

**CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT
CLARION, IOWA**

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

YEAR ENDED JUNE 30, 2012

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor’s Report		2-3
Management’s Discussion and Analysis		4-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	13-15
Statement of Activities	B	16-17
Governmental Fund Financial Statements:		
Balance Sheet	C	18
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	19
Statement of Revenues, Expenditures and Changes in Fund Balances	E	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	21
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	22
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	23
Statement of Cash Flows	I	24-25
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	26
Statement of Changes in Fiduciary Net Assets	K	27
Notes to Financial Statements		28-45
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Funds		46-47
Notes to Required Supplementary Information – Budgetary Reporting		48
Schedule of Funding Progress for the Retiree Health Plan		49
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	50
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	51

Table of Contents (continued)

		<u>Page</u>
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	52
Capital Project Accounts:		
Combining Balance Sheet	4	53
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	5	54
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	6	55-56
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>		57-59
Schedule of Findings		60-64

Clarion-Goldfield Community School District
Clarion-Goldfield, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2011 Election)

Clint Middleton	President	2011
Missy Schultz	Board Member	2011
Tim Nagel	Board Member	2013
Beth Severson	Board Member	2013
Beth Jackson	Board Member	2013

(After September 2011 Election)

Clint Middleton	President	2015
Missy Schultz	Board Member	2015
Tim Nagel	Board Member	2013
Beth Severson	Board Member	2013
Beth Jackson	Board Member	2013

School Officials

Robert Olson	Superintendent	Indefinite
Anita Frye	District Secretary	Indefinite
Terry Utech	District Treasurer	Indefinite
Robert Malloy	Attorney	Indefinite

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

714 14th Avenue North
Fort Dodge, IA 50501-7098
Phone 515.955.4805 • Fax 515.955.4673

Lowell W. Cornwell, C.P.A.
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.
jjmaher@frontiernet.net

Independent Auditor's Report

To the Board of Education of
Clarion-Goldfield Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clarion-Goldfield Community School District, Clarion, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clarion-Goldfield Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated May 28, 2013 on our consideration of Clarion-Goldfield Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 46 through 49 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 opinions on the financial statements that collectively comprise Clarion-Goldfield Community School District's basic financial statements. Other auditors previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, 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.

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

May 28, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clarion- Goldfield Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- General Fund revenues were \$9,204,951 for fiscal year 2012, while General Fund expenditures were \$8,896,293 in fiscal year 2012. This resulted in the District's General Fund balance of \$494,451, which was an increase of \$308,658 compared to the balance of fiscal year 2011. This increase is largely due to taking advantage of attrition and eliminating positions when possible and replacing exiting senior staff with less expensive new employees. Helpful financial strategies also include sharing expenses and staff with Dows in a whole-grade sharing agreement generates additional miscellaneous income. Dows pays the Clarion-Goldfield District tuition for their students in grades 6-12 attending classes in Clarion. The district also used the cash reserve levy to provide cash to backup its unspent authority.

- The 2003 Capital Loan notes were paid off during this current fiscal year.

(a) Overview of the Financial Statements

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Clarion-Goldfield Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Clarion-Goldfield School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Clarion-Goldfield Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Note to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor governmental funds.

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

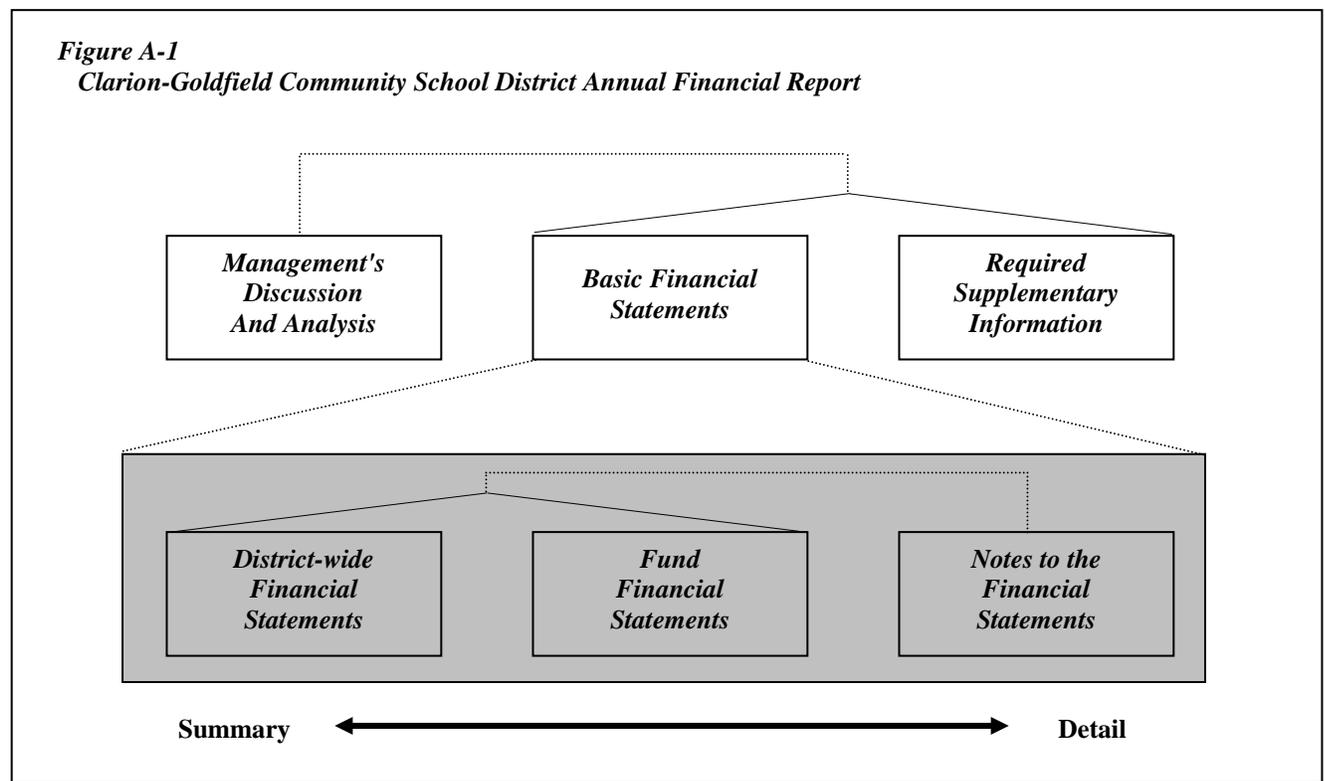


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the management’s discussion and analysis highlights the structure and contents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

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

District-wide Statements

The District-wide 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 District-wide 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, respectively.
- To assess the District's overall health, one needs to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities. Declining student enrollment also impacts the District's overall financial health.

In the District-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:

- *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. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.

- The District’s governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.
- *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 District-wide statements.
- The District has one enterprise fund, the School Nutrition Fund and one internal service fund, which accounts for the District’s self-funded health insurance.
- *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures. This subsection isn’t used.

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 District-wide financial statements because it cannot use these assets to finance its operations.

(b) – (c) Financial Analysis of the District as a Whole

Net assets - Figure A-3 below provides a summary of the District’s net assets for the year ended June 30, 2012. The District’s net assets for governmental activities were \$6,103,651 on June 30, 2012 for fiscal year 2012. The net assets for business type activities were \$157,547 on June 30, 2012. When these are combined, the total combined net assets were \$6,261,198 on June 30, 2012.

