

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

JUNE 30, 2012

Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis (MD&A)		7-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	27
Statement of Changes in Fiduciary Net Assets	K	28
Notes to Financial Statements		29-40
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		42
Notes to Required Supplementary Information - Budgetary Reporting		43
Schedule of Funding Progress for the Retiree Health Plan		44
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	47
Capital Project Accounts:		
Combining Balance Sheet	3	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	4	49
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	50-51
Private Purpose Trust Fund:		
Combining Balance Sheet	6	52
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	7	53
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	8	54
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	9	55
Schedule of Expenditures of Federal Awards	10	56
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		57-58
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133		59-60
Schedule of Findings and Questioned Costs		61-64

Clarinda Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2011 Election)</b>		
Pallin Turner	President	2013
Brian Fine	Vice President	2011
Seth Watkins	Board Member	2011
Beth Rarick	Board Member	2013
Scott McComb	Board Member	2011
<b>(After September 2011 Election)</b>		
Pallin Turner	President	2013
Brian Fine	Vice President	2015
Seth Watkins	Board Member	2015
Beth Rarick	Board Member	2013
Darin Sunderman	Board Member	2015
<b>School Officials</b>		
Paul Honnold	Superintendent	2012
Cindy VanFossen	District Secretary/ Treasurer	2012
Ahlers & Cooney	Attorney	2012

**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, 2012, 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, 2012, 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 13, 2013 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**

U.S generally accepted accounting principles require Management's Discussion and Analysis and the Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming a opinions on the financial statements that collectively comprise Clarinda Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2011 (which are not presented herein) and expressed an unqualified opinion on those 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

March 13, 2013

---

---

## **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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$10,669,167 in fiscal 2011 to \$10,402,831 in fiscal 2012, while General Fund expenditures decreased from \$9,974,387 in fiscal 2011 to \$9,969,634 in fiscal 2012. This resulted in an increase in the District's General Fund balance from \$1,631,756 in fiscal 2011 to \$2,064,953 in fiscal 2012, a 26.55% increase from the prior year.
- The decrease in General Fund revenues was primarily attributable to decreases in local and federal sources in fiscal 2012. The decrease in expenditures was due primarily to a decrease in the flowthrough to the Clarinda Academy.

### **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.

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.

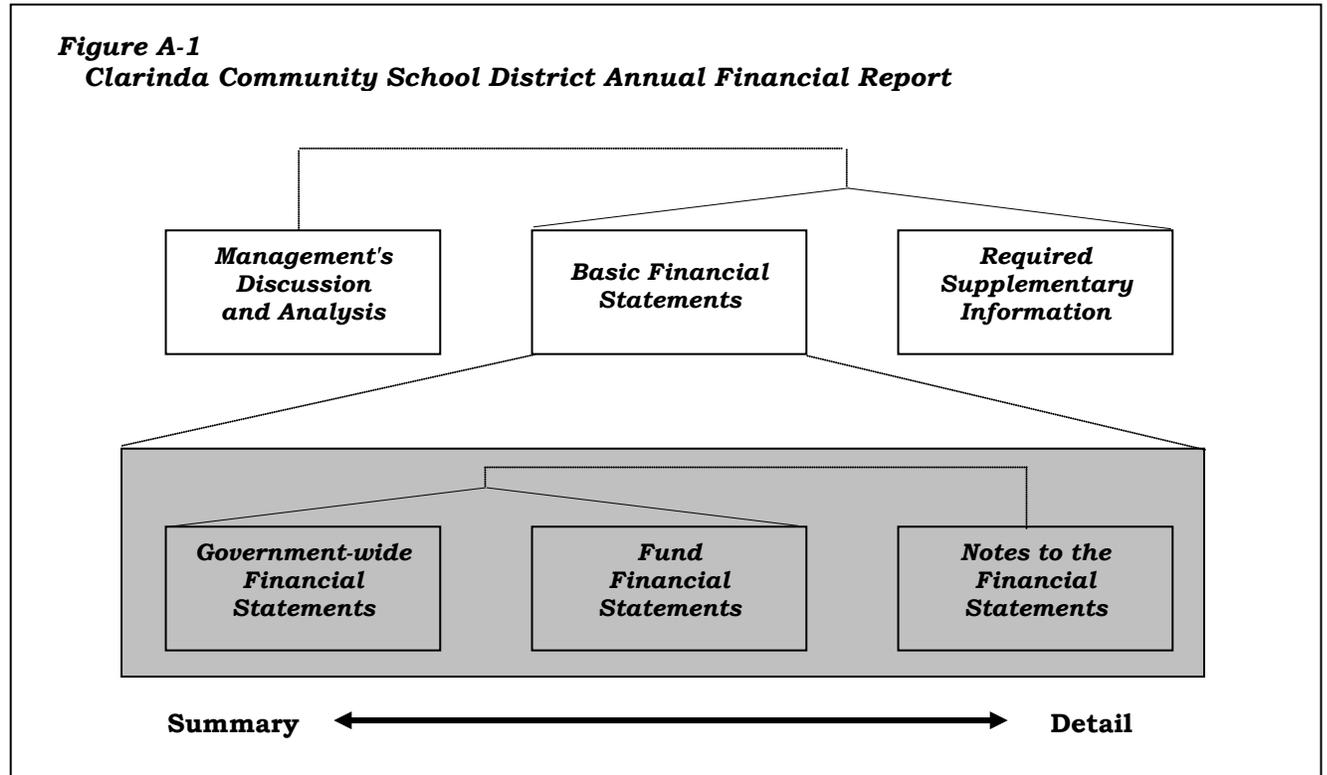


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, 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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, 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 fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund would include the Private-Purpose Trust Fund.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

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, 2012 compared to June 30, 2011.

