

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

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

June 30, 2005

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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, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clarion-Goldfield Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 29, 2005, 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, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 40 through 42 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 required 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, 2004, (none of which are presented herein) and expressed an unqualified opinions on those financial statements for 2004. 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 4, 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 29, 2005

## 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, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### 2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,909,191 in fiscal year 2004 to \$7,053,330 in fiscal year 2005, while General Fund expenditures increased from \$6,961,104 in fiscal year 2004 to \$7,251,954 in fiscal year 2005.
- 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.
- Due to budget planning the district has maintained a solvency ratio of 10%. This level must be maintained or increased in future years. The solvency ratio is only one measure of financial strength. The district's solvency ratio does not reflect accurately reflect the unspent authority. The district's cash balance is nearly \$300,000 less than authority. As district valuation increases, the cash reserve levy will be utilized more to increase cash with the goal to backup authority, dollar for dollar.

#### 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 funds.

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

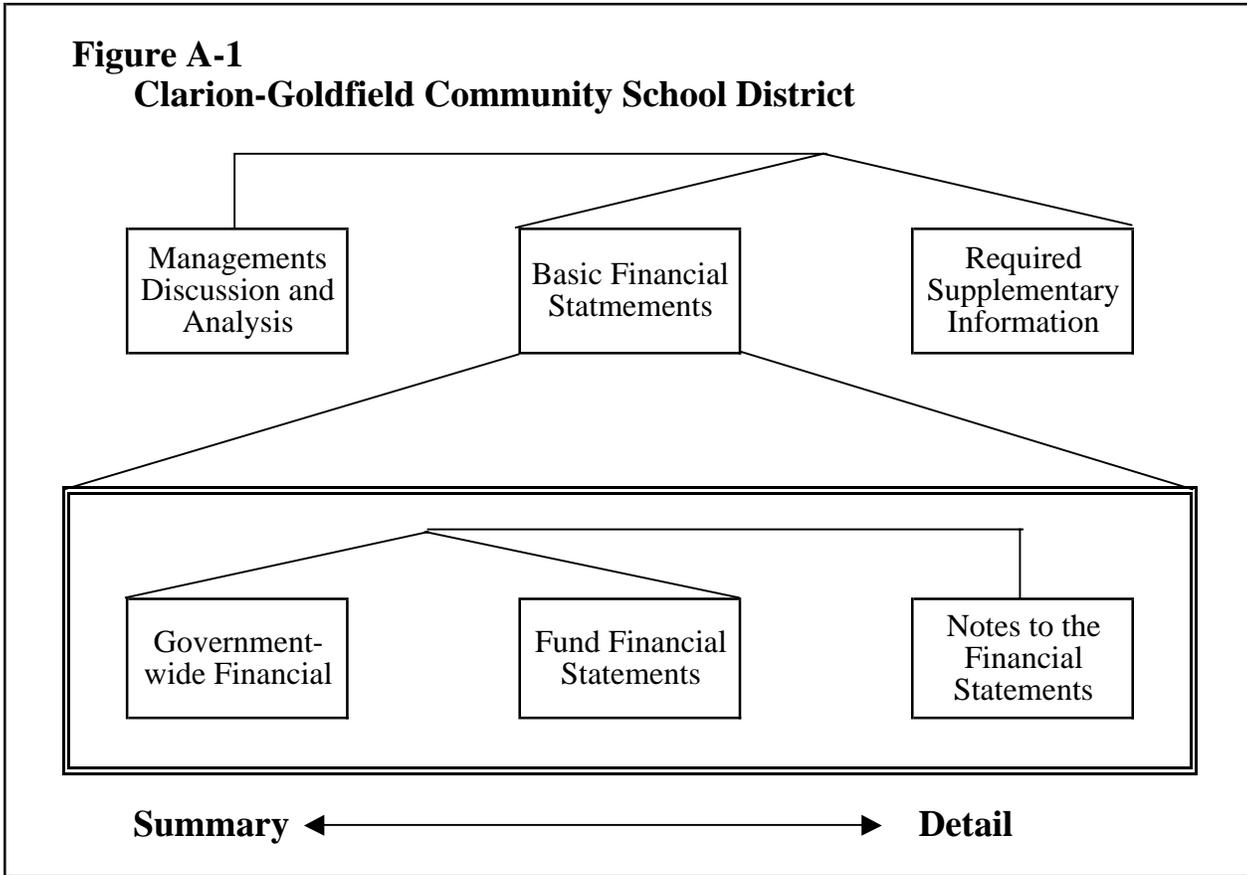


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain the remainder of this overview section of the management discussion and analysis highlights the structure and contents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

<i>Figure A-2</i>				
<i>Major Features of the Government-Wide and Fund Financial Statements</i>				
	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service	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"> <li>. Statement of net assets</li> <li>. Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>. Balance sheet</li> <li>. Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>. Statement of net assets</li> <li>. Statement of revenues, expenses and changes in net assets</li> <li>. Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>. Statement of fiduciary net assets</li> <li>. Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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, and 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 and payable	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 at June 30, 2005 and 2004.

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

	Governmental		Business-type		Total		Percentage
	Activities		Activities		School District		Change
	2005	2004	2005	2004	2005	2004	2004-05
	\$	\$	\$	\$	\$	\$	%
Current assets	4,818	5,860	163	155	4,981	6,015	-17.20%
Capital assets	7,036	6,251	48	23	7,084	6,274	12.92%
<b>Total assets</b>	<u>11,854</u>	<u>12,111</u>	<u>211</u>	<u>178</u>	<u>12,065</u>	<u>12,289</u>	<u>-1.82%</u>
Current liabilities	3,758	3,665	4	3	3,762	3,669	2.55%
Non-current liabilities	3,434	3,920	-	-	3,434	3,920	-12.42%
<b>Total liabilities</b>	<u>7,192</u>	<u>7,586</u>	<u>4</u>	<u>3</u>	<u>7,196</u>	<u>7,589</u>	<u>-5.18%</u>
Net Assets							
Invested in capital assets, net of related debt	3,959	3,602	48	23	4,007	3,625	10.56%
Restricted	355	265	-	-	355	265	34.04%
Unrestricted	347	658	159	152	507	810	-37.45%
<b>Total net assets</b>	<u>4,662</u>	<u>4,525</u>	<u>207</u>	<u>175</u>	<u>4,869</u>	<u>4,700</u>	<u>3.61%</u>

The District’s combined net assets increased by 3.61%, or approximately \$169,000 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 decreased approximately \$303,000 or -37.45%. This decrease in unrestricted net assets was a result of obligating more unrestricted funds to capital projects. Agricultural land devaluation also decreased revenue to funds generated by fixed percentage rates. Unanticipated obligations resulting from the bankruptcy of the National School Fitness Foundation was also a factor.