Figure A-3
Condensed Statement of Net Assets
June 30, 2012

	Governmental Activities	Business-type Activities	Total School District
Current Assets	\$ 9,039,625	96,849	9,136,474
Capital Assets	9,274,074	67,103	9,341,177
Total Assets	\$ 18,313,699	163,952	18,477,651

Current Liabilities	\$ 5,291,488	6,405	5,297,893
Other Liabilities	6,918,560	0	6,918,560
Total Liabilities	\$ 12,210,048	6,405	12,216,453

Net Assets			
Invested in capital assets, net of debt	\$ 5,469,074	67,103	5,536,177
Restricted	3,273,030	0	3,273,030
Unrestricted	(2,638,453)	90,444	(2,548,009)
Total Net Assets	\$ 6,103,651	157,547	6,261,198

Governmental Activities

Revenues for governmental activities were \$11,639,671 and expenses were \$11,485,187.

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

Figure A-4
Total & Net Cost of Governmental Activities
June 30, 2012

	Total Cost of Services	Net Cost of Services
Instruction	7,185,906	4,874,085
Support Services	3,177,193	2,921,328
Non-instructional Programs	13,223	13,223
Other Expenses	1,108,865	789,993
Total Net Assets	11,485,187	8,598,629

- The cost financed by users of the District's programs was \$885,341.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,001,217.
- The net cost of governmental activities was financed with \$5,592,137 in property tax, and other taxes, \$2,973,529 in unrestricted state grants, \$18,373 in interest income, and \$169,074 in other revenue.

Business-Type Activities

Revenues of the District's business-type activities were \$402,246 and expenses were \$442,054 for a deficit of (39,808). The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

(d) Financial Analysis of the District's Funds

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the fiscal year 2012, its governmental funds reported combined fund balances of \$2,217,196.

Governmental Fund Highlights

- The District's General Fund financial position has increased this past year due to efficiencies realized in a whole sharing with Dows and associated income in the form of tuition payments. The district's utilization of the cash reserve levy also contributed to the improvement of the cash position of the district. This is encouraging considering the district's unspent authority also grew when comparing FY11 to FY12. The increase of unspent authority was largely to the modified allowable growth associated with a large special education deficit (\$220,242).

- The General Fund balance increased from \$185,793 to \$494,451 due to a combination of increased modified allowable growth, utilization of the cash reserve levy and revenue exceeding expenditures.
- The Physical Plant and Equipment Levy (PPEL) Fund balance was \$80,824 at the end of FY12, compared to \$23,303 in FY11. There was \$333,198 transferred to debt service to reimburse for expenditures secured by PPEL revenues. This debt was paid off during the current fiscal year.
- Funds in Capital Projects may be used for the same purposes as PPEL funds. Revenue for FY12 was \$614,057. District expenditures for FY12 were \$65,038, for facility maintenance and grounds improvements. There was \$228,396 transferred to debt service to reimburse for expenditures secured by the statewide sales, services and use tax. Fund balance was \$1,241,288 at the end of FY12, compared to \$920,665 in FY11.

Proprietary Fund Highlights

The School Nutrition Fund net assets for the fiscal year ending June 30, 2012 were \$157,547 compared to \$197,355 at the end of FY11, for a net decrease of \$39,808. The lowering of the ending balance was intentional. The Department of Education Consultant assigned to audit Nutrition Programs, indicated that the Nutrition Program balance was excessive. The district utilized program balance to pay for one-time expenditures for equipment to reduce the ending balance without being obligated to reoccurring expenditures.

The Internal Service Fund net assets for the fiscal year ending June 30, 2012 were \$1,241,391 compared to \$867,351 the end of FY11. The majority of the change was attributed to a significant increase in the ending balance of the medical group side-fund and Chapter 125 (flex) fund. These two funds alone, increased from \$732,100 to \$1,102,810. The remaining funds included in Internal Service include Trust designated for scholarships and private purpose designed for the "Nurse's Fund". These two funds increased from \$135,251 to \$138,581.

(e) Budgetary Highlights

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 its private-purpose trust, agency and internal service funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis, while accounted based on GAAP. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison.

Legal Budgetary Highlights

Total actual expenditures were less than budgeted in the General Fund. It is the District's practice to certify budget expenditures at or near the maximum authorized spending authority in all fund categories. Actual expenditures are managed using a line-item budget for the General Fund. As a result, the District's certified budget is always larger than actual expenditures for the year.

(f) Capital Asset and Debt Administration

Capital Assets

As of June 30, 2012, the District had invested \$9,341,177, 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-5) More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$580,229.

Figure A-5
Capital Assets, End of Year Balance
Less Accumulated Depreciation

	June 30, 2012		
	Governmental Activities	Business-type Activities	Total School District
Land	82,379		82,379
Construction in progress	0		\$0
Buildings	13,625,772		13,625,772
Improvement other than buildings	681,047		681,047
Furniture	1,526,971	170,702	1,697,673
Total capital assets before depreciation	\$15,916,169	170,702	16,086,871
Building depreciation	5,010,485		5,010,485
Improvement other than buildings	512,650		512,650
Furniture & equipment depreciation	1,118,960	103,599	1,222,559
Total depreciation	6,642,095	103,599	6,745,694
Total capital assets net	9,274,074	67,103	9,341,177

The original cost of the District's capital assets was \$16,086,871. Governmental funds account for \$15,916,169 with the remainder of \$170,702 in the Proprietary, specific to School Nutrition Fund.

Long-Term Debt

At June 30, 2012, Clarion-Goldfield Community School District had \$3,805,000 in general obligation and revenue bonds outstanding. This represents a decrease of \$555,000 from last year.

As of July 1, 2006, the District's voters authorized the issuance of \$4,000,000 in general obligation bonds to pay for renovation and expansion of the middle school and renovation and expansion of the high school including geothermal heating and cooling, completing the last phase of the system for the entire high school campus. The remaining balance at June 30, 2012 was \$3,360,000.

The District's total indebtedness also includes earlier projects that involved renovation of the high school locker rooms, addition of an art studio, wrestling room and installing a geothermal heating and cooling system to those areas. Funding for Phase I of the project was accomplished by using capital loan notes, repaid using the Physical Plant and Equipment Fund (initial project of \$1,865,454). These notes were paid off during the current fiscal year. Phase II was funded using revenue bonds, repaid using one-cent sales tax revenue (initial project of \$1,265,000). The remaining amount on these bonds was \$445,000 at June 30, 2012.

The remaining long-term obligations were associated with early retirement packages or other post employee benefits. See Notes 5 and 8 to the financial statements for additional information regarding the District's long-term debt.

(g) Factors Bearing on the District's Future

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

- Reorganization of Clarion-Goldfield with Dows would greatly benefit both districts. In addition to qualifying financial incentives provided by the State of Iowa, it would also allow the districts to be more efficient and better utilize staff and facilities while providing quality educational opportunities for students.
- Improvement in local and state economies is generating optimism in student enrollment and increases in state allowable growth. A local business in Clarion is anticipating a \$22 million dollar expansion and hiring an additional 120 to 150 employees.
- Currently, the largest employer in Clarion has 60% of its workforce commuting to work. The Clarion-Goldfield School District and the City of Clarion have entered into a cooperative relationship that includes land exchange to facilitate a housing project east of the high school. It is hoped that the majority of the new employees and current employees of local business will elect to move their families to Clarion and increase student enrollment. The combination of growing student enrollment and increasing state allowable growth will help improve the financial condition of the school district.