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,
	2012	2011	2012	2011	2012	2011	2011-12
Current and other assets	\$ 8,962,019	8,498,012	227,351	257,039	9,189,370	8,755,051	4.96%
Capital assets	7,446,341	7,233,836	33,067	19,045	7,479,408	7,252,881	3.12%
Total assets	16,408,360	15,731,848	260,418	276,084	16,668,778	16,007,932	4.13%
Long-term obligations	116,180	74,237	5,463	3,491	121,643	77,728	56.50%
Other liabilities	4,011,420	4,421,991	33,084	28,359	4,044,504	4,450,350	-9.12%
Total liabilities	4,127,600	4,496,228	38,547	31,850	4,166,147	4,528,078	-7.99%
Net assets:							
Invested in capital assets, net of related debt	7,446,341	7,233,836	33,067	19,045	7,479,408	7,252,881	3.12%
Restricted	2,705,530	2,257,372	0	0	2,705,530	2,257,372	19.85%
Unrestricted	2,128,889	1,744,412	188,804	225,189	2,317,693	1,969,601	17.67%
Total net assets	\$ 12,280,760	11,235,620	221,871	244,234	12,502,631	11,479,854	8.91%

The District's combined net assets increased by 8.91%, or \$1,022,777, 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 \$448,158, or 19.85%, over the prior year. This increase in restricted net assets was a result of the District's increase in the Capital Projects Fund 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 \$348,092, or 17.67%. 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, 2012 compared to the year ended June 30, 2011.

Figure A-4  
Changes in Net Assets

	Governmental Activities		Business type Activities		Total School District		Total Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues:							
Program revenues:							
Charges for services	\$ 1,681,737	1,787,633	208,386	216,819	1,890,123	2,004,452	-5.70%
Operating grants and contributions and restricted interest	1,192,506	1,227,104	308,752	308,763	1,501,258	1,535,867	-2.25%
General revenues:							
Property tax	3,181,297	3,228,124	0	0	3,181,297	3,228,124	-1.45%
Income surtax	221,797	226,310	0	0	221,797	226,310	-1.99%
Statewide sales, services and use tax	719,534	657,225	0	0	719,534	657,225	9.48%
Unrestricted state grants	4,567,193	4,284,734	0	0	4,567,193	4,284,734	6.59%
Nonspecific program federal grants	2,751	278,419	0	0	2,751	278,419	-99.01%
Unrestricted investment earnings	7,369	7,574	463	629	7,832	8,203	-4.52%
Other general revenues	21,118	119,706	1,118	3,731	22,236	123,437	-81.99%
Total revenues	11,595,302	11,816,829	518,719	529,942	12,114,021	12,346,771	-1.89%
Program expenses:							
Governmental activities:							
Instructional	6,632,973	6,898,933	0	0	6,632,973	6,898,933	-3.86%
Support services	3,300,837	3,337,209	1,466	565	3,302,303	3,337,774	-1.06%
Non-instructional programs	0	0	539,616	513,058	539,616	513,058	5.18%
Other expenses	616,352	957,905	0	0	616,352	957,905	-35.66%
Total expenses	10,550,162	11,194,047	541,082	513,623	11,091,244	11,707,670	-5.27%
Changes in net assets	1,045,140	622,782	(22,363)	16,319	1,022,777	639,101	60.03%
Net assets beginning of year	11,235,620	10,612,838	244,234	227,915	11,479,854	10,840,753	5.90%
Net assets end of year	\$ 12,280,760	11,235,620	221,871	244,234	12,502,631	11,479,854	8.91%

In fiscal 2012, property tax, income surtax, statewide sales and services tax and unrestricted state grants account for 74.94% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.70% of the revenue from business type activities.

The District's total revenues were approximately \$12.11 million of which approximately \$11.59 million was for governmental activities and approximately \$0.52 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1.89% decrease in revenues and a 5.27% decrease in expenses. Revenues decreased as a result of a reduction in taxes levied and money received from federal sources. Expenses decreased due to the District not paying any interest on long-term debt during the year.

**Governmental Activities**

Revenues for governmental activities were \$11,595,302 and expenses were \$10,550,162.

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, 2012 compared to the year ended June 30, 2011.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
			Change			Change
	2012	2011	2011-12	2012	2011	2011-12
Instruction	\$ 6,632,973	6,898,933	-3.86%	4,135,164	4,305,179	-3.95%
Support services	3,300,837	3,337,209	-1.09%	3,271,180	3,304,901	-1.02%
Other expenses	616,352	957,905	-35.66%	269,575	569,230	-52.64%
Totals	\$ 10,550,162	11,194,047	-5.75%	7,675,919	8,179,310	-6.15%

- The cost financed by users of the District’s programs was \$1,681,737.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,192,506.
- The net cost of governmental activities was financed with \$3,181,297 in property tax, \$221,797 in income surtax, \$719,534 in statewide sales, services and use tax, \$4,567,193 in unrestricted state grants, \$2,751 in nonspecific program federal grants, \$7,369 in interest income and \$21,118 in other general revenues.

**Business type Activities**

Revenues of the District’s business type activities were \$518,719 and expenses were \$541,082. 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 \$4,727,825, significantly above last year’s ending fund balance of \$3,838,446. The primary reason for the increase in combined fund balance in fiscal 2012 was the increase in the General and Capital Projects Fund balances.

**Governmental Fund Highlights**

- The District’s General Fund financial position is the product of many factors. Revenues decreased due to a reduction in taxes levied and a decrease in federal source revenues. The decrease in expenses was due to the flowthrough to the Clarinda Academy.

- The Capital Projects Fund balance increased from a balance of \$1,822,053 at the beginning of the fiscal year 2012 to \$2,238,839. This was a result of the District sales tax revenues in excess of capital expenditures.

### Proprietary Fund Highlights

The Proprietary Fund net assets decreased from \$244,234 at June 30, 2011 to \$221,871 at June 30, 2012, representing a decrease of 9.16%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$313,783 more than budgeted revenues, a variance of 2.66%. 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 other expenditures 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, 2012, the District had invested \$7,479,408, 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 increase of 3.12% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$318,731.

