

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

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

June 30, 2008

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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, 2008, 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, 2008, 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 June 1, 2009 on our consideration of Clarion-Goldfield Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 14 and 42 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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, 2007, (which are not presented herein) and expressed unqualified opinions on those financial statements. 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

June 1, 2009

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## CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### **2008 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$8,133,915 in fiscal 2007 to \$8,100,591 in fiscal 2008, while General Fund expenditures increased from \$8,109,323 in fiscal 2007 to \$8,425,837 in fiscal 2008. The District's General Fund balance decreased from \$679,790 in fiscal 2007 to \$379,567 in fiscal 2008, a decrease of 44%.
- The decrease in General Fund revenues was largely due to declining enrollment and changes in open enrollment. Over the last two years, the district lost about 54 students, which negatively impacts revenue in the school foundation formula. The increase in expenditures was largely due to increased cost of energy and negotiated salaries and benefits.
- The more important measure is the district's annual comparison of unspent authority. While the district's cash condition decreased by \$300,223, the district's unspent authority decreased by \$370,308. The unspent authority decreased from \$1,274,542 at the end of FY07 to \$904,234 at the end of FY08. This is of great concern by the district and began addressing the problem with nearly \$275,000 for FY09 and an additional \$200,000 anticipated for FY10. New revenue associated with Volunteer State Funded Preschool, Federal Educational Stabilization, supplemental weighting for sharing a Superintendent with Dows CSD and Transportation Director and Vocational Agriculture Instructor with Eagle Grove CSD should also improve the district financial position in the future.

#### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of 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's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Clarion-Goldfield Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

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

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

Other Supplementary Information provides detailed information about the non-major funds.

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

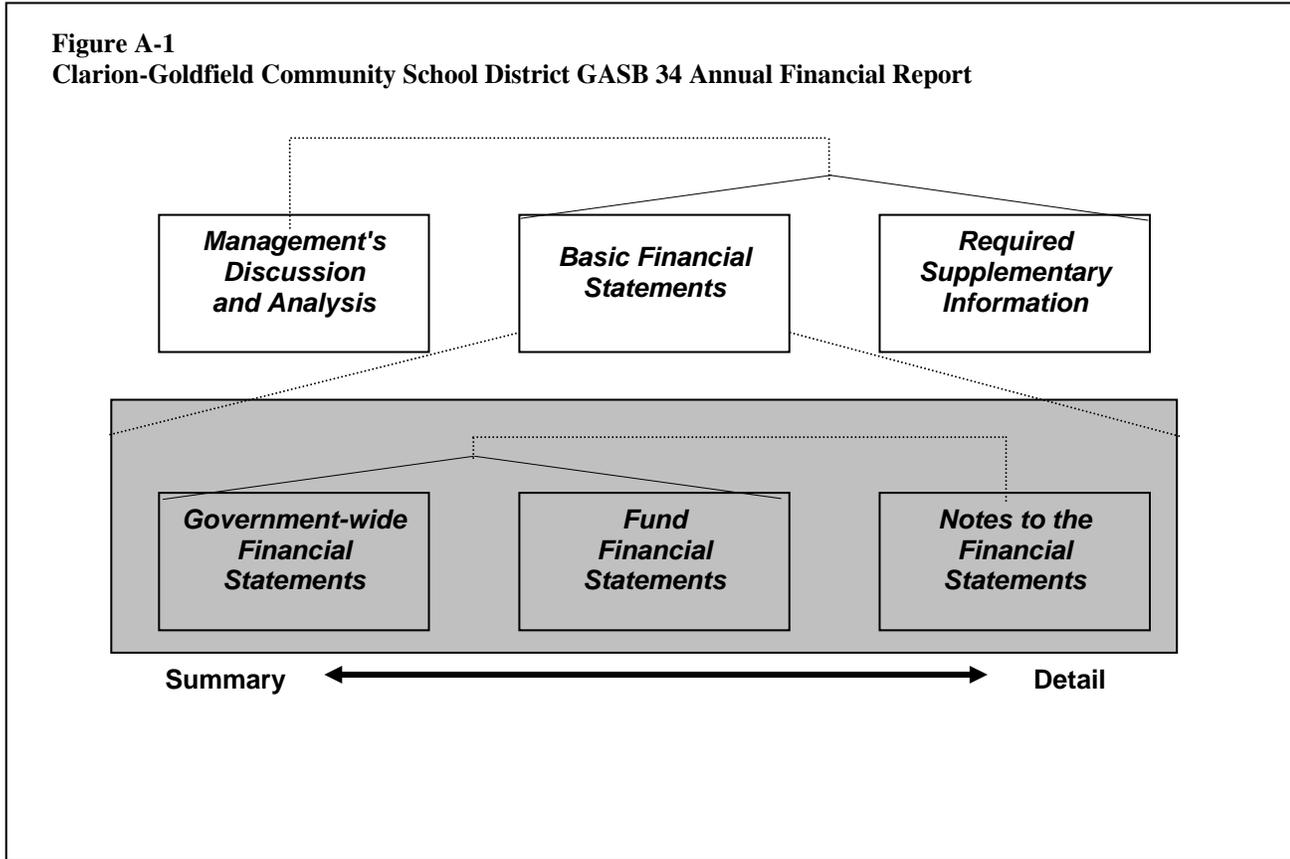


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

The two government-wide financial statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to measure the District’s financial health or financial position. Over time, increases or decreases in the District’s net assets are an indicator of whether financial position is improving or deteriorating. To assess the District’s overall health, additional non-financial factors, such as

changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District uses *internal service funds*, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District current has two internal service funds. These funds are reported together in Exhibits G, H and I. The District's internal service funds include the district's employee flexible benefit plan and medical insurance side-fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds. The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.
  - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund. Figures shared in Exhibits J and K reflect a combination of two accounts within the Trust Fund. This includes scholarships and the Nurse's fund. The Nurse's fund is financed by donations, specifically given for the purpose of providing necessities for students in need.

- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other entities. At this time, the district does not serve as a fiscal agent for federal or state grants.