- The district amended its sharing agreement with Dows in 2009-2010 to expand administrative sharing. With the departure of Dows Elementary Principal and Shared Curriculum Coordinator, Sara Pralle-Keehn, the district expanded administrative sharing with Clarion-Goldfield to include Elementary administrative. Steve Haberman was assigned the position of Lead-Principal. Dr. Bob Olson was assigned the position of Co-Principal, in addition to his duties as Shared Superintendent that began in FY2006.
- The district operates a State supported Preschool Program. enrollment included in the certified enrollment for FY2011 at 60% of the district, controlled pupil cost. In FY2012, the state reduced funding to preschool by cutting the percentage of controlled pupil cost from 60% to 50%. Obviously, any additional cuts or elimination of state funding will adversely impact the district's financial position and ability to continue operating this valuable program.
- The sharing agreement with Dows calls for 65% of the Clarion-Goldfield cost per student to follow the student with the balance of 35% remaining with Dows, used for transportation, utilities and other operational purposes.
- Dows expanded its sharing agreement with Clarion-Goldfield Middle School, bringing all of the Dows students into the grade range included in that building (6-8). This was accomplished without adding any additional staff in the Clarion-Goldfield School District, while Dows was able to take advantage of resignations and take advantage of a retirement and terminated a teacher. As the two districts move toward reorganization, it is anticipated that both districts make decisions that assist in the transition from two districts to one reorganized district. This will likely include, but not be limited to continued and expanded sharing of employees, assisting in blending the faculty members of both districts into one.
- The District has experienced declining enrollment the past five years. Enrollment dropped from 910.1 in the fall of 2007, to 884.8, 884.6, 812.5, 787.3, and 776.0 in 2008, 2009, 2010, 2009, and 2011 respectively. In fall of 2012, enrollment increased to 798.6. Local economic development and housing projects have contributed to optimism for continued enrollment growth.
- It is hoped the agreement with Dows will continue to be positive and strengthen the district's ability to provide quality educational programs for its students for many years to come. The districts progress toward reorganization with a vote to approve a merge scheduled for September 10, 2013. This is an important decision for the two districts and will impact the financial conditions of both districts. A successful election would establish a reorganized district beginning the 2014-2015 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 Dr. Robert A. Olson, Superintendent, or Anita Frye, District Secretary, Clarion-Goldfield Community School District, 319 3rd Avenue NE, Clarion, Iowa 50525.

Basic Financial Statements

Clarion-Goldfield Community School District
Clarion, Iowa
Statement of Net Assets
June 30, 2012

Exhibit A

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 3,398,349	85,330	3,483,679
Receivables:			
Property tax:			
Delinquent	49,433	-	49,433
Succeeding year	4,953,575	-	4,953,575
Accounts	7,849	1,138	8,987
Due from other governments	630,419	-	630,419
Inventories	-	10,381	10,381
Capital assets, net of accumulated depreciation	<u>9,274,074</u>	<u>67,103</u>	<u>9,341,177</u>
Total assets	<u>18,313,699</u>	<u>163,952</u>	<u>18,477,651</u>
 Liabilities			
Accounts payable	157,863	64	157,927
Salaries and benefits payable	23,301	1,539	24,840
Accrued interest payable	32,183	-	32,183
Deferred revenue - succeeding year property tax	4,953,575	-	4,953,575
Deferred revenue - other	124,566	4,802	129,368
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	180,000	-	180,000
Revenue bonds	140,000	-	140,000
Termination benefits	193,350	-	193,350
Portion due after one year:			
General obligation bonds	3,180,000	-	3,180,000
Revenue bonds	305,000	-	305,000
Termination benefits	631,944	-	631,944
Net OPEB Liability	<u>2,288,266</u>	<u>-</u>	<u>2,288,266</u>
Total liabilities	<u>12,210,048</u>	<u>6,405</u>	<u>12,216,453</u>

Clarion-Goldfield Community School District
Clarion, Iowa
Statement of Net Assets
June 30, 2012

Exhibit A

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Net assets			
Invested in capital assets, net of related debt	5,469,074	67,103	5,536,177
Restricted for:			
Categorical funding	308,894	-	308,894
Management levy	222,730	-	222,730
Physical plant and equipment levy	80,824	-	80,824
School infrastructure	942,133	-	942,133
Student activities	177,839	-	177,839
Debt service	299,219	-	299,219
Health Insurance	1,241,391	-	1,241,391
Unrestricted	<u>(2,638,453)</u>	<u>90,444</u>	<u>(2,548,009)</u>
Total net assets	<u>\$ 6,103,651</u>	<u>157,547</u>	<u>6,261,198</u>

See notes to financial statements.

Clarion-Goldfield Community School District
Clarion, Iowa
Statement of Activities
Year ended June 30, 2012

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 4,663,707	220,824	977,592	-
Special instruction	1,585,221	80,110	329,632	-
Other instruction	936,978	356,108	347,555	-
	<u>7,185,906</u>	<u>657,042</u>	<u>1,654,779</u>	<u>-</u>
Support services:				
Student services	412,913	14,127	13,723	-
Instructional staff services	278,079	27,358	12,893	-
Administration services	1,119,221	128,811	950	-
Operation and maintenance of plant	827,124	32,612	-	-
Transportation services	539,856	25,391	-	-
	<u>3,177,193</u>	<u>228,299</u>	<u>27,566</u>	<u>-</u>
Non-instructional programs:				
Food services operations	13,223	-	-	-
Other expenditures:				
Facilities acquisition	44,265	-	-	-
Long-term debt interest	178,019	-	-	-
AEA flowthrough	318,872	-	318,872	-
Depreciation (unallocated)	567,709	-	-	-
	<u>1,108,865</u>	<u>-</u>	<u>318,872</u>	<u>-</u>
Total governmental activities	11,485,187	885,341	2,001,217	-
Business type activities:				
Non-instructional programs:				
Food service operations	442,054	181,906	219,424	-
Total	<u>\$ 11,927,241</u>	<u>1,067,247</u>	<u>2,220,641</u>	<u>-</u>
General Revenues:				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Statewide sales, service and use tax				
Income surtaxes				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
(3,465,291)	-	(3,465,291)
(1,175,479)	-	(1,175,479)
(233,315)	-	(233,315)
<u>(4,874,085)</u>	<u>-</u>	<u>(4,874,085)</u>
(385,063)	-	(385,063)
(237,828)	-	(237,828)
(989,460)	-	(989,460)
(794,512)	-	(794,512)
(514,465)	-	(514,465)
<u>(2,921,328)</u>	<u>-</u>	<u>(2,921,328)</u>
<u>(13,223)</u>	<u>-</u>	<u>(13,223)</u>
(44,265)	-	(44,265)
(178,019)	-	(178,019)
-	-	-
(567,709)	-	(567,709)
(789,993)	-	(789,993)
(8,598,629)	-	(8,598,629)
<u>-</u>	<u>(40,724)</u>	<u>(40,724)</u>
<u>(8,598,629)</u>	<u>(40,724)</u>	<u>(8,639,353)</u>
\$ 3,998,263	-	3,998,263
177,361	-	177,361
538,559	-	538,559
594,078	-	594,078
283,876	-	283,876
2,973,529	-	2,973,529
18,373	916	19,289
169,074	-	169,074
<u>8,753,113</u>	<u>916</u>	<u>8,754,029</u>
154,484	(39,808)	114,676
5,949,167	197,355	6,146,522
<u>\$ 6,103,651</u>	<u>157,547</u>	<u>6,261,198</u>