The original cost of the District's capital assets was \$14,996,844. Governmental funds account for \$14,874,135 with the remainder of \$122,709 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$406,212 at June 30, 2012, compared to \$0 reported at June 30, 2011. This increase was due to a gym renovation beginning during the year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-12
Land	\$ 120,863	120,863	0	0	120,863	120,863	0.00%
Construction in progress	406,212	0	0	0	406,212	0	100.00%
Buildings	6,229,529	6,418,662	0	0	6,229,529	6,418,662	-2.95%
Land improvements	464,137	525,376	0	0	464,137	525,376	-11.66%
Machinery and equipment	225,600	168,935	33,067	19,045	258,667	187,980	37.60%
Total	\$ 7,446,341	7,233,836	33,067	19,045	7,479,408	7,252,881	3.12%

---

## Long-Term Debt

At June 30, 2012, the District had a Net OPEB liability of \$121,643. This represents an increase of 56.50% 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 4 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,
	2012	2011	2012	2011	2012	2011	2011-12
Net OPEB obligation	\$ 116,180	74,237	5,463	3,491	121,643	77,728	56.50%

## 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 2012 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, 2012

	Governmental Activities	Business type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 4,657,562	206,956	4,864,518
Receivables:			
Property tax:			
Delinquent	46,428	0	46,428
Succeeding year	2,935,051	0	2,935,051
Income surtax	222,774	0	222,774
Accounts	12,962	0	12,962
Due from other governments	1,087,242	0	1,087,242
Inventories	0	20,395	20,395
Capital assets, net of accumulated depreciation	7,446,341	33,067	7,479,408
<b>TOTAL ASSETS</b>	<b>16,408,360</b>	<b>260,418</b>	<b>16,668,778</b>
<b>LIABILITIES</b>			
Accounts payable	986,515	0	986,515
Salaries and benefits payable	89,854	28,429	118,283
Deferred revenue:			
Succeeding year property tax	2,935,051	0	2,935,051
Unearned revenue	0	4,655	4,655
Long-term liabilities:			
Portion due after one year:			
Net OPEB liability	116,180	5,463	121,643
<b>TOTAL LIABILITIES</b>	<b>4,127,600</b>	<b>38,547</b>	<b>4,166,147</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	7,446,341	33,067	7,479,408
Restricted for:			
Categorical funding	42,658	0	42,658
School infrastrucutre	1,682,022	0	1,682,022
Physical plant and equipment levy	556,817	0	556,817
Management levy purposes	214,064	0	214,064
Student activities	209,969	0	209,969
Unrestricted	2,128,889	188,804	2,317,693
<b>TOTAL NET ASSETS</b>	<b>\$ 12,280,760</b>	<b>221,871</b>	<b>12,502,631</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CLARINDA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type. Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 3,721,281	674,742	55,872	(2,990,667)	0	(2,990,667)
Special	1,432,413	756,018	89,917	(586,478)	0	(586,478)
Other	1,479,279	250,408	670,852	(558,019)	0	(558,019)
	6,632,973	1,681,168	816,641	(4,135,164)	0	(4,135,164)
Support services:						
Student	255,599	0	0	(255,599)	0	(255,599)
Instructional staff	542,746	0	17,813	(524,933)	0	(524,933)
Administration	1,083,403	0	0	(1,083,403)	0	(1,083,403)
Operation and maintenance of plant	1,099,442	0	0	(1,099,442)	0	(1,099,442)
Transportation	319,647	569	11,275	(307,803)	0	(307,803)
	3,300,837	569	29,088	(3,271,180)	0	(3,271,180)
Other expenses:						
AEA flowthrough	346,777	0	346,777	0	0	0
Depreciation(unallocated)*	269,575	0	0	(269,575)	0	(269,575)
	616,352	0	346,777	(269,575)	0	(269,575)
Total governmental activities	10,550,162	1,681,737	1,192,506	(7,675,919)	0	(7,675,919)
Business Type activities:						
Support services:						
Operation and maintenance of plant	1,466	0	0	0	(1,466)	(1,466)
Non-instructional programs:						
Nutrition services	539,616	208,386	308,752	0	(22,478)	(22,478)
Total business type activities	541,082	208,386	308,752	0	(23,944)	(23,944)
Total	\$ 11,091,244	1,890,123	1,501,258	(7,675,919)	(23,944)	(7,699,863)
<b>General Revenues :</b>						
Property tax for:						
General purposes				\$ 3,102,127	0	3,102,127
Capital outlay				79,170	0	79,170
Income surtax				221,797	0	221,797
Statewide sales, services and use tax				719,534	0	719,534
Unrestricted state grants				4,567,193	0	4,567,193
Nonspecific program federal grants				2,751	0	2,751
Unrestricted investment earnings				7,369	463	7,832
Other general revenues				21,118	1,118	22,236
Total general revenues				8,721,059	1,581	8,722,640
Changes in net assets				1,045,140	(22,363)	1,022,777
Net assets beginning of year				11,235,620	244,234	11,479,854
Net assets end of year				\$ 12,280,760	221,871	12,502,631

