

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

JUNE 30, 2011

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Clarinda Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Pallin Turner	President	2013
Brian Fine	Vice President	2011
Seth Watkins	Board Member	2011
Beth Rarick	Board Member	2013
Scott McComb	Board Member	2011
School Officials		
Paul Honnold	Superintendent	2011
Cindy VanFossen	District Secretary/ Treasurer	2011
Ahlers & Cooney	Attorney	Indefinite

Clarinda Community School District

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Clarinda 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 the Clarinda Community School District, Clarinda, Iowa as of and for the year ended June 30, 2011, 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 Clarinda Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 9, 2012 on our consideration of Clarinda 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.

Members American Institute & Iowa Society of Certified Public Accountants

Management's Discussion and Analysis and Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 44 through 46 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Clarinda Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, 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.



NOLTE, CORNMAN & JOHNSON, P.C.

March 9, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clarinda 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, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$9,620,854 in fiscal 2010 to \$10,669,167 in fiscal 2011, while General Fund expenditures increased from \$9,812,120 in fiscal 2010 to \$9,974,387 in fiscal 2011. This resulted in an increase in the District's General Fund balance from \$936,976 in fiscal 2010 to \$1,631,756 in fiscal 2011, a 74.15% increase from the prior year.
- The increase in General Fund revenues was primarily attributable to increases in local and state sources in fiscal 2011. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits paid to District employees.

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 Clarinda 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 Clarinda 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 Clarinda Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

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

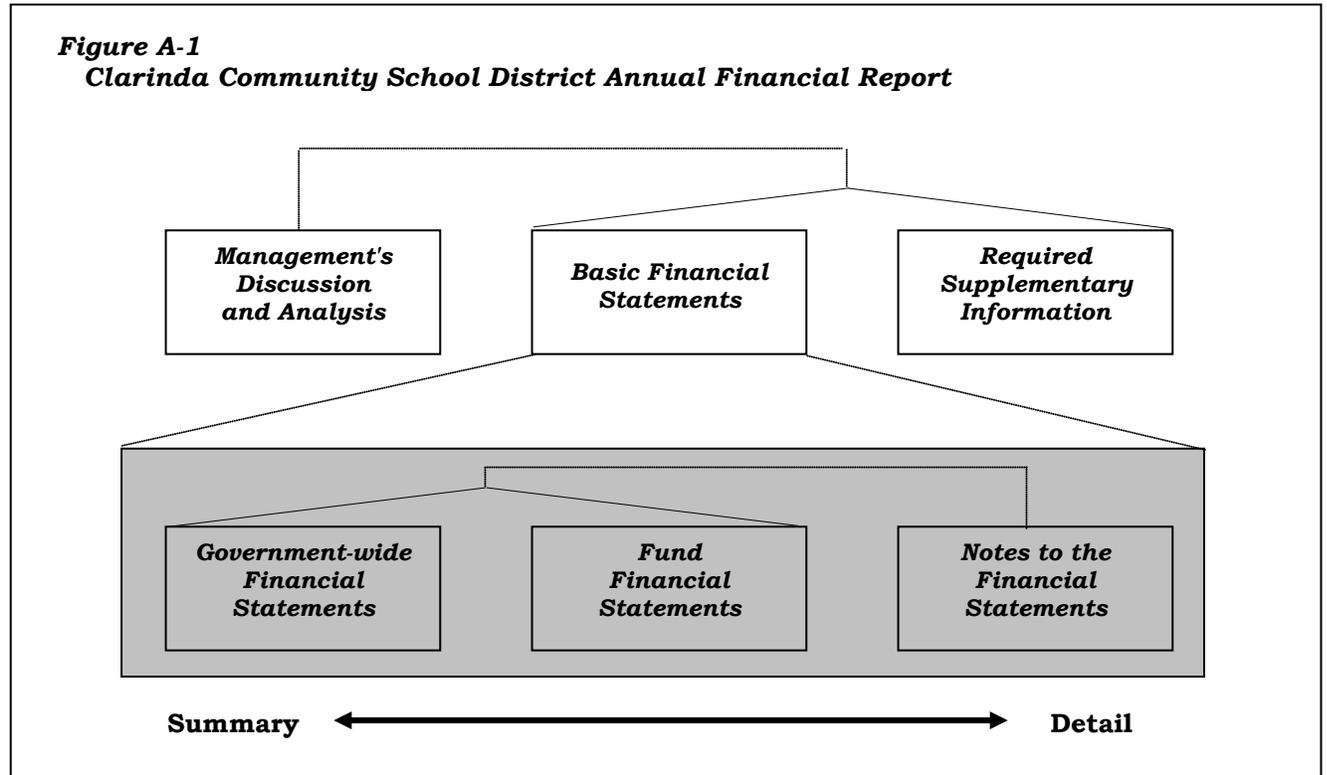


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due 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 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 the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Cardinal Kids Zone Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in 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 the Private-Purpose Trust Fund and Agency Fund.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - These are funds for which the District administers and accounts for certain donations made to the District.

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

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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, 2011 compared to June 30, 2010.

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 8,498,012	7,586,405	257,039	229,811	8,755,051	7,816,216	12.01%
Capital assets	7,233,836	7,918,641	19,045	21,528	7,252,881	7,940,169	-8.66%
Total assets	15,731,848	15,505,046	276,084	251,339	16,007,932	15,756,385	1.60%
Long-term obligations	74,237	279,905	3,491	0	77,728	279,905	-72.23%
Other liabilities	4,421,991	4,612,303	28,359	23,424	4,450,350	4,635,727	-4.00%
Total liabilities	4,496,228	4,892,208	31,850	23,424	4,528,078	4,915,632	-7.88%
Net assets:							
Invested in capital assets, net of related debt	7,233,836	7,678,641	19,045	21,528	7,252,881	7,700,169	-5.81%
Restricted	2,257,372	1,670,841	0	0	2,257,372	1,670,841	35.10%
Unrestricted	1,744,412	1,263,356	225,189	206,387	1,969,601	1,469,743	34.01%
Total net assets	\$ 11,235,620	10,612,838	244,234	227,915	11,479,854	10,840,753	5.90%

The District's combined net assets increased by 5.90%, or \$639,101, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents 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 \$586,531, or 35.10%, over the prior year. This increase in restricted net assets was a result of the District's increase in the Capital Projects Accounts balance.