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

## Government-Wide Financial Analysis

Figure A-3 below provides a summary of the District’s net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3

	Condensed Statement of Net Assets						Percentage Change 2007-2008
	Governmental Activities		Business-type Activities		Total School District		
	2007	2008	2007	2008	2007	2008	
	\$	\$	\$	\$	\$	\$	
Current and other assets	7,579,566	5,725,307	141,088	138,006	7,720,654	5,863,313	-24%
Capital assets	9,538,085	10,628,933	107,824	104,121	9,645,909	10,733,054	11%
<b>Total assets</b>	<b>17,117,651</b>	<b>16,354,240</b>	<b>248,912</b>	<b>242,127</b>	<b>17,366,563</b>	<b>16,596,367</b>	<b>-4%</b>
Long-term liabilities	6,762,556	6,454,834	-	-	6,762,556	6,454,834	-5%
Other liabilities	4,808,614	4,215,192	3,617	10,708	4,812,231	4,225,900	-12%
<b>Total liabilities</b>	<b>11,571,170</b>	<b>10,670,026</b>	<b>3,617</b>	<b>10,708</b>	<b>11,574,787</b>	<b>10,680,734</b>	<b>-8%</b>
Net Assets:							
Invested in capital assets, net of related debt	4,327,676	4,688,791	107,824	104,121	4,435,500	4,792,912	8%
Restricted	883,869	976,733	-	-	883,869	976,733	11%
Unrestricted	334,936	18,690	137,471	127,298	472,407	145,988	-69%
<b>TOTAL NET ASSETS</b>	<b>5,546,481</b>	<b>5,684,214</b>	<b>245,295</b>	<b>231,419</b>	<b>5,791,776</b>	<b>5,915,633</b>	<b>2%</b>

The District’s combined net assets increased by 2.14%, or approximately \$123,857, over the prior year. The largest portion of the District’s net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net assets increased nearly \$92,864 or 10.51% over the prior year. The increase was primarily a result of additional funds provided by General Obligation Bond proceeds during construction to be dispersed after construction is completed.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased over \$326,419, or 69.10%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year to pay for construction overage using SILO and PPEL funds.

Figure A-4 shows the change in net assets for the years ended June 30, 2008 and 2007.

Figure A-4

	Change in Net Assets						Percentage Change 2007-2008
	Governmental Activities		Business-type Activities		Total School District		
	2007	2008	2007	2008	2007	2008	
	\$	\$	\$	\$	\$	\$	
<b>Revenues</b>							
Program Revenues:							
Charges for services	891,935	999,644	195,599	192,965	1,087,534	1,192,609	10%
Operating grants & contributions	961,614	1,097,666	216,069	207,451	1,177,683	1,305,117	11%
Capital grants & contributions	249,219	23,853	-	-	249,219	23,853	-90%
General Revenues:							
Property taxes	3,489,947	3,639,138	-	-	3,489,947	3,639,138	4%
Income Surtax	216,591	241,905	-	-	216,591	241,905	12%
Local option sales tax	540,443	511,973	-	-	540,443	511,973	-5%
Unrestricted state grants	3,341,617	3,368,435	-	-	3,341,617	3,368,435	1%
Unrestricted investment earnings	135,435	52,857	6,846	4,327	142,281	57,184	-60%
Other revenue	12,032	101,853	-	-	12,032	101,853	747%
Loss on disposal of capital assets	(53,735)	-	-	-	(53,735)	-	100%
<b>Total Revenues</b>	<b>9,785,098</b>	<b>10,037,324</b>	<b>418,514</b>	<b>404,743</b>	<b>10,203,612</b>	<b>10,442,067</b>	<b>2%</b>
<b>Expenses:</b>							
Instruction	5,874,235	5,932,787	-	-	5,874,235	5,932,787	1%
Support services	2,692,444	2,831,390	-	-	2,692,444	2,831,390	5%
Non-instructional programs	4,837	14,609	406,218	418,619	411,055	433,228	5%
Other expenditures	915,636	1,120,805	-	-	915,636	1,120,805	22%
<b>Total expenses</b>	<b>9,487,152</b>	<b>9,899,591</b>	<b>406,218</b>	<b>418,619</b>	<b>9,893,370</b>	<b>10,318,210</b>	<b>4%</b>
<b>CHANGE IN NET ASSETS</b>	<b>297,946</b>	<b>137,733</b>	<b>12,296</b>	<b>(13,876)</b>	<b>310,242</b>	<b>123,857</b>	<b>-60%</b>
Net assets beginning of year	5,248,535	5,546,481	232,999	245,295	5,481,534	5,791,776	6%
Net assets end of year	5,546,481	5,684,214	245,295	231,419	5,791,776	5,915,633	2%

Property tax and unrestricted state grants account for 67.11% of the total revenue. The significant decrease in capital grants & contributions was due to a lack of interest income, on bond proceeds, associated with the conclusion of construction and corresponding service of long-term debt. The District's expenses primarily relate to instruction and support services, which account for 84.94% of the total expenses. The modest 2% increase in net assets was largely due to the conclusion of facility acquisition and long-term debt interest associated with construction projects.

### Governmental Activities

Revenues for governmental activities were \$10,037,324 and expenses were \$9,899,591.

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**

	<b>Total Cost of Services 2007</b>	<b>Total Cost of Services 2008</b>	<b>Net Cost of Services 2007</b>	<b>Net Cost of Services 2008</b>
	\$	\$	\$	\$
Instruction	5,874,235	5,932,787	4,359,073	4,173,130
Support Services	2,692,444	2,831,390	2,663,198	2,801,014
Non-instructional Programs	4,837	14,609	4,837	14,609
Other Expenses	915,636	1,120,805	357,276	789,675
<b>TOTAL</b>	<b>9,487,152</b>	<b>9,899,591</b>	<b>7,384,384</b>	<b>7,778,428</b>

- The cost financed by users of the District’s programs was \$999,644. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,097,666.
- The net cost of governmental activities was financed with \$4,393,016 in property and local other taxes and \$3,368,435 in unrestricted state grants. This represents an increase of 3.44% and .08% increase for local tax revenue and unrestricted state grants, investments and other revenue, respectively.

**Business Type Activities**

Revenues for business type activities were \$404,743 and expenses were \$418,619. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. This represents 3.43% more expenses than revenue. The District continued to replace obsolete kitchen equipment, using nutrition funds. This was also done to help to draw down the nutrition fund balance, strongly insisted by the Iowa Department of Education.

**INDIVIDUAL FUND ANALYSIS**

As previously noted, the 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 \$1,155,061, well below last year’s ending fund balances of \$2,578,654, a 55.21% decrease. The primary reason for the decrease in combined fund balances in fiscal 2008 is due to expending most of \$4,000,000 general obligation bond proceeds received in fiscal 2007, to pay for corresponding construction projects at the middle school and high school.