Clarion-Goldfield Community School District
Clarion, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2012

Assets	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Cash	\$ 510,723	1,209,833	436,402	2,156,958
Receivables:				
Property tax:				
Delinquent	37,949	5,465	6,019	49,433
Succeeding year	3,704,836	563,241	685,498	4,953,575
Accounts	7,849	-	-	7,849
Due from other governments	506,761	123,658	-	630,419
Total assets	<u>\$ 4,768,118</u>	<u>1,902,197</u>	<u>1,127,919</u>	<u>7,798,234</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 132,643	16,844	8,376	157,863
Salaries and benefits payable	23,301	-	-	23,301
Termination benefits	-	-	33,412	33,412
Deferred revenue:				
Succeeding year property tax	3,704,836	563,241	685,498	4,953,575
Income surtax	288,321	-	-	288,321
Other	124,566	-	-	124,566
Total liabilities	<u>4,273,667</u>	<u>580,085</u>	<u>727,286</u>	<u>5,581,038</u>
Fund balances:				
Restricted for:				
Categorical funding	308,894	-	-	308,894
Debt service	-	299,155	64	299,219
School infrastructure	-	942,133	-	942,133
Physical plant and equipment	-	80,824	-	80,824
Student activities	-	-	177,839	177,839
Management levy purposes	-	-	222,730	222,730
Unassigned	185,557	-	-	185,557
Total fund balances	<u>494,451</u>	<u>1,322,112</u>	<u>400,633</u>	<u>2,217,196</u>
Total liabilities and fund balances	<u>\$ 4,768,118</u>	<u>1,902,197</u>	<u>1,127,919</u>	<u>7,798,234</u>

See notes to financial statements.

Clarion-Goldfield Community School District
Clarion, Iowa

Exhibit D

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

June 30, 2012

Total fund balances of governmental funds (page 18) \$ 2,217,196

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 9,274,074

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 288,321

Internal Service Fund assets that are to be included with governmental funds. 1,241,391

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (32,183)

Long-term liabilities, including bonds and notes payable, compensated absences and other post employment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (6,885,148)

Net assets of governmental activities (page 15) \$ 6,103,651

See notes to financial statements.

Clarion-Goldfield Community School District
Clarion, Iowa

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 3,875,981	1,133,338	576,740	5,586,059
Tuition	628,952	-	316,909	945,861
Other	348,771	27,205	215	376,191
State sources	4,022,859	195	-	4,023,054
Federal sources	<u>328,183</u>	<u>-</u>	<u>-</u>	<u>328,183</u>
Total revenues	<u>9,204,746</u>	<u>1,160,738</u>	<u>893,864</u>	<u>11,259,348</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,766,959	62,824	291,531	4,121,314
Special	1,141,793	-	276,821	1,418,614
Other	<u>850,723</u>	<u>-</u>	<u>-</u>	<u>850,723</u>
	<u>5,759,475</u>	<u>62,824</u>	<u>568,352</u>	<u>6,390,651</u>
Support services:				
Student	381,301	-	-	381,301
Instructional staff	263,875	-	-	263,875
Administration	968,661	13,697	33,868	1,016,226
Operation and maintenance of plant	705,674	17,276	75,663	798,613
Transportation	<u>498,435</u>	<u>3,603</u>	<u>29,886</u>	<u>531,924</u>
	<u>2,817,946</u>	<u>34,576</u>	<u>139,417</u>	<u>2,991,939</u>
Non-instructional programs:				
Food service operations	<u>-</u>	<u>1,510</u>	<u>11,713</u>	<u>13,223</u>
Other expenditures:				
Facilities acquisition	-	122,090	-	122,090
Long-term debt:				
Principal	-	-	555,000	555,000
Interest and fiscal charges	-	-	183,930	183,930
AEA flowthrough	<u>318,872</u>	<u>-</u>	<u>-</u>	<u>318,872</u>
	<u>318,872</u>	<u>122,090</u>	<u>738,930</u>	<u>1,179,892</u>
Total expenditures	<u>8,896,293</u>	<u>221,000</u>	<u>1,458,412</u>	<u>10,575,705</u>
Excess (deficiency) of revenues over (under) expenditures	<u>308,453</u>	<u>939,738</u>	<u>(564,548)</u>	<u>683,643</u>
Other financing sources (uses):				
Proceeds from the disposal of property	205	-	-	205
Operating transfers in	-	-	561,594	561,594
Operating transfers out	<u>-</u>	<u>(561,594)</u>	<u>-</u>	<u>(561,594)</u>
Total other financing sources (uses)	<u>205</u>	<u>(561,594)</u>	<u>561,594</u>	<u>205</u>
Net change in fund balances	308,658	378,144	(2,954)	683,848
Fund balances beginning of year	<u>185,793</u>	<u>943,968</u>	<u>403,587</u>	<u>1,533,348</u>
Fund balances end of year	<u>\$ 494,451</u>	<u>1,322,112</u>	<u>400,633</u>	<u>2,217,196</u>

See notes to financial statements.

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 20) \$ 683,848

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

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

Expenditures for capital assets	\$ 117,320	
Depreciation expense	(567,709)	(450,389)

Income surtaxes and other receivables not collected for several months after year end are not considered available revenue and are deferred in the governmental funds. 6,078

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows

Repaid 555,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 5,911

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

Termination benefits	(182,991)	
Other postemployment benefits	(837,013)	(1,020,004)

Internal Service Fund transactions are not reported in the General Fund as revenues and expenditures, however the General Fund is the source of these revenues and use of the expenditures. 374,040

Change in net assets of governmental activities (page 17) **\$ 154,484**

Clarion-Goldfield Community School District
Clarion, Iowa

Exhibit G

Statement of Net Assets
Proprietary Funds

June 30, 2012

	<u>Business Types School Nutrition</u>	<u>Internal Service Employee Health</u>
Assets		
Cash and cash equivalents	\$ 85,330	1,241,391
Accounts	1,138	-
Inventories	10,381	-
Capital assets, net of accumulated depreciation	<u>67,103</u>	<u>-</u>
Total assets	<u>163,952</u>	<u>1,241,391</u>
Liabilities		
Accounts payable	64	-
Salaries and benefits payable	1,539	-
Deferred revenue	<u>4,802</u>	<u>-</u>
Total liabilities	<u>6,405</u>	<u>-</u>
Net Assets		
Invested in capital assets	67,103	-
Restricted for health insurance	-	1,241,391
Unrestricted	<u>90,444</u>	<u>-</u>
Total net assets	<u>\$ 157,547</u>	<u>1,241,391</u>

See notes to financial statements.