\* 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, 2012

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 2,021,146	2,210,527	425,889	4,657,562
Receivables:				
Property tax:				
Delinquent	43,082	1,155	2,191	46,428
Succeeding year	2,676,498	83,553	175,000	2,935,051
Income surtax	222,774	0	0	222,774
Accounts	9,036	0	3,926	12,962
Due from other governments	867,281	219,961	0	1,087,242
<b>TOTAL ASSETS</b>	<b>\$ 5,839,817</b>	<b>2,515,196</b>	<b>607,006</b>	<b>8,962,019</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 785,738	192,804	7,973	986,515
Salaries and benefits payable	89,854	0	0	89,854
Deferred revenue:				
Succeeding year property tax	2,676,498	83,553	175,000	2,935,051
Income surtax	222,774	0	0	222,774
Total liabilities	3,774,864	276,357	182,973	4,234,194
Fund balances:				
Restricted for:				
Categorical funding	42,658	0	0	42,658
School infrastructure	0	1,682,022	0	1,682,022
Physical plant and equipment levy	0	556,817	0	556,817
Management levy purposes	0	0	214,064	214,064
Student activities	0	0	209,969	209,969
Unassigned	2,022,295	0	0	2,022,295
Total fund balances	2,064,953	2,238,839	424,033	4,727,825
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,839,817</b>	<b>2,515,196</b>	<b>607,006</b>	<b>8,962,019</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CLARINDA COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2012

<b>Total fund balances of governmental funds (page 20)</b>	\$	4,727,825
 <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.		7,446,341
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.		222,774
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.		(116,180)
		<hr style="width: 100%;"/>
<b>Net assets of governmental activities (page 18)</b>	<b>\$</b>	<b><u><u>12,280,760</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

CLARINDA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
<b>REVENUES:</b>				
Local sources:				
Local tax	\$ 3,188,582	798,704	150,143	4,137,429
Tuition	1,285,740	0	0	1,285,740
Other	159,764	2,244	263,765	425,773
State sources	4,942,479	59	112	4,942,650
Federal sources	818,511	0	0	818,511
Total revenues	<u>10,395,076</u>	<u>801,007</u>	<u>414,020</u>	<u>11,610,103</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	3,717,716	0	7,179	3,724,895
Special	1,442,598	0	0	1,442,598
Other	1,257,006	0	235,431	1,492,437
	<u>6,417,320</u>	<u>0</u>	<u>242,610</u>	<u>6,659,930</u>
Support services:				
Student	270,262	0	0	270,262
Instructional staff	568,710	0	0	568,710
Administration	1,088,960	0	0	1,088,960
Operation and maintenance of plant	976,050	0	132,014	1,108,064
Transportation	301,555	82,346	0	383,901
	<u>3,205,537</u>	<u>82,346</u>	<u>132,014</u>	<u>3,419,897</u>
Capital outlay	0	301,875	0	301,875
Other expenditures:				
AEA flowthrough	346,777	0	0	346,777
Total expenditures	<u>9,969,634</u>	<u>384,221</u>	<u>374,624</u>	<u>10,728,479</u>
Excess of revenues over over expenditures	425,442	416,786	39,396	881,624
Other financing sources:				
Sale of capital assets	7,755	0	0	7,755
Net change in fund balances	433,197	416,786	39,396	889,379
Fund balance beginning of year	1,631,756	1,822,053	384,637	3,838,446
Fund balance end of year	<u>\$ 2,064,953</u>	<u>2,238,839</u>	<u>424,033</u>	<u>4,727,825</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, 2012

**Net change in fund balances - total governmental funds (page 22)** \$ 889,379

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 529,082	
Depreciation expense	(316,577)	212,505

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (14,801)

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		(41,943)

**Changes in net assets of governmental activities (page 19)** \$ 1,045,140

SEE NOTES TO FINANCIAL STATEMENTS.

CLARINDA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2012

	School Nutrition	Cardinals Kids Zone	Total
ASSETS			
Cash and pooled investments	\$ 191,490	15,466	206,956
Inventories	20,395	0	20,395
Capital assets, net of accumulated depreciation	33,067	0	33,067
<b>TOTAL ASSETS</b>	<b>244,952</b>	<b>15,466</b>	<b>260,418</b>
LIABILITIES			
Salaries and benefits payable	28,429	0	28,429
Unearned revenue	4,655	0	4,655
Net OPEB liability	5,463	0	5,463
<b>TOTAL LIABILITIES</b>	<b>38,547</b>	<b>0</b>	<b>38,547</b>
NET ASSETS			
Invested in capital assets	33,067	0	33,067
Unrestricted	173,338	15,466	188,804
<b>TOTAL NET ASSETS</b>	<b>\$ 206,405</b>	<b>15,466</b>	<b>221,871</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CLARINDA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2012

	School Nutrition	Cardinals Kids Zone	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 208,386	0	208,386
Miscellaneous	1,118	0	1,118
TOTAL OPERATING REVENUES	209,504	0	209,504
OPERATING EXPENSES:			
Support services:			
Operation and maintenance of plant:			
Services	1,466	0	1,466
Non-instructional programs:			
Food service operations:			
Salaries	149,621	0	149,621
Benefits	76,120	0	76,120
Services	623	0	623
Supplies	311,098	0	311,098
Depreciation	2,154	0	2,154
	539,616	0	539,616
TOTAL OPERATING EXPENSES	541,082	0	541,082
OPERATING LOSS	(331,578)	0	(331,578)
NON-OPERATING REVENUES:			
State sources	5,553	0	5,553
Federal sources	303,199	0	303,199
Interest on investments	463	0	463
TOTAL NON-OPERATING REVENUES	309,215	0	309,215
Change in net assets	(22,363)	0	(22,363)
Net assets beginning of year	228,768	15,466	244,234
Net assets end of year	\$ 206,405	15,466	221,871

SEE NOTES TO FINANCIAL STATEMENTS.

