

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

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

June 30, 2006

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	15-16
Statement of Activities	B	17-18
Governmental Fund Financial Statements:		
Balance Sheet	C	19
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	20
Statement of Revenues, Expenditures and Changes in Fund Balances	E	21-22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses, and Changes in Net Assets	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	27
Statement of Changes in Fiduciary Net Assets	K	28
Notes to Financial Statements		29-39
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		41
Notes to Required Supplementary Information - Budgetary Reporting		42
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	44
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	45
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	46
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	47
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 <u>Government Auditing Standards</u>		48-49
Schedule of Findings		50-52

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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, 2006, 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 at June 30, 2006, 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 28, 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 41 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, 2005, (which are not presented herein) and expressed an unqualified opinions on those financial statements for 2005 and 2004. Our opinion for 2003 was qualified because the general fixed assets account group was omitted. Other supplementary 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 28, 2006

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, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$7,053,330 in fiscal year 2005 to \$7,674,833 in fiscal year 2006, while General Fund expenditures increased from \$7,251,954 in fiscal year 2005 to \$7,607,859 in fiscal year 2006.
- 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 and sharing opportunities with Dows CSD and increased numbers of open enrollment students into the district, the district has improved its solvency ratio of 14.4%. 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 accurately reflect the unspent authority. Unspent authority improved drastically from the previous year, \$842,499 in FY 2005 to \$1,533,133 in FY 2006, largely due to SBRC allowable growth. SBRC provided additional allowable growth to allow the district to move from a cash accounting system to GAAP. This has drastically widened the gap between the district's unspent authority and cash. Although cash carryover increased from \$478,064 in FY05 to \$529,095 in FY06, the district's cash balance is \$1,004,038 less than authority, an increase of over \$700,000 over the previous year. As district valuation increases, the cash reserve levy will be utilized more to increase cash with the goal to backup authority, dollar for dollar. This has to be tempered by the district's promise to increase taxes no more than 55 cents per thousand valuation to service debt service obligations for a \$4,000,000 bond issue, passed in May of 2006. The district plans to continue to use SILO revenue to repay the balance of debt service obligations, not paid by property tax.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of Statement of Net Assets and a Statement of Activities. These provide information about the activities of Clarion-Goldfield Community School District as a whole and present an overall view of the District's finances.

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

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

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

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

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

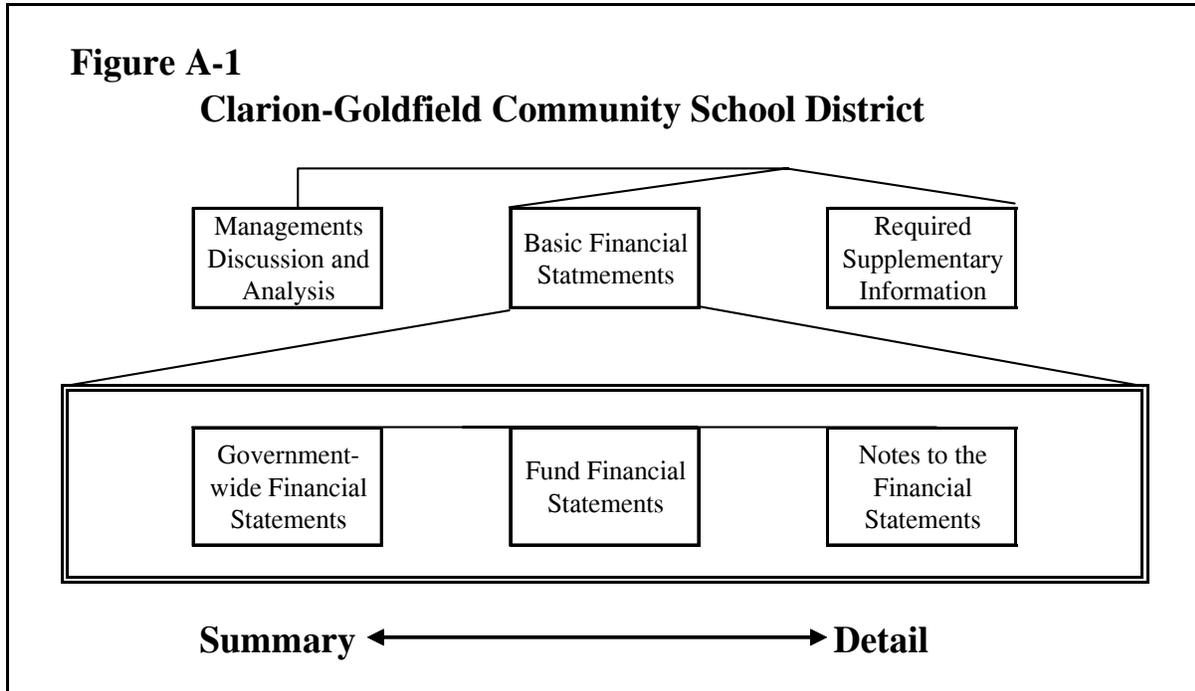


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents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

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund 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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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 Fund 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 purposes 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, 2006 and 2005.