Clarion-Goldfield Community School District
Clarion, Iowa

Exhibit H

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

Year ended June 30, 2012

	<u>Business Types School Nutrition</u>	<u>Internal Service Employee Health</u>
Operating revenues:		
Local sources:		
Charges for service	\$ 181,907	1,720,124
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries and benefits	241,723	-
Purchased services	6,198	-
Supplies	181,613	-
Depreciation	12,520	-
	442,054	-
Internal service programs:		
Benefits	-	1,347,704
Total operating expenses	442,054	1,347,704
Operating income/(loss)	(260,147)	372,420
Non-operating revenues:		
State sources	3,939	-
Federal sources	215,484	-
Interest income	916	1,620
Total non-operating revenues	220,339	1,620
Increase (decrease) in net assets	(39,808)	374,040
Net assets beginning of year	197,355	867,351
Net assets end of year	\$ 157,547	1,241,391

See notes to financial statements.

Clarion-Goldfield Community School District
Clarion, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2012

	<u>Business Types School Nutrition</u>	<u>Internal Service Employee Health</u>
Cash flows from operating activities:		
Cash received from sale of services	\$ 188,446	1,720,124
Cash paid to employees for services	(240,183)	(1,347,704)
Cash paid to suppliers for goods or services	<u>(154,347)</u>	<u>-</u>
Net cash used by operating activities	<u>(206,084)</u>	<u>372,420</u>
Cash flows from non-capital financing activities:		
State grants received	3,939	-
Federal grants received	<u>182,122</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>186,061</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>916</u>	<u>1,620</u>
Net (increase) in cash and cash equivalents	(19,107)	374,040
Cash and cash equivalents beginning of year	<u>104,437</u>	<u>867,351</u>
Cash and cash equivalents end of year	<u>\$ 85,330</u>	<u>1,241,391</u>

Clarion-Goldfield Community School District
Clarion, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2012

	<u>Business</u> <u>Types</u> School <u>Nutrition</u>	<u>Internal</u> <u>Service</u> Employee <u>Health</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (260,147)	372,420
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	33,362	-
Depreciation	12,520	-
Decrease in other receivables	6,479	
Decrease in inventories	756	-
(Decrease) in accounts payable	(654)	-
Increase in salaries and benefits payable	1,539	
Increase in deferred revenue	61	-
Net cash used by operating activities	\$ (206,084)	372,420

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$33,362 of federal commodities.

See notes to financial statements.

Clarion, Iowa

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2012

	Private Purpose <u>Trusts</u>
Assets	
Cash	\$ 138,581
Total assets	138,581
Liabilities	
Accounts Payable	-
Total liabilities	-
Net Assets	
Reserved for scholarships	135,251
Reserved for student personal needs	3,330
Total net assets	<u>\$ 138,581</u>

See notes to financial statements.

Clarion-Goldfield Community School District
Clarion, Iowa

Exhibit K

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year Ended June 30, 2012

	<u>Private Purpose Trusts</u>
Additions:	
Local sources:	
Interest on investments	\$ 1,094
Contributions	<u>1,750</u>
Total additions	<u>2,844</u>
Deductions:	
Support services:	
Scholarships	<u>13,828</u>
Total deductions	<u>13,828</u>
Change in net assets	(10,984)
Net assets beginning of year	<u>149,565</u>
Net assets end of year	<u>\$ 138,581</u>

See notes to financial statements.

Clarion-Goldfield Community School District
Clarion, Iowa

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

Clarion-Goldfield Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Clarion and Goldfield, Iowa, and the agricultural area in Wright, Humboldt, and Hancock counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Clarion-Goldfield Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Clarion-Goldfield 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 does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wright County Assessor's Conference boards.

Clarion-Goldfield Community School District
Clarion, Iowa

Notes to Financial Statements

June 30, 2012

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 the interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

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

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

Clarion-Goldfield Community School District
Clarion, Iowa

Notes to Financial Statements

June 30, 2012

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

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of health care coverage self-funded by the District and provided to other funds on a cost reimbursement basis.

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

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

Clarion-Goldfield Community School District
Clarion, Iowa

Notes to Financial Statements

June 30, 2012

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 the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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 – committed, assigned and then unassigned fund balances.

Clarion-Goldfield Community School District
Clarion, Iowa

Notes to Financial Statements

June 30, 2012

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

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

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

D. Assets, Liabilities and Fund Equity

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

Cash and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Clarion-Goldfield Community School District
Clarion, Iowa

Notes to Financial Statements

June 30, 2012

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds 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, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Clarion-Goldfield Community School District
Clarion, Iowa

Notes to Financial Statements

June 30, 2012

Asset Class	Amount
Land	\$ ---
Buildings	5,000
Improvements other than buildings	5,000
Intangible assets	100,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20-50 years
Intangible assets	5-10 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable - An accrual has been made for any hourly employees for hours worked in June.

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 year. Deferred revenue in the governmental fund financial statements represents 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 year. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Clarion-Goldfield Community School District
Clarion, Iowa

Notes to Financial Statements

June 30, 2012

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints place 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.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash**

The District's deposits in banks 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; 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.

Clarion-Goldfield Community School District
Clarion, Iowa

Notes to Financial Statements

June 30, 2012

(3) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 82,379	-	-	82,379
Capital assets being depreciated:				
Buildings	13,554,928	70,844	-	13,625,772
Improvements other than buildings	681,047	-	-	681,047
Furniture and equipment	1,480,495	46,476	-	1,526,971
Total capital assets being depreciated	<u>15,716,470</u>	<u>117,320</u>	-	<u>15,833,790</u>
Less accumulated depreciation for:				
Buildings	4,564,011	446,474	-	5,010,485
Improvements other than buildings	493,515	19,135	-	512,650
Furniture and equipment	1,016,860	102,100	-	1,118,960
Total accumulated depreciation	<u>6,074,386</u>	<u>567,709</u>	-	<u>6,642,095</u>
Total capital assets being depreciated, net	<u>9,642,084</u>	<u>(450,389)</u>	-	<u>9,191,695</u>
Governmental activities capital assets, net	<u>\$9,724,463</u>	<u>(450,389)</u>	-	<u>9,274,074</u>

Clarion-Goldfield Community School District
Clarion, Iowa

Notes to Financial Statements

June 30, 2012

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<u>Business type activities:</u>				
Furniture and equipment	\$ 170,702	-	-	170,702
Less accumulated depreciation	<u>91,079</u>	<u>12,520</u>	-	<u>103,599</u>
Business type activities capital assets, net	<u>\$ 79,623</u>	<u>(12,520)</u>	-	<u>67,103</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Unallocated \$ 567,709

Business type activities:

Food service operations \$ 12,520

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects:	
	Statewide Sales, Services and Use Tax	\$ 228,396
	Physical Plant and Equipment Levy	<u>333,198</u>
		<u>\$ 561,594</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Clarion-Goldfield Community School District
Clarion, Iowa

Notes to Financial Statements

June 30, 2012

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$3,530,000	-	170,000	3,360,000	180,000
Sales tax revenue bonds	580,000	-	135,000	445,000	140,000
Capital loan notes	250,000	-	250,000	-	-
Termination benefits	608,891	280,260	63,857	825,294	193,350
Net OPEB liability	1,451,253	837,013	-	2,288,266	-
Total	\$6,420,144	1,117,273	618,857	6,918,560	513,350