CLARINDA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2012

	School Nutrition	Cardinals Kids Zone	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 209,203	0	209,203
Cash received from miscellaneous	1,118	0	1,118
Cash payments to employees for services	(219,861)	0	(219,861)
Cash payments to suppliers for goods or services	(278,964)	0	(278,964)
Net cash used in operating activities	<u>(288,504)</u>	<u>0</u>	<u>(288,504)</u>
Cash flows from non-capital financing activities:			
State grants received	5,553	0	5,553
Federal grants received	271,671	0	271,671
Net cash provided by non-capital financing activities	<u>277,224</u>	<u>0</u>	<u>277,224</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(16,176)	0	(16,176)
Cash flows from investing activities:			
Interest on investments	463	0	463
Net decrease in cash and cash equivalents	(26,993)	0	(26,993)
Cash and cash equivalents at beginning of year	218,483	15,466	233,949
Cash and cash equivalents at end of year	<u>\$ 191,490</u>	<u>15,466</u>	<u>206,956</u>
Reconciliation of operating income to net cash used in operating activities:			
Operating loss	\$ (331,578)	0	(331,578)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	31,590	0	31,590
Depreciation	2,154	0	2,154
Decrease in inventories	2,633	0	2,633
Increase in salaries and benefits payable	3,908	0	3,908
Increase in unearned revenue	817	0	817
Increase in other postemployment benefits	1,972	0	1,972
Net cash used in operating activities	<u>\$ (288,504)</u>	<u>0</u>	<u>(288,504)</u>

## NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2012, the District received Federal commodities valued at \$31,590.

SEE NOTES TO FINANCIAL STATEMENTS.

CLARINDA COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUND  
 JUNE 30, 2012

	Private Purpose Trust
	Scholarship Fund
ASSETS	
Cash and pooled investments	\$ 3,056
LIABILITIES	
Accounts payable	0
Due to other groups	0
Total liabilities	0
NET ASSETS	
Restricted for scholarships	\$ 3,056

SEE NOTES TO FINANCIAL STATEMENTS.

CLARINDA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2012

	Private Purpose Trust
	Scholarship Fund
Additions:	
Local sources:	
Gifts and contributions	\$ 1,297
Interest income	9
Total additions	1,306
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	5,010
Change in net assets	(3,704)
Net assets beginning of year	6,760
Net assets end of year	\$ 3,056

SEE NOTES TO FINANCIAL STATEMENTS.

CLARINDA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

**(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 revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

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

The District reports the following nonmajor 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 held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

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:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
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, 2012, expenditures in the other expenditures functional area exceeded amount budgeted.

**(2) Cash and Pooled Investments**

The District's deposits at June 30, 2012 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, 2012 the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$1,468,986 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

**(3) Capital Assets**

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance			Balance
	Beginning			End
	of Year	Increases	Decreases	of Year
Business type activities:				
Machinery and equipment	\$ 114,352	16,176	7,819	122,709
Less accumulated depreciation	95,307	2,154	7,819	89,642
Business type activities capital assets, net	\$ 19,045	14,022	0	33,067

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 120,863	0	0	120,863
Construction in progress	0	406,212	0	406,212
Total capital assets not being depreciated	120,863	406,212	0	527,075
Capital assets being depreciated:				
Buildings	11,390,589	19,203	1,000	11,408,792
Land improvements	1,624,779	0	0	1,624,779
Machinery and equipment	1,266,209	103,667	56,387	1,313,489
Total capital assets being depreciated	14,281,577	122,870	57,387	14,347,060
Less accumulated depreciation for:				
Buildings	4,971,927	208,336	1,000	5,179,263
Land improvements	1,099,403	61,239	0	1,160,642
Machinery and equipment	1,097,274	47,002	56,387	1,087,889
Total accumulated depreciation	7,168,604	316,577	57,387	7,427,794
Total capital assets being depreciated, net	7,112,973	(193,707)	0	6,919,266
Governmental activities capital assets, net	\$ 7,233,836	212,505	0	7,446,341

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 2,513
Other		1,275
Support services:		
Student		1,951
Administration		2,925
Operation and maintenance of plant		4,601
Transportation		33,737
		47,002
Unallocated depreciation		269,575
Total governmental activities depreciation expense		\$ 316,577
Business type activities:		
Food services		\$ 2,154

#### (4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental Activities:					
Net OPEB liability	\$ 74,237	41,943	0	116,180	0
Business Type Activities:					
Net OPEB liability	\$ 3,491	1,972	0	5,463	0

**(5) 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 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$405,407, \$350,293, and \$348,008, respectively, equal to the required contributions for each year.

**(6) 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, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	56,836
Interest on net OPEB obligation		1,944
Adjustment to annual required contribution		(2,851)
Annual OPEB cost		<u>55,929</u>
Contributions made		<u>(12,014)</u>
Increase in net OPEB obligation		43,915
Net OPEB obligation - beginning of year		<u>77,728</u>
Net OPEB obligation - end of year	\$	<u><u>121,643</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, 2012.

For fiscal year 2012, 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, 2012 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
2012	55,929	21.5%	121,643

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, 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 \$5,023,635, and the ratio of the UAAL to the covered payroll was 8.2%. As of June 30, 2012, 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.

**(7) 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, 2012 were \$766,243.

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.

**(8) 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 \$346,777 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Categorical Funding**

The District's ending reserved balances for categorical funding as of June 30, 2012 are broken out by the following projects:

Program	Amount
Teacher salary supplement	\$ 39,449
Market factor	544
Core curriculum	2,665
Total	\$ 42,658

**(10) 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, 2012, expenditures in the other expenditures function exceeded the amount budgeted.