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 – increased \$499,858, or 34.01%. This increase in unrestricted net assets was a result of the increase in the General Fund balance

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4
Changes in Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues:							
Program revenues:							
Charges for services	\$ 1,787,633	1,533,178	216,819	224,398	2,004,452	1,757,576	14.05%
Operating grants and contributions and restricted interest	1,227,104	2,458,279	308,763	278,805	1,535,867	2,737,084	-43.89%
General revenues:							
Property tax	3,228,124	3,010,006	0	0	3,228,124	3,010,006	7.25%
Income surtax	226,310	254,182	0	0	226,310	254,182	-10.97%
Statewide sales, services and use tax	657,225	570,199	0	0	657,225	570,199	15.26%
Unrestricted state grants	4,284,734	3,317,468	0	0	4,284,734	3,317,468	29.16%
Nonspecific program federal grants	278,419	0	0	0	278,419	0	100.00%
Other	127,280	25,096	4,360	0	131,640	25,096	424.55%
Total revenues	11,816,829	11,168,408	529,942	503,203	12,346,771	11,671,611	5.78%
Program expenses:							
Governmental activities:							
Instructional	6,898,933	7,016,943	0	0	6,898,933	7,016,943	-1.68%
Support services	3,337,209	2,860,992	565	0	3,337,774	2,860,992	16.66%
Non-instructional programs	0	0	513,058	506,362	513,058	506,362	1.32%
Other expenses	957,905	829,332	0	0	957,905	829,332	15.50%
Total expenses	11,194,047	10,707,267	513,623	506,362	11,707,670	11,213,629	4.41%
Changes in net assets	622,782	461,141	16,319	(3,159)	639,101	457,982	39.55%
Beginning net assets, as restated	10,612,838	10,151,697	227,915	231,074	10,840,753	10,382,771	4.41%
Ending net assets	\$ 11,235,620	10,612,838	244,234	227,915	11,479,854	10,840,753	5.90%

In fiscal 2011, property tax, income surtax, statewide sales and services tax and unrestricted state grants account for 71.05% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.18% of the revenue from business type activities.

The District's total revenues were approximately \$12.35 million of which approximately \$11.82 million was for governmental activities and approximately \$0.53 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 5.78% increase in revenues and a 4.41% increase in expenses. Revenues increased as a result of additional funding from state sources. Expenses were increased due to increase costs in salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$11,816,829 and expenses were \$11,194,047.

The following table presents the total and net cost of the District’s major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change	2011	2010	Change
			2010-11			2010-11
Instruction	\$ 6,898,933	7,016,943	-1.68%	4,305,179	3,547,809	21.35%
Support services	3,337,209	2,860,992	16.65%	3,304,901	2,727,498	21.17%
Other expenses	957,905	829,332	15.50%	569,230	440,503	29.22%
Totals	\$ 11,194,047	10,707,267	4.55%	8,179,310	6,715,810	21.79%

- The cost financed by users of the District’s programs was \$1,787,633.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,227,104.
- The net cost of governmental activities was financed with \$3,228,124 in property tax, \$226,310 in income surtax, \$657,225 in statewide sales, services and use tax, \$4,284,734 in unrestricted state grants, \$278,419 in nonspecific program federal revenues, \$7,574 in interest income and \$119,706 in other general revenues.

Business type Activities

Revenues of the District’s business type activities were \$529,942 and expenses were \$513,623. The District’s business type activities include the School Nutrition Fund and the Cardinals Kids Zone Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Clarinda 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 combined fund balance of \$3,838,446, significantly above last year’s ending fund balance of \$2,745,750. The primary reason for the increase in combined fund balance in fiscal 2011 was the increase in the General Fund balance.

Governmental Fund Highlights

- The District’s General Fund financial position is the product of many factors. Revenues increased due to additional taxes levied and an increase in state source revenues. The increase in expenses was due to increasing salary and benefit costs.

- The Capital Projects Fund balance increased from a restated balance of \$1,308,487 at the beginning of the fiscal year 2011 to \$1,822,053. The beginning balance was restated as a result of the Physical Plant and Equipment Levy Fund reclassification as a Capital Projects Fund account in accordance with GASB Statement No. 54. This was a result of the District sales tax revenues in excess of expenditures.

Proprietary Fund Highlights

The Proprietary Fund net assets increased from \$227,915 at June 30, 2010 to \$244,234 at June 30, 2011, representing an increase of 7.16%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$173,136 more than budgeted revenues, a variance of 1.42%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional program functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$7,252,881, 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 amount represents a net decrease of 8.66% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$736,083.

The original cost of the District's capital assets was \$14,516,792. Governmental funds account for \$14,402,440 with the remainder of \$114,352 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$187,980 at June 30, 2011, compared to \$331,228 reported at June 30, 2010. This decrease was due to depreciation expense taken during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business type		Total		Total
	Activities		Activities		School District		Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	
	2011	2010	2011	2010	2011	2010	2010-11
Land	\$ 120,863	115,863	0	0	120,863	115,863	4.32%
Buildings	6,418,662	6,626,453	0	0	6,418,662	6,626,453	-3.14%
Land improvements	525,376	866,625	0	0	525,376	866,625	-39.38%
Machinery and equipment	168,935	309,700	19,045	21,528	187,980	331,228	-43.25%
Total	\$ 7,233,836	7,918,641	19,045	21,528	7,252,881	7,940,169	-8.66%

Long-Term Debt

At June 30, 2011, the District has a Net OPEB liability of \$77,728. This represents a decrease of 72.23% in long-term debt outstanding from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Revenue bonds	0	240,000	0	0	0	240,000	-100.00%
Net OPEB obligation	74,237	39,905	3,491	0	77,728	39,905	94.78%
Total	\$ 74,237	279,905	3,491	0	77,728	279,905	-72.23%

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 recession that has impacted the State of Iowa's budget has resulted in cuts in funding for all programs. Future increases in state aid to schools will be based upon the condition of the state and national economy. What happens in the future with state aid will have an impact on the District's General Fund budget.
- The 2011 General Assembly established allowable growth at 2% for school districts for the 2012-2013 fiscal year. Allowable growth has not been set for the 2013-2014 school year.

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 Paul Honnold, Superintendent, Clarinda Community School District, 423 East Nodaway, Clarinda, Iowa, 51632.

Clarinda Community School District

BASIC FINANCIAL STATEMENTS

CLARINDA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and pooled investments	\$ 3,921,343	233,949	4,155,292
Receivables:			
Property tax:			
Delinquent	48,929	0	48,929
Succeeding year	3,164,217	0	3,164,217
Income surtax	237,575	0	237,575
Accounts	38,411	0	38,411
Due from other governments	1,087,537	62	1,087,599
Inventories	0	23,028	23,028
Capital assets, net of accumulated depreciation	7,233,836	19,045	7,252,881
TOTAL ASSETS	15,731,848	276,084	16,007,932
LIABILITIES			
Accounts payable	960,030	0	960,030
Salaries and benefits payable	83,357	24,521	107,878
Deferred revenue:			
Succeeding year property tax	3,164,217	0	3,164,217
Other	214,387	0	214,387
Unearned revenue	0	3,838	3,838
Long-term liabilities:			
Portion due after one year:			
Net OPEB liability	74,237	3,491	77,728
TOTAL LIABILITIES	4,496,228	31,850	4,528,078
NET ASSETS			
Invested in capital assets, net of related debt	7,233,836	19,045	7,252,881
Restricted for:			
Categorical funding	50,682	0	50,682
School infrastrucutre	1,263,053	0	1,263,053
Physical plant and equipment levy	559,000	0	559,000
Management levy purposes	190,225	0	190,225
Student activities	194,412	0	194,412
Unrestricted	1,744,412	225,189	1,969,601
TOTAL NET ASSETS	\$ 11,235,620	244,234	11,479,854

SEE NOTES TO FINANCIAL STATEMENTS.