Figure A-3 Condensed Statement of Net Assets (expressed in thousands)							
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2006	2005	2006	2005	2006	2005	2005-06
	\$	\$	\$	\$	\$	\$	\$
Current assets	5,310	4,818	124	163	5,434	4,981	9.09%
Capital assets	6,679	7,036	114	49	6,793	7,085	-4.12%
Total assets	11,989	11,854	237	212	12,227	12,066	1.33%
Current Liabilities	3,790	3,758	4	3	3,794	3,762	0.85%
Non-current liabilities	2,951	3,434	-	-	2,951	3,434	-14.05%
Total liabilities	6,741	7,192	4	3	6,745	7,195	-6.26%
Net assets							
Invested in capital assets, Net of related debt	4,034	3,959	114	48	4,148	4,007	3.50%
Restricted	801	355	-	-	801	355	125.59%
Unrestricted	413	347	119	159	533	507	5.08%
Total net assets	5,249	4,662	233	207	5,482	4,869	12.57%

The District’s combined net assets increased by 12.57%, or approximately \$613,000 over the prior year. The largest portion of the District’s net assets is invested in capital assets.

Unrestricted net assets – the part of the net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements increased approximately \$26,000 or 5.08%. The largest percentage increase came in the area of restricted net assets. Restricted assets increased \$446,000 or 125.59%. Devaluation of agricultural land continues to limit revenue generated by property taxes, levied using fixed tax rates. This includes the regular and voted PPEL. Devaluation occurs immediately. Increasing valuations to actual production rates rebound slowly, due to caps placed on valuation increases. The district continues work toward eliminating a negative balance in the voted PPEL fund, associated with the bankruptcy of the National School Fitness Foundation (NSFF). This will continue to be a challenge with decreased PPEL revenue, until the financial liability of NSFF is retired.

Figure A-4 shows the changes in net assets for the years ended June 30, 2006 and 2005.

Property tax and unrestricted state grants account for 70% of the total revenue. The District’s expenses primarily relate to instruction and support services account for 87% of the total expenses.

Figure A-4 Change in Net Assets (expressed in thousands)						
	Governmental Activities		Business-type Activities		Total School District	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for service and sales	799	507	186	180	984	687
Operating grants, contributions and restricted interest	907	852	202	181	1,109	1,033
Capital grants, contributions and restricted interest	18	30	-	-	18	30
General revenues:						
Property tax	3,229	3,147	-	-	3,229	3,147
Surtax Revenue	214	201	-	-	214	201
Sales Tax Revenue	453	411	-	-	453	411
Unrestricted state grants	3,340	3,069	-	-	3,340	3,069
Unrestricted investment earnings	63	34	6	4	69	38
Other	10	12	-	-	10	12
Total revenues	9,032	8,263	394	365	9,426	8,628
Program expenses:						
Governmental activities:						
Instruction	5,276	4,919	-	-	5,276	4,919
Support Services	2,496	2,421	-	-	2,496	2,421
Non-instructional programs	8	21	368	332	377	353
Other expenses	664	765	-	-	664	765
Total expenses	8,445	8,127	368	332	8,814	8,459
Change in net assets	587	137	26	33	612	169

Governmental Activities

Revenues for governmental activities were about \$9,031,976 and expenses were \$8,445,453.

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

Figure A-5 Total and Net Cost of Governmental Activities (expressed in thousands)				
	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
Instruction	5,276	4,919	3,890	3,882
Support Services	2,496	2,421	2,468	2,369
Noninstructional program	8	21	8	21
Other expenditures	664	765	356	466
Totals	8,445	8,127	6,722	6,738

- The cost financed by users of the District's programs was \$798,614.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$925,156.
- The net cost of governmental activities was financed with \$3,228,786 in property tax and \$3,339,713 in unrestricted state grants.

Business-Type Activities

Revenues for business type activities were \$393,730 and expenses were \$368,134. 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, 2006, the District held meal prices steady.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,073,098, up 37.5 percent from last year's ending fund balances of \$780,204.

Governmental Fund Highlights

- District general fund revenue increased by \$621,503 and expenditures increased by \$335,905. This resulted in the district's financial position increasing by \$70,242. The District's improving General Fund financial position is the result of several factors. The increase of revenue was due largely to increases in miscellaneous income, generated in the first year of a sharing agreement with Dows CSD. Although expenses increased largely due to costs associated with employee salaries and benefits, no additional staff was required to educate an additional 44 students, grades 7-12 from Dows.
- Expenses were comparably held down from FY05 to FY06, helped by a smaller special education deficit. The deficit decreased from -\$180,875 to -\$26,532 in FY05 to FY06, respectively. Although the state generally approves all SBRC applications for modified allowable growth to recover special education deficits, modification of special education weighting and federal funding for mandated programs would help schools eliminate these deficits and lower local property taxes. The sharing agreement with Dows includes educating students, grades 6-12 in Clarion-Goldfield. Timing couldn't have been better for the sharing agreement between Clarion-Goldfield and Dows. The additional students from Dows more than balanced out the decline of 25 resident students, compared to the previous year. This generates additional tuition revenue for the district. The district shares its superintendent with Dows, generating additional income in the form of purchased services. It is important to preserve the General Fund balance, especially in light of the State's decision to 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 -\$162,783, at June 30, 2005 to a negative -\$240,971 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 \$608,064 fund balance, compared to \$345,024 in FY05. Of this balance, \$265,884 was restricted and held in reserve for payment of sales tax revenue bonds, leaving \$342,180 available for future capital improvements and reducing property taxes.