Figure A-4 shows the changes in net assets for the years ended June 30, 2005 and 2004.

Property tax and unrestricted state grants account for 72% of the total revenue. The District's expenses primarily relate to instruction and support services account for 87% of the total expenses.

<b>Figure A-4</b>						
<b>Change in Net Assets</b>						
<b>(expressed in thousands)</b>						
	Governmental Activities		Business-type Activities		Total School District	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for service and sales	507	558	180	184	687	742
Operating grants, contributions and restricted interest	852	873	181	176	1,033	1,049
Capital grants, contributions and restricted interest	30	185	-		30	185
General revenues:						
Property tax	3,147	3,525	-		3,147	3,525
Surtax Revenue	201	168			201	168
Sales Tax Revenue	411	1			411	1
Unrestricted state grants	3,069	2,576	-		3,069	2,576
Unrestricted investment earnings	34	19	4	1	38	20
Other	12	6	-		12	6
Total revenues	8,263	7,911	365	361	8,628	8,272
Program expenses:						
Governmental activities:						
Instruction	4,919	4,980	-		4,919	4,980
Support Services	2,421	2,071	-		2,421	2,071
Non-instructional programs	21	21	332	327	353	348
Other expenses	765	655	-		765	655
Total expenses	8,127	7,727	332	327	8,459	8,054
Change in net assets	136	184	33	34	169	218

### Governmental Activities

Revenues for governmental activities were \$8,263,334 and expenses were \$8,126,722.

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.

<b>Figure A-5</b>				
<b>Total and Net Cost of Governmental Activities</b>				
<b>(expressed in thousands)</b>				
	Total Cost of Services		Net Cost of Services	
	2,005	2,004	2,005	2,004
Instruction	4,919	4,980	3,882	3,805
Support Services	2,421	2,071	2,369	1,967
Noninstructional program	21	21	21	21
Other expenditures	765	655	466	317
Totals	8,127	7,727	6,738	6,110

- The cost financed by users of the District's programs was \$507,183.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$882,000.
- The net cost of governmental activities was financed with \$3,146,966 in property and other taxes and \$3,068,675 in unrestricted state grants.

### **Business-Type Activities**

Revenues for business type activities were \$364,883 and expenses were \$332,016. 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, 2005, 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 \$650,667, down 64.4 percent from last year's ending fund balances of \$1,825,012.

### **Governmental Fund Highlights**

- District general fund revenue increased by \$144,000 and expenditures increased by \$291,000. This resulted in the district's financial position decreasing by \$189,215. The District's declining General Fund financial position is the result of several factors. Although the District carefully monitors discretionary spending to avoid decreases in fund balances, changes in student enrollment and Iowa's foundation aid formula contributed to this decline. District general fund revenue is largely a function of student enrollment multiplied by a district cost per student, determined by the state's funding formula. Iowa schools count student enrollment on the third Friday in September that determines revenue the following school year. Therefore the enrollment in FY05 was determined by enrollment counted in September of 2003 (FY04). Enrollment counted September 17, 2004 (FY05) increased by nearly 14 students over the previous year. Although expenditures associated with a larger enrollment occur in the year they are realized, funding is based on the previous year. This alone would have reduced the deficit by nearly \$70,000. Underfunded, federally mandated, IDEA special education programs were also a factor. District special education expenditures exceeded federal and state revenue by \$180,870 (special education deficit). Although the state generally approves all SBRC applications for modified allowable growth to recover special education deficits, modification of special education weighing and federal funding for mandated programs would help schools eliminate these deficits. District financial position should improve with new developments in FY06. The district signed a ten-year sharing agreement with neighboring school district, Dows. Dows will send students grades 7-12 to be educated in Clarion-Goldfield. This will generate additional tuition revenue for the district. The district will also be sharing its superintendent with Dows, generating additional income in the form of purchased services. Revenue associated with increased enrollment in the previous year and associated modified allowable growth, will also be generated in FY06. It is important to preserve General Fund balance, especially in light of the State's decision systematically remove the budget guarantee. The district will closely monitor funding and expenditures to decrease spending deficits and bring expenditures in line with revenue.
- The Physical Plant and Equipment Levy (PPEL levy) fund balance decreased from \$14,718, at June 30, 2004 to a negative \$-162,783 at the end of the year. This balance will improve dramatically in the future as district valuations increase and financial obligations associated with equipment purchased through the National School Fitness Foundation are fulfilled. Loan payments to Wells Fargo for the fitness equipment, was \$12,799 per month or \$153,588, annually.

- The Capital Projects Fund ended the year with a \$215,487 fund balance, compared to \$920,253 in FY04. Of this balance, \$210,853 was restricted for payment of sales tax revenue bonds, leaving \$4,634 available for future capital improvements. During fiscal year 2005, monies from this fund were used to complete a building addition at the high school and to complete geothermal heating and cooling project for a portion of the high school. The large drop in the Capital Projects Fund reflects paying bills associated with construction with bond proceeds deposited in this fund.
- LOSST revenue was deposited in Capital Projects for construction and other expenditures that match those allowed in the PPEL. The first of two projects completed at the high school (phase I) was funded with general obligation bonds, repaid using PPEL. The second project (phase II) was funded using revenue bonds, repaid with LOSST revenue.
- The Management Fund balance decreased by \$107,839 and ended the year with a deficit balance of \$48,967. This fund is used to pay for early retirement benefits and liability, property and workmen's compensation insurance premiums. Future property tax revenue will eliminate this deficit by increasing the management levy.