CLARINDA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges	Operating Grants,	Govern- mental Activities	Business Type. Activities	Total
		for Services	Contributions and Restricted Interest			
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 3,744,131	577,279	117,361	(3,049,491)	0	(3,049,491)
Special	1,683,444	972,959	90,901	(619,584)	0	(619,584)
Other	1,471,358	236,767	598,487	(636,104)	0	(636,104)
	<u>6,898,933</u>	<u>1,787,005</u>	<u>806,749</u>	<u>(4,305,179)</u>	<u>0</u>	<u>(4,305,179)</u>
Support services:						
Student	286,420	0	0	(286,420)	0	(286,420)
Instructional staff	559,643	0	6,500	(553,143)	0	(553,143)
Administration	1,110,237	0	0	(1,110,237)	0	(1,110,237)
Operation and maintenance of plant	1,002,312	0	0	(1,002,312)	0	(1,002,312)
Transportation	378,597	628	25,180	(352,789)	0	(352,789)
	<u>3,337,209</u>	<u>628</u>	<u>31,680</u>	<u>(3,304,901)</u>	<u>0</u>	<u>(3,304,901)</u>
Other expenses:						
Long-term debt interest	200	0	0	(200)	0	(200)
AEA flowthrough	388,675	0	388,675	0	0	0
Depreciation(unallocated)*	569,030	0	0	(569,030)	0	(569,030)
	<u>957,905</u>	<u>0</u>	<u>388,675</u>	<u>(569,230)</u>	<u>0</u>	<u>(569,230)</u>
Total governmental activities	11,194,047	1,787,633	1,227,104	(8,179,310)	0	(8,179,310)
Business Type activities:						
Support services:						
Operation and maintenance of plant	565	0	0	0	(565)	(565)
Non-instructional programs:						
Nutrition services	513,058	216,819	308,763	0	12,524	12,524
Total business type activities	<u>513,623</u>	<u>216,819</u>	<u>308,763</u>	<u>0</u>	<u>11,959</u>	<u>11,959</u>
Total	\$ <u>11,707,670</u>	<u>2,004,452</u>	<u>1,535,867</u>	<u>(8,179,310)</u>	<u>11,959</u>	<u>(8,167,351)</u>
General Revenues :						
Property tax for:						
General purposes				\$ 3,151,779	0	3,151,779
Capital outlay				76,345	0	76,345
Income surtax				226,310	0	226,310
Statewide sales, services and use tax				657,225	0	657,225
Unrestricted state grants				4,284,734	0	4,284,734
Nonspecific program federal grants				278,419	0	278,419
Unrestricted investment earnings				7,574	629	8,203
Other general revenues				119,706	3,731	123,437
Total general revenues				<u>8,802,092</u>	<u>4,360</u>	<u>8,806,452</u>
Changes in net assets				622,782	16,319	639,101
Net assets beginning of year				<u>10,612,838</u>	<u>227,915</u>	<u>10,840,753</u>
Net assets end of year				\$ <u>11,235,620</u>	<u>244,234</u>	<u>11,479,854</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

CLARINDA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 1,868,218	1,656,184	396,941	3,921,343
Receivables:				
Property tax:				
Delinquent	45,496	1,152	2,281	48,929
Succeeding year	2,935,122	79,095	150,000	3,164,217
Income surtax	237,575	0	0	237,575
Accounts	38,411	0	0	38,411
Due from other funds	0	0	6,908	6,908
Due from other governments	897,929	189,608	0	1,087,537
TOTAL ASSETS	\$ 6,022,751	1,926,039	556,130	8,504,920
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 913,646	24,891	21,493	960,030
Salaries and benefits payable	83,357	0	0	83,357
Due to other funds	6,908	0	0	6,908
Deferred revenue:				
Succeeding year property tax	2,935,122	79,095	150,000	3,164,217
Income surtax	237,575	0	0	237,575
Other	214,387	0	0	214,387
Total liabilities	4,390,995	103,986	171,493	4,666,474
Fund balances:				
Restricted for:				
Categorical funding	50,682	0	0	50,682
School infrastructure	0	1,263,053	0	1,263,053
Physical plant and equipment levy	0	559,000	0	559,000
Management levy purposes	0	0	190,225	190,225
Student activities	0	0	194,412	194,412
Unassigned	1,581,074	0	0	1,581,074
Total fund balances	1,631,756	1,822,053	384,637	3,838,446
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,022,751	1,926,039	556,130	8,504,920

SEE NOTES TO FINANCIAL STATEMENTS.

CLARINDA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2011

Total fund balances of governmental funds(page 20)	\$	3,838,446
 <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.		7,233,836
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		237,575
Long-term liabilities including other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(74,237)
		<hr style="border-top: 1px solid black;"/>
Net assets of governmental activities(page 18)	\$	<u><u>11,235,620</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

CLARINDA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 3,224,335	733,570	150,291	4,108,196
Tuition	1,404,024	0	0	1,404,024
Other	250,729	1,855	258,305	510,889
State sources	4,764,352	60	118	4,764,530
Federal sources	1,025,727	0	0	1,025,727
Total revenues	<u>10,669,167</u>	<u>735,485</u>	<u>408,714</u>	<u>11,813,366</u>
EXPENDITURES:				
Current:				
Instruction:				
Regular	3,677,684	0	37,946	3,715,630
Special	1,678,080	0	0	1,678,080
Other	1,236,069	0	225,866	1,461,935
	<u>6,591,833</u>	<u>0</u>	<u>263,812</u>	<u>6,855,645</u>
Support services:				
Student	284,913	0	0	284,913
Instructional staff	551,934	0	0	551,934
Administration	1,099,585	0	0	1,099,585
Operation and maintenance of plant	792,131	0	135,781	927,912
Transportation	265,316	20,779	0	286,095
	<u>2,993,879</u>	<u>20,779</u>	<u>135,781</u>	<u>3,150,439</u>
Other expenditures:				
Facilities acquisitions	0	79,951	0	79,951
Long-term debt:				
Principal	0	0	240,000	240,000
Interest and fiscal charges	0	0	5,960	5,960
AEA flowthrough	388,675	0	0	388,675
	<u>388,675</u>	<u>79,951</u>	<u>245,960</u>	<u>714,586</u>
Total expenditures	<u>9,974,387</u>	<u>100,730</u>	<u>645,553</u>	<u>10,720,670</u>
Excess(deficiency) of revenues over over(under) expenditures	694,780	634,755	(236,839)	1,092,696
Other financing sources(uses):				
Transfer in	0	124,771	245,960	370,731
Transfer out	0	(245,960)	(124,771)	(370,731)
Total other financing sources(uses)	<u>0</u>	<u>(121,189)</u>	<u>121,189</u>	<u>0</u>
Net change in fund balances	694,780	513,566	(115,650)	1,092,696
Fund balance beginning of year, as restated	936,976	1,308,487	500,287	2,745,750
Fund balance end of year	<u>\$ 1,631,756</u>	<u>1,822,053</u>	<u>384,637</u>	<u>3,838,446</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CLARINDA 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, 2011

Net change in fund balances - total governmental funds(page 22) \$ 1,092,696

**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 reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays, loss on disposal of capital assets and depreciation expense in the year are as follows:

Capital outlays	\$ 46,419	
Depreciation expense	(730,574)	
Loss on disposal of capital assets	(650)	(684,805)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 240,000

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. 5,760

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. 3,463

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.