- SILO revenue was deposited in Capital Projects for construction and other expenditures that match those allowed in the PPEL. These funds will help keep taxes down when the district begins to repay bond obligations.
- The Management Fund balance increased by \$6,122 and ended the year with a balance of -\$42,845. This fund is used to pay for early retirement benefits and liability, property and workmen's compensation insurance premiums. Future property tax revenue and capping early retirement benefits will eliminate this deficit by increased property valuations and management levy.

Proprietary Fund Highlights

The School Nutrition Fund balance decreased \$8,469 during the fiscal year ending June 30, 2006. This was done intentionally, due to Department of Education recommendations to reduce carryover balances. The nutrition fund ended the year with a carryover of cash and cash equivalents of \$112,953.

BUDGETARY HIGHLIGHTS

During fiscal year 2006 the District amended its budget to increase expenditures in total support services area by \$519,000. Total support services increased from \$2,480,100 to \$3,000,000. Instruction was reduced from \$6,295,757 to \$5,775,857 to cover the increase in total support services. The revision reflected additional state funded staff development.

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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$6,793,107 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of -2.32% from last year. Depreciation expenses for the year were \$272,902.

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. On May 9, 2006, the district approved a bond issue for \$4,000,000 to renovate the middle school and expand the library and geothermal heating and cooling system at the high school. This includes renovation of High School classrooms, and additional classrooms, including a new chemistry lab/classroom. The middle school project is to be finished August 1, 2007 and the high school January 1, 2008.

Figure A-6 Condensed Statement of Net Assets (expressed in thousands)							
Governmental Activities	Business-type Activities		Total School District		Total Change		
June 30,	June 30,		June 30,		June 30,		
2006	2005	2006	2005	2006	2005	2005-2006	
\$	\$	\$	\$	\$	\$		
Land	82	82	-	-	82	82	0.00%
Construction in progress	-	-	-	-	-	-	0.00%
Land improvements	254	272	-	-	254	272	-6.65%
*Buildings	6,022	6,196	-	-	6,022	6,196	-2.81%
Furniture and equipment	321	356	114	48	435	404	7.58%
Totals	6,679	6,907	114	48	6,793	6,955	-2.32%

Figures for buildings for 2005 were restated and lowered by \$129,537 due to accounts payable for construction.

Long-term Debt

The District has outstanding debt of \$2,951,227 for improvements made to the high school, special assessment, capital leases and early retirement. This is a decrease of 16% from the prior year balance of \$3,433,573. 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 and reducing property tax levies for a bond issue, passed on May 9, 2006.
- The District continues to enjoy a favorable financial position however stable enrollment and adequate allowable growth from the Legislature are imperative. Stable enrollment includes more open enrollment and tuitioned students to counter declining enrollment of resident students.
- 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, affecting Phase I & II and Teacher Compensation as well as other areas. This required 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.
- Improvements to district facilities continue, funded by PPEL, SILO and Bonds. The district will balance the use of levies, including debt service, management fund and SBRC authority to keep property tax levels no higher than 55 cents over FY07 levels. Debt service levies will begin in FY08. The budget and associated levies were within the 55 cent pledge made to voters. It is hoped that statewide passage of the SILO will generate more revenue that can be used to keep the 55 cent pledge, while improving the districts cash position, compared to authority by increasing cash reserve levies.

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, 2006

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	1,285,963	112,953	1,398,916
Receivables:			
Property tax:			
Delinquent	38,890	-	38,890
Succeeding year	3,488,352	-	3,488,352
Accounts	46,835	5,189	52,024
Due from other governments	449,815	-	449,815
Inventories	-	5,555	5,555
Capital assets, net of accumulated depreciation	6,679,450	113,657	6,793,107
Total assets	11,989,305	237,354	12,226,659
Liabilities			
Accounts payable	239,916	105	240,021
Accrued interest payable	20,570	-	20,570
Deferred revenue:			
Succeeding year property tax	3,488,352	-	3,488,352
Other	705	4,250	4,955
Other current liabilities	40,000	-	40,000
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	115,000	-	115,000
Capital loan notes payable	220,000	-	220,000
Note payable - special assessment	6,176	-	6,176
Capital leases	12,764	-	12,764
Termination benefits	191,717	-	191,717
Compensated absences	3,600	-	3,600
Portion due after one year:			
Revenue bonds payable	1,085,000	-	1,085,000
Capital loan notes payable	1,190,000	-	1,190,000
Note payable - special assessment	16,570	-	16,570
Termination benefits	80,300	-	80,300
Compensated absences	30,100	-	30,100
Total liabilities	6,740,770	4,355	6,745,125

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	4,033,940	113,657	4,147,597
Restricted for:			
Gifted and talented program	113,678	-	113,678
Other special revenue purposes	100,248	-	100,248
Debt service	245,314	-	245,314
Local option sales tax capital projects	342,180	-	342,180
Unrestricted	413,175	119,342	532,517
Total net assets	<u>5,248,535</u>	<u>232,999</u>	<u>5,481,534</u>