### **Proprietary Fund Highlights**

The School Nutrition Fund balance increased \$32,867 during the fiscal year ending June 30, 2005. This was due to a combination of increased participation and careful monitoring of labor and food costs.

### **BUDGETARY HIGHLIGHTS**

During fiscal year 2005 the District amended its budget one time to increase expenditures in the other expenditures functional area by \$668,204. The other expenditures area includes facilities acquisition and construction, debt service payments and AEA flowthrough. The amendment was necessary because construction expenses that were expected for 2004 actually occurred in 2005.

The District's receipts were \$203,980 less than budgeted receipts, a variance of -2.4%. This variance resulted from the District receiving less miscellaneous revenue than anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. 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, 2005, the District had invested \$7,084,288 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 12.92% from last year. Depreciation expenses for the year were \$238,592.

The original cost of the District's capital assets was \$10,851,086. Governmental funds account for \$10,779,790.

During fiscal year 2005 the District completed construction of a \$2,311,000 addition at the high school, completed construction of a \$802,000 geothermal heating and cooling system that covers a portion of the high school building and installed a \$70,000 boiler at the Goldfield elementary building. Also during 2005 the District purchased \$29,000 of equipment for the school nutrition program and at June 30, 2005 had made deposits on an additional \$31,000 of school nutrition program equipment.

**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,
	2005	2004	2005	2004	2005	2004	2004-2005
	\$	\$	\$	\$	\$	\$	
Land	82	82	-	-	82	82	0.00%
Construction in progress	-	2,181	-	-	-	2,181	1.00%
Land improvements	272	293	-	-	272	293	-7.23%
Buildings	6,326	3,297	-	-	6,326	3,297	91.87%
Furniture and equipment	356	398	48	23	404	421	-3.91%
<b>Totals</b>	<b>7,036</b>	<b>6,251</b>	<b>48</b>	<b>23</b>	<b>7,084</b>	<b>6,274</b>	<b>12.92%</b>

### Long-term Debt

The District has outstanding debt of \$3,433,573 for improvements made to the high school, special assessment, capital leases and early retirement. This is a decrease of 12% from the prior year balance of \$3,920,432. 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 the District started receiving sales tax revenues in September of 2004. The district extended the SILO tax to 2022 by passing an additional election on 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. In FY05, the district increased 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. The district has under-funded the management fund and limited use of the cash reserve levy to protect taxpayers and preserve economic development. As valuations improve, revenue to the Physical Plant & Equipment levy will increase and allow the district to utilize the cash reserve levy more to improve its cash position compared to unspent authority.
- 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, 2005

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents:	972,960	121,422	1,094,382
Receivables:			
Property tax:			
Delinquent	40,223	-	40,223
Succeeding year	3,386,252	-	3,386,252
Accounts	4,222	2,922	7,144
Due from other governments	413,962	-	413,962
Inventories	-	7,432	7,432
Prepaid expenses	-	31,291	31,291
Capital assets, net of accumulated depreciation	7,036,359	47,929	7,084,288
<b>Total assets</b>	<b>11,853,978</b>	<b>210,996</b>	<b>12,064,974</b>
<b>Liabilities</b>			
Accounts payable	350,276	-	350,276
Accrued interest payable	21,865	-	21,865
Deferred revenue:			
Succeeding year property tax	3,386,252	-	3,386,252
Other	-	3,593	3,593
Long-term liabilities			
Portion due within one year:			
Revenue bonds payable	65,000	-	65,000
Capital loan notes payable	210,000	-	210,000
Note payable - special assessment	5,933	-	5,933
Capital leases	150,422	-	150,422
Early retirement	107,565	-	107,565
Portion due after one year:			
Revenue bonds payable	1,200,000	-	1,200,000
Capital loan notes payable	1,410,000	-	1,410,000
Note payable - special assessment	22,785	-	22,785
Capital leases	12,764	-	12,764
Early retirement	230,117	-	230,117
Compensated absences	18,987	-	18,987
<b>Total liabilities</b>	<b>7,191,966</b>	<b>3,593</b>	<b>7,195,559</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	3,959,455	47,929	4,007,384
Restricted for:			
Gifted and talented program	89,943	-	89,943
Iowa early intervention block grant	3,121	-	3,121
Other special revenue purposes	68,570	-	68,570
Debt service	188,988	-	188,988
Local option sales tax capital projects	4,634	-	4,634
Unrestricted	347,301	159,474	506,775
<b>Total net assets</b>	<b>4,662,012</b>	<b>207,403</b>	<b>4,869,415</b>

## CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2005

<b>Functions/Programs</b>	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	3,088,613	252,875	310,885	-
Special instruction	893,719	68,531	47,726	-
Other instruction	936,783	181,385	176,030	-
	<u>4,919,115</u>	<u>502,791</u>	<u>534,641</u>	<u>-</u>
Support services:				
Student services	290,040	-	47,528	-
Instructional staff services	237,110	-	-	-
Administration services	798,647	-	-	-
Operation and maintenance of plant services	712,846	4,392	-	-
Transportation services	382,734	-	-	-
	<u>2,421,377</u>	<u>4,392</u>	<u>47,528</u>	<u>-</u>
Non-instructional programs	<u>20,935</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	227,194	-	-	30,000
Long-term debt interest	91,653	-	-	-
AEA flowthrough	269,612	-	269,612	-
Depreciation (unallocated)*	176,836	-	-	-
	<u>765,295</u>	<u>-</u>	<u>269,612</u>	<u>30,000</u>
Total governmental activities	<u>8,126,722</u>	<u>507,183</u>	<u>851,781</u>	<u>30,000</u>
Business type activities:				
Non-instructional programs:				
Food services operations	<u>332,016</u>	<u>180,238</u>	<u>180,921</u>	<u>-</u>
Total	<u>8,458,738</u>	<u>687,421</u>	<u>1,032,702</u>	<u>30,000</u>
<b>General Revenues:</b>				
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

Net assets end of year

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

See notes to financial statements.

## CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2005

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(2,524,853)	-	(2,524,853)
(777,462)	-	(777,462)
(579,368)	-	(579,368)
<u>(3,881,683)</u>	<u>-</u>	<u>(3,881,683)</u>
(242,512)	-	(242,512)
(237,110)	-	(237,110)
(798,647)	-	(798,647)
(708,454)	-	(708,454)
(382,734)	-	(382,734)
<u>(2,369,457)</u>	<u>-</u>	<u>(2,369,457)</u>
(20,935)	-	(20,935)
(197,194)	-	(197,194)
(91,653)	-	(91,653)
-	-	-
<u>(176,836)</u>	<u>-</u>	<u>(176,836)</u>
<u>(465,683)</u>	<u>-</u>	<u>(465,683)</u>
(6,737,758)	-	(6,737,758)
-	29,143	29,143
<u>(6,737,758)</u>	<u>29,143</u>	<u>(6,708,615)</u>
2,755,604	-	2,755,604
391,362	-	391,362
201,118	-	201,118
411,250	-	411,250
3,068,675	-	3,068,675
34,136	3,724	37,860
12,231	-	12,231
<u>6,874,376</u>	<u>3,724</u>	<u>6,878,100</u>
136,618	32,867	169,485
<u>4,525,394</u>	<u>174,536</u>	<u>4,699,930</u>
<u>4,662,012</u>	<u>207,403</u>	<u>4,869,415</u>

## CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2005

	General Fund	Capital Projects	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash and pooled investments	230,208	250,019	-	69,529	549,756
Receivables:					
Property tax:					
Delinquent	32,950	-	4,972	2,301	40,223
Succeeding year	2,756,832	-	409,420	220,000	3,386,252
Accounts	4,222	-	-	-	4,222
Interfund receivable	260,655	-	41,650	-	302,305
Due from other governments	261,670	152,292	-	-	413,962
<b>Total assets</b>	<b>3,546,537</b>	<b>402,311</b>	<b>456,042</b>	<b>291,830</b>	<b>4,696,720</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	7,187	145,174	18	959	153,338
Interfund payable	-	41,650	209,387	51,268	302,305
Deferred revenue:					
Succeeding year property tax	2,756,832	-	409,420	220,000	3,386,252
Other	204,158	-	-	-	204,158
Total liabilities	<u>2,968,177</u>	<u>186,824</u>	<u>618,825</u>	<u>272,227</u>	<u>4,046,053</u>
Fund balances:					
Reserved for:					
Gifted and talented program	89,943	-	-	-	89,943
Iowa early intervention block grant	3,121	-	-	-	3,121
Debt service	-	210,853	-	-	210,853
Unreserved, reported in:					
General fund	485,296	-	-	-	485,296
Special revenue funds	-	-	(162,783)	19,603	(143,180)
Capital project funds	-	4,634	-	-	4,634
Total fund balances	<u>578,360</u>	<u>215,487</u>	<u>(162,783)</u>	<u>19,603</u>	<u>650,667</u>
<b>Total liabilities and fund balances</b>	<b>3,546,537</b>	<b>402,311</b>	<b>456,042</b>	<b>291,830</b>	<b>4,696,720</b>

## CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

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

June 30, 2005

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	650,667
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,036,359
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	(21,865)
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.	226,266
Long-term liabilities, including bonds payable, notes payable, capital leases payable, early retirement benefits and compensated absences liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(3,433,573)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>4,662,012</u></u>

## CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	General Fund	Capital Projects	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	2,777,473	411,250	391,460	179,948	3,760,131
Tuition	237,260	-	-	-	237,260
Other	118,499	3,812	5,056	183,717	311,084
State sources	3,607,296	-	245	113	3,607,654
Federal sources	312,802	25,000	-	-	337,802
Total revenues	<u>7,053,330</u>	<u>440,062</u>	<u>396,761</u>	<u>363,778</u>	<u>8,253,931</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	3,084,984	-	18,188	145,243	3,248,415
Special instruction	893,719	-	-	-	893,719
Other instruction	749,269	-	-	178,741	928,010
	<u>4,727,972</u>	<u>-</u>	<u>18,188</u>	<u>323,984</u>	<u>5,070,144</u>
Support services:					
Student services	288,945	-	-	236	289,181
Instructional staff services	236,451	-	-	659	237,110
Administration services	786,110	-	2,890	9,647	798,647
Operation and maintenance of plant services	611,416	-	1,000	92,372	704,788
Transportation services	330,040	-	-	20,216	350,256
	<u>2,252,962</u>	<u>-</u>	<u>3,890</u>	<u>123,130</u>	<u>2,379,982</u>
Non-instructional programs	<u>1,408</u>	<u>-</u>	<u>-</u>	<u>19,527</u>	<u>20,935</u>
Other expenditures:					
Facilities acquisition	-	1,118,464	128,669	-	1,247,133
Long-term debt:					
Principal	-	-	-	397,172	397,172
Interest and fiscal charges	-	-	-	84,161	84,161
AEA flowthrough	269,612	-	-	-	269,612
	<u>269,612</u>	<u>1,118,464</u>	<u>128,669</u>	<u>481,333</u>	<u>1,998,078</u>
Total expenditures	<u>7,251,954</u>	<u>1,118,464</u>	<u>150,747</u>	<u>947,974</u>	<u>9,469,139</u>

## CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	General Fund	Capital Projects	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Excess (deficiency) of revenues over (under) expenditures	(198,624)	(678,402)	246,014	(584,196)	(1,215,208)
Other financing sources (uses):					
Compensation for loss of fixed assets	6,826	-	-	-	6,826
Proceeds from long-term loans	-	-	31,454	-	31,454
Sales of materials and equipment	2,583	-	-	-	2,583
Operating transfers in	-	-	-	481,333	481,333
Operating transfers out	-	(26,364)	(454,969)	-	(481,333)
Total other financing sources (uses)	9,409	(26,364)	(423,515)	481,333	40,863
Net change in fund balances	(189,215)	(704,766)	(177,501)	(102,863)	(1,174,345)
Fund balances beginning of year	767,575	920,253	14,718	122,466	1,825,012
Fund balances end of year	578,360	215,487	(162,783)	19,603	650,667