Other postemployment benefits		(34,332)

Changes in net assets of governmental activities(page 19) \$ 622,782

SEE NOTES TO FINANCIAL STATEMENTS.

CLARINDA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	School Nutrition	Cardinals Kids Zone	Total
ASSETS			
Cash and pooled investments	\$ 218,483	15,466	233,949
Due from other governments	62	0	62
Inventories	23,028	0	23,028
Capital assets, net of accumulated depreciation	19,045	0	19,045
TOTAL ASSETS	260,618	15,466	276,084
LIABILITIES			
Salaries and benefits payable	24,521	0	24,521
Unearned revenue	3,838	0	3,838
Net OPEB liability	3,491	0	3,491
TOTAL LIABILITIES	31,850	0	31,850
NET ASSETS			
Invested in capital assets	19,045	0	19,045
Unrestricted	209,723	15,466	225,189
TOTAL NET ASSETS	\$ 228,768	15,466	244,234

SEE NOTES TO FINANCIAL STATEMENTS.

CLARINDA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	School Nutrition	Cardinals Kids Zone	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 216,819	0	216,819
Miscellaneous	3,731	0	3,731
TOTAL OPERATING REVENUES	220,550	0	220,550
OPERATING EXPENSES:			
Support services:			
Operation and maintenance of plant:			
Services	565	0	565
Non-instructional programs:			
Food service operations:			
Salaries	142,506	0	142,506
Benefits	68,196	0	68,196
Services	666	0	666
Supplies	296,181	0	296,181
Depreciation	5,509	0	5,509
	513,058	0	513,058
TOTAL OPERATING EXPENSES	513,623	0	513,623
OPERATING LOSS	(293,073)	0	(293,073)
NON-OPERATING REVENUES:			
State sources	5,137	0	5,137
Federal sources	303,626	0	303,626
Interest on investments	629	0	629
TOTAL NON-OPERATING REVENUES	309,392	0	309,392
Change in net assets	16,319	0	16,319
Net assets beginning of year	212,449	15,466	227,915
Net assets end of year	\$ 228,768	15,466	244,234

SEE NOTES TO FINANCIAL STATEMENTS.

CLARINDA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	School Nutrition	Cardinals Kids Zone	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 220,657	0	220,657
Cash received from miscellaneous	3,731	0	3,731
Cash payments to employees for services	(206,114)	0	(206,114)
Cash payments to suppliers for goods or services	(257,409)	0	(257,409)
Net cash used in operating activities	<u>(239,135)</u>	<u>0</u>	<u>(239,135)</u>
Cash flows from non-capital financing activities:			
State grants received	5,137	0	5,137
Federal grants received	267,334	0	267,334
Net cash provided by non-capital financing activities	<u>272,471</u>	<u>0</u>	<u>272,471</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(3,026)	0	(3,026)
Cash flows from investing activities:			
Interest on investments	629	0	629
Net increase in cash and cash equivalents	30,939	0	30,939
Cash and cash equivalents at beginning of year	187,544	15,466	203,010
Cash and cash equivalents at end of year	<u>\$ 218,483</u>	<u>15,466</u>	<u>233,949</u>
Reconciliation of operating income to net cash used in operating activities:			
Operating loss	\$ (293,073)	0	(293,073)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	36,230	0	36,230
Depreciation	5,509	0	5,509
Decrease in inventories	3,773	0	3,773
Increase in salaries and benefits payable	1,097	0	1,097
Increase in unearned revenue	3,838	0	3,838
Increase in other postemployment benefits	3,491	0	3,491
Net cash used in operating activities	<u>\$ (239,135)</u>	<u>0</u>	<u>(239,135)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2011, the District received Federal commodities valued at \$36,230.

SEE NOTES TO FINANCIAL STATEMENTS.

CLARINDA COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2011

	Private Purpose Trust Scholarship Fund	Agency Fund
ASSETS		
Cash and pooled investments	\$ 6,760	8,485
LIABILITIES		
Accounts payable	0	822
Due to other groups	0	7,663
Total liabilities	0	8,485
NET ASSETS		
Restricted for scholarships	\$ 6,760	0

SEE NOTES TO FINANCIAL STATEMENTS.

CLARINDA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2011

	Private Purpose Trust
	Scholarship Fund
Additions:	
Local sources:	
Gifts and contributions	\$ 727
Interest income	12
Total additions	<u>739</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>825</u>
Change in net assets	(86)
Net assets beginning of year	<u>6,846</u>
Net assets end of year	<u>\$ 6,760</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CLARINDA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(1) **Summary of Significant Accounting Policies**

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

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

A. Reporting Entity

For financial reporting purposes, Clarinda 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 Clarinda Community School District has no component units which 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 do 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 Page County Assessors' 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 support.

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that 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 that are 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 other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs. Combining schedules are also included for the Capital Project Fund accounts.

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

The District reports the following proprietary funds:

The District's proprietary funds are the School Nutrition and the Cardinal Kid Zone Funds. The Nutrition fund is used to account for the food service operations of the District. The Cardinal Kid Zone Funds is used to account for the classroom education operations of the District.

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

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

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and 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 judgments, 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 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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - restricted and then unassigned fund balances.

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

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

The District maintains its financial records on a 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 Balances

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, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are 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 that 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 become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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, Machinery, equipment, and intangibles 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 repairs 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.

Asset Class	Amount
Land	\$ 3,000
Buildings	3,000
Land improvements	3,000
Intangibles	150,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	3,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Intangibles	2 or more years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

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 receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition 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, fund balances are classified as follows:

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

Unassigned - All amounts not included in other spendable classifications.

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

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures in the non-instructional programs expenditures functional area exceeded amounts budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2011 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 and the Treasurer of the State of Iowa; 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, 2011 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,988,823 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) **Due From and Due to Other Funds**

The detail of interfund receivable and payable balances for the year ended June 30, 2011 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Management	General	<u>\$ 6,908</u>

The General Fund is repaying the Management Fund for early retiree benefits paid from the Management Fund that should have been paid from the General Fund.

(4) **Transfers**

The detail of transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales Services and Use Tax	\$ 245,960
Capital Projects: Physical Plant & Equipment Levy	Debt Service	<u>124,771</u>
Total		<u>\$ 370,731</u>

The Capital Projects: Statewide Sales, Services and Use Tax Fund transfer to Debt Service was needed for principal and interest payments on the District's revenue bond indebtedness.