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2006

<u>Functions/Programs</u>	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular instruction	3,302,431	384,374	367,980	-
Special instruction	903,848	150,324	85,214	-
Other instruction	1,070,053	235,132	163,337	-
	<u>5,276,332</u>	<u>769,830</u>	<u>616,531</u>	<u>-</u>
Support services:				
Student services	205,228	-	-	-
Instructional staff services	271,394	-	-	-
Administration services	845,261	25,000	-	-
Operation and maintenance of plant services	737,723	3,784	-	-
Transportation services	436,799	-	-	-
	<u>2,496,405</u>	<u>28,784</u>	<u>-</u>	<u>-</u>
Non-instructional programs	<u>8,480</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	80,756	-	-	18,154
Long-term debt interest	82,574	-	-	-
AEA flowthrough	290,471	-	290,471	-
Depreciation (unallocated)*	210,435	-	-	-
	<u>664,236</u>	<u>-</u>	<u>290,471</u>	<u>18,154</u>
Total governmental activities	<u>8,445,453</u>	<u>798,614</u>	<u>907,002</u>	<u>18,154</u>
Business type activities:				
Non-instructional programs:				
Food services operations	<u>368,134</u>	<u>185,572</u>	<u>202,475</u>	<u>-</u>
Total	<u>8,813,587</u>	<u>984,186</u>	<u>1,109,477</u>	<u>18,154</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$	\$	\$
(2,550,077)	-	(2,550,077)
(668,310)	-	(668,310)
(671,584)	-	(671,584)
<u>(3,889,971)</u>	<u>-</u>	<u>(3,889,971)</u>
(205,228)	-	(205,228)
(271,394)	-	(271,394)
(820,261)	-	(820,261)
(733,939)	-	(733,939)
(436,799)	-	(436,799)
<u>(2,467,621)</u>	<u>-</u>	<u>(2,467,621)</u>
<u>(8,480)</u>	<u>-</u>	<u>(8,480)</u>
(62,602)	-	(62,602)
(82,574)	-	(82,574)
-	-	-
(210,435)	-	(210,435)
<u>(355,611)</u>	<u>-</u>	<u>(355,611)</u>
(6,721,683)	-	(6,721,683)
-	19,913	19,913
<u>(6,721,683)</u>	<u>19,913</u>	<u>(6,701,770)</u>
2,836,040	-	2,836,040
392,746	-	392,746
213,995	-	213,995
452,808	-	452,808
3,339,713	-	3,339,713
63,053	5,683	68,736
9,851	-	9,851
<u>7,308,206</u>	<u>5,683</u>	<u>7,313,889</u>
586,523	25,596	612,119
<u>4,662,012</u>	<u>207,403</u>	<u>4,869,415</u>
<u>5,248,535</u>	<u>232,999</u>	<u>5,481,534</u>

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2006

	General Fund	Capital Projects	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	197,547	567,160	-	102,936	867,643
Receivables:					
Property tax:					
Delinquent	31,280	-	4,717	2,893	38,890
Succeeding year	2,826,216	-	422,136	240,000	3,488,352
Accounts	2,246	-	-	-	2,246
Interfund receivable	331,548	-	41,650	-	373,198
Due from other governments	327,261	122,554	-	-	449,815
Total assets	3,716,098	689,714	468,503	345,829	5,220,144
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	40,233	-	1,528	2,688	44,449
Interfund payable	-	41,650	285,810	45,738	373,198
Deferred revenue:					
Succeeding year property tax	2,826,216	-	422,136	240,000	3,488,352
Other	201,047	-	-	-	201,047
Other current liabilities	-	40,000	-	-	40,000
Total liabilities	<u>3,067,496</u>	<u>81,650</u>	<u>709,474</u>	<u>288,426</u>	<u>4,147,046</u>
Fund balances:					
Reserved for:					
Gifted and talented program	113,678	-	-	-	113,678
Debt service	-	265,884	-	-	265,884
Unreserved, reported in:					
General fund	534,924	-	-	-	534,924
Special revenue funds	-	-	(240,971)	57,403	(183,568)
Capital project funds	-	342,180	-	-	342,180
Total fund balances	<u>648,602</u>	<u>608,064</u>	<u>(240,971)</u>	<u>57,403</u>	<u>1,073,098</u>
Total liabilities and fund balances	3,716,098	689,714	468,503	345,829	5,220,144

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

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

June 30, 2006

	\$
Total fund balances of governmental funds (Exhibit C)	1,073,098
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,679,450
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	200,342
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.	(20,570)
An internal service fund is used by the District's management to charge the costs of the self-funded health insurance program and employee flexible benefit plan to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	267,442
Long-term liabilities, including bonds payable, notes payable, capital leases payable, termination 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>(2,951,227)</u>
Net assets of governmental activities (Exhibit A)	<u><u>5,248,535</u></u>

