1,964</u> |

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004, are summarized as follows:

| | Balance Beginning of Year | Additions | Reductions | Balance End of Year | Due Within One Year |
|---------------------------------|---------------------------------|------------------|----------------|------------------------|------------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Local option sales and services | | | | | |
| tax revenue bonds | - | 1,265,000 | - | 1,265,000 | 65,000 |
| Capital loan notes | 307,614 | 1,825,000 | 283,168 | 1,849,446 | 229,446 |
| Capital leases | 426,226 | - | 129,504 | 296,722 | 158,258 |
| Special assessment | - | 31,455 | - | 31,455 | 2,785 |
| Early retirement | 491,334 | 125,725 | 139,250 | 477,809 | 149,272 |
| Total | 1,225,174 | 3,247,180 | 551,922 | 3,920,432 | 604,761 |

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age [fifty-five, must be at the top of the salary schedule and/or](#) and must have completed [fifteen](#) years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives are based on [a percentage of current salary](#). Early retirement expenditures for the year ended June 30, [2004](#) totaled [\\$139,250](#).

Revenue Bonds Payable

Details of the District's June 30, [2004](#) local option sales and services tax revenue bonded indebtedness are as follows:

| Year Ending June 30, | Bond Issue of April 2004 | | | |
|-------------------------|--------------------------|------------------|----------------|------------------|
| | Interest Rates | Principal | Interest | Total |
| | % | \$ | \$ | \$ |
| 2005 | 1.70 | 65,000 | 26,214 | 91,214 |
| 2006 | 1.70 | 115,000 | 34,400 | 149,400 |
| 2007 | 2.00 | 120,000 | 32,870 | 152,870 |
| 2008 | 2.25 | 125,000 | 30,693 | 155,693 |
| 2009 | 2.50 | 130,000 | 28,086 | 158,086 |
| 2010-2014 | 2.80-3.70 | 710,000 | 88,885 | 798,885 |
| | | <u>1,265,000</u> | <u>241,148</u> | <u>1,506,148</u> |

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services revenue bonds include the following provisions:

- The bonds will only be redeemed from the future earnings of the local option sales tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- \$126,500 of the proceeds from the bond issue are to be placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The funds were sent to the trustee in September 2004. At June 30, 2004 \$126,500 is shown as restricted for debt service in the Capital Projects Fund.
- Proceeds from the local option sales and services tax shall be placed in a revenue account with a trustee. The trustee will make monthly transfers from the revenue account to the sinking account. The required monthly payment to the sinking account shall equal 1/6 of the installment of interest coming due on the next interest payment date and 1/12 of the installment of principal coming due on the next principal payment date. Money in the sinking account shall be used to pay the interest and principal on the bonds. The District will receive its first proceeds from the local option sales and services tax in September 2004.

Capital Loan Notes

The District issued \$510,000 of capital loan notes during April 2002. These notes were paid off in October 2003. The District issued \$110,000 of capital loan notes in March 2001. The interest rate is 5.15% on \$55,000 of these notes and 0% on the other \$55,000 of the notes. The District issued \$1,825,000 of capital loan notes in August 2003. These notes and the interest will be paid from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the capital loan notes are as follows:

| Year Ending June 30, | Interest Rates | Principal | Interest | Total |
|-------------------------|----------------|------------------|----------------|------------------|
| | % | \$ | \$ | \$ |
| 2005 | 0.00-5.15 | 229,446 | 48,780 | 278,226 |
| 2006 | 2.00 | 210,000 | 45,233 | 255,233 |
| 2007 | 2.25 | 220,000 | 41,032 | 261,032 |
| 2008 | 2.50 | 225,000 | 36,083 | 261,083 |
| 2009 | 2.85 | 230,000 | 30,457 | 260,457 |
| 2010-12 | 3.10-3.40 | 735,000 | 48,865 | 783,865 |
| | | <u>1,849,446</u> | <u>250,450</u> | <u>2,099,896</u> |

During the year ended June 30, 2004 the District made principal and interest payments totaling \$331,365 under the note agreements.