**Governmental Fund Highlights**

- The General Fund balance decreased from \$679,790 to \$379,567. Declining enrollment and corresponding decrease in state formula revenue, drop in SBRC spending authority for special education deficit, promise not to raise local property taxes for cash reserves and overspending revenue is largely responsible for drop in the general fund balance.
- The Physical Plant and Equipment Levy (PPEL) Fund balance improved from a deficit of \$56,117 in fiscal 2007 to a balance of \$14,041 in fiscal 2008. This is an improvement of \$70,158. Revenues continue to increase as corresponding district valuation continues to recover from agricultural devaluation of 2005. Passage of the statewide one-cent sales tax and retirement of PPEL GO Bonds will take pressure off the PPEL fund and allow the fund balance to continue to improve.
- The Management Fund remains under-collateralized with \$373,440 in total assets and \$405,970 in total liabilities. The fund beginning balance of -\$56,068 and ending balance of -\$32,530, reflects an improvement of \$23,538 (see

Schedule 1 & 2). The district is limited as to its ability to increase the Management Levy, due to the promise made to district patrons not to raise taxes more than 55 cents per thousand valuation after a successful bond issue. Improvement in district valuation generates more revenue and passage of the statewide one-cent sales tax allows the district to reconfigure debt, allowing more room for increasing the Management Levy without raising the overall tax rate.

- The Capital Projects Fund balance decreased to \$597,066 (see Exhibit C), compared to \$1,901,197 last year (see Exhibit C, FY2007). This fund expended what remained of the sale of \$4,000,000 in general obligation bonds during fiscal 2007. Unexpended bond receipts were used to pay for construction for which the funds were generated at the high school and middle school. The balance of unexpended funds was spent as construction ended in FY2008.
- District long-term debt is paid using PPEL, SILO and debt service. Debt service revenue and payments began in 2008. Even though construction began in 2007, bond debt principle and interest payments were postponed until 2009. SILO revenue was used to buy down property taxes normally levied for debt service. This helped the district keep its promise to the public not to raise the district tax levy higher than 55 cents per thousand over the base year, 2007.
- Student Activity Fund balance increased by \$537 with a beginning balance of \$150,208 and ending balance of \$150,745. Gate receipts at athletic events and student fees collected at registration primarily generate revenue in this fund. The Sports Booster Club also provided financial support for athletic expenditures in the way of uniform purchases and other miscellaneous purchases. A community effort associated with the Booster Club, also conducted a fundraiser to replace all district scoreboards.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$245,295 at June 30, 2007 to \$231,419 at June 30, 2008, representing an decrease of approximately 5.6%. The district spent down reserves to follow recommendations by the Department of Education. Internal Service Funds decreased from \$187,956 at June 30, 2007 to \$183,546 at June 30, 2008. This was a decrease of \$4,410 or -2.3%. This was primarily the result of high utilization of the district's group benefits plan by employees and under funding the retirees' contributions to the fund. This was corrected as of January 1, 2008 when retirees were required to contribute more to the plan or seek other coverage.

### **BUDGETARY HIGHLIGHTS**

Instruction is one of four budget categories for which the district is required to keep within its adopted budget. The other categories include Support Services, Non-instructional Programs and Other Expenditures. Over the course of the year, Clarion-Goldfield Community School District did not amend its annual budget. During FY08, district expenditures exceeded its Instruction category by \$94,663 (see Budgetary Comparison Schedule, page 41).

The district monitors its budget throughout the year and believed that expenditures would not exceed the budget in any of the categories. Exceeding the budgeted amount for Instruction was largely due to not considering expenditures in the Management Fund, associated with early retirement.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2008, the District had invested \$10,733,054, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 11% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$409,126.

The largest increase in capital asset activity during the year occurred in Buildings. The largest decrease occurred in the category of Construction. These are corresponding activities that reflect the conclusion of construction (Construction in Progress) and new and improved facilities included in the Buildings category. Buildings increased from \$5,800,267 in

FY2007 to \$9,954,393 in FY2008, of a total change of \$4,154,126, an increase of 72%. The majority of the improvements in this category were at the middle school and high school.

**Figure A-6**

**Capital Assets (net of depreciation)**

	Governmental		Business type		Total		Percentage Change 2007-2008
	Activities		Activities		School District		
	2007	2008	2007	2008	2007	2008	
	\$	\$	\$	\$	\$	\$	
Land	82,379	82,379	-	-	82,379	82,379	0%
Construction in progress	3,079,011	-	-	-	3,079,011	-	-100%
Buildings	5,800,267	9,954,393	-	-	5,800,267	9,954,393	72%
Improvements	235,712	217,635	-	-	235,712	217,635	-8%
Equipment & Furniture	340,716	374,526	107,824	104,121	448,540	478,647	7%
<b>TOTAL</b>	<b>9,538,085</b>	<b>10,628,933</b>	<b>107,824</b>	<b>104,121</b>	<b>9,645,909</b>	<b>10,733,054</b>	<b>11%</b>

**Long-Term Debt**

At June 30, 2008, the District had \$6,454,834 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 4.55% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

In May 9, 2006, the District's voters authorized the issuance of \$4,000,000 in general obligation bonds to pay for renovation and expansion of the middle school and renovation and expansion of the high school including geothermal heating and cooling, completing last phase of the system for the entire high school campus (Phase III & IV of the district's comprehensive facility improvement plan). No payments were made in 2007 due to the election being held after FY2007 budget was approved. Interest and principal was accrued with payments beginning in 2007-2008. The middle school project was substantially finished in August 2007. The high school project was substantially finished in December of 2007.

The district's total indebtedness also includes earlier projects (Phase I & II) that involved renovation of the high school locker rooms, addition of an art studio, wrestling room and installing a geothermal heating and cooling system to those areas. Funding for Phase I of the project was accomplished by using capital loan notes, repaid using the Physical Plant and Equipment Fund (initial project of \$1,856,454). Phase II was funded using revenue bonds, repaid using one-cent sales tax revenue (initial project of \$1,265,000).

The remaining long-term obligations were associated with early retirement packages. Early retirement packages include cash and benefits. The district's retirement policy was revised in FY2007 to comply with a discrimination ruling in the Des Moines Independent School District. Those changes were implemented in FY2008. The district took advantage of the change process to down size retirement packages to limit district financial liability and corresponding impact on the Management Fund and local property taxes. Medical insurance was changed to limit benefits to five years. Cash packages also included payments for unused sick leave at the time of retirement. The impending change in the district's retirement policy in FY2008, prompted three of the district's four retirements at the conclusion of FY2007. Downsizing retirement packages has decreased financial liability and helps the district eliminate its negative balance in the Management Fund without raising taxes.