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	General Fund	Capital Projects	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	2,814,447	419,024	392,848	240,144	3,866,463
Tuition	464,096	-	-	-	464,096
Other	149,955	17,097	-	236,260	403,312
State sources	3,940,151	33,784	235	145	3,974,315
Federal sources	306,184	-	-	-	306,184
Total revenues	<u>7,674,833</u>	<u>469,905</u>	<u>393,083</u>	<u>476,549</u>	<u>9,014,370</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	3,232,606	-	50,888	103,657	3,387,151
Special instruction	903,848	-	-	-	903,848
Other instruction	862,092	-	-	198,867	1,060,959
	<u>4,998,546</u>	<u>-</u>	<u>50,888</u>	<u>302,524</u>	<u>5,351,958</u>
Support services:					
Student services	204,368	-	-	-	204,368
Instructional staff services	271,394	-	-	-	271,394
Administration services	825,676	1,080	11,649	6,856	845,261
Operation and maintenance of plant services	636,774	-	-	95,110	731,884
Transportation services	379,739	-	18,500	26,670	424,909
	<u>2,317,951</u>	<u>1,080</u>	<u>30,149</u>	<u>128,636</u>	<u>2,477,816</u>
Non-instructional programs	<u>891</u>	<u>-</u>	<u>-</u>	<u>7,589</u>	<u>8,480</u>
Other expenditures:					
Facilities acquisition	-	-	80,756	-	80,756
Long-term debt:					
Principal	-	-	-	431,394	431,394
Interest and fiscal charges	-	-	-	83,869	83,869
AEA flowthrough	290,471	-	-	-	290,471
	<u>290,471</u>	<u>-</u>	<u>80,756</u>	<u>515,263</u>	<u>886,490</u>
Total expenditures	<u>7,607,859</u>	<u>1,080</u>	<u>161,793</u>	<u>954,012</u>	<u>8,724,744</u>

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	General Fund	Capital Projects	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Excess (deficiency) of revenues over (under) expenditures	66,974	468,825	231,290	(477,463)	289,626
Other financing sources (uses):					
Sales of materials and equipment	3,268	-	-	-	3,268
Operating transfers in	-	-	-	515,263	515,263
Operating transfers out	-	(205,785)	(309,478)	-	(515,263)
Total other financing sources (uses)	3,268	(205,785)	(309,478)	515,263	3,268
Net change in fund balances	70,242	263,040	(78,188)	37,800	292,894
Fund balances beginning of year, as restated	578,360	345,024	(162,783)	19,603	780,204
Fund balances end of year	648,602	608,064	(240,971)	57,403	1,073,098

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, 2006

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		292,894

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, 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. Depreciation expense exceeded capital outlay expenditures and donated capital assets in the year as follows:

Expenditures for capital assets	18,500	
Donated capital assets	18,154	
Depreciation expense	<u>(264,026)</u>	(227,372)

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.

(3,816)

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.

431,394

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.

1,295

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

Termination benefits	65,665	
Compensated absences	<u>(14,713)</u>	50,952

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.

41,176**Changes in net assets of governmental activities (Exhibit B)**586,523

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2006

	Enterprise Fund	Governmental Activities - Internal Service Funds
	<u>Nonmajor School Nutrition</u>	<u>Service Funds</u>
	\$	\$
Assets		
Cash and cash equivalents	112,953	418,320
Accounts receivable	5,189	44,589
Inventories	5,555	-
Capital assets, net of accumulated depreciation	<u>113,657</u>	<u>-</u>
Total assets	<u>237,354</u>	<u>462,909</u>
Liabilities		
Accounts payable	105	195,467
Deferred revenue	<u>4,250</u>	<u>-</u>
Total liabilities	<u>4,355</u>	<u>195,467</u>
Net assets		
Invested in capital assets, net of related debt	113,657	-
Unrestricted	<u>119,342</u>	<u>267,442</u>
Total net assets	<u><u>232,999</u></u>	<u><u>267,442</u></u>

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	Enterprise Fund Nonmajor School Nutrition \$	Governmental Activities - Internal Service Funds \$
Operating revenue:		
Local sources:		
Charges for service	185,572	1,355,685
Operating expenses:		
Non-instructional programs:		
Salaries	128,530	-
Benefits	52,453	1,314,509
Purchased services	15,047	-
Supplies	163,228	-
Depreciation	8,876	-
	<u>368,134</u>	<u>1,314,509</u>
Operating gain (loss)	<u>(182,562)</u>	<u>41,176</u>
Non-operating revenue:		
State sources	5,383	-
Federal sources	197,092	-
Interest income	5,683	-
Total non-operating revenue	<u>208,158</u>	<u>-</u>
Change in net assets	25,596	41,176
Net assets beginning of year	<u>207,403</u>	<u>226,266</u>
Net assets end of year	<u><u>232,999</u></u>	<u><u>267,442</u></u>

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2006

	Enterprise Fund	Governmental Activities - Internal Service Funds
	Nonmajor School Nutrition	Funds
	\$	\$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	183,962	-
Cash received from services provided to other funds	-	1,355,685
Cash payments to employees for services	(180,983)	(1,360,569)
Cash payments to suppliers for goods or services	(149,646)	-
Net cash provided by (used by) operating activities	<u>(146,667)</u>	<u>(4,884)</u>
Cash flows from non-capital financing activities:		
State grants received	5,383	-
Federal grants received	170,445	-
Net cash provided by non-capital financing activities	<u>175,828</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(43,313)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>5,683</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(8,469)	(4,884)
Cash and cash equivalents at beginning of year, as restated	<u>121,422</u>	<u>423,204</u>
Cash and cash equivalents at end of year	<u><u>112,953</u></u>	<u><u>418,320</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:		
Operating gain (loss)	(182,562)	41,176
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	26,647	-
Depreciation	8,876	-
Decrease (increase) in inventories	1,877	-
Decrease (increase) in accounts receivable	(2,267)	(44,589)
(Decrease) increase in accounts payable	105	(1,471)
(Decrease) increase in deferred revenue	657	-
Net cash used in operating activities	<u><u>(146,667)</u></u>	<u><u>(4,884)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$26,647 of federal commodities.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2006