## 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, 2005

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		(1,174,345)
<b><i>Amounts reported for governmental activities in the Statement of Activities are different because:</i></b>		
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	1,019,939	
Depreciation expense	<u>(234,413)</u>	785,526
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.		397,172
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		(7,492)
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	140,127	
Compensated absences	<u>(18,987)</u>	121,140
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		(31,454)
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 increase (decrease) in net assets of the internal service fund is reported with governmental activities.		<u>46,071</u>
<b>Changes in net assets of governmental activities (Exhibit B)</b>		<u><u>136,618</u></u>

## CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2005

	Enterprise Fund <u>Nonmajor School Nutrition</u> \$	Governmental Activities - Internal Service Funds <u>                    </u> \$
<b>Assets</b>		
Cash and cash equivalents	121,422	423,204
Accounts receivable	2,922	-
Inventories	7,432	-
Prepaid expenses	31,291	-
Capital assets, net of accumulated depreciation	<u>47,929</u>	<u>-</u>
<b>Total assets</b>	<u>210,996</u>	<u>423,204</u>
<b>Liabilities</b>		
Accounts payable	-	196,938
Deferred revenue	<u>3,593</u>	<u>-</u>
<b>Total liabilities</b>	<u>3,593</u>	<u>196,938</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	47,929	-
Unrestricted	<u>159,474</u>	<u>226,266</u>
<b>Total net assets</b>	<u><u>207,403</u></u>	<u><u>226,266</u></u>

## CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	Enterprise Fund	Governmental Activities - Internal Service Funds
	Nonmajor School Nutrition	Service Funds
	\$	\$
Operating revenue:		
Local sources:		
Charges for service	180,238	1,352,930
Operating expenses:		
Non-instructional programs:		
Salaries	113,291	-
Benefits	48,150	1,325,002
Purchased services	14,200	-
Supplies	149,054	-
Depreciation	4,179	-
Other	3,142	-
	<u>332,016</u>	<u>1,325,002</u>
Operating gain (loss)	<u>(151,778)</u>	<u>27,928</u>
Non-operating revenue:		
State sources	5,432	-
Federal sources	175,489	-
Interest income	3,724	908
Total non-operating revenue	<u>184,645</u>	<u>908</u>
Change in net assets	32,867	28,836
Net assets beginning of year, as restated	<u>174,536</u>	<u>197,430</u>
Net assets end of year	<u><u>207,403</u></u>	<u><u>226,266</u></u>

## CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2005

	Enterprise Fund Nonmajor School Nutrition \$	Governmental Activities - Internal Service Funds \$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	179,933	-
Cash received from services provided to other funds	-	1,325,860
Claims reimbursements	-	61,953
Cash payments to employees for services	(161,441)	(1,268,685)
Cash payments to suppliers for goods or services	(137,609)	-
Net cash provided by (used by) operating activities	<u>(119,117)</u>	<u>119,128</u>
Cash flows from non-capital financing activities:		
State grants received	5,432	-
Federal grants received	152,615	-
Net cash provided by non-capital financing activities	<u>158,047</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(60,608)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>3,724</u>	<u>908</u>
Net increase (decrease) in cash and cash equivalents	(17,954)	120,036
Cash and cash equivalents at beginning of year, as restated	<u>139,376</u>	<u>303,168</u>
Cash and cash equivalents at end of year	<u><u>121,422</u></u>	<u><u>423,204</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>		
Operating gain (loss)	(151,778)	27,928
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	22,874	-
Depreciation	4,179	-
Decrease (increase) in inventories	3,171	-
Decrease (increase) in accounts receivable	2,198	34,883
(Decrease) increase in accounts payable	(400)	56,317
(Decrease) increase in deferred revenue	639	-
Net cash used in operating activities	<u>(119,117)</u>	<u>119,128</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2005, the District received \$29,772 of federal commodities.

## CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2005

	Private Purpose Trust
	<u>\$</u>
<b>Assets</b>	
Cash and pooled investments	76,845
<b>Liabilities</b>	
<b>Net Assets</b>	
Reserved for scholarships	75,010
Reserved for student personal needs	<u>1,835</u>
<b>Total net assets</b>	<u><u>76,845</u></u>

## CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2005

	Private Purpose Trust
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	7,844
Interest	<u>1,777</u>
Total additions	<u>9,621</u>
Deductions:	
Support services:	
Scholarships awarded	5,902
Golden Apple Award	1,060
Student personal needs	<u>1,129</u>
Total deductions	<u>8,091</u>
Change in net assets	1,530
Net assets beginning of year, as restated	<u>75,315</u>
Net assets end of year	<u><u>76,845</u></u>

# CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2005

### 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 funds are also reported as proprietary funds. The internal service funds are used to account for the District's self-insured health insurance plan and employee flexible benefit 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.

#### 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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004, through June 30, 2005, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused sick leave hours for subsequent use or for payment upon retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Equity – In the governmental fund financial statements, 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.

## 2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2005, the District had the following investments:

	<u>Fair Value</u>
	\$
Goldman Sachs Financial Square Treasury Obligations Fund	<u>210,853</u>

Credit risk: The investment in the Goldman Sachs Financial Square Treasury Obligations Fund was rated Aaa by Moody's Investors Service.

### 3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
General Fund	Special Revenue: Physical Plant and Equipment Levy Fund	12,799
Special Revenue: Physical Plant and Equipment Levy Fund	Capital Projects Fund	41,650
General Fund	Special Revenue: Physical Plant and Equipment Levy Fund	196,588
General Fund	Special Revenue: Management Fund	51,268

The \$12,799 interfund receivable/payable between the General Fund and the Physical Plant and Equipment Levy Fund represents expenditures paid by the General Fund for the Physical Plant and Equipment Levy Fund.