**Figure A-7  
Outstanding Long-Term Obligations**

	Total School District		Percentage
	2007	2008	Change 2007-2008
	\$	\$	
General obligation bonds	4,000,000	4,000,000	0%
Local option sales and services tax revenue bonds	1,085,000	965,000	-11%
Capital loan notes	1,190,000	965,000	-19%
Notes payable-special assessment	16,570	10,142	-39%
Termination benefits	441,736	480,942	9%
Compensated absences	29,250	33,750	15%
	<u>6,762,556</u>	<u>6,454,834</u>	<u>-5%</u>

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The district's taxable valuation will continue to increase about 4% annually until it recovers from the devaluation of agricultural property in 2003.
- School financing is highly dependent upon student enrollment. The District's October 2007 enrollment decreased by 25 students. This drop in enrollment will decrease the District's funding for fiscal year 2009. This is part of a three-year skid totaling a decrease of 78.8 students. Enrollment remained steady in October 2008 for funding in FY2010. It is anticipated that enrollment will begin to decline again next year due to a large graduating class of 2009 and incoming kindergarteners about 20 students less.
- The economic condition of the state and nation has dramatically impacted state revenue and it is anticipated that the state will run a \$800 million dollar deficit by the end of FY2010. Federal economic stimulus and educational stabilization funds will help for the next two years, but there will be a large economic problem after the federal money runs out. It is anticipated that education will see difficult times in the future, as the state makes adjustments to its budget. It is likely that the state will make addition across-the-board cuts which shifts the financial burden to local taxpayers. Clarion-Goldfield will be challenged to keep its promise of not raising local levy rates, as the state cuts state foundation aid.
- The District transportation costs are greatly impacted by cost of labor, equipment and fuel. EPA requirements have almost doubled the cost of school buses over the last five years. Fuel prices have moderated, but it is uncertain how the nation's energy plan will impact prices in the future that greatly impacts the cost of running over 205,929 miles of transporting students. Eliminating bus routes and sharing a transportation director with Eagle Grove have been helpful cost saving strategies. State sharing incentive moneys for sharing a transportation director and superintendent have been helpful.
- Clarion-Goldfield Education Teacher Association (CGEA) and district agreed to a one-year settlement of 3.35% for FY2010, compared to 3.97% of anticipated formula revenue growth. This is the first time in recollections that a settlement did not exceed "new money". It is unfortunate that the state chose to cut Phase I dollars, that directly impacts teacher salaries. It is anticipated that this will cut individual teacher salaries by about \$405. It is still uncertain if the district will use federal educational stabilization money to help subsidize this cut for two years.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Fern Spellmeyer, District Board Secretary, Clarion-Goldfield Community School District, 319 Third Avenue NE, Clarion, Iowa, 50525.

## BASIC FINANCIAL STATEMENTS

## CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and cash equivalents	1,288,369	124,497	1,412,866
Receivables:			
Property tax:			
Delinquent	41,530	-	41,530
Succeeding year	3,912,598	-	3,912,598
Accounts	18,140	5,946	24,086
Due from other governments	464,670	-	464,670
Inventories	-	7,563	7,563
Capital assets, net of accumulated depreciation	10,628,933	104,121	10,733,054
<b>Total assets</b>	<b>16,354,240</b>	<b>242,127</b>	<b>16,596,367</b>
<b>Liabilities</b>			
Accounts payable	215,431	-	215,431
Due to other governments	41,587	-	41,587
Accrued interest payable	45,576	-	45,576
Deferred revenue:			
Succeeding year property tax	3,912,598	-	3,912,598
Other	-	10,708	10,708
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	150,000	-	150,000
Revenue bonds payable	125,000	-	125,000
Capital loan notes payable	230,000	-	230,000
Note payable - special assessment	6,693	-	6,693
Termination benefits	144,566	-	144,566
Compensated absences	5,062	-	5,062
Portion due after one year:			
General obligation bonds payable	3,850,000	-	3,850,000
Revenue bonds payable	840,000	-	840,000
Capital loan notes payable	735,000	-	735,000
Note payable - special assessment	3,449	-	3,449
Termination benefits	336,376	-	336,376
Compensated absences	28,688	-	28,688
<b>Total liabilities</b>	<b>10,670,026</b>	<b>10,708</b>	<b>10,680,734</b>

## CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Net assets</b>			
Invested in capital assets, net of related debt	4,688,791	104,121	4,792,912
Restricted for:			
Gifted and talented program	165,456	-	165,456
Other state categorical aid	48,829	-	48,829
Physical plant and equipment levy	14,041	-	14,041
Other special revenue purposes	150,208	-	150,208
Debt service	290,890	-	290,890
Local option sales tax capital projects	307,309	-	307,309
Unrestricted	18,690	127,298	145,988
<b>Total net assets</b>	<u>5,684,214</u>	<u>231,419</u>	<u>5,915,633</u>

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants, Contributions and Restricted Interest</b>	<b>Capital Grants, Contributions and Restricted Interest</b>
	\$	\$	\$	\$
<b>Governmental activities:</b>				
<b>Instruction:</b>				
Regular	3,860,569	495,402	546,625	-
Special	937,251	215,545	67,201	-
Other	1,134,967	258,321	176,563	-
	<u>5,932,787</u>	<u>969,268</u>	<u>790,389</u>	<u>-</u>
<b>Support services:</b>				
Student	237,191	-	-	-
Instructional staff	263,874	-	-	-
Administration	960,422	26,523	-	-
Operation and maintenance of plant	841,019	3,853	-	-
Transportation	528,884	-	-	-
	<u>2,831,390</u>	<u>30,376</u>	<u>-</u>	<u>-</u>
<b>Non-instructional programs</b>	<u>14,609</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other expenditures:</b>				
Facilities acquisition	256,809	-	-	23,853
Long-term debt interest	224,602	-	-	-
AEA flowthrough	307,277	-	307,277	-
Depreciation (unallocated)*	332,117	-	-	-
	<u>1,120,805</u>	<u>-</u>	<u>307,277</u>	<u>23,853</u>
<b>Total governmental activities</b>	<b>9,899,591</b>	<b>999,644</b>	<b>1,097,666</b>	<b>23,853</b>
<b>Business type activities:</b>				
<b>Non-instructional programs:</b>				
Food services operations	418,619	192,965	207,451	-
<b>Total</b>	<b>418,619</b>	<b>192,965</b>	<b>207,451</b>	<b>-</b>
	<u>10,318,210</u>	<u>1,192,609</u>	<u>1,305,117</u>	<u>23,853</u>
<b>General Revenues:</b>				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
<b>Total general revenues</b>				