Capital Leases

The District has leased fitness equipment 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, 2004.

| | Year Ending June 30, | Amount |
|---|----------------------|----------------|
| | | \$ |
| | 2005 | 165,565 |
| | 2006 | 140,794 |
| Minimum Lease Payments | | <u>306,359</u> |
| Less Amount Representing Interest | | <u>9,637</u> |
| Present Value of Minimum Lease Payments | | <u>296,722</u> |

Special Assessment

During the year ended June 30, 2004 the District was assessed \$31,455 by the City of Clarion for street repairs. The District borrowed money at 4% interest to pay the assessment. Payments on the loan are due as follows:

| <u>Year Ending June 30,</u> | <u>Interest Rates</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|-----------------------|------------------|-----------------|---------------|
| | <u>%</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> |
| 2005 | 4.00 | 2,785 | 734 | 3,519 |
| 2006 | 4.00 | 5,950 | 1,088 | 7,038 |
| 2007 | 4.00 | 6,190 | 848 | 7,038 |
| 2008 | 4.00 | 6,440 | 597 | 7,037 |
| 2009 | 4.00 | 6,700 | 337 | 7,037 |
| 2010 | 4.00 | 3,390 | 68 | 3,458 |
| | | <u>31,455</u> | <u>3,672</u> | <u>35,127</u> |

7. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$249,887, \$249,906, and \$245,981 respectively, equal to the required contributions for each year.

8. Risk Management

Clarion-Goldfield 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.

The District maintains its own self-funded health insurance plan. The District purchases insurance to cover aggregate and specific excess losses. The self-funded health insurance plan is accounted for in the Internal Service Fund.

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 \$267,447 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Construction Commitment

The District has entered into contracts totaling \$2,919,827 for an addition at the high school, geothermal heating and cooling at the high school and a boiler at the Goldfield Center. As of June 30, 2004 costs of \$1,994,611 had been incurred against the contracts. The balances remaining at June 30, 2004 will be paid as work on the project progresses.

11. Accounting Change and Restatement

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities, and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

| | Funds | | | | |
|--|----------------|------------------|----------------|----------------|------------------|
| | General | Capital Projects | PEEL | Nonmajor | Total |
| | \$ | \$ | \$ | \$ | \$ |
| Net assets, June 30, 2003 as previously reported | 818,615 | (3,313) | 135,951 | 175,875 | 1,127,128 |
| GASB Interpretation 6 adjustments | - | - | - | - | - |
| Net assets, July 1, 2003, as restated for Governmental funds | <u>818,615</u> | <u>(3,313)</u> | <u>135,951</u> | <u>175,875</u> | <u>1,127,128</u> |
| GASB 34 adjustments: | | | | | |
| Capital assets net of accumulated depreciation of \$3,316,978 | | | | | 4,201,879 |
| Internal Service Fund net assets | | | | | 32,047 |
| Long-term liabilities: | | | | | |
| Capital loan notes | | | | 307,614 | |
| Capital leases | | | | 426,226 | |
| Early retirement | | | | <u>491,334</u> | (1,225,174) |
| Accrued interest payable | | | | | (3,470) |
| Deferred revenue | | | | | <u>208,921</u> |
| Net assets, July 1, 2003 as restated | | | | | <u>4,341,331</u> |