The \$41,650 interfund receivable/payable between the Physical Plant and Equipment Levy Fund and the Capital Projects Fund represents expenditures paid by the Physical Plant and Equipment Levy Fund that should have been paid by the Capital Projects Fund.

The \$196,558 and \$51,268 interfund receivable/payables represent loans made by the General Fund for cash flow.

### 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
		\$
Debt Service Fund	Special Revenue: Physical Plant and Equipment Levy Fund	454,969
Debt Service Fund	Capital Projects Fund	26,364

These transfers moved revenues from the funds 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, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress	2,180,584	-	2,180,584	-
Land	82,379	-	-	82,379
Total capital assets not being depr.	<u>2,262,963</u>	<u>-</u>	<u>2,180,584</u>	<u>82,379</u>
Capital assets being depreciated:				
Buildings	5,852,824	3,184,533	-	9,037,357
Improvements other than buildings	654,391	-	-	654,391
Furniture and equipment	999,249	15,990	9,576	1,005,663
Total capital assets being deprec.	<u>7,506,464</u>	<u>3,200,523</u>	<u>9,576</u>	<u>10,697,411</u>
Less accumulated depreciation for:				
Buildings	2,555,942	155,662	-	2,711,604
Improvements other than buildings	361,351	21,174	-	382,525
Furniture and equipment	601,301	57,577	9,576	649,302
Total accumulated depreciation	<u>3,518,594</u>	<u>234,413</u>	<u>9,576</u>	<u>3,743,431</u>
Total capital assets being depreciated, net	<u>3,987,870</u>	<u>2,966,110</u>	<u>-</u>	<u>6,953,980</u>
Governmental activities capital assets, net	<u>6,250,833</u>	<u>2,966,110</u>	<u>2,180,584</u>	<u>7,036,359</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	41,979	29,317	-	71,296
Less accumulated depreciation	19,188	4,179	-	23,367
Business type activities capital assets, net	<u>22,791</u>	<u>25,138</u>	<u>-</u>	<u>47,929</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	7,409
Other	8,773
Support Services:	
Student services	859
Operation and maintenance of plant services	8,058
Transportation	32,478
	<u>57,577</u>
Unallocated depreciation	<u>176,836</u>
Total depreciation expense – governmental activities	<u>234,413</u>
Business type activities:	
Food services	<u>4,179</u>

## 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2005, 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	1,849,446	-	229,446	1,620,000	210,000
Capital leases	296,722	-	133,536	163,186	150,422
Special assessment	31,455	-	31,455	-	-
Note payable – special assessment	-	31,454	2,736	28,718	5,933
Early retirement	477,809	-	140,127	337,682	107,565
Compensated absences	-	18,987	-	18,987	-
Total	<u>3,920,432</u>	<u>50,441</u>	<u>537,300</u>	<u>3,433,573</u>	<u>538,920</u>

### 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, 2005 totaled \$140,127

### Revenue Bonds Payable

Details of the District's June 30, 2005 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
	%	\$	\$	\$
2006	1.70	65,000	34,400	99,400
2007	1.70	115,000	32,870	147,870
2008	2.00	120,000	30,693	150,693
2009	2.25	125,000	28,087	153,087
2010	2.50	130,000	25,055	155,055
2011-2015	2.80-3.70	710,000	63,830	773,830
		<u>1,265,000</u>	<u>214,935</u>	<u>1,479,935</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 were placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is a part of the Capital Projects Fund and is reserved for debt service.
- 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 sinking fund is part of the Capital Projects Fund and is reserved for debt service.

Capital Loan 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:

<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>
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	3.10	240,000	23,903	263,903
2011-12	3.25-3.40	495,000	24,963	519,963
		<u>1,620,000</u>	<u>201,671</u>	<u>1,821,671</u>

During the year ended June 30, 2005 the District made principal and interest payments totaling \$278,226 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, 2005.

	<u>Year Ending June 30,</u>	<u>Amount</u>
		<u>\$</u>
	2006	153,593
	2007	12,799
Minimum Lease Payments		<u>166,392</u>
Less Amount Representing Interest		<u>3,206</u>
Present Value of Minimum Lease Payments		<u>163,186</u>

Note Payable 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>
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	3,438	68	3,506
		<u>28,718</u>	<u>2,938</u>	<u>31,656</u>

During the year ended June 30, 2005 the District made principal and interest payments totaling \$3,519 on the note.

## 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, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$253,631, \$249,887, and \$249,906 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 \$269,612 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

## 10. Deficit Fund Balances

At June 30, 2005 the District had a \$162,783 deficit fund balance in the Physical Plant and Equipment Levy Fund and had a \$48,967 deficit fund balance in the Management Fund, which is part of the nonmajor governmental funds. These deficits will be covered by property taxes in future years.

## 11. Restatement of Beginning Balances

During the year ended June 30, 2005 the District reclassified certain fund types by restating beginning net assets as follows:

	Internal Service Fund	Private Purpose Trust Fund	Agency Fund
	\$	\$	\$
Net assets as reported June 30, 2004	180,195	73,970	18,580
Fiscal year 2005 reclassification	17,235	1,345	(18,580)
Net assets as restated beginning of year	<u>197,430</u>	<u>75,315</u>	<u>-</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, 2005