General Obligation Bonds Payable

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of August 1, 2006			
	Interest Rates	Principal	Interest	Total
2013	4.38%	\$ 180,000	147,795	327,795
2014	4.38	185,000	139,920	324,920
2015	4.40	195,000	131,780	326,780
2016	4.40	205,000	123,200	328,200
2017	4.40	210,000	114,180	324,180
2018-2022	4.40	1,205,000	423,500	1,628,500
2023-2027	4.40	1,180,000	132,660	1,312,660
Total		\$ 3,360,000	1,213,035	4,573,035

Clarion-Goldfield Community School District
Clarion, Iowa

Notes to Financial Statements

June 30, 2012

Revenue Bonds

Details of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2004			
	Interest Rates	Principal	Interest	Total
2013	3.30%	\$ 140,000	13,295	153,295
2014	3.50	150,000	8,359	158,359
2015	3.70	155,000	2,868	157,868
Total		\$ 445,000	24,522	469,522

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,265,000 of bonds issued in April 2004. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2015. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 40% of the statewide sales, services, and use tax revenue. The total principal and interest remaining to be paid on the notes is \$469,522. For the current year, \$135,000 principal and \$17,697 of interest was paid on the bonds and total statewide sales, services, and use tax revenues were \$594,078.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) The bonds will only be redeemed from the future earnings of the statewide sales, services and use tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- b) \$126,500 of the proceeds from the bond issue were placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds insufficient money is available in the sinking account. The reserve account is part of the Capital Projects Fund and is reserved for debt service.

Clarion-Goldfield Community School District
Clarion, Iowa

Notes to Financial Statements

June 30, 2012

- c) Proceeds from the statewide sales, services and use tax shall be placed in a revenue account with a trustee. The trustee will make monthly transfers from the revenue account to the sinking account. The required monthly payment to the sinking account shall equal 1/6 of the installment of interest coming due on the next interest payment date and 1/12 of the installment of principal coming due on the next principal payment date. Money in the sinking account shall be used to pay the interest and principal on the bonds. The sinking fund is part of the Capital Projects Fund, Statewide Sales, Services and Use Tax and is reserved for debt service.

Capital Loan Notes

The District issued \$1,825,000 of capital loan notes in August 2003. These notes and the interest will be paid from the Special Revenue, Physical Plant and Equipment Levy Fund. During the year ended June 30, 2012 the District made principal and interest payments totaling \$258,500. The balance of the note as of June 30, 2012 is \$0.

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have reached the age of fifty-five and a minimum of 16 years of service in the Clarion-Goldfield Community School District. The application for early retirement is subject to approval by the Board of Education.

If approved, the early retiree has the option for a cash stipend from 16 to 25% of their contract. This cash stipend will be paid in no more than three equal installments. The employee also has the option to apply this stipend towards insurance premiums above the amount paid for single coverage.

The District will also pay for single medical and dental coverage for early-retired employees for a maximum of ten years. The District will pay the amount applicable for single coverage until the retiree elects to enroll in Medicare. At that time, the district will pay the single supplement premium.

The District will also reimburse each employee with at least 10 years of service in the Clarion-Goldfield Community School District \$25 for each unused sick day up to a maximum of 90 days.

Clarion-Goldfield Community School District
Clarion, Iowa

Notes to Financial Statements

June 30, 2012

At June 30, 2012, the District has obligations to sixteen participants who have previously been approved for early retirement and an additional ten employees eligible for unused sick days, which combined for a total liability of \$825,294. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$ 63,857.

(6) Risk Management

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.

The District maintains its own self-funded insurance plan. The District purchases insurance to cover aggregate and specific losses. The self-funded health insurance plan is accounted for in the Internal Service Fund. The fund actuary found the plan to be in accordance with generally accepted actuarial standards and being operated on a sound financial basis.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$414,083, \$363,656, and \$306,228, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 103 active and 26 retired members in the plan. Participants must be age 55 or older at retirement.

Clarion-Goldfield Community School District
Clarion, Iowa

Notes to Financial Statements

June 30, 2012

The medical/prescription drug benefits are provided through a partially self-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 rate 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 (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, 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 the year ended June 30, 2012, the amount actually contributed to the plan changes in the District’s net OPEB obligation:

Annual required contribution	\$ 1,065,102
Interest on net OPEB obligation	36,281
Adjustments to annual required contribution	<u>(104,183)</u>
Annual OPEB cost	997,200
Contributions made	<u>(160,187)</u>
Increase in net OPEB obligation	837,013
Net OPEB obligation beginning of year	<u>1,451,253</u>
Net OPEB obligation end of year	\$ <u><u>2,288,266</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed approximately \$160,000 to the medical plan. Plan members eligible for benefits contributed nothing, or 0% of the premium costs.

Clarion-Goldfield Community School District
Clarion, Iowa

Notes to Financial Statements

June 30, 2012

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:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation(Asset)</u>
June 30, 2010	\$ 884,913	19.2%	\$ 715,334
June 30, 2011	900,315	18.3%	1,451,253
June 30, 2012	997,200	16.1%	2,288,266

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2012, the actuarial accrued liability was \$6.848 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$6.848 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5.3 million and the ratio of the UAAL to covered payroll was 129.0%. 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 health care 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, for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents 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 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.

Clarion-Goldfield Community School District
Clarion, Iowa

Notes to Financial Statements

June 30, 2012

As of the July 1, 2009 actuarial valuation date, the frozen entry actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the District.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$318,872 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.

(10) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Gifted and Talented	\$ 143,974
Four Year Preschool	73,082
Mentoring	143
Teacher Quality	10,062
High School Liaison	1,769
Professional Development Core Curriculum	55,439
Professional Development	<u>24,425</u>
	\$ <u>308,894</u>

Clarion-Goldfield Community School District
Clarion, Iowa

Notes to Financial Statements

June 30, 2012

(11) Subsequent Events

Subsequent events have been evaluated through May 28, 2013, which is the date the financial statements were available to be issued. The Area Education Agency has approved the District's request to put the reorganization plan with Dows Community School District on the ballot for voter approval on September 10, 2013. The District approved a bid for resurfacing the track for \$96,650 and replacing the elementary boiler for \$185,373. District officials are anticipating these projects will be expended from the Capital Projects fund.

Required Supplementary Information

Clarion-Goldfield Community School District
Clarion, Iowa

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

Required Supplementary Information

Year ended June 30, 2012

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 6,908,111	181,907
State sources	4,023,054	3,939
Federal sources	<u>328,183</u>	<u>215,484</u>
Total revenues	<u>11,259,348</u>	<u>401,330</u>
Expenditures/Expenses:		
Instruction	6,390,651	-
Support services	2,991,939	-
Non-instructional programs	13,223	442,054
Other expenditures	<u>1,179,892</u>	<u>-</u>
Total expenditures/expenses	<u>10,575,705</u>	<u>442,054</u>
Excess (deficiency) of revenues over (under) expenditures	683,643	(40,724)
Other financing sources, net	<u>205</u>	<u>916</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	683,848	(39,808)
Balances beginning of year	<u>1,533,348</u>	<u>197,355</u>
Balances end of year	<u>\$ 2,217,196</u>	<u>157,547</u>

See accompanying independent auditor's report.