REQUIRED SUPPLEMENTARY INFORMATION

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

| | Governmental Fund Actual | Proprietary Fund Actual | Total Actual | Budgeted Amounts | | Final to Actual Variance - Positive (Negative) |
|--|-----------------------------|----------------------------|-------------------------|------------------|------------------|---|
| | | | | Original | Final | |
| | \$ | \$ | \$ | | \$ | \$ |
| Receipts: | | | | | | |
| Local sources | 4,400,503 | 183,577 | 4,584,080 | 4,340,928 | 4,340,928 | 243,152 |
| Intermediate sources | 900 | - | 900 | 55,000 | 55,000 | (54,100) |
| State sources | 3,107,085 | 5,231 | 3,112,316 | 3,128,581 | 3,128,581 | (16,265) |
| Federal sources | 371,724 | 170,555 | 542,279 | 410,000 | 410,000 | 132,279 |
| Total receipts | <u>7,880,212</u> | <u>359,363</u> | <u>8,239,575</u> | <u>7,934,509</u> | <u>7,934,509</u> | <u>305,066</u> |
| Disbursements: | | | | | | |
| Instruction | 5,084,950 | - | 5,084,950 | 5,489,874 | 5,489,874 | 404,924 |
| Support services | 2,075,564 | - | 2,075,564 | 3,036,076 | 3,036,076 | 960,512 |
| Non-instructional programs | 21,361 | 338,449 | 359,810 | 440,773 | 440,773 | 80,963 |
| Other expenditures | 2,818,145 | - | 2,818,145 | 589,374 | 589,374 | (2,228,771) |
| Total disbursements | <u>10,000,020</u> | <u>338,449</u> | <u>10,338,469</u> | <u>9,556,097</u> | <u>9,556,097</u> | <u>(782,372)</u> |
| Excess (deficiency) of receipts over (under) disbursements | (2,119,808) | 20,914 | (2,098,894) | (1,621,588) | (1,621,588) | (477,306) |
| Other financing sources (uses) net | <u>3,092,922</u> | <u>-</u> | <u>3,092,922</u> | <u>-</u> | <u>-</u> | <u>3,092,922</u> |
| Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements | 973,114 | 20,914 | 994,028 | (1,621,588) | (1,621,588) | 2,615,616 |
| Balance beginning of year | <u>1,036,720</u> | <u>118,462</u> | <u>1,155,182</u> | <u>1,621,588</u> | <u>1,621,588</u> | <u>(466,406)</u> |
| Balance end of year | <u><u>2,009,834</u></u> | <u><u>139,376</u></u> | <u><u>2,149,210</u></u> | <u><u>-</u></u> | <u><u>-</u></u> | <u><u>2,149,210</u></u> |

See accompanying independent auditor's report

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

| | <u>Governmental Funds</u> | | |
|------------------------------------|---------------------------|--------------------------------|-----------------------------------|
| | <u>Cash Basis</u> | <u>Accrual Adjustments</u> | <u>Modified Accrual Basis</u> |
| | \$ | \$ | \$ |
| Revenues | 7,880,212 | 33,203 | 7,913,415 |
| Expenditures | 10,000,020 | 308,433 | 10,308,453 |
| Net | (2,119,808) | (275,230) | (2,395,038) |
| Other financing sources (uses) net | 3,092,922 | - | 3,092,922 |
| Beginning fund balances | 1,036,720 | 90,408 | 1,127,128 |
| Ending fund balances | <u>2,009,834</u> | <u>(184,822)</u> | <u>1,825,012</u> |

| | <u>Proprietary Fund Enterprise</u> | | |
|------------------------------------|--|--------------------------------|----------------------|
| | <u>Cash Basis</u> | <u>Accrual Adjustments</u> | <u>Accrual Basis</u> |
| | \$ | \$ | \$ |
| Revenues | 359,363 | 2,166 | 361,529 |
| Expenditures | 338,449 | (11,635) | 326,814 |
| Net | 20,914 | 13,801 | 34,715 |
| Other financing sources (uses) net | - | - | - |
| Beginning fund balances | 118,462 | 21,359 | 139,821 |
| Ending fund balances | <u>139,376</u> | <u>35,160</u> | <u>174,536</u> |

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the [cash basis](#). Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

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

During the year ended June 30, [2004](#), disbursements in the [other expenditures](#) function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2004

| Assets | Special Revenue Funds | | Total |
|--|-----------------------|-----------------------------|----------------|
| | Management Levy | Student Activity Fund | |
| | \$ | \$ | \$ |
| Cash and pooled investments | 57,309 | 64,853 | 122,162 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 1,563 | - | 1,563 |
| Succeeding year | 180,000 | - | 180,000 |
| Total assets | 238,872 | 64,853 | 303,725 |
| Liabilities & Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | - | 1,259 | 1,259 |
| Deferred revenue: | | | |
| Succeeding year property tax | 180,000 | - | 180,000 |
| Total liabilities | 180,000 | 1,259 | 181,259 |
| Fund balances: | | | |
| Unreserved fund balance | 58,872 | 63,594 | 122,466 |
| Total liabilities and fund balances | 238,872 | 64,853 | 303,725 |