The Debt Service Fund transfer to the Capital Projects: Physical Plant and Equipment Levy Fund was needed to close out the Debt Service Fund now that the District has no remaining debt.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 115,863	5,000	0	120,863
Total capital assets not being depreciated	<u>115,863</u>	<u>5,000</u>	<u>0</u>	<u>120,863</u>
Capital assets being depreciated:				
Buildings	11,390,589	0	0	11,390,589
Land improvements	1,605,139	20,640	1,000	1,624,779
Machinery and equipment	1,321,531	20,779	76,101	1,266,209
Total capital assets being depreciated	<u>14,317,259</u>	<u>41,419</u>	<u>77,101</u>	<u>14,281,577</u>
Less accumulated depreciation for:				
Buildings	4,764,136	207,791	0	4,971,927
Land improvements	738,514	361,239	350	1,099,403
Machinery and equipment	1,011,831	161,544	76,101	1,097,274
Total accumulated depreciation	<u>6,514,481</u>	<u>730,574</u>	<u>76,451</u>	<u>7,168,604</u>
Total capital assets being depreciated, net	<u>7,802,778</u>	<u>(689,155)</u>	<u>650</u>	<u>7,112,973</u>
Governmental activities capital assets, net	<u>\$ 7,918,641</u>	<u>(684,155)</u>	<u>650</u>	<u>7,233,836</u>
Business type activities:				
Machinery and equipment	\$ 111,326	3,026	0	114,352
Less accumulated depreciation	89,798	5,509	0	95,307
Business type activities capital assets, net	<u>\$ 21,528</u>	<u>(2,483)</u>	<u>0</u>	<u>19,045</u>

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 14,102
Other		7,719
Support services:		
Student		6,587
Administration		3,823
Operation and maintenance of plant		16,693
Transportation		112,620
		<u>161,544</u>
Unallocated depreciation		<u>569,030</u>
		<u>730,574</u>
Total governmental activities depreciation expense		<u>\$ 730,574</u>
Business type activities:		
Food services		<u>\$ 5,509</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 240,000	0	240,000	0	0
Net OPEB liability	39,905	34,332	0	74,237	0
Total	<u>\$ 279,905</u>	<u>34,332</u>	<u>240,000</u>	<u>74,237</u>	<u>0</u>
	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Business Type Activities:					
Net OPEB liability	\$ 0	3,491	0	3,491	0

(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 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$350,293, \$348,008, and \$318,317, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 69 active and 7 retired members in the plan. Employees must be age 55 or older at retirement and have ten or more years of service to the District.

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

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

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

The following table shows the components of the District's annual OPEB cost for June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	53,220
Interest on net OPEB obligation		998
Adjustment to annual required contribution		(4,381)
Annual OPEB cost		<u>49,837</u>
Contributions made		<u>(12,014)</u>
Increase in net OPEB obligation		37,823
Net OPEB obligation - beginning of year		<u>39,905</u>
Net OPEB obligation - end of year	\$	<u><u>77,728</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2011.

For fiscal year 2011, the District contributed \$12,014 to the medical plan. Plan members receiving benefits contributed \$0, or 0% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 49,544	19.5%	\$ 39,905
2011	49,837	24.1%	77,728

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$411,437, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$411,437. The covered payroll (annual payroll of active employees covered by the plan) was \$4,093,947, and the ratio of the UAAL to the covered payroll was 10.0%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information in the section following the Notes to the Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The ultimate medical trend rate is 6%. The medical trend rate is reduced by a percentage each year until reaching the 6% ultimate trend rate.

Mortality rates are from the 94 Group Annuity Mortality Table, Projected to 2000 applied on a gender-specific basis. Annual retirement and termination probabilities were based upon the 2006 Society of Actuaries Study. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Projected claim costs of the medical plan are \$558 per month for retirees developed from a combination of age adjusted fully insured premiums and manual claims costs. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), and Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The

Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, disability and life insurance. District contributions to ISEBA for the year ended June 30, 2011 were \$679,439.

The 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.

(10) 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 \$388,675 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2011 are broken out by the following projects:

Project	Amount
Educator Quality, Basic Salary	\$ 39,449
Educator Quality, Prof Development	2,914
Market Factor	2,073
Core curriculum	6,246
Total	<u>\$ 50,682</u>

(12) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2011, expenditures in the non-instructional programs function exceeded the amounts budgeted.

(13) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassification is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010 as previously reported	\$ 925,711	\$ 382,776
Change in fund type classification per implementation of GASB Statement No. 54	<u>382,776</u>	<u>(382,776)</u>
Balance July 1, 2010 as restated	<u>\$ 1,308,487</u>	<u>\$ 0</u>

Clarinda Community School District

REQUIRED SUPPLEMENTARY INFORMATION

CLARINDA COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2011

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 6,023,109	221,179	6,244,288	6,116,463	6,116,463	127,825
State sources	4,764,530	5,137	4,769,667	5,219,445	5,219,445	(449,778)
Federal sources	1,025,727	303,626	1,329,353	834,264	834,264	495,089
Total revenues	<u>11,813,366</u>	<u>529,942</u>	<u>12,343,308</u>	<u>12,170,172</u>	<u>12,170,172</u>	<u>173,136</u>
Expenditures/Expenses:						
Instruction	6,855,645	0	6,855,645	8,747,715	8,747,715	1,892,070
Support services	3,150,439	565	3,151,004	4,091,421	4,091,421	940,417
Non-instructional programs	0	513,058	513,058	0	0	(513,058)
Other expenditures	714,586	0	714,586	1,141,257	1,141,257	426,671
Total expenditures/expenses	<u>10,720,670</u>	<u>513,623</u>	<u>11,234,293</u>	<u>13,980,393</u>	<u>13,980,393</u>	<u>2,746,100</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	1,092,696	16,319	1,109,015	(1,810,221)	(1,810,221)	2,919,236
Balance beginning of year	2,745,750	227,915	2,973,665	2,656,379	2,656,379	317,286
Balance end of year	<u>\$ 3,838,446</u>	<u>244,234</u>	<u>4,082,680</u>	<u>846,158</u>	<u>846,158</u>	<u>3,236,522</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLARINDA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison 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 Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

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

During the year ended June 30, 2011, District expenditures in the non-instructional programs function exceeded the amount budgeted.

CLARINDA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE
 RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial				Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
		Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)				
2010	July 1, 2009	\$ -	\$ 457,987	\$ 457,987	0.0	% \$ 5,293,000	8.7 %	
2011	July 1, 2009	-	411,437	411,437	0.0	4,093,947	10.0	

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

CLARINDA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue		Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	
ASSETS			
Cash and pooled investments	\$ 197,184	199,757	396,941
Receivables:			
Property tax:			
Delinquent	2,281	0	2,281
Succeeding year	150,000	0	150,000
Due from other funds	6,908	0	6,908
TOTAL ASSETS	\$ 356,373	199,757	556,130
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 16,148	5,345	21,493
Deferred revenue:			
Succeeding year property tax	150,000	0	150,000
Total liabilities	166,148	5,345	171,493
Fund balances:			
Restricted for:			
Management levy purposes	190,225	0	190,225
Student activities	0	194,412	194,412
Total fund balances	190,225	194,412	384,637
TOTAL LIABILITIES AND FUND BALANCES	\$ 356,373	199,757	556,130

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLARINDA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2011