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, 2012

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual				Variance
<b>Revenues:</b>						
Local sources	\$ 5,848,942	209,967	6,058,909	5,960,092	5,960,092	98,817
State sources	4,942,650	5,553	4,948,203	5,330,683	5,330,683	(382,480)
Federal sources	818,511	303,199	1,121,710	524,264	524,264	597,446
Total revenues	<u>11,610,103</u>	<u>518,719</u>	<u>12,128,822</u>	<u>11,815,039</u>	<u>11,815,039</u>	<u>313,783</u>
<b>Expenditures/Expenses:</b>						
Instruction	6,659,930	0	6,659,930	8,329,017	8,329,017	1,669,087
Support services	3,419,897	1,466	3,421,363	3,990,138	3,990,138	568,775
Non-instructional programs	0	539,616	539,616	660,048	660,048	120,432
Other expenditures	648,652	0	648,652	590,937	590,937	(57,715)
Total expenditures/expenses	<u>10,728,479</u>	<u>541,082</u>	<u>11,269,561</u>	<u>13,570,140</u>	<u>13,570,140</u>	<u>2,300,579</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	881,624	(22,363)	859,261	(1,755,101)	(1,755,101)	2,614,362
Other financing sources, net	<u>7,755</u>	<u>0</u>	<u>7,755</u>	<u>0</u>	<u>0</u>	<u>(7,755)</u>
Excess(deficiency) of revenues over(under) expenditures and other financing sources	889,379	(22,363)	867,016	(1,755,101)	(1,755,101)	(2,622,117)
Balance beginning of year	<u>3,838,446</u>	<u>244,234</u>	<u>4,082,680</u>	<u>2,755,501</u>	<u>2,755,501</u>	<u>1,327,179</u>
Balance end of year	<u>\$ 4,727,825</u>	<u>221,871</u>	<u>4,949,696</u>	<u>1,000,400</u>	<u>1,000,400</u>	<u>3,949,296</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLARINDA COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2012

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, 2012, District expenditures in the other expenditures 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		
2012	July 1, 2009		411,437	411,437	0.0	5,023,635	8.2		

See Note 6 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.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

CLARINDA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2012

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 211,873	214,016	425,889
Receivables:			
Property tax:			
Delinquent	2,191	0	2,191
Succeeding year	175,000	0	175,000
Accounts	0	3,926	3,926
<b>TOTAL ASSETS</b>	<b>\$ 389,064</b>	<b>217,942</b>	<b>607,006</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 0	7,973	7,973
Deferred revenue:			
Succeeding year property tax	175,000	0	175,000
Total liabilities	175,000	7,973	182,973
Fund balances:			
Restricted for:			
Management levy purposes	214,064	0	214,064
Student activities	0	209,969	209,969
Total fund balances	214,064	209,969	424,033
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 389,064</b>	<b>217,942</b>	<b>607,006</b>

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, 2012

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 150,143	0	150,143
Other	12,777	250,988	263,765
State sources	112	0	112
Total revenues	<u>163,032</u>	<u>250,988</u>	<u>414,020</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	7,179	0	7,179
Other	0	235,431	235,431
Support services:			
Operation and maintenance of plant	132,014	0	132,014
Total expenditures	<u>139,193</u>	<u>235,431</u>	<u>374,624</u>
Net change in fund balances	23,839	15,557	39,396
Fund balance beginning of year	<u>190,225</u>	<u>194,412</u>	<u>384,637</u>
Fund balance end of year	<u>\$ 214,064</u>	<u>209,969</u>	<u>424,033</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLARINDA COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECT ACCOUNTS  
 JUNE 30, 2012

	Capital Projects		
	Statewide Sales, Services & Use Tax	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 1,654,865	555,662	2,210,527
Receivables:			
Delinquent	0	1,155	1,155
Succeeding year	0	83,553	83,553
Due from other governments	219,961	0	219,961
<b>TOTAL ASSETS</b>	<b>\$ 1,874,826</b>	<b>640,370</b>	<b>2,515,196</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 192,804	0	192,804
Deferred revenue			
Succeeding year property tax	0	83,553	83,553
<b>Total liabilities</b>	<b>192,804</b>	<b>83,553</b>	<b>276,357</b>
Fund balances:			
Restricted for:			
School infrastructure	1,682,022	0	1,682,022
Physical plant and equipment	0	556,817	556,817
<b>Total fund balances</b>	<b>1,682,022</b>	<b>556,817</b>	<b>2,238,839</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,874,826</b>	<b>640,370</b>	<b>2,515,196</b>

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, 2012

	Capital Projects		
	Statewide Sales, Services & Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ 719,534	79,170	798,704
Other	1,310	934	2,244
State sources	0	59	59
Total revenues	<u>720,844</u>	<u>80,163</u>	<u>801,007</u>
EXPENDITURES:			
Current:			
Support services:			
Transportation	0	82,346	82,346
Capital outlay	301,875	0	301,875
Total expenditures	<u>301,875</u>	<u>82,346</u>	<u>384,221</u>
Net change in fund balances	418,969	(2,183)	416,786
Fund balances beginning of year	<u>1,263,053</u>	<u>559,000</u>	<u>1,822,053</u>
Fund balances end of year	<u>\$ 1,682,022</u>	<u>556,817</u>	<u>2,238,839</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, 2012