<u>Total Actual</u>	<u>Budgeted Amounts Original & Final</u>	<u>Final to Actual Variance</u>
7,090,018	6,811,994	278,024
4,026,993	4,296,846	(269,853)
<u>543,667</u>	<u>300,000</u>	<u>243,667</u>
<u>11,660,678</u>	<u>11,408,840</u>	<u>251,838</u>
6,390,651	6,650,000	259,349
2,991,939	3,497,000	505,061
455,277	465,000	9,723
<u>1,179,892</u>	<u>1,207,485</u>	<u>27,593</u>
<u>11,017,759</u>	<u>11,819,485</u>	<u>801,726</u>
642,919	(410,645)	1,053,564
<u>1,121</u>	<u>210,000</u>	<u>(208,879)</u>
644,040	(200,645)	844,685
<u>1,730,703</u>	<u>1,080,485</u>	<u>650,218</u>
<u>2,374,743</u>	<u>879,840</u>	<u>1,494,903</u>

Clarion-Goldfield Community School District
Clarion, Iowa

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 comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Internal Service Fund. 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 District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

Clarion-Goldfield Community School District

Clarion, Iowa

Schedule of Funding Progress for the Retiree Health Plan
(In Thousands)

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 7,081	7,081	0.0%	5,600	126.4%
2011	Jul 1, 2009	-	7,027	7,027	0.0%	5,300	132.6%
2012	Jul 1, 2009	-	6,848	6,848	0.0%	5,300	129.2%

See Note 8 in the accompanying Notes to Financial Statements for the plan description,

See accompanying independent auditor's report.

Supplementary Information

Clarion-Goldfield Community School District
Clarion, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2012

	Special Revenue			
Assets	Student <u>Activity</u>	<u>Management</u>	Debt <u>Service</u>	<u>Total</u>
Cash	\$ 184,479	251,923	-	436,402
Receivables:				
Property tax:				
Delinquent	-	4,219	1,800	6,019
Succeeding year	-	500,000	185,498	685,498
Accounts	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 184,479	756,142	187,298	1,127,919
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 6,640	-	1,736	8,376
Termination benefits	-	33,412	-	33,412
Deferred revenue:				
Succeeding year property tax	-	500,000	185,498	685,498
Total liabilities	6,640	533,412	187,234	727,286
Fund balances:				
Restricted for:				
Student activities	177,839	-	-	177,839
Management levy purposes	-	222,730	-	222,730
Debt service	-	-	64	64
Total fund balances	177,839	222,730	64	400,633
Total liabilities and fund balances	\$ 184,479	756,142	187,298	1,127,919

See accompanying independent auditor's report.

Clarion-Goldfield Community School District
Clarion, Iowa

Schedule 2

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

Year ended June 30, 2012

	Special Revenue			
	Student Activity	Management	Debt Service	Total
Revenues:				
Local sources:				
Local tax	\$ -	400,080	176,660	576,740
Other	301,416	15,442	51	316,909
State sources	-	151	64	215
Total revenues	301,416	415,673	176,775	893,864
Expenditures:				
Current:				
Instruction:				
Regular	-	291,531	-	291,531
Other	276,821	-	-	276,821
	276,821	291,531	-	568,352
Support services:				
Administration	-	33,868	-	33,868
Operation and maintenance of plant	-	75,663	-	75,663
Transportation	-	29,886	-	29,886
	-	139,417	-	139,417
Non-instructional programs:				
Food service operations	-	11,713	-	11,713
Other expenditures:				
Long-term debt:				
Principal	-	-	555,000	555,000
Interest and fiscal charges	-	-	183,930	183,930
	-	-	738,930	738,930
Total expenditures	276,821	442,661	738,930	1,458,412
Excess (deficiency) of revenues over expenditures	24,595	(26,988)	(562,155)	(564,548)
Other financing sources:				
Operating transfers in	-	-	561,594	561,594
Excess (deficiency) of revenues and other financing sources over (under) expenditures	24,595	(26,988)	(561)	(2,954)
Fund balances beginning of year	153,244	249,718	625	403,587
Fund balances end of year	\$ 177,839	222,730	64	400,633

See accompanying independent auditor's report.

Clarion-Goldfield Community School District
Clarion, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
Vending machine	\$ 20,917	6,525	7,653	19,789
Concessions	7,970	24,213	23,753	8,430
Classes	8,193	6,543	12,466	2,270
Spanish club	14,837	10,526	8,271	17,092
MS peer helper	7,873	20,514	18,376	10,011
Cheerleaders	(1,037)	4,504	3,044	423
Future business leaders	683	527	315	895
Student council	(3,030)	9,178	2,175	3,973
Athletics	11,124	109,695	121,977	(1,158)
Vocal music	3,479	8,565	4,016	8,028
MS vocal	8,367	4,978	559	12,786
MS band	2,773	13,993	8,640	8,126
Drama/Speech	6,947	2,903	4,871	4,979
FFA	36,217	40,231	34,920	41,528
National Honor Society	1,758	1,584	985	2,357
Lasso	6,098	4,797	-	10,895
Architecture Club	1,798	11,164	11,487	1,475
Science Club	3,423	1,830	968	4,285
JEL	800	-	-	800
FCCLA	2,264	1,711	843	3,132
HS band	697	10,052	6,789	3,960
Dance	4,789	5,718	4,713	5,794
Interest	6,304	1,665	-	7,969
Total	<u>\$ 153,244</u>	<u>301,416</u>	<u>276,821</u>	<u>177,839</u>

See accompanying independent auditor's report.

Clarion-Goldfield Community School District
Clarion, Iowa

Schedule 4

Combining Balance Sheet
Capital Project Accounts

June 30, 2012

	Capital Projects		
	Statewide Sales, Service and Use Tax	Physical Plant and Equipment Levy	<u>Total</u>
Assets			
Cash	\$ 1,117,630	92,203	1,209,833
Receivables:			
Property tax:			
Delinquent	-	5,465	5,465
Succeeding year	-	563,241	563,241
Due from other governments	<u>123,658</u>	<u>-</u>	<u>123,658</u>
Total assets	<u>\$ 1,241,288</u>	<u>660,909</u>	<u>1,902,197</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	16,844	16,844
Deferred revenue:			
Succeeding year property tax	<u>-</u>	<u>563,241</u>	<u>563,241</u>
Total liabilities	<u>-</u>	<u>580,085</u>	<u>580,085</u>
Fund balances:			
Restricted for:			
Debt service	299,155	-	299,155
School infrastructure	942,133	-	942,133
Physical plant and equipment	<u>-</u>	<u>80,824</u>	<u>80,824</u>
Total fund balances	<u>1,241,288</u>	<u>80,824</u>	<u>1,322,112</u>
Total liabilities and fund balances	<u>\$ 1,241,288</u>	<u>660,909</u>	<u>1,902,197</u>

See accompanying independent auditor's report.