	Private Purpose Trust
	<u>\$</u>
Assets	
Cash and pooled investments	114,086
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	112,019
Reserved for student personal needs	<u>2,067</u>
Total net assets	<u><u>114,086</u></u>

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2006

	Private Purpose Trust
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	43,316
Interest	3,456
Total additions	<u>46,772</u>
Deductions:	
Support services:	
Scholarships awarded	7,250
Golden Apple Award	1,291
Supplies	229
Student personal needs	761
Total deductions	<u>9,531</u>
Change in net assets	37,241
Net assets beginning of year	<u>76,845</u>
Net assets end of year	<u><u>114,086</u></u>

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2006

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, 2004 assessed property valuations; is for the tax accrual period July 1, 2005, through June 30, 2006, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

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, 2006. 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, 2006 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, 2006, the District had the following investments:

	<u>Fair Value</u>
	\$
Goldman Sachs Financial Square Treasury Obligations Fund	265,884

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, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
General Fund	Physical Plant and Equipment Levy Fund	12,799
Physical Plant and Equipment Levy Fund	Capital Projects Fund	41,650
General Fund	Physical Plant and Equipment Levy Fund	273,011
General Fund	Nonmajor Governmental Funds Management Fund	45,738

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 \$273,011 and \$45,738 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, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
		\$
Nonmajor Governmental Funds: Debt Service Fund	Physical Plant and Equipment Levy Fund	309,478
Nonmajor Governmental Funds: Debt Service Fund	Capital Projects Fund	205,785

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, 2006 is as follows:

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	82,379	-	-	82,379
Capital assets being depreciated:				
Buildings	8,907,820	18,154	-	8,925,974
Improvements other than buildings	654,391	-	-	654,391
Furniture and equipment	1,005,663	18,500	-	1,024,163
Total capital assets being deprec.	<u>10,567,874</u>	<u>36,654</u>	<u>-</u>	<u>10,604,528</u>
Less accumulated depreciation for:				
Buildings	2,711,604	192,358	-	2,903,962
Improvements other than buildings	382,525	18,077	-	400,602
Furniture and equipment	649,302	53,591	-	702,893
Total accumulated depreciation	<u>3,743,431</u>	<u>264,026</u>	<u>-</u>	<u>4,007,457</u>
Total capital assets being depreciated, net	<u>6,824,443</u>	<u>(227,372)</u>	<u>-</u>	<u>6,597,071</u>
Governmental activities capital assets, net	<u>6,906,822</u>	<u>(227,372)</u>	<u>-</u>	<u>6,679,450</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	71,296	74,604	-	145,900
Less accumulated depreciation	<u>23,367</u>	<u>8,876</u>	<u>-</u>	<u>32,243</u>
Business type activities capital assets, net	<u>47,929</u>	<u>65,728</u>	<u>-</u>	<u>113,657</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	7,408
Other	9,094
Support Services:	
Student services	860
Operation and maintenance of plant services	5,839
Transportation	30,390
	<u>53,591</u>
Unallocated depreciation	<u>210,435</u>
Total depreciation expense – governmental activities	<u><u>264,026</u></u>
Business type activities:	
Food services	<u><u>8,876</u></u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006, 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	-	65,000	1,200,000	115,000
Capital loan notes	1,620,000	-	210,000	1,410,000	220,000
Capital leases	163,186	-	150,422	12,764	12,764
Note payable – special assessment	28,718	-	5,972	22,746	6,176
Termination benefits	337,682	45,369	111,034	272,017	191,717
Compensated absences	18,987	18,313	3,600	33,700	3,600
	<u>3,433,573</u>	<u>63,682</u>	<u>546,028</u>	<u>2,951,227</u>	<u>549,257</u>
Total	<u><u>3,433,573</u></u>	<u><u>63,682</u></u>	<u><u>546,028</u></u>	<u><u>2,951,227</u></u>	<u><u>549,257</u></u>

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have reached the age of fifty-five, must be on the top of the salary schedule, and/or has accrued 15 years of continuous service in the Clarion-Goldfield District. The application for early retirement is subject to approval by the Board of Education.

Early retirement cash benefits are based on a percentage of the retiree's last contracted salary and the District will pay for single health insurance premiums until the retiree is eligible for Medicare.

Early retirement cash benefits will be paid in no more than three equal installments.

At June 30, 2006, the District has obligations to eleven participants with a total liability of \$272,017. Actual early retirement expenditures for the year ended June 30, 2006 totaled \$111,034.

Revenue Bonds Payable

Details of the District's June 30, 2006 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
	%	\$	\$	\$
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	2.80	130,000	21,610	151,610
2012-2015	3.10-3.70	580,000	42,220	622,220
		<u>1,200,000</u>	<u>180,535</u>	<u>1,380,535</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>
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	3.25	245,000	16,463	261,463
2012	3.40	250,000	8,500	258,500
		<u>1,410,000</u>	<u>156,438</u>	<u>1,566,438</u>

During the year ended June 30, 2006 the District made principal and interest payments totaling \$255,233 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, 2006.