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

| | <u>Special Revenue Funds</u> | | | <u>Total</u> |
|---|------------------------------|----------------------|-----------------|-----------------------|
| | Management | Student | Debt | |
| | Levy | Activity | Service | |
| | \$ | \$ | \$ | \$ |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | 179,710 | - | - | 179,710 |
| Other | 1,394 | 163,683 | - | 165,077 |
| State sources | 132 | - | - | 132 |
| Total revenues | <u>181,236</u> | <u>163,683</u> | <u>-</u> | <u>344,919</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular instruction | 138,825 | - | - | 138,825 |
| Other instruction | - | 156,532 | - | 156,532 |
| Support services: | | | | |
| Administration services | 30,224 | - | - | 30,224 |
| Operation and maintenance of plant services | 40,161 | - | - | 40,161 |
| Transportation services | 14,782 | - | - | 14,782 |
| Non-instructional programs | 17,804 | - | - | 17,804 |
| Other expenditures: | | | | |
| Long-term debt: | | | | |
| Principal | - | - | 412,672 | 412,672 |
| Interest and fiscal charges | - | - | 61,030 | 61,030 |
| Total expenditures | <u>241,796</u> | <u>156,532</u> | <u>473,702</u> | <u>872,030</u> |
| Excess (deficiency) of revenues over (under) expenditures | (60,560) | 7,151 | (473,702) | (527,111) |
| Other financing sources (uses): | | | | |
| Operating transfers in | - | - | 473,702 | 473,702 |
| Net change in fund balances | (60,560) | 7,151 | - | (53,409) |
| Fund balances beginning of year, as restated | <u>119,432</u> | <u>56,443</u> | <u>-</u> | <u>175,875</u> |
| Fund balances end of year | <u><u>58,872</u></u> | <u><u>63,594</u></u> | <u><u>-</u></u> | <u><u>122,466</u></u> |

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

| <u>Account</u> | Balance | Revenues | Expenditures | Intra-Fund Transfers | Balance End |
|--------------------------------|----------------------|----------------|----------------|-------------------------|---------------|
| | Beginning of Year | | | | of Year |
| | \$ | \$ | \$ | \$ | \$ |
| Vending machine | 8,086 | 4,367 | 1,259 | (1,000) | 10,194 |
| Concessions | 4,825 | 20,015 | 20,153 | - | 4,687 |
| Classes | 4,393 | 8,250 | 9,851 | - | 2,792 |
| Spanish club | 4,180 | 11,893 | 8,822 | 172 | 7,423 |
| French club | 172 | - | - | (172) | - |
| MS peer helper | 451 | 3,783 | 3,944 | - | 290 |
| Cheerleaders | 562 | 11,396 | 11,682 | - | 276 |
| FBLA | 533 | 708 | 382 | - | 859 |
| MS student council | 8,576 | 5,842 | 7,449 | - | 6,969 |
| Student council | 2,225 | 3,675 | 1,893 | - | 4,007 |
| Athletics | 2,389 | 46,903 | 46,212 | - | 3,080 |
| Vocal music | 1,772 | 1,896 | 2,180 | - | 1,488 |
| Band | 13 | - | - | (13) | - |
| MS vocal | 1,882 | 4,879 | 4,505 | - | 2,256 |
| MS band | 4,660 | 5,829 | 6,338 | 13 | 4,164 |
| Drama/speech | 2,832 | 2,702 | 1,168 | - | 4,366 |
| FFA | 3,730 | 19,980 | 19,576 | - | 4,134 |
| NHS | - | 1,011 | 1,095 | 1,000 | 916 |
| Lasso | 1,547 | 8,983 | 7,906 | - | 2,624 |
| JEL | 533 | 881 | 958 | - | 456 |
| Interest | 3,082 | 790 | - | - | 3,872 |
| June 30, 2004 accounts payable | - | - | 1,259 | - | (1,259) |
| Total | 56,443 | 163,783 | 156,632 | - | 63,594 |

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2004

| | Flex Program | Nurse's Children's Fund | Total |
|---------------------------|-----------------|-------------------------------|---------------|
| | \$ | \$ | \$ |
| Balance beginning of year | 16,780 | 1,361 | 18,141 |
| Additions: | | | |
| Collections | 52,550 | 415 | 52,965 |
| Deductions: | | | |
| Miscellaneous | 52,095 | 431 | 52,526 |
| Balance end of year | <u>17,235</u> | <u>1,345</u> | <u>18,580</u> |