	Special Revenue			Debt Service	Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total		
REVENUES:					
Local sources:					
Local tax	\$ 150,291	0	150,291	0	150,291
Other	20,741	237,529	258,270	35	258,305
State sources	118	0	118	0	118
Total revenues	171,150	237,529	408,679	35	408,714
EXPENDITURES:					
Current:					
Instruction:					
Regular	37,946	0	37,946	0	37,946
Other	0	225,866	225,866	0	225,866
Support services:					
Operation and maintenance of plant	135,781	0	135,781	0	135,781
Other expenditures:					
Long-term debt:					
Principal	0	0	0	240,000	240,000
Interest and fiscal charges	0	0	0	5,960	5,960
Total expenditures	173,727	225,866	399,593	245,960	645,553
Excess(Deficiency) of revenues over over(under) expenditures	(2,577)	11,663	9,086	(245,925)	(236,839)
Other financing sources(uses):					
Transfer in	0	0	0	245,960	245,960
Transfer out	0	0	0	(124,771)	(124,771)
Total other financing sources(uses)	0	0	0	121,189	121,189
Net change in fund balances	(2,577)	11,663	9,086	(124,736)	(115,650)
Fund balance beginning of year, as restated	192,802	182,749	375,551	124,736	500,287
Fund balance end of year	\$ 190,225	194,412	384,637	0	384,637

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLARINDA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services & Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,098,336	557,848	1,656,184
Receivables:			
Delinquent	0	1,152	1,152
Succeeding year	0	79,095	79,095
Due from other governments	189,608	0	189,608
Total assets	\$ 1,287,944	638,095	1,926,039
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 24,891	0	24,891
Deferred revenue			
Succeeding year property tax	0	79,095	79,095
Total liabilities	24,891	79,095	103,986
Fund balances:			
Restricted for:			
School infrastructure	1,263,053	0	1,263,053
Physical plant and equipment	0	559,000	559,000
Total fund balances	1,263,053	559,000	1,822,053
Total liabilities and fund balances	\$ 1,287,944	638,095	1,926,039

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLARINDA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services & Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 657,225	76,345	733,570
Other	1,028	827	1,855
State sources	0	60	60
Total revenues	<u>658,253</u>	<u>77,232</u>	<u>735,485</u>
EXPENDITURES:			
Current:			
Support services:			
Transportation	0	20,779	20,779
Other expenditures:			
Facilities acquisitions	74,951	5,000	79,951
Total expenditures	<u>74,951</u>	<u>25,779</u>	<u>100,730</u>
Excess of revenues over expenditures	583,302	51,453	634,755
Other financing sources(uses):			
Transfer in	0	124,771	124,771
Transfer out	(245,960)	0	(245,960)
Total other financing sources(uses)	<u>(245,960)</u>	<u>124,771</u>	<u>(121,189)</u>
Net change in fund balances	337,342	176,224	513,566
Fund balances beginning of year, as restated	<u>925,711</u>	<u>382,776</u>	<u>1,308,487</u>
Fund balances end of year	<u>\$ 1,263,053</u>	<u>559,000</u>	<u>1,822,053</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLARINDA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<u>District-Wide Accounts:</u>				
Paperback Books	\$ 155	6,203	6,197	161
Field Trips	0	1,019	942	77
Athletic Booster Club	180	279	459	0
Wrestling Boosters	8	140	148	0
Band Booster Club	610	6,260	6,543	327
Partners in Education	9,074	2,622	4,252	7,444
Student Activity Interest	7,691	762	0	8,453
Elementary Track Program	3	1,119	1,120	2
Gate Receipts	27,158	46,372	34,469	39,061
	<u>44,879</u>	<u>64,776</u>	<u>54,130</u>	<u>55,525</u>
<u>High School Clubs and Organizations</u>				
Drama	5,000	4,225	4,225	5,000
Music Resale	352	1,364	1,295	421
Annual	5,000	3,935	3,935	5,000
Concessions	8,237	19,107	21,583	5,761
Cheerleaders	4,945	8,147	10,130	2,962
Honor Society	1,000	286	286	1,000
Student Council	2,572	1,876	2,276	2,172
Spanish Club	33	0	0	33
AFS Students	178	0	0	178
Thespian Club	2,201	4,840	5,356	1,685
Weightlifting Club	2,773	6,197	6,162	2,808
FFA	11,601	25,956	24,456	13,101
FCCLA	767	10,738	9,648	1,857
Activities Resale	1,794	16,138	16,094	1,838
Alternative HS Concessions	281	0	230	51
Class of 2010	25	0	25	0
Class of 2011	394	8,615	9,009	0
Class of 2012	1,876	1,900	2,356	1,420
Class of 2013	658	1,797	726	1,729
Class of 2014	0	2,107	688	1,419
REACH Leadership Team	392	0	0	392
	<u>50,079</u>	<u>117,228</u>	<u>118,480</u>	<u>48,827</u>
<u>High School Athletics:</u>				
Cross Country	1,500	875	875	1,500
Golf	1,500	1,334	1,334	1,500
Boys Basketball	4,000	2,409	2,409	4,000
Football	8,000	4,030	4,030	8,000
Baseball	5,000	3,051	2,901	5,150
Boys Track	3,500	2,136	2,136	3,500
Boys Tennis	1,000	174	174	1,000
Wrestling	3,500	3,015	3,015	3,500
Girls Basketball	4,000	2,574	2,574	4,000
Volleyball	4,500	3,434	2,934	5,000
Softball	4,000	2,776	3,131	3,645
Girls Track	3,500	1,990	1,990	3,500
Girls Tennis	1,000	284	284	1,000
Athletic Director	18,000	3,819	5,372	16,447
	<u>63,000</u>	<u>31,901</u>	<u>33,159</u>	<u>61,742</u>

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
<u>Middle School Clubs and Organizations</u>				
Teachers	20	0	0	20
Science Fair	344	160	221	283
Music Resale	1,238	4,057	3,726	1,569
Yearbook	500	1,656	1,656	500
Student Council	1,387	2,571	2,287	1,671
Fiesta Bowl	42	0	0	42
Kirsch Vocational Fundraising	228	0	0	228
Activities Resale	5,498	7,641	5,049	8,090
IAMLE Conference	275	0	0	275
	<u>9,532</u>	<u>16,085</u>	<u>12,939</u>	<u>12,678</u>
<u>Middle School Athletics:</u>				
Track	1,500	743	743	1,500
Boys Basketball	1,700	750	750	1,700
Football	2,500	860	860	2,500
Wrestling	1,000	275	275	1,000
Girls Basketball	1,500	600	600	1,500
Volleyball	1,500	300	300	1,500
	<u>9,700</u>	<u>3,528</u>	<u>3,528</u>	<u>9,700</u>
<u>Elementary School Organizations</u>				
Teachers	4,746	2,777	2,396	5,127
Jump Rope For Heart	813	1,234	1,234	813
	<u>5,559</u>	<u>4,011</u>	<u>3,630</u>	<u>5,940</u>
Total	<u>\$ 182,749</u>	<u>237,529</u>	<u>225,866</u>	<u>194,412</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLARINDA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUND - PRIVATE PURPOSE TRUST
 JUNE 30, 2011

		Private Purpose Trust - Scholarship Fund										
		Y-Teen Scholarship	Evelyn Warren Memorial	HS Teachers Scholarship Fund	CEA Scholarship	Port Stitt Estate	Swanson Fund	P. Mascher Memorial Scholarship	Spinler Memorial Scholarship	New Market Scholarship	Miller Memorial	Total
ASSETS												
	Cash and pooled investments	\$ 1,758	74	761	737	73	569	629	503	1,606	50	6,760
LIABILITIES		0	0	0	0	0	0	0	0	0	0	0
NET ASSETS												
	Restricted for scholarships	\$ 1,758	74	761	737	73	569	629	503	1,606	50	6,760