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund Transfers	Balance End of Year
<u>District-Wide Accounts:</u>					
Paperback Books	\$ 161	6,820	6,820	(161)	0
Field Trips	77	706	783	0	0
Athletic Booster Club	0	5,994	3,360	0	2,634
Band Booster Club	327	3,343	1,313	0	2,357
Partners in Education	7,444	4,001	5,617	1,275	7,103
Student Activity Interest	8,453	580	0	(9,033)	0
Elementary Track Program	2	1,344	1,344	0	2
Gate Receipts	39,061	84,000	19,452	(45,336)	58,273
	<u>55,525</u>	<u>106,788</u>	<u>38,689</u>	<u>(53,255)</u>	<u>70,369</u>
<u>High School Clubs and Organizations</u>					
Drama	5,000	0	6,282	5,482	4,200
Music Resale	421	1,562	1,572	0	411
Annual	5,000	600	3,561	2,961	5,000
Concessions	5,761	22,828	22,189	0	6,400
Cheerleaders	2,962	9,481	9,194	0	3,249
Honor Society	1,000	0	330	330	1,000
Student Council	2,172	1,306	2,366	0	1,112
Spanish Club	33	0	0	0	33
AFS Students	178	0	0	0	178
Thespian Club	1,685	11,125	12,550	0	260
Weightlifting Club	2,808	1,422	648	0	3,582
FFA	13,101	31,371	30,467	2,976	16,981
FCCLA	1,857	9,680	10,207	0	1,330
Activities Resale	1,838	21,329	19,524	0	3,643
Alternative HS Concessions	51	0	51	0	0
Class of 2012	1,420	9,697	11,117	0	0
Class of 2013	1,729	2,370	3,142	0	957
Class of 2014	1,419	2,486	1,174	0	2,731
Class of 2015	0	0	50	50	0
REACH Leadership Team	392	0	0	0	392
	<u>48,827</u>	<u>125,257</u>	<u>134,424</u>	<u>11,799</u>	<u>51,459</u>
<u>High School Athletics:</u>					
Cross Country	1,500	0	862	862	1,500
Golf	1,500	0	759	759	1,500
Boys Basketball	4,000	0	3,100	3,100	4,000
Football	8,000	0	2,830	2,830	8,000
Baseball	5,150	0	3,333	2,988	4,805
Boys Track	3,500	0	2,859	2,859	3,500
Boys Tennis	1,000	0	77	77	1,000
Wrestling	3,500	0	2,832	2,765	3,433
Girls Basketball	4,000	0	2,473	2,473	4,000
Volleyball	5,000	0	3,283	2,783	4,500
Softball	3,645	0	2,741	2,833	3,737
Girls Track	3,500	0	2,526	2,526	3,500
Girls Tennis	1,000	0	157	157	1,000
Athletic Director	16,447	2,868	17,755	9,943	11,503
	<u>61,742</u>	<u>2,868</u>	<u>45,587</u>	<u>36,955</u>	<u>55,978</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Account	Balance Beginning of Year	Revenues	Expendi- tures	Interfund & Intrafund Transfers	Balance End of Year
<u>Middle School Clubs and Organizations</u>					
Teachers	20	0	0	0	20
Science Fair	283	0	0	0	283
Music Resale	1,569	2,899	2,548	0	1,920
Yearbook	500	1,265	714	0	1,051
Student Council	1,671	3,767	3,316	0	2,122
Fiesta Bowl	42	0	0	0	42
Kirsch Vocational Fundraising	228	0	0	0	228
Activities Resale	8,090	3,827	2,709	161	9,369
IAMLE Conference	275	0	0	0	275
	<u>12,678</u>	<u>11,758</u>	<u>9,287</u>	<u>161</u>	<u>15,310</u>
<u>Middle School Athletics:</u>					
Track	1,500	0	992	992	1,500
Boys Basketball	1,700	0	954	954	1,700
Football	2,500	0	959	959	2,500
Wrestling	1,000	0	223	223	1,000
Girls Basketball	1,500	0	804	804	1,500
Volleyball	1,500	0	408	408	1,500
	<u>9,700</u>	<u>0</u>	<u>4,340</u>	<u>4,340</u>	<u>9,700</u>
<u>Elementary School Organizations</u>					
Teachers	5,127	4,317	3,104	0	6,340
Jump Rope For Heart	813	0	0	0	813
	<u>5,940</u>	<u>4,317</u>	<u>3,104</u>	<u>0</u>	<u>7,153</u>
Total	\$ 194,412	250,988	235,431	0	209,969

CLARINDA COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUND - PRIVATE PURPOSE TRUST  
 JUNE 30, 2012

	Private Purpose Trust - Scholarship Fund			
	CEA Scholarship	New Market Scholarship	Butler Memorial	Total
ASSETS				
Cash and pooled investments	\$ 596	1,606	854	3,056
LIABILITIES				
None	0	0	0	0
NET ASSETS				
Restricted for scholarships	\$ 596	1,606	854	3,056

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, 2012

	Private Purpose Trust - Scholarship Fund											Total	
		Evelyn	HS Teachers		Port		P. Mascher	Spinler		Miller	Butler		
	Y-Teen	Warren	Scholarship	CEA	Stitt	Swanson	Memorial	Memorial	New Market	Memorial	Memorial		
	Scholarship	Memorial	Fund	Scholarship	Estate	Fund	Scholarship	Scholarship	Scholarship	Memorial	Memorial		
Additions:													
Local sources:													
Gifts and contributions	\$	0	0	284	159	0	0	0	0	0	0	854	1,297
Interest income		9	0	0	0	0	0	0	0	0	0	0	9
Total additions		9	0	284	159	0	0	0	0	0	0	854	1,306
Deductions:													
Instruction:													
Regular:													
Scholarships awarded		1,767	74	1,045	300	73	569	629	503	0	50	0	5,010
Change in net assets		(1,758)	(74)	(761)	(141)	(73)	(569)	(629)	(503)	0	(50)	854	(3,704)
Net assets beginning of year		1,758	74	761	737	73	569	629	503	1,606	50	0	6,760
Net assets end of year	\$	0	0	0	596	0	0	0	0	1,606	0	854	3,056

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLARINDA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 YEAR ENDED JUNE 30, 2012

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b><u>Nurse's Fund</u></b>				
ASSETS				
Cash and pooled investments	\$ 6,465	1,800	8,265	0
LIABILITIES				
Due to other groups	\$ 6,465	1,800	8,265	0
<b><u>American Field Service</u></b>				
ASSETS				
Cash and pooled investments	\$ 572	0	572	0
LIABILITIES				
Due to other groups	\$ 572	0	572	0
<b><u>Bossingham Fund</u></b>				
ASSETS				
Cash and pooled investments	\$ 531	1,500	2,031	0
LIABILITIES				
Accounts payable	\$ 109	0	109	0
Due to other groups	422	1,500	1,922	0
	\$ 531	1,500	2,031	0
<b><u>Ed Butler Memorial Fund</u></b>				
ASSETS				
Cash and pooled investments	\$ 917	650	1,567	0
LIABILITIES				
Accounts payable	\$ 713	0	713	0
Due to other groups	204	650	854	0
	\$ 917	650	1,567	0
<b><u>TOTALS - ALL AGENCY FUNDS</u></b>				
ASSETS				
Cash and pooled investments	\$ 8,485	3,950	12,435	0
LIABILITIES				
Accounts payable	\$ 822	0	822	0
Due to other groups	7,663	3,950	11,613	0
	\$ 8,485	3,950	12,435	0