	<u>Year Ending June 30,</u>	<u>Amount</u>
		<u>\$</u>
	2007	12,799
Less amount representing interest		<u>35</u>
Present value of minimum lease payments		<u>12,764</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>
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	3,416	68	3,484
		<u>22,746</u>	<u>1,850</u>	<u>24,596</u>

During the year ended June 30, 2006 the District made principal and interest payments totaling \$7,037 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, 2006, 2005 and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$274,110, \$253,631, and \$249,887 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 \$290,471 for the year ended June 30, 2006 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, 2006 the District had a \$240,971 deficit fund balance in the Physical Plant and Equipment Levy Fund and had a \$42,845 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

The beginning balance of the Capital Projects Fund was increased because June 30, 2005 accounts payable were overstated by \$129,537.

For the Government-wide financial statements the accounts payable overstatement was offset by capital assets being overstated by the same amount.

12. Subsequent Event

The District issued \$4,000,000 of general obligation bonds in July 2006.

REQUIRED SUPPLEMENTARY INFORMATION

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2006

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	4,733,871	191,255	4,925,126	4,799,998	4,799,998	125,128
Intermediate sources	-	-	-	416,000	416,000	(416,000)
State sources	3,974,315	5,383	3,979,698	3,970,225	3,970,225	9,473
Federal sources	306,184	197,092	503,276	535,000	535,000	(31,724)
Total revenues	<u>9,014,370</u>	<u>393,730</u>	<u>9,408,100</u>	<u>9,721,223</u>	<u>9,721,223</u>	<u>(313,123)</u>
Expenditures:						
Instruction	5,351,958	-	5,351,958	6,425,757	5,775,857	423,899
Support services	2,477,816	-	2,477,816	2,480,100	3,000,000	522,184
Non-instructional programs	8,480	368,134	376,614	550,826	550,826	174,212
Other expenditures	886,490	-	886,490	4,113,058	4,113,058	3,226,568
Total expenditures	<u>8,724,744</u>	<u>368,134</u>	<u>9,092,878</u>	<u>13,569,741</u>	<u>13,439,741</u>	<u>4,346,863</u>
Excess (deficiency) of revenues over (under) expenditures	289,626	25,596	315,222	(3,848,518)	(3,718,518)	4,033,740
Other financing sources (uses) net	<u>3,268</u>	<u>-</u>	<u>3,268</u>	<u>4,000</u>	<u>4,000</u>	<u>(732)</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	292,894	25,596	318,490	(3,844,518)	(3,714,518)	4,033,008
Balance beginning of year	<u>780,204</u>	<u>207,403</u>	<u>987,607</u>	<u>4,150,949</u>	<u>4,150,949</u>	<u>(3,163,342)</u>
Balance end of year	<u><u>1,073,098</u></u>	<u><u>232,999</u></u>	<u><u>1,306,097</u></u>	<u><u>306,431</u></u>	<u><u>436,431</u></u>	<u><u>869,666</u></u>

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2006

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment decreasing budgeted expenditures by \$130,000.

OTHER SUPPLEMENTARY INFORMATION

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2006

Assets	Special Revenue Funds		Total
	Management	Student	
	Levy	Activity	
	\$	\$	\$
Cash and pooled investments	-	102,936	102,936
Receivables:			
Property tax:			
Delinquent	2,893	-	2,893
Succeeding year	240,000	-	240,000
Total assets	242,893	102,936	345,829
Liabilities & Fund Balances			
Liabilities:			
Accounts payable	-	2,688	2,688
Interfund payables	45,738	-	45,738
Deferred revenue:			
Succeeding year property tax	240,000	-	240,000
Total liabilities	285,738	2,688	288,426
Fund balances:			
Unreserved fund balance reported in:			
Special revenue funds	(42,845)	100,248	57,403
Total liabilities and fund balances	242,893	102,936	345,829

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2006

	Special Revenue Funds			Total
	Management	Student	Debt	
	Levy	Activity	Service	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	240,144	-	-	240,144
Other	5,715	230,545	-	236,260
State sources	145	-	-	145
Total revenues	<u>246,004</u>	<u>230,545</u>	<u>-</u>	<u>476,549</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	103,657	-	-	103,657
Other instruction	-	198,867	-	198,867
Support services:				
Administration services	6,856	-	-	6,856
Operation and maintenance of plant services	95,110	-	-	95,110
Transportation services	26,670	-	-	26,670
Non-instructional programs	7,589	-	-	7,589
Other expenditures:				
Long-term debt:				
Principal	-	-	431,394	431,394
Interest and fiscal charges	-	-	83,869	83,869
Total expenditures	<u>239,882</u>	<u>198,867</u>	<u>515,263</u>	<u>954,012</u>
Excess (deficiency) of revenues over (under) expenditures	6,122	31,678	(515,263)	(477,463)
Other financing sources (uses):				
Operating transfers in	-	-	515,263	515,263
Net change in fund balances	6,122	31,678	-	37,800
Fund balances beginning of year	<u>(48,967)</u>	<u>68,570</u>	<u>-</u>	<u>19,603</u>
Fund balances end of year	<u>(42,845)</u>	<u>100,248</u>	<u>-</u>	<u>57,403</u>