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLARINDA COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND - PRIVATE PURPOSE TRUST FUNDS
 YEAR ENDED JUNE 30, 2011

	Private Purpose Trust - Scholarship Fund										
	Y-Teen Scholarship	Evelyn Warren Memorial	HS Teachers Scholarship Fund	CEA Scholarship	Port Stitt Estate	Swanson Fund	P. Mascher Memorial Scholarship	Spinler Memorial Scholarship	New Market Scholarship	Miller Memorial	Total
Additions:											
Local sources:											
Gifts and contributions	\$ 0	0	677	50	0	0	0	0	0	0	727
Interest income	12	0	0	0	0	0	0	0	0	0	12
Total additions	12	0	677	50	0	0	0	0	0	0	739
Deductions:											
Instruction:											
Regular:											
Scholarships awarded	0	0	825	0	0	0	0	0	0	0	825
Change in net assets	12	0	(148)	50	0	0	0	0	0	0	(86)
Net assets beginning of year	1,746	74	909	687	73	569	629	503	1,606	50	6,846
Net assets end of year	\$ 1,758	74	761	737	73	569	629	503	1,606	50	6,760

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLARINDA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2011

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<u>Nurse's Fund</u>				
ASSETS				
Cash and pooled investments	\$ 7,615	600	1,750	6,465
LIABILITIES				
Due to other groups	\$ 7,615	600	1,750	6,465
<u>American Field Service</u>				
ASSETS				
Cash and pooled investments	\$ 572	0	0	572
LIABILITIES				
Due to other groups	\$ 572	0	0	572
<u>Bossingham Fund</u>				
ASSETS				
Cash and pooled investments	\$ 702	1,485	1,656	531
LIABILITIES				
Accounts payable	\$ 0	109	0	109
Due to other groups	702	1,376	1,656	422
	\$ 702	1,485	1,656	531
<u>Ed Butler Memorial Fund</u>				
ASSETS				
Cash and pooled investments	\$ 1,079	725	887	917
LIABILITIES				
Accounts payable	\$ 0	713	0	713
Due to other groups	1,079	12	887	204
	\$ 1,079	725	887	917
<u>TOTALS - ALL AGENCY FUNDS</u>				
ASSETS				
Cash and pooled investments	\$ 9,968	2,810	4,293	8,485
LIABILITIES				
Accounts payable	\$ 0	822	0	822
Due to other groups	9,968	1,988	4,293	7,663
	\$ 9,968	2,810	4,293	8,485

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLARINDA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST EIGHT YEARS

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 4,108,196	3,817,738	3,730,903	3,508,295	3,329,578	3,214,315	3,133,655	3,270,094
Tuition	1,404,024	1,422,416	1,344,751	1,535,721	1,340,106	1,289,544	1,211,801	977,902
Other	510,889	424,507	478,150	584,130	549,427	418,243	470,490	424,448
State sources	4,764,530	4,380,355	4,903,331	4,642,737	4,687,776	4,231,693	3,973,876	3,758,827
Federal sources	1,025,727	1,106,743	673,812	565,423	552,471	608,309	487,546	430,049
Total	\$ 11,813,366	11,151,759	11,130,947	10,836,306	10,459,358	9,762,104	9,277,368	8,861,320
Expenditures:								
Instruction	\$ 6,855,645	6,977,038	6,930,763	6,337,303	6,319,374	6,028,470	6,061,203	5,459,715
Support services:								
Student	284,913	325,540	330,774	308,591	301,676	286,289	314,785	312,853
Instructional staff	551,934	309,735	357,792	357,533	345,284	180,067	61,141	125,829
Administration	1,099,585	1,130,011	979,626	940,816	905,626	865,768	722,024	710,941
Operation and maintenance								
of plant	927,912	953,602	906,714	901,997	814,612	802,665	717,553	771,170
Transportation	286,095	281,450	296,953	325,122	291,716	267,205	233,413	257,004
Other expenditures:								
Facilities acquisitions	79,951	123,983	283,755	9,050	164,834	79,298	423,414	0
Long-term debt:								
Principal	240,000	555,000	1,280,000	945,000	495,000	450,000	350,000	330,000
Interest and fiscal charges	5,960	30,528	78,167	113,424	131,865	166,473	306,487	284,448
AEA flow-through	388,675	387,290	342,355	308,916	306,881	277,459	269,609	269,509
Total	\$ 10,720,670	11,074,177	11,786,899	10,547,752	10,076,868	9,403,694	9,459,629	8,521,469

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLARINDA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
U.S. DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 11	\$ 61,391
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 11	242,173 *
			<u>303,564</u>
TEAM NUTRITION GRANT	10.574	FY 11	<u>62</u>
U.S. DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I CLUSTER PROGRAMS:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1197-G	120,782
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1197-D	358,089
TITLE I SINA - SCHOOLS IN NEED OF ASSISTANCE	84.010	FY 11	20,600
			<u>499,471 **</u>
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	<u>80,990 **</u>
CIVIC EDUCATION - COOPERATIVE EDUCATION PROGRAM (CENTER FOR CIVIC EDUCATION)	84.304	FY 11	<u>195</u>
MATH AND SCIENCE PARTNERSHIPS (TITLE IIB)	84.366	FY 11	<u>2,952</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 11	<u>55,548</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 11	<u>7,651</u>
STATE FISCAL STABILIZATION FUND CLUSTER:			
STATE FISCAL STABILIZATION FUND(SFSF) EDUCATION STATE GRANTS, RECOVERY ACT			
	84.394	FY 11	48,917
STATE FISCAL STABILIZATION FUND(SFSF) GOVERNMENT SERVICES, RECOVERY ACT	84.397	FY 11	43,631
			<u>92,548</u>
EDUCATION JOBS FUNDS	84.410	FY 11	<u>185,871</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES(PART B)			
	84.027	FY 11	54,590
SPECIAL EDUCATION GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 10	36,311
			<u>90,901</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 11	<u>9,600</u>
TOTAL			<u>\$ 1,329,353</u>

* - Includes \$36,230 of non-cash awards

** - The total for the Title I Cluster is \$580,461

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

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 the
Clarinda 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 Clarinda Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 9, 2012. 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 Clarinda 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 an opinion on the effectiveness of Clarinda Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clarinda 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Finding and Questioned Costs as item II-A-11 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Finding and Questioned Costs as items II-B-11 and II-C-11 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clarinda 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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 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.

Clarinda Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Clarinda 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 Clarinda Community School District and other parties to whom Clarinda Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Clarinda 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.



NOLTE, CORNMAN & JOHNSON, P.C.

March 9, 2012

NOLTE, CORNMAN & JOHNSON P.C.

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Independent Auditor's Report on Compliance with Requirements That
Could Have a Direct and Material Effect on Each Major Program and Internal Control
over Compliance in Accordance with OMB Circular A-133

To the Board of Education of
Clarinda Community School District

Compliance

We have audited the compliance of Clarinda Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Clarinda Community School District's major federal programs for the year ended June 30, 2011. Clarinda Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Clarinda Community School District's management. Our responsibility is to express an opinion on Clarinda Community School District's compliance based on our audit.