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

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

For the Last Four Years

| | Modified Accrual Basis | | | |
|--|------------------------|------------------|------------------|------------------|
| | 2004 | 2003 | 2002 | 2001 |
| | \$ | \$ | \$ | \$ |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | 3,700,034 | 3,585,366 | 3,605,423 | 3,250,554 |
| Tuition | 321,870 | 234,844 | 183,662 | 198,365 |
| Other | 409,084 | 262,991 | 278,073 | 241,871 |
| Intermediate sources | 900 | - | - | - |
| State sources | 3,106,335 | 3,123,070 | 3,249,163 | 3,147,156 |
| Federal sources | 375,192 | 486,293 | 384,811 | 258,430 |
| Total revenues | 7,913,415 | 7,692,564 | 7,701,132 | 7,096,376 |
| Expenditures: | | | | |
| Instruction: | | | | |
| Regular instruction | 3,274,649 | 3,594,876 | 3,419,420 | 2,901,496 |
| Special instruction | 1,176,085 | 1,179,198 | 1,118,244 | 703,352 |
| Other instruction | 636,663 | 532,274 | 503,264 | 496,999 |
| Support services: | | | | |
| Student services | 212,954 | 269,620 | 231,522 | 191,515 |
| Instructional staff services | 138,951 | 185,603 | 139,941 | 194,904 |
| Administration services | 798,799 | 747,646 | 697,108 | 645,568 |
| Operation and maintenances of plant services | 596,174 | 596,351 | 562,633 | 577,815 |
| Transportation services | 318,082 | 299,824 | 291,944 | 241,514 |
| Non-instructional programs | 21,361 | 33,364 | 23,633 | 25,290 |
| Other expenditures: | | | | |
| Facilities acquisition | 2,393,586 | 261,445 | 935,081 | 324,995 |
| Long-term debt: | | | | |
| Principal | 412,672 | 197,636 | 289,105 | 182,222 |
| Interest and other charges | 61,030 | 23,019 | 23,313 | 19,536 |
| AEA flowthrough | 267,447 | 278,893 | 278,943 | 276,068 |
| Total expenditures | 10,308,453 | 8,199,749 | 8,514,151 | 6,781,274 |

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

| <u>Grantor/Program</u> | <u>CFDA Number</u> | <u>Grant Number</u> | <u>Expenditures \$</u> |
|---|------------------------|-------------------------|----------------------------|
| Direct: | | | |
| U.S. Department of Education: | | | |
| Safe & Drug-Free Schools and Communities - National Programs | 84.184 | Q18K010123 | 82,245 |
| Indirect: | | | |
| U.S. Department of Agriculture: | | | |
| Iowa Department of Education: | | | |
| School Nutrition Cluster Programs: | | | |
| Special Milk Program for Children | 10.556 | FY04 | 468 |
| National School Lunch Program | 10.555 | FY04 | 121,683 |
| School Breakfast Program | 10.553 | FY04 | 18,632 |
| | | | <u>140,783</u> |
| Food Donation (Noncash) | 10.550 | FY04 | 29,772 |
| U.S. Department of Education: | | | |
| Iowa Department of Education: | | | |
| Title I Grants to Local Education Agencies | 84.010 | 1206-G-04 | 127,502 |
| Title IIA Federal Teacher Quality Program | 84.367 | FY04 | 42,687 |
| Grants for State Assessments and Related Activities | 84.369 | FY04 | 4,600 |
| Fund for the Improvement of Education (Iowa Demonstration Construction Grants) | 84.215 | FY02 | 25,000 |
| Innovative Education Program Strategies (Title V Program) | 84.298 | FY04 | 12,440 |
| Safe & Drug Free Schools and Communities - State Grant | 84.186 | FY04 | 7,246 |
| Vocational Education - Basic Grants to States | 84.048 | FY04 | 17,243 |
| Area Education Agency V: | | | |
| Special Education Grants to States | 84.027 | FY04 | 37,854 |
| U.S. Department of Energy: | | | |
| Iowa Department of Natural Resources: | | | |
| State Energy Program Special Projects | 81.119 | 00-6116-01 | 7,600 |
| Total | | | <u><u>534,972</u></u> |

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of [Clarion-Goldfield](#) Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting

To the Board of Education of the
[Clarion-Goldfield](#) Community School District:

We have audited the financial statements of the [Clarion-Goldfield](#) Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated [November 23, 2004](#). We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether [Clarion-Goldfield](#) 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 grants, noncompliance 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 noncompliance that are required to be reported under Government Auditing Standards. [However, we noted certain immaterial instances of noncompliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.](#)

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 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. Prior year statutory comments have all been resolved except for items [04-IV-B](#) and [04-IV-H](#).