**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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$	\$	\$
(2,818,542)	-	(2,818,542)
(654,505)	-	(654,505)
(700,083)	-	(700,083)
<u>(4,173,130)</u>	<u>-</u>	<u>(4,173,130)</u>
(237,191)	-	(237,191)
(263,874)	-	(263,874)
(933,899)	-	(933,899)
(837,166)	-	(837,166)
(528,884)	-	(528,884)
<u>(2,801,014)</u>	<u>-</u>	<u>(2,801,014)</u>
<u>(14,609)</u>	<u>-</u>	<u>(14,609)</u>
(232,956)	-	(232,956)
(224,602)	-	(224,602)
-	-	-
<u>(332,117)</u>	<u>-</u>	<u>(332,117)</u>
<u>(789,675)</u>	<u>-</u>	<u>(789,675)</u>
(7,778,428)	-	(7,778,428)
<u>-</u>	<u>(18,203)</u>	<u>(18,203)</u>
<u>(7,778,428)</u>	<u>(18,203)</u>	<u>(7,796,631)</u>
2,931,954	-	2,931,954
284,664	-	284,664
422,520	-	422,520
241,905	-	241,905
511,973	-	511,973
3,368,435	-	3,368,435
52,857	4,327	57,184
101,853	-	101,853
<u>7,916,161</u>	<u>4,327</u>	<u>7,920,488</u>
137,733	(13,876)	123,857
<u>5,546,481</u>	<u>245,295</u>	<u>5,791,776</u>
<u>5,684,214</u>	<u>231,419</u>	<u>5,915,633</u>

## CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2008

	General Fund	Capital Projects	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash and pooled investments	175,604	479,812	3,235	194,064	852,715
Receivables:					
Property tax:					
Delinquent	30,203	-	4,686	6,641	41,530
Succeeding year	2,782,440	-	455,363	674,795	3,912,598
Accounts	2,839	-	6,120	189	9,148
Interfund receivable	95,970	-	-	-	95,970
Due from other governments	347,416	117,254	-	-	464,670
<b>Total assets</b>	<b>3,434,472</b>	<b>597,066</b>	<b>469,404</b>	<b>875,689</b>	<b>5,376,631</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	13,794	-	-	537	14,331
Due to other governments	41,587	-	-	-	41,587
Interfund payable	-	-	-	35,970	35,970
Deferred revenue:					
Succeeding year property tax	2,782,440	-	455,363	674,795	3,912,598
Other	217,084	-	-	-	217,084
Total liabilities	<b>3,054,905</b>	<b>-</b>	<b>455,363</b>	<b>711,302</b>	<b>4,221,570</b>
Fund balances:					
Reserved for:					
Gifted and talented program	165,456	-	-	-	165,456
Other state categorical aid	48,829	-	-	-	48,829
Debt service	-	289,757	-	46,709	336,466
Unreserved, reported in:					
General fund	165,282	-	-	-	165,282
Special revenue funds	-	-	14,041	117,678	131,719
Capital project funds	-	307,309	-	-	307,309
Total fund balances	<b>379,567</b>	<b>597,066</b>	<b>14,041</b>	<b>164,387</b>	<b>1,155,061</b>
<b>Total liabilities and fund balances</b>	<b>3,434,472</b>	<b>597,066</b>	<b>469,404</b>	<b>875,689</b>	<b>5,376,631</b>

## CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

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

June 30, 2008

	\$
<b>Total fund balances of governmental funds (Exhibit C)</b>	1,155,061
<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.	10,628,933
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	217,084
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.	(45,576)
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.	183,546
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>(6,454,834)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>5,684,214</u></u>

## CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	General Fund	Capital Projects	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	2,857,373	511,973	422,520	584,408	4,376,274
Tuition	625,696	-	-	-	625,696
Other	151,966	38,845	7,704	268,501	467,016
State sources	4,172,102	-	226	319	4,172,647
Federal sources	293,454	-	-	-	293,454
Total revenues	<u>8,100,591</u>	<u>550,818</u>	<u>430,450</u>	<u>853,228</u>	<u>9,935,087</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,609,702	24,011	15,522	154,950	3,804,185
Special	937,251	-	-	-	937,251
Other	914,042	-	-	211,667	1,125,709
	<u>5,460,995</u>	<u>24,011</u>	<u>15,522</u>	<u>366,617</u>	<u>5,867,145</u>
Support services:					
Student	237,005	-	-	186	237,191
Instructional staff	263,874	-	-	-	263,874
Administration	937,802	-	1,791	20,829	960,422
Operation and maintenance of plant	751,301	-	12,221	70,525	834,047
Transportation	467,583	23,900	-	32,074	523,557
	<u>2,657,565</u>	<u>23,900</u>	<u>14,012</u>	<u>123,614</u>	<u>2,819,091</u>
Non-instructional programs	-	-	-	14,609	14,609
Other expenditures:					
Facilities acquisition	-	1,479,899	229,700	-	1,709,599
Long-term debt:					
Principal	-	-	-	351,428	351,428
Interest and fiscal charges	-	-	-	375,026	375,026
AEA flowthrough	307,277	-	-	-	307,277
	<u>307,277</u>	<u>1,479,899</u>	<u>229,700</u>	<u>726,454</u>	<u>2,743,330</u>
Total expenditures	<u>8,425,837</u>	<u>1,527,810</u>	<u>259,234</u>	<u>1,231,294</u>	<u>11,444,175</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(325,246)</u>	<u>(976,992)</u>	<u>171,216</u>	<u>(378,066)</u>	<u>(1,509,088)</u>

## CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	General Fund	Capital Projects	Physical Plant and Equipment Levy	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Compensation for loss of fixed assets	3,443	-	60,472	-	63,915
Sales of materials and equipment	21,580	-	-	-	21,580
Operating transfers in	-	-	-	488,669	488,669
Operating transfers out	-	(327,139)	(161,530)	-	(488,669)
Total other financing sources (uses)	<u>25,023</u>	<u>(327,139)</u>	<u>(101,058)</u>	<u>488,669</u>	<u>85,495</u>
Net change in fund balances	(300,223)	(1,304,131)	70,158	110,603	(1,423,593)
Fund balances beginning of year	<u>679,790</u>	<u>1,901,197</u>	<u>(56,117)</u>	<u>53,784</u>	<u>2,578,654</u>
Fund balances end of year	<u><u>379,567</u></u>	<u><u>597,066</u></u>	<u><u>14,041</u></u>	<u><u>164,387</u></u>	<u><u>1,155,061</u></u>

## 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, 2008

	\$	\$
<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		(1,423,593)

**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 Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	1,487,911	
Depreciation expense	<u>(397,063)</u>	1,090,848

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.