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2006

<u>Account</u>	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance
	Beginning of Year				End of Year
	\$	\$	\$	\$	\$
Vending machine	12,440	4,651	1,015	-	16,076
Concessions	5,020	29,809	28,362	-	6,467
Classes	2,284	10,862	10,692	-	2,454
Spanish club	5,112	14,362	8,631	-	10,843
MS peer helper	5,064	18,289	17,019	-	6,334
Cheerleaders	172	6,103	7,098	1,000	177
Dance team	750	8,399	8,535	-	614
FBLA	656	871	1,584	-	(57)
Student council	2,411	687	1,059	-	2,039
Athletics	2,395	78,733	64,196	-	16,932
Vocal music	1,502	1,774	1,559	-	1,717
MS vocal	1,943	240	1,451	4,363	5,095
MS band	6,440	9,775	6,644	(4,363)	5,208
Drama/speech	4,401	1,661	1,997	-	4,065
FFA	8,230	25,675	24,744	-	9,161
NHS	1,036	500	986	-	550
Lasso	3,230	10,571	8,848	-	4,953
JEL	1,265	-	245	-	1,020
FCCLA	(26)	2,641	2,473	-	142
Interest	5,204	4,942	-	(1,000)	9,146
June 30, 2005 accounts payable	(959)	-	(959)	-	-
June 30, 2006 accounts payable	-	-	2,688	-	(2,688)
Total	68,570	230,545	198,867	-	100,248

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			
	2006	2005	2004	2003
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	3,866,463	3,760,131	3,700,034	3,585,366
Tuition	464,096	237,260	321,870	234,844
Other	403,312	311,084	409,084	262,991
Intermediate sources	-	-	900	-
State sources	3,974,315	3,607,654	3,106,335	3,123,070
Federal sources	306,184	337,802	375,192	486,293
Total revenues	9,014,370	8,253,931	7,913,415	7,692,564
Expenditures:				
Instruction:				
Regular instruction	3,387,151	3,248,415	3,274,649	3,594,876
Special instruction	903,848	893,719	1,176,085	1,179,198
Other instruction	1,060,959	928,010	636,663	532,274
Support services:				
Student services	204,368	289,181	212,954	269,620
Instructional staff services	271,394	237,110	138,951	185,603
Administration services	845,261	798,647	798,799	747,646
Operation and maintenance of plant services	731,884	704,788	596,174	596,351
Transportation services	424,909	350,256	318,082	299,824
Central support services				
Non-instructional programs	8,480	20,935	21,361	33,364
Other expenditures:				
Facilities acquisition	80,756	1,247,133	2,393,586	261,445
Long-term debt:				
Principal	431,394	397,172	412,672	197,636
Interest and other charges	83,869	84,161	61,030	23,019
AEA flowthrough	290,471	269,312	267,447	278,893
Total expenditures	8,724,744	9,468,839	10,308,453	8,199,749

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

To the Board of Education of
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, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 28, 2006. 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 item 06-I-A is a material weakness.

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, 2006 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 28, 2006

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings

June 30, 2006

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

06-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.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings

June 30, 2006

Part II: Other Findings Related to Statutory Reporting:

06-II-A Certified Budget: Expenditures for the year ended June 30, 2006, did not exceed the amounts budgeted.

06-II-B 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.

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

06-II-D Business Transactions: We noted no transactions between the District and District officials or employees.

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

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

06-II-G Certified Enrollment: The number of basic resident students reported to the Iowa Department of Education on Line 1 of the Certified Enrollment Certification Form for September 2005, was overstated by nine students. The class lists in the enrollment folder did not reconcile the number of students certified.

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

District Response: We will contact these departments.

Conclusion: Response accepted.

06-II-H 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.

06-II-I Certified Annual Report (CAR): The Certified Annual Report was certified to the Iowa Department of Education timely.

06-II-J Deficit Balances: The District's Physical Plant and Equipment Fund and Management Fund have deficit fund balances of \$240,971 and \$42,845, respectively, at June 30, 2006.

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.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings

June 30, 2006

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

06-II-K Internal Service Fund 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 Internal Service Funds (flex benefit and self-funded health insurance) bank accounts are not being signed by the board president and board secretary and are not on the lists of bills approved by the board.

Recommendation: The District should implement procedures to ensure compliance with statutory requirements for expenditures from the Internal Service Funds.

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

Conclusion: Response accepted.

06-II-L Physical Plant and Equipment Levy Fund Expenditures (PPEL): The PPEL property tax levy may be spent to purchase and improve grounds; to construct buildings; to purchase or lease a single unit of equipment or technology exceeding \$500 in value per unit; to repair, remodel improve, or expand buildings; for energy conservation; and to purchase transportation equipment.

The Code of Iowa defines the improvement of grounds to include grading, landscaping, paving, seeding and planting of shrubs and trees; constructing sidewalks, roadways, retaining walls, sewers and storm drains, and installing hydrants; surfacing and soil treatment of athletic fields and tennis courts; exterior lighting, including athletic fields and tennis courts; furnishing and installing flagpoles, gateways, fences and underground storage tanks; demolition work; and special assessments against the school district for public improvements.

We noted that the District used the PPEL Fund to pay \$1,100 for chairs, \$18,060 for snow removal and \$15,375 for mowing. These items do not appear to be allowable from the PPEL Fund.

Recommendation: The District should be aware of the limitation on types of expenditures allowed from this fund. And the General Fund should reimburse the PPEL Fund for these expenditures.

District Response: We will monitor expenditures from the PPEL Fund and make the reimbursement.

Conclusion: Response accepted.