Internal Control over Financial Reporting

In planning and performing our audit, we considered [Clarion-Goldfield](#) Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items [04-II-A](#) is a material weakness. Prior year reportable conditions have all been resolved except for item [04-II-A](#).

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of [Clarion-Goldfield](#) 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

[November 23, 2004](#)

Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance

To the Board of Education of the
[Clarion-Goldfield](#) Community School District:

Compliance

We have audited the compliance of the [Clarion-Goldfield](#) Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. [Clarion-Goldfield](#) Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of [Clarion-Goldfield](#) Community School District's management. Our responsibility is to express an opinion on [Clarion-Goldfield](#) Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Nonprofit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about [Clarion-Goldfield](#) Community School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on [Clarion-Goldfield](#) Community School District's compliance with those requirements.

In our opinion, [Clarion-Goldfield](#) Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control over Compliance

The management of [Clarion-Goldfield](#) Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered [Clarion-Goldfield](#) Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item [04-III-A](#) is a material weakness.

This report, a public record by law, is intended solely for the information of the officials, employees, and citizens of the District and other parties to whom the District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

[November 23, 2004](#)

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2004

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A reportable condition in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.010 – Title I Grants to Local Education Agencies
 - Clustered programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 10.556 – Special Milk Program for children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Clarion-Goldfield Community School District did not qualify as a low-risk auditee.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2004

Part II: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

04-II-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, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2004

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.556: Special Milk Program for Children
Federal Award Year: 2004
U.S. Department of Education

CFDA Number 84.010 Title I Grants to Local Education Agencies
Agency Numbers 1206-G-04
Federal Award Year 2004
U.S. Department of Education
Passed through the Iowa Department of Education

04-III-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, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises. The District does perform internal audit checks as a check against the limited number of personnel.

Conclusion: Response accepted.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2004

Part IV: Other Findings Related to Statutory Reporting:

04-IV-A Official Depositories: Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

04-IV-B Certified Budget: Disbursements for the year ended June 30, 2004, exceeded the amount budgeted in the **other expenditures** functional area.

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

District Response: We will amend future budgets before disbursements exceed the budget.

Conclusion: Response accepted.

04-IV-C Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

04-IV-D 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.

04-IV-E Business Transactions: We noted no transactions between the District and District officials or employees.

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

04-IV-G Board Minutes: We noted three credit card payments totaling \$1,052 that were not included on the lists of bills approved by the Board.

Recommendation: The District should ensure that all expenditures are properly approved by the Board.

District Response: The omission of these items from the lists of bills to be approved was an oversight. We will be more diligent in the future.

Conclusion: Response accepted.

04-IV-H Certified Enrollment: The number of basic resident students reported to the Iowa Department of Education for September 2003, was **overstated** by five students.

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

District Response: We will contact these departments.

Conclusion: Response accepted.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2004

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

04-IV-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.

04-IV-J Certified Annual Report (CAR): The CAR was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

04-IV-K Public Hearing: The Code of Iowa requires that schools hold a public hearing for all capital improvements with a cost exceeding \$25,000. We noted that the District advertised a public hearing, but the minutes did not state that the public hearing was held.

Recommendation: The minutes should document that the public hearing was held.

District Response: We will do this in the future.

Conclusion: Response accepted.

04-II-K Withholding on Payments to Employees: We noted one employee who was treated as an employee for one type of services and treated as an independent contractor for another type of services.

Recommendation: Generally if a person is an employee for one purpose, the person will be an employee for all purposes. The District should begin treating all payments as wages and begin withholding the appropriate taxes.

District Response: We will change our procedures on these payments to comply with payroll reporting requirements.

Conclusion: Response accepted.