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Receipts:						
Local sources	4,198,724	183,657	4,382,381	4,558,340	4,558,340	(175,959)
Intermediate sources	-	-	-	5,000	5,000	(5,000)
State sources	3,602,289	5,432	3,607,721	3,683,605	3,683,605	(75,884)
Federal sources	375,476	182,387	557,863	505,000	505,000	52,863
Total receipts	<u>8,176,489</u>	<u>371,476</u>	<u>8,547,965</u>	<u>8,751,945</u>	<u>8,751,945</u>	<u>(203,980)</u>
Disbursements:						
Instruction	5,314,747	-	5,314,747	5,908,056	5,908,056	593,309
Support services	2,140,933	-	2,140,933	2,293,500	2,293,500	152,567
Non-instructional programs	21,457	389,430	410,887	507,462	507,462	96,575
Other expenditures	2,199,345	-	2,199,345	1,931,796	2,600,000	400,655
Total disbursements	<u>9,676,482</u>	<u>389,430</u>	<u>10,065,912</u>	<u>10,640,814</u>	<u>11,309,018</u>	<u>1,243,106</u>
Excess (deficiency) of receipts over (under) disbursements	(1,499,993)	(17,954)	(1,517,947)	(1,888,869)	(2,557,073)	1,039,126
Other financing sources (uses) net	<u>39,915</u>	<u>-</u>	<u>39,915</u>	<u>2,000</u>	<u>2,000</u>	<u>37,915</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	(1,460,078)	(17,954)	(1,478,032)	(1,886,869)	(2,555,073)	1,077,041
Balance beginning of year	<u>2,009,834</u>	<u>139,376</u>	<u>2,149,210</u>	<u>2,200,711</u>	<u>2,200,711</u>	<u>(51,501)</u>
Balance end of year	<u>549,756</u>	<u>121,422</u>	<u>671,178</u>	<u>313,842</u>	<u>(354,362)</u>	<u>1,025,540</u>

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	\$	\$	\$
Revenues	8,176,489	77,442	8,253,931
Expenditures	9,676,482	(207,343)	9,469,139
Net	(1,499,993)	284,785	(1,215,208)
Other financing sources (uses) net	39,915	948	40,863
Beginning fund balances	2,009,834	(184,822)	1,825,012
Ending fund balances	<u>549,756</u>	<u>100,911</u>	<u>650,667</u>
	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
	\$	\$	\$
Revenues	371,476	(6,593)	364,883
Expenditures	389,430	(57,414)	332,016
Net	(17,954)	50,821	32,867
Beginning fund balances	139,376	35,160	174,536
Ending fund balances	<u>121,422</u>	<u>85,981</u>	<u>207,403</u>

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2005

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the 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 the fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted two budget amendments increasing budgeted disbursements by \$668,204.

OTHER SUPPLEMENTARY INFORMATION

## CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2005

	<u>Special Revenue Funds</u>		
	Management Levy	Student Activity Fund	Total
<b>Assets</b>	\$	\$	\$
Cash and pooled investments	-	69,529	69,529
Receivables:			
Property tax:			
Delinquent	2,301	-	2,301
Succeeding year	220,000	-	220,000
	<u>222,301</u>	<u>69,529</u>	<u>291,830</u>
<b>Total assets</b>	<u>222,301</u>	<u>69,529</u>	<u>291,830</u>
<b>Liabilities &amp; Fund Balances</b>			
Liabilities:			
Accounts payable	-	959	959
Interfund payables	51,268	-	51,268
Deferred revenue:			
Succeeding year property tax	220,000	-	220,000
Total liabilities	<u>271,268</u>	<u>959</u>	<u>272,227</u>
Fund balances:			
Unreserved fund balance reported in:			
Special revenue funds	<u>(48,967)</u>	<u>68,570</u>	<u>19,603</u>
<b>Total liabilities and fund balances</b>	<u>222,301</u>	<u>69,529</u>	<u>291,830</u>

## CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2005

	<u>Special Revenue Funds</u>			<u>Total</u>
	Management	Student	Debt	
	Levy	Activity	Service	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	179,948	-	-	179,948
Other	-	183,717	-	183,717
State sources	113	-	-	113
Total revenues	<u>180,061</u>	<u>183,717</u>	<u>-</u>	<u>363,778</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	145,243	-	-	145,243
Other instruction	-	178,741	-	178,741
Support services:				
Student services	236	-	-	236
Instructional staff services	659	-	-	659
Administration services	9,647	-	-	9,647
Operation and maintenance of plant services	92,372	-	-	92,372
Transportation services	20,216	-	-	20,216
Non-instructional programs	19,527	-	-	19,527
Other expenditures:				
Long-term debt:				
Principal	-	-	397,172	397,172
Interest and fiscal charges	-	-	84,161	84,161
Total expenditures	<u>287,900</u>	<u>178,741</u>	<u>481,333</u>	<u>947,974</u>
Excess (deficiency) of revenues over (under) expenditures	(107,839)	4,976	(481,333)	(584,196)
Other financing sources (uses):				
Operating transfers in	-	-	481,333	481,333
Net change in fund balances	(107,839)	4,976	-	(102,863)
Fund balances beginning of year	58,872	63,594	-	122,466
Fund balances end of year	<u>(48,967)</u>	<u>68,570</u>	<u>-</u>	<u>19,603</u>

## CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

<u>Account</u>	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Intra-Fund Transfers \$	Balance End of Year \$
Vending machine	10,194	2,989	743	-	12,440
Concessions	4,687	23,026	22,693	-	5,020
Classes	2,792	8,768	9,276	-	2,284
Spanish club	7,423	18,625	20,936	-	5,112
MS peer helper	290	9,617	11,812	6,969	5,064
Cheerleaders	276	3,203	3,161	(146)	172
Dance team	-	7,584	6,980	146	750
FBLA	859	1,868	2,071	-	656
MS student council	6,969	-	-	(6,969)	-
Student council	4,007	100	1,696	-	2,411
Athletics	3,080	51,965	52,650	-	2,395
Vocal music	1,488	3,660	3,646	-	1,502
MS vocal	2,256	156	469	-	1,943
MS band	4,164	10,654	8,378	-	6,440
Drama/speech	4,366	1,979	1,944	-	4,401
FFA	4,134	26,737	22,641	-	8,230
NHS	916	264	144	-	1,036
Lasso	2,624	9,320	8,714	-	3,230
JEL	456	886	77	-	1,265
FCLA	-	984	1,010	-	(26)
Interest	3,872	1,332	-	-	5,204
June 30, 2005 accounts payable	-	-	959	-	(959)
June 30, 2004 accounts payable	(1,259)	-	(1,259)	-	-
Total	63,594	183,717	178,741	-	68,570