16,742

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.

351,428

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.

150,424

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	(39,206)	
Compensated absences	<u>(4,500)</u>	(43,706)

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.

(4,410)**Changes in net assets of governmental activities (Exhibit B)**137,733

## CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2008

	Enterprise Fund <u>Nonmajor School Nutrition</u> \$	Governmental Activities - Internal Service Funds <u>                    </u> \$
<b>Assets</b>		
Cash and cash equivalents	124,497	435,654
Accounts receivable	5,946	8,992
Inventories	7,563	-
Capital assets, net of accumulated depreciation	<u>104,121</u>	<u>-</u>
<b>Total assets</b>	<u>242,127</u>	<u>444,646</u>
<b>Liabilities</b>		
Accounts payable	-	201,100
Interfund payable	-	60,000
Deferred revenue	<u>10,708</u>	<u>-</u>
<b>Total liabilities</b>	<u>10,708</u>	<u>261,100</u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	104,121	-
Unrestricted	<u>127,298</u>	<u>183,546</u>
<b>Total net assets</b>	<u>231,419</u>	<u>183,546</u>

## CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Enterprise Fund	Governmental Activities - Internal Service Funds
	Nonmajor School Nutrition	
	\$	\$
Operating revenues:		
Local sources:		
Charges for service	192,965	1,674,106
Operating expenses:		
Non-instructional programs:		
Salaries	139,488	-
Benefits	65,097	1,678,516
Purchased services	6,599	-
Supplies	195,372	-
Depreciation	12,063	-
Total operating expenses	418,619	1,678,516
Operating gain (loss)	(225,654)	(4,410)
Non-operating revenues:		
State sources	5,367	-
Federal sources	202,084	-
Interest income	4,327	-
Total non-operating revenues	211,778	-
Change in net assets	(13,876)	(4,410)
Net assets beginning of year	245,295	187,956
Net assets end of year	231,419	183,546

## CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2008

	Enterprise Fund	Governmental Activities - Internal Service Funds
	<u>Nonmajor School Nutrition</u>	<u>Service Funds</u>
	\$	\$
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	199,718	-
Cash received from services provided to other funds	-	1,674,106
Cash payments to employees for services	(204,585)	(1,637,820)
Cash payments to suppliers for goods or services	(171,411)	-
Net cash provided by (used by) operating activities	<u>(176,278)</u>	<u>36,286</u>
Cash flows from non-capital financing activities:		
Loan from (repaid to) General Fund	-	60,000
State grants received	5,367	-
Federal grants received	171,947	-
Net cash provided by non-capital financing activities	<u>177,314</u>	<u>60,000</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(8,360)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>4,627</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(2,697)	96,286
Cash and cash equivalents at beginning of year, as restated	<u>127,494</u>	<u>339,368</u>
Cash and cash equivalents at end of year	<u><u>124,797</u></u>	<u><u>435,654</u></u>
<b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b>		
Operating gain (loss)	(225,654)	(4,410)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:		
Commodities used	30,137	-
Depreciation	12,063	-
Decrease (increase) in inventories	634	-
Decrease (increase) in accounts receivable	(549)	34,878
(Decrease) increase in accounts payable	(211)	5,818
(Decrease) increase in deferred revenue	7,302	-
Net cash used by operating activities	<u>(176,278)</u>	<u>36,286</u>

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

During the year ended June 30, 2008, the District received \$30,137 of federal commodities.

## CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2008

	Private Purpose Trust
	<u>\$</u>
<b>Assets</b>	
Cash and pooled investments	113,186
<b>Liabilities</b>	
	<u>-</u>
<b>Net Assets</b>	
Reserved for scholarships	110,108
Reserved for student personal needs	<u>3,078</u>
<b>Total net assets</b>	<u><u>113,186</u></u>

## CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2008

	Private Purpose Trust
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	4,498
Interest	4,099
Total additions	<u>8,597</u>
Deductions:	
Support services:	
Scholarships awarded	7,950
Golden Apple Award	200
Student personal needs	407
Total deductions	<u>8,557</u>
Change in net assets	40
Net assets beginning of year	<u>113,146</u>
Net assets end of year	<u><u>113,186</u></u>

# CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2008

### 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 attributable to the acquisition, construction, or improvement of those assets.

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as 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 not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when

they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

#### D. Assets, Liabilities and Fund Equity

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

Cash, 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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

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, 2008. 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 not available for appropriation or 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 are imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the instruction area exceeded the amount budgeted.

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

The District's deposits in banks at June 30, 2008 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, 2008, the District had the following investments:

	<u>Fair Value</u>
	\$
Goldman Sachs Financial Square Treasury Obligations Fund	289,757

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, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
General Fund	Nonmajor Internal Service Fund	60,000
General Fund	Nonmajor Governmental Funds: Management Fund	35,970

The 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, 2008 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	161,530
Nonmajor Governmental Funds: Debt Service Fund	Capital Projects Fund	327,139

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, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress	3,079,011	-	3,079,011	-
Land	82,379	-	-	82,379
Total capital assets net being depr.	<u>3,161,390</u>	<u>-</u>	<u>3,079,011</u>	<u>82,379</u>

Capital assets being depreciated:				
Buildings	8,870,303	4,468,166	-	13,338,469
Improvements other than buildings	654,391	-	-	654,391
Furniture and equipment	<u>1,099,463</u>	<u>98,756</u>	<u>49,784</u>	<u>1,148,435</u>
Total capital assets being deprec.	<u>10,624,157</u>	<u>4,566,922</u>	<u>49,784</u>	<u>15,141,295</u>
Less accumulated depreciation for:				
Buildings	3,070,036	314,040	-	3,384,076
Improvements other than buildings	418,679	18,077	-	436,756
Furniture and equipment	<u>758,747</u>	<u>64,946</u>	<u>49,784</u>	<u>773,909</u>
Total accumulated depreciation	<u>4,247,462</u>	<u>397,063</u>	<u>49,784</u>	<u>4,594,741</u>
Total capital assets being depreciated, net	<u>6,376,695</u>	<u>4,169,859</u>	-	<u>10,546,554</u>
Governmental activities capital assets, net	<u>9,538,085</u>	<u>4,169,859</u>	<u>3,079,011</u>	<u>10,628,933</u>
	Balance			Balance End
	Beginning of	Increases	Decreases	of Year
	Year			
	\$	\$	\$	\$
<b>Business type activities:</b>				
Furniture and equipment	151,430	8,360	-	159,790
Less accumulated depreciation	<u>43,606</u>	<u>12,063</u>	-	<u>55,669</u>
Business type activities capital assets, net	<u>107,824</u>	<u>(3,703)</u>	-	<u>104,121</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	8,268
Other	9,258
Support services:	
Operation and maintenance of plant services	6,972
Transportation	<u>40,448</u>
	64,946
Unallocated depreciation	<u>332,117</u>
Total depreciation expense – governmental activities	<u>397,063</u>
Business type activities:	
Food services	<u>12,063</u>