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

In our opinion, Clarinda Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Clarinda Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Clarinda Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Clarinda Community School District's internal control over compliance.

Members American Institute & Iowa Society of Certified Public Accountants

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11 to be a material weakness.

Clarinda Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Clarinda 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 Clarinda Community School District and other parties to whom Clarinda Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



NOLTE, CORNMAN & JOHNSON, P.C.

March 9, 2012

CLARINDA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose an audit findings which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program were as follows:
 - Clustered:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program

 - CFDA Number 84.010 - Title I - Grants to Local Educational Agencies
 - CFDA Number 84.010 - Title I - Schools in Need of Assistance
 - CFDA Number 84.389 - Title I - Grants to Local Educational Agencies, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Clarinda Community School District did not qualify as a low-risk auditee.

CLARINDA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person for the School Nutrition and Student Activity Funds.

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

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

Conclusion - Response accepted.

II-B-11 Agency Funds - We noted during our audit that the District utilizes an Agency Fund. According to Chapter 9 of the LEA Administrative Manual, "Agency funds are used to account for assets received and held as an agent for individuals, private organizations, or other governments. Agency Funds could include money collected for another government, a grant consortium when the district serves as fiscal agent for the other districts but has no managerial responsibilities, and funds for a teacher or parent-teacher organization which has its own Federal Identification Number. The District acts as a custodian of the assets and not an owner. Agency Funds may be created when an organization which is related to the operation of the District place certain assets into custody of the District. The District renders a service, as custodian, for the organization providing the assets. Agency funds typically involve only the receipt, temporary investment and remittance of assets to their rightful owners. Moneys owned by the District would not be accounted for in the Agency Fund."

The District appears to be improperly accounting for agency accounts. It appears that the Nurse's Fund, the Bossingham Fund and the Ed Butler Memorial Fund are incorrectly reported in the Agency Fund.

Recommendation - The District should review Chapter 9 of the LEA Administrative Manual. The District should review the purpose of each Agency Fund account and determine which fund would be most appropriate to record transactions from those accounts.

Response - The District has determined that the accounts mentioned above would be more appropriate in the General Fund. The remaining funds have been moved to the General Fund.

Conclusion - Response accepted.

II-C-11 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In compliance with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches, and determine that the wage paid is in compliance with minimum wage requirements as well as any overtime issues.

Response The District will continue to work towards implementing procedures to comply with the Department of Labor requirements.

Conclusion - Response accepted.

OTHER MATTERS:

II-D-11 Student Activity Fund Interest - We noted during our audit that the Student Activity Fund has an interest account. It appears that interest earned during the year has not been allocated to individual accounts in the Student Activity Fund.

Recommendation - Interest earned each year should be allocated out on an annual basis to the individual activity accounts.

Response - The District will allocate interest on an annual basis in the future.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
Federal Award Year: 2011
U.S. Department of Agriculture
Passed through the Iowa Department of Education

III-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person for the School Nutrition Fund.

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

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

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget - District expenditures for the year ended June 30, 2011 exceeded the certified amounts in the non-instructional programs 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.

Response - The District will more carefully monitor expenses and modify the budget where appropriate in the future.

Conclusion - Response accepted.

IV-B-11 Questionable Disbursements - We noted disbursements from the activity fund for student meals at state tournaments where students received a specified amount of cash without any documentation as to the amount. In addition the students were not required to submit any documentation subsequently to support the amount.

Recommendation - Disbursements to students should include a sign-off sheet as a practice for internal control measures. It allows the reconciliation of how many students received the money to the amount being disbursed, as well as provides documentation of who received how much.

Response - We will incorporate a sign-off sheet for activity funds used for travel.

Conclusion - Response accepted

IV-C-11 Travel Expense - 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.

IV-D-11 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Brian Fine, Board Member Owns Fine Services	Pest control	\$3,591

In accordance with the Chapter 279.7A of the Code of Iowa, the above transactions with the Board Member appear to represent a conflict of interest.

Recommendation - Chapter 279.7A of the Code of Iowa states that a board member cannot have a direct or indirect interest in the contract of goods of the school district where the board member would derive a benefit of over \$2,500. The District should contact legal counsel about the transactions with the Board Member.

Response - We will review transactions with the board member and consult with our attorney in the future.

Conclusion - Response accepted.

IV-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- IV-F-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-11 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- IV-H-11 Supplementary Weighting - No variances in basic enrollment data certified to the Iowa Department of Education were noted
- IV-I-11 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-J-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 925,711
Revenues:		
Sales tax revenues	\$ 657,225	
Other local revenues	1,028	658,253
		<u>1,583,964</u>
Expenditures/transfers out:		
School infrastructure construction	\$ 29,507	
Equipment	7,500	
Other	37,944	
Transfers to other funds:		
Debt service fund	245,960	320,911
		<u>320,911</u>
Ending balance		<u>\$ 1,263,053</u>

For the year ended June 30, 2011 the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

- IV-M-11 Officiating Contracts - We noted during our audit that the Athletic Director was signing Activity Fund officiating contracts. According to 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts entered into by the District to be in compliance with 291.1 of the Code of Iowa.

Response - We will direct the Athletic Director to submit all contracts to the board office to be signed by the Board president.

Conclusion - Response accepted.

IV-N-11 Student Activity Fund - In accordance with 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students.

Box Tops/Target Donations: Currently, the District records Box Tops and Target donations in the Student Activity Fund.

Recommendation - Donations given to a school should be expended according to donor request. According to information contained on the website for Box Tops, the donation can be used for items such as books, computers or playground equipment. Since the items listed for purchase with Box Top donations appear instructional in nature, the most logical place to record these donations would be the General Fund.

Currently, donations from Target are recorded in the Student Activity Fund. Target donations are considered an undesignated donation; therefore, they should be receipted into the General Fund for use as determined by the District's Board of Directors. The designation should be noted annually in the District's board minutes.

Response - The District will receipt Box Top and Target donations into the General Fund.

Conclusion - Response accepted.

Chat Mobility Rebates: We noted during our audit that the District receives rebates from Chat Mobility that are earned by community members who select Clarinda Community School District as the school to receive their rebate. Currently, the District records cell phone rebates received from Chat Mobility into the Student Activity Fund.

Recommendation - Chat Mobility rebates would appear to be considered an undesignated donation; therefore, they should be receipted into the General Fund for use as determined by the District's Board of Directors. The designation should be noted annually in the District's board minutes.

Response - The District will receipt Chat Mobility rebates into the General Fund.

Conclusion - Response accepted.

Scholarship awards: It appears that the District awards scholarships to students from proceeds generated from activities recorded in the Thespian and FFA accounts.

Recommendation - Scholarship awards to students are most appropriately handled through the Private Purpose Trust Fund. The District should determine the amount of scholarships to be awarded to students and receipt the proceeds and record subsequent expenditures in the Private Purpose Trust Fund.

Response - The District will follow the auditor's recommendation.

Conclusion - Response accepted.