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 NINE YEARS

	Modified Accrual Basis								
	Years Ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 4,137,605	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	1,285,740	1,404,024	1,422,416	1,344,751	1,535,721	1,340,106	1,289,544	1,211,801	977,902
Other	425,597	510,889	424,507	478,150	584,130	549,427	418,243	470,490	424,448
State sources	4,942,650	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	818,511	1,025,727	1,106,743	673,812	565,423	552,471	608,309	487,546	430,049
Total	\$ 11,610,103	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	\$ 6,659,930	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	270,262	284,913	325,540	330,774	308,591	301,676	286,289	314,785	312,853
Instructional staff	568,710	551,934	309,735	357,792	357,533	345,284	180,067	61,141	125,829
Administration	1,088,960	1,099,585	1,130,011	979,626	940,816	905,626	865,768	722,024	710,941
Operation and maintenance									
of plant	1,108,064	927,912	953,602	906,714	901,997	814,612	802,665	717,553	771,170
Transportation	383,901	286,095	281,450	296,953	325,122	291,716	267,205	233,413	257,004
Capital outlay	301,875	79,951	123,983	283,755	9,050	164,834	79,298	423,414	0
Long-term debt:									
Principal	0	240,000	555,000	1,280,000	945,000	495,000	450,000	350,000	330,000
Interest and fiscal charges	0	5,960	30,528	78,167	113,424	131,865	166,473	306,487	284,448
Other expenditures:									
AEA flow-through	346,777	388,675	387,290	342,355	308,916	306,881	277,459	269,609	269,509
Total	\$ 10,728,479	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, 2012

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 12	\$ 62,006
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 12	241,193 *
			<u>303,199</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	116,063
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1197-D	360,052
TITLE I SINA - SCHOOLS IN NEED OF ASSISTANCE	84.010	FY 12	7,305
			<u>483,420 **</u>
ARRA - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, RECOVERY ACT	84.389	FY 10	<u>178,075 **</u>
MATH AND SCIENCE PARTNERSHIPS (TITLE IIB)	84.366	FY 12	<u>2,964</u>
IMPROVING TEACHER QUALITY STATE GRANTS	84.367	FY 12	<u>44,454</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 12	<u>7,774</u>
EDUCATION JOBS FUNDS	84.410	FY 12	<u>2,751</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 12	53,606
ARRA - SPECIAL EDUCATION GRANTS TO STATES (PART B), RECOVERY ACT	84.391	FY 10	36,311
			<u>89,917</u>
CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 12	<u>9,156</u>
TOTAL			<u>\$ 1,121,710</u>

\* - Includes \$31,590 of non-cash awards

\*\* - The total for the Title I Cluster is \$661,495

**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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 13, 2013. 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

The management of Clarinda Community School District is responsible for establishing and maintaining effective 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. We did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses, as defined above. 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 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.

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 Findings and Questioned Costs as item II-A-12 to be a significant deficiency.

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, 2012 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 13, 2013

**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 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, 2012. 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, 2012.

Internal Control Over Compliance

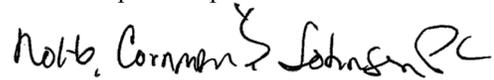
The management of Clarinda Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Clarinda 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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above.

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.

Handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson P.C." with a stylized flourish at the end.

NOLTE, CORNMAN & JOHNSON, P.C.

March 13, 2013

CLARINDA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was 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) No material weaknesses in internal control over the major programs were 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 - ARRA - 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, 2012

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

II-A-12 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff. We also noted that as part of the Superintendent's contract, he is to receive an allowance for travel of \$200 per month. However, this travel allowance is not included on the employees W-2 as a taxable fringe benefit.

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. The travel allowance would appear to be additional compensation to the driver as it is not an accountable plan. This stipend should be included in payroll, per IRS publication 15-B, which identifies taxable fringe benefits.

Response - The District will review IRS publication 15-B and either include this as a taxable fringe benefit or require the Superintendent to turn in mileage driven for business use, to make this an accountable plan.

Conclusion - Response accepted

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

No material weaknesses in internal control over the major program were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-12 Certified Budget - District expenditures for the year ended June 30, 2012 exceeded the certified amounts in the other expenditures 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-12 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-12 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-12 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	\$2,016

In accordance with the Chapter 279.7A of the Code of Iowa, the above transactions with the Board Member do not appear to represent a conflict of interest.

IV-E-12 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-12 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-12 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students was understated by 1.0 students.

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

Response - The District's auditors will contact the Iowa Department of Education and Department of Management on our behalf to resolve this matter.

Conclusion - Response accepted.

IV-H-12 Supplementary Weighting - No variances in supplementary weighting data certified to the Iowa Department of Education were noted

IV-I-12 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-12 Certified Annual Report - The Certified Annual Report was not filed with the Department of Education timely. However, we noted no significant deficiencies in the amounts reported.

Recommendation - The District should submit the Certified Annual Report in a timely manner in the future.

Response - The District went before the School Budget Review Committee in December 2012 and presented a plan, that going forward will allow for the District to file its Certified Annual Report timely.

Conclusion - Response accepted.

IV-K-12 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-12 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, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 1,263,053
Revenues:		
Sales tax revenues	\$ 719,534	
Other local revenues	1,310	720,844
	<u>                    </u>	<u>1,983,897</u>
Expenditures/transfers out:		
School infrastructure construction	291,875	
Equipment	10,000	301,875
	<u>                    </u>	<u>                    </u>
Ending balance		<u><u>\$ 1,682,022</u></u>

For the year ended June 30, 2012 the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.