## 6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	4,000,000	-	-	4,000,000	150,000
Local option sales and services tax revenue bonds	1,085,000	-	120,000	965,000	125,000
Capital loan notes	1,190,000	-	225,000	965,000	230,000
Note payable – special assessment	16,570	-	6,428	10,142	6,693
Termination benefits	441,736	166,373	127,167	480,942	144,566
Compensated absences	29,250	8,950	4,450	33,750	5,062
<b>Total</b>	<b>6,762,556</b>	<b>175,323</b>	<b>483,045</b>	<b>6,454,834</b>	<b>661,321</b>

### 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, 2008, the District has obligations to eleven participants with a total liability of \$480,942. Actual early retirement expenditures for the year ended June 30, 2008 totaled \$127,167.

### General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of August 2006			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2009	4.50	150,000	180,000	330,000
2010	4.50	155,000	173,250	328,250
2011	4.50	165,000	166,276	331,276
2012	4.50	170,000	158,850	328,850
2013	4.50	180,000	151,200	331,200
2014-2018	4.50	1,015,000	627,978	1,642,978
2019-2023	4.50	1,260,000	378,904	1,638,904
2024-2026	4.50	905,000	82,578	987,578
		<u>4,000,000</u>	<u>1,919,036</u>	<u>5,919,036</u>

### Revenue Bonds Payable

Details of the District's June 30, 2008 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
	%	\$	\$	\$
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	3.10	135,000	17,698	152,698
2013	3.30	140,000	13,295	153,295
2014-2015	3.50-3.70	305,000	11,227	316,227
		<u>965,000</u>	<u>116,972</u>	<u>1,081,972</u>

The District has pledged future local option sales and services tax revenues to repay the \$1,265,000 bonds issued in April 2004. The 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 and received by the District and are payable through 2015. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 30 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$1,081,972. For the current year, \$120,000 principal and \$30,693 interest was paid on the bonds and total local option sales and services tax revenues were \$511,973.

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:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
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>965,000</u>	<u>79,323</u>	<u>1,044,323</u>

During the year ended June 30, 2008 the District made principal and interest payments totaling \$261,083 under the note agreements.

#### 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:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2009	4.00	6,700	337	7,037
2010	4.00	3,442	68	3,510
		<u>10,142</u>	<u>405</u>	<u>10,547</u>

During the year ended June 30, 2008 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 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$310,792, \$284,326, and \$274,110 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 \$307,277 for the year ended June 30, 2008 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, 2008 the District had \$32,530 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.

REQUIRED SUPPLEMENTARY INFORMATION

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2008

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	5,468,986	197,292	5,666,278	4,859,638	4,859,638	806,640
Intermediate sources	-	-	-	556,500	556,500	(556,500)
State sources	4,172,647	5,367	4,178,014	3,679,107	3,679,107	498,907
Federal sources	293,454	202,084	495,538	515,000	515,000	(19,462)
Total revenues	<u>9,935,087</u>	<u>404,743</u>	<u>10,339,830</u>	<u>9,610,245</u>	<u>9,610,245</u>	<u>729,585</u>
Expenditures/Expenses:						
Instruction	5,867,145	-	5,867,145	5,772,482	5,772,482	(94,663)
Support services	2,819,091	-	2,819,091	3,322,150	3,322,150	503,059
Non-instructional programs	14,609	418,619	433,228	674,384	674,384	241,156
Other expenditures	2,743,330	-	2,743,330	2,850,858	2,850,858	107,528
Total expenditures/expenses	<u>11,444,175</u>	<u>418,619</u>	<u>11,862,794</u>	<u>12,619,874</u>	<u>12,619,874</u>	<u>757,080</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(1,509,088)	(13,876)	(1,522,964)	(3,009,629)	(3,009,629)	1,486,665
Other financing sources (uses) net	<u>85,495</u>	<u>-</u>	<u>85,495</u>	<u>27,918</u>	<u>27,918</u>	<u>57,577</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	(1,423,593)	(13,876)	(1,437,469)	(2,981,711)	(2,981,711)	1,544,242
Balance beginning of year	<u>2,578,654</u>	<u>245,295</u>	<u>2,823,949</u>	<u>3,593,019</u>	<u>3,593,019</u>	<u>(769,070)</u>
Balance end of year	<u>1,155,061</u>	<u>231,419</u>	<u>1,386,480</u>	<u>611,308</u>	<u>611,308</u>	<u>775,172</u>

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2008

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 function 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 did not amend its budget.

During the year ended June 30, 2008, expenditures in the instruction function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

## CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2008

	Special Revenue Funds			Total
	Management Levy	Student Activity Fund	Debt Service	
	\$	\$	\$	\$
<b>Assets</b>				
Cash and pooled investments	-	150,556	43,508	194,064
Receivables:				
Property tax:				
Delinquent	3,440	-	3,201	6,641
Succeeding year	370,000	-	304,795	674,795
Accounts	-	189	-	189
<b>Total assets</b>	<b>373,440</b>	<b>150,745</b>	<b>351,504</b>	<b>875,689</b>
<b>Liabilities &amp; Fund Balances</b>				
Liabilities:				
Accounts payable	-	537	-	537
Interfund payables	35,970	-	-	35,970
Deferred revenue:				
Succeeding year property tax	370,000	-	304,795	674,795
Total liabilities	<u>405,970</u>	<u>537</u>	<u>304,795</u>	<u>711,302</u>
Fund balances:				
Reserved for debt service	-	-	46,709	46,709
Unreserved fund balance reported in:				
Special revenue funds	(32,530)	150,208	-	117,678
Total fund balances	<u>(32,530)</u>	<u>150,208</u>	<u>46,709</u>	<u>164,387</u>
<b>Total liabilities and fund balances</b>	<b>373,440</b>	<b>150,745</b>	<b>351,504</b>	<b>875,689</b>

## CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>Management</u>	<u>Student</u>	<u>Debt</u>	
	<u>Levy</u>	<u>Activity</u>	<u>Service</u>	
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	299,744	-	284,664	584,408
Other	16,478	252,023	-	268,501
State sources	165	-	154	319
Total revenues	<u>316,387</u>	<u>252,023</u>	<u>284,818</u>	<u>853,228</u>
Expenditures:				
Current:				
Instruction:				
Regular	154,950	-	-	154,950
Other	-	211,667	-	211,667
Support services:				
Student	186	-	-	186
Administration	20,505	-	324	20,829
Operation and maintenance of plant	70,525	-	-	70,525
Transportation	32,074	-	-	32,074
Non-instructional programs	14,609	-	-	14,609
Other expenditures:				
Long-term debt:				
Principal	-	-	351,428	351,428
Interest and fiscal charges	-	-	375,026	375,026
Total expenditures	<u>292,849</u>	<u>211,667</u>	<u>726,778</u>	<u>1,231,294</u>
Excess (deficiency) of revenues over (under) expenditures	23,538	40,356	(441,960)	(378,066)
Other financing sources (uses):				
Operating transfers in	-	-	488,669	488,669
Net change in fund balances	23,538	40,356	46,709	110,603
Fund balances beginning of year	<u>(56,068)</u>	<u>109,852</u>	<u>-</u>	<u>53,784</u>
Fund balances end of year	<u>(32,530)</u>	<u>150,208</u>	<u>46,709</u>	<u>164,387</u>

## CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

<u>Account</u>	<u>Balance Beginning of Year</u> \$	<u>Revenues</u> \$	<u>Expenditures</u> \$	<u>Intra-Fund Transfers</u> \$	<u>Balance End of Year</u> \$
Vending machine	17,952	5,066	953	-	22,065
Concessions	4,437	24,928	23,909	-	5,456
Classes	3,343	8,903	8,671	-	3,575
Spanish club	11,871	19,871	10,219	-	21,523
MS peer helper	1,794	17,246	14,673	-	4,367
Cheerleaders	1,370	6,522	5,124	14	2,782
Dance team	14	-	-	(14)	-
FBLA	411	714	627	-	498
Student council	2,215	4,078	3,056	-	3,237
Athletics	25,053	74,898	63,828	-	36,123
Vocal music	585	5,431	3,992	-	2,024
MS vocal	5,577	7,898	6,244	-	7,231
MS band	4,754	8,325	5,485	-	7,594
Drama/speech	5,423	3,643	2,126	-	6,940
FFA	5,970	34,473	26,429	-	14,014
NHS	832	1,913	134	-	2,611
Lasso	3,949	9,375	7,007	-	6,317
Industrial arts club	-	8,942	8,137	-	805
Science Club	-	464	-	-	464
JEL	689	111	-	-	800
FCCLA	7	3,928	2,858	-	1,077
HS band	-	21,484	20,576	-	908
Interest	16,294	(16,149)	-	-	145
June 30, 2007 accruals	(2,688)	(230)	(2,918)	-	-
June 30, 2008 accruals	-	189	537	-	(348)
<b>Total</b>	<b>109,852</b>	<b>252,023</b>	<b>211,667</b>	<b>-</b>	<b>150,208</b>

## 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			
	2008	2007	2006	2005
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	4,376,274	4,246,981	3,866,463	3,760,131
Tuition	625,696	588,690	464,096	237,260
Other	467,016	708,219	403,312	311,084
State sources	4,172,647	4,014,363	3,974,315	3,607,654
Federal sources	293,454	280,580	306,184	337,802
Total revenues	<u>9,935,087</u>	<u>9,838,833</u>	<u>9,014,370</u>	<u>8,253,931</u>
Expenditures:				
Instruction:				
Regular	3,804,185	3,732,010	3,387,151	3,248,415
Special	937,251	875,326	903,848	893,719
Other	1,125,709	1,088,001	1,060,959	928,010
Support services:				
Student	237,191	210,850	204,368	289,181
Instructional staff	263,874	251,817	271,394	237,110
Administration	960,422	936,083	845,261	798,647
Operation and maintenance of plant	834,047	840,981	731,884	704,788
Transportation	523,557	465,688	424,909	350,256
Non-instructional programs	14,609	4,837	8,480	20,935
Other expenditures:				
Facilities acquisition	1,709,599	3,263,419	80,756	1,247,133
Long-term debt:				
Principal	351,428	353,940	431,394	397,172
Interest and other charges	375,026	74,799	83,869	84,161
AEA flowthrough	307,277	299,372	290,471	269,312
Total expenditures	<u>11,444,175</u>	<u>12,397,123</u>	<u>8,724,744</u>	<u>9,468,839</u>

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, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated June 1, 2009. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Clarion-Goldfield Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clarion-Goldfield Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Clarion-Goldfield Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Clarion-Goldfield Community School District's financial statements that is more than inconsequential will not be prevented or detected by Clarion-Goldfield Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Clarion-Goldfield Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items 08-I-A, 08-I-B, and 08-I-C are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clarion-Goldfield Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 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.

Clarion-Goldfield Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Finding and Responses. While we have expressed our conclusions on the District's responses, we did not audit Clarion-Goldfield Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of 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

June 1, 2009

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2008

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

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

Recommendation: We realize 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: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

08-I-B Financial Reporting: During the audit, we identified material amounts of receivables and payables not recorded in the District's financial records. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation: The District should implement procedures to ensure all receivables and payables are identified and included in the District's financial statements.

District Response: We will double check these in the future to avoid missing any receivables or payables.

Conclusion: Response accepted.

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

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

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2008

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

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

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2008

Part II: Other Findings Related to Statutory Reporting:

08-II-A Certified Budget: Expenditures for the year ended June 30, 2008, exceeded the amount budgeted in the instruction function.

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

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

Conclusion: Response accepted.

08-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.

08-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.

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

08-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.

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

08-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 October 2007, was overstated by six students. The class lists in the enrollment folder did not reconcile the number of students certified. Also the calculation for supplemental weighting included open enrollment in students.

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

District Response: We will contact these departments.

Conclusion: Response accepted.

08-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.

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

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

June 30, 2008

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

08-II-J Deficit Balances: The District's Management Fund has a deficit fund balance of \$32,530 at June 30, 2008.

Recommendation: The District should continue to monitor this fund and investigate alternatives to eliminate the deficit.

District Response: The deficit will be covered by future property tax collections.

Conclusion: Response accepted.

08-II-K 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 \$41,134 for snow removal and 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. 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.

08-II-L Interest Rate on Certificates of Deposit: We noted two Private Trust Fund certificates of deposit that had an interest rate below the minimum rate set by the State of Iowa.

Recommendation: The District should contact the bank to get the rate adjusted.

District Response: We have already done this.

Conclusion: Response accepted.