## 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			
	2005	2004	2003	2002
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	3,760,131	3,700,034	3,585,366	3,605,423
Tuition	237,260	321,870	234,844	183,662
Other	311,084	409,084	262,991	278,073
Intermediate sources	-	900	-	-
State sources	3,607,654	3,106,335	3,123,070	3,249,163
Federal sources	337,802	375,192	486,293	384,811
<b>Total revenues</b>	<b>8,253,931</b>	<b>7,913,415</b>	<b>7,692,564</b>	<b>7,701,132</b>
Expenditures:				
Instruction:				
Regular instruction	3,248,415	3,274,649	3,594,876	3,419,420
Special instruction	893,719	1,176,085	1,179,198	1,118,244
Other instruction	928,010	636,663	532,274	503,264
Support services:				
Student services	289,181	212,954	269,620	231,522
Instructional staff services	237,110	138,951	185,603	139,941
Administration services	798,647	798,799	747,646	697,108
Operation and maintenance of plant services	704,788	596,174	596,351	562,633
Transportation services	350,256	318,082	299,824	291,944
Central support services				
Non-instructional programs	20,935	21,361	33,364	23,633
Other expenditures:				
Facilities acquisition	1,247,133	2,393,586	261,445	935,081
Long-term debt:				
Principal	397,172	412,672	197,636	289,105
Interest and other charges	84,161	61,030	23,019	23,313
AEA flowthrough	269,312	267,447	278,893	278,943
<b>Total expenditures</b>	<b>9,468,839</b>	<b>10,308,453</b>	<b>8,199,749</b>	<b>8,514,151</b>

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

To the Board of Education of  
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 as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 29, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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 opinions on the financial statements and not to provide an opinion 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 judgment, 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 I of the accompanying Schedule of Findings.

A material weakness is a reportable 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 caused by error or fraud 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 05-I-A and 05-I-B are material weaknesses.

### Compliance and Other Matters

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 grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Clarion-Goldfield Community School District and other parties to whom Clarion-Goldfield Community School 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 29, 2005

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2005

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

05-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, 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.

05-I-B School Expenditure Supporting Documentation and Board Approval: We noted the following items during our testing of District expenditures:

General Fund – We tested ten payments for credit cards and travel expenses. One travel reimbursement was missing detailed receipts for \$13 of the expenditure. One credit card payment was missing detailed receipts for \$57 of the expenditure and this payment was not on the lists of bills approved by the board.

Student Activity Fund – We tested fifteen expenditures and noted one expenditure for \$4,352 that was not on the list of bills approved by the board

Recommendation: All District payments should be supported by detailed invoices, receipts, contracts or other documents prepared by or signed by entities outside of the District. These documents should specify exactly what the District is paying for and the amount to be paid.

The District should also review its procedures for preparing the lists of bills for board approval. Chapter 179.29 of the Code of Iowa provides that “the Board shall audit all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed.” Chapter 279.30 of the Code of Iowa allows payment of specific items, such as utilities, postage and printing, without prior Board approval. The Board may approve a resolution designating certain other disbursements that may be paid prior to a Board Meeting with the approval of the Board President. Then, except as expressly permitted, no checks should be prepared for claims that have not been properly audited and allowed. Any payments made prior to board approval, as allowed, should be approved by the board at the next meeting.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2005

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

District Response: The District's policy is in compliance with the above requirements and we make every effort to follow the policy. The lack of receipts and the omission from the board approved lists of bills noted in this comment was an oversight.

Conclusion: Response accepted.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2005

Part II: Other Findings Related to Statutory Reporting:

- 05-II-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, 2005.
- 05-II-B Certified Budget: Disbursements for the year ended June 30, 2005, did not exceed the amounts budgeted.
- 05-II-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.
- 05-II-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.
- 05-II-E Business Transactions: We noted no transactions between the District and District officials or employees.
- 05-II-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.
- 05-II-G Board Minutes: Except as explained in comment 05-I-B, we noted no transactions requiring board approval that had not been approved by the board.

The District may hold closed board meetings for specific purposes as allowed by the Code of Iowa. The board minutes did not always state the specific Iowa code section being used for a closed meeting.

Recommendation: The minutes should always state the specific code section being used for a closed meeting.

District Response: We will make sure that the minutes include this in the future.

Conclusion: Response accepted.

- 05-II-H Certified Enrollment: The District could not locate a copy of all the class lists used to determine the September 2004 certified enrollment. This created the situation where the District had to recreate the lists for audit purposes. By using this process the District was able to come within one student of the total number certified.

Recommendation: The student lists used to determine certified enrollment and supplemental weighting should be kept with a copy of the certification.

District Response: We will keep copies of the student lists used to determine the certified enrollment.

Conclusion: Response accepted.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2005

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

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

05-II-J Certified Annual Report (CAR): The CAR was filed with the Department of Education six days after the due date. We noted no significant deficiencies in the amounts reported.

Recommendation: The District should file their CAR in a timely manner.

District Response: Due to a family illness our board secretary was away from the office during the first part of September, the Department of Education was notified and the CAR was filed as soon as possible.

Conclusion: Response accepted.

05-II-K Old Outstanding Checks: We noted that the District's bank reconciliations included approximately \$100 of old outstanding checks. Iowa Code Section 566 specifies that holders unclaimed property, which includes outstanding checks, must file a report with and send the unclaimed property to the Treasurer of Iowa.

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

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

Conclusion: Response accepted.

05-II-L Deficit Balances: The District's Physical Plant and Equipment Fund and Management Fund have deficit fund balances of \$162,783 and \$48,967, respectively, at June 30, 2005.

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

District Response: These deficits will be covered by future property tax collections.

Conclusion: Response accepted.

05-II-M Flex Benefit Bank Account Expenditure Procedures: All public funds are the legal responsibility of the board, board secretary and board treasurer. All public funds have the same legal requirements for accounting, reporting, auditing and allowing, dual signatures, publishing and investing. We noted that checks from the flex benefit bank account are not being signed by the board president and board secretary

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2005

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

Recommendation: The District should implement procedures to ensure compliance with statutory requirements for disbursements from the flex benefit account.

District Response: The District will pursue the auditor's recommendation.

Conclusion: Response accepted.