Clarion-Goldfield Community School District
Clarion, Iowa

Schedule 5

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2012

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 594,078	539,260	1,133,338
Other	19,979	7,226	27,205
State sources	-	195	195
Total revenues	614,057	546,681	1,160,738
Expenditures:			
Instruction:			
Regular	1,738	61,086	62,824
Support services:			
Administration	1,735	11,962	13,697
Operation and maintenance of plant	-	17,276	17,276
Transportation	-	3,603	3,603
	1,735	32,841	34,576
Other expenditures:			
Facilities acquisition	61,565	60,525	122,090
Non-instructional programs:			
Food service operations	-	1,510	1,510
Total expenditures	65,038	155,962	221,000
Excess of revenues over expenditures	549,019	390,719	939,738
Other financing sources (uses):			
Operating transfers out	(228,396)	(333,198)	(561,594)
Excess of revenues and other financing sources over expenditures and other financing uses	320,623	57,521	378,144
Fund balances beginning of year	920,665	23,303	943,968
Fund balances end of year	\$ 1,241,288	80,824	1,322,112

See accompanying independent auditor's report.

Clarion-Goldfield Community School District
Clarion, Iowa

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Nine Years

	Modified Accrual Basis		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues:			
Local sources:			
Local tax	\$ 5,586,059	5,474,141	4,727,199
Tuition	945,861	720,133	604,788
Other	376,191	612,401	501,876
State sources	4,023,054	3,928,798	3,723,676
Federal sources	328,183	592,171	697,317
Total	\$ 11,259,348	11,327,644	10,254,856
Expenditures:			
Instruction:	\$ 6,390,651	6,344,915	6,214,864
Support services:			
Student	381,301	372,837	344,844
Instructional staff	263,875	279,272	278,976
Administration	1,016,226	994,269	994,004
Operation and maintenance of plant	798,613	871,619	884,844
Transportation	531,924	482,311	456,356
Non-instructional programs	13,223	14,896	11,942
Other expenditures:			
Facilities acquisition	122,090	296,705	261,018
Long-term debt:			
Principal	555,000	540,000	525,000
Interest and other charges	183,930	200,774	245,163
AEA flowthrough	318,872	356,650	359,742
Total	\$ 10,575,705	10,754,248	10,576,753

See accompanying independent auditor's report.

Schedule 6

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
4,698,885	4,376,274	4,246,981	3,866,463	3,760,131	3,700,034
569,929	625,696	588,690	464,096	237,260	321,870
561,459	467,016	708,219	403,312	311,084	409,084
4,199,712	4,172,647	4,014,363	3,974,315	3,607,654	3,106,335
399,796	293,454	280,580	306,184	337,802	375,192
<u>10,429,781</u>	<u>9,935,087</u>	<u>9,838,833</u>	<u>9,014,370</u>	<u>8,253,931</u>	<u>7,912,515</u>
6,291,385	5,867,145	5,695,337	5,351,958	5,070,144	5,087,397
283,234	237,191	210,850	204,368	289,181	212,954
282,768	263,874	251,817	271,394	237,110	138,951
926,364	960,422	936,083	845,261	798,647	798,799
831,395	834,047	840,981	731,884	704,788	596,174
459,694	523,557	465,688	424,909	350,256	318,082
-	14,609	4,837	8,480	20,935	21,361
248,780	1,709,599	3,263,419	80,756	1,247,133	2,393,586
516,693	351,428	353,940	431,394	397,172	412,672
233,677	375,026	74,799	83,869	84,161	61,030
314,550	307,277	299,372	290,471	269,312	267,447
<u>10,388,540</u>	<u>11,444,175</u>	<u>12,397,123</u>	<u>8,724,744</u>	<u>9,468,839</u>	<u>10,308,453</u>

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

714 14th Avenue North
Fort Dodge, IA 50501-7098
Phone 515.955.4805 • Fax 515.955.4673

Lowell W. Cornwell, C.P.A.
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.
jjmaher@frontiernet.net

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

To the Board of Education of
Clarion-Goldfield Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Clarion-Goldfield Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated May 28, 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 Clarion-Goldfield Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Clarion-Goldfield Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Clarion-Goldfield Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clarion-Goldfield Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-12 and I-B-12 to be material weaknesses.

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 deficiency described in Part I of the accompanying Schedule of Findings as item I-C-12 to be a significant deficiency.

Compliance and Other Matters

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

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

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Clarion-Goldfield Community School District and other parties to whom Clarion-Goldfield Community School District may report, 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 Clarion-Goldfield Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

May 28, 2013

Clarion-Goldfield Community School District
Clarion, Iowa

Schedule of Findings

Year ended June 30, 2012

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Significant Deficiencies:

I-A-12 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District has divided incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has a large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We are doing everything we can within our situation and make improvements as the situation changes.

Conclusion - Response accepted.

I-B-12 Financial Reporting - During the audit, we identified certain receivables and payables not recorded in the District's financial statements. We also noted certain accounts that were not adjusted to reconcile to the prior year audit report. Adjustments were subsequently made by the District to properly report these amounts in the financial statements.

Recommendation - The District should implement procedures to ensure all receivables and payables are recorded in the financial statements and that the accounts reconcile to the audit report.

Clarion-Goldfield Community School District
Clarion, Iowa

Schedule of Findings

Year ended June 30, 2012

Response – This was due to the transition of the Board Secretary position as well as change in independent auditors. We do not anticipate this problem in the future.

Conclusion – Response accepted.

I-C-12 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP). Clarion-Goldfield Community School District does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes and statement of cash flows, as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an organization of your size.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with generally accepted accounting principles can be considered costly and ineffective. However, it is the responsibility of the District’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources necessary to remain current on GAAP and GASB reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis.

Conclusion – Response accepted.

Clarion-Goldfield Community School District
Clarion, Iowa

Schedule of Findings

Year ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting:

- II-A-12 Certified Budget – Disbursements for the year ended June 30, 2012 did not exceed the certified budget in the other expenditures function.
- II-B-12 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-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.
- II-D-12 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-12 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that the coverage is adequate for current operations.
- II-F-12 Board Minutes – We noted no transactions requiring Board approval which had not been approved by the Board. However, we noted one month’s minutes were not published within two weeks as required by Chapter 279 of the Code of Iowa. We also noted that claims paid for employee benefits were not published in the paper as paid claims.

Recommendation – The District should review it’s procedures and publish the minutes within two weeks as required by the Code of Iowa. The District should all publish the employee benefit paid claims so that all the expenditures of the District are published.

Response – We review our procedures and implement the above recommendations.

Conclusion - Response accepted.

Clarion-Goldfield Community School District
Clarion, Iowa

Schedule of Findings

Year ended June 30, 2012

- II-G-12 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-12 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-12 Deposits and Investments – 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 were noted.
- II-J-12 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely.
- II-K-12 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-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		\$ 920,665
Revenues:		
Sales tax revenues	\$ 594,078	
Other local revenues	<u>19,979</u>	<u>614,057</u>
		1,534,722
Expenditures/transfers out:		
School infrastructure construction	61,565	
Equipment	3,473	
Transfers to other funds:		
Debt service	<u>228,396</u>	<u>293,434</u>
Ending balance		<u>\$ 1,241,288</u>

Clarion-Goldfield Community School District
Clarion, Iowa

Schedule of Findings

Year ended June 30, 2012

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.

- II-M-12 Legally Separate Organizations – Based on a review of the Iowa Secretary of State’s web site for Iowa Corporations, it appeared that the Clarion Goldfield Music Boosters do not appear to be incorporated under the provisions of the Iowa Nonprofit Corporation Act. If an entity is not a separate legal entity, all transactions should be recorded and processed through the District’s financial system and all transactions approved by the board of directors.

Recommendation – Even though this entity is immaterial to the District’s financial statements, the District should determine the legal status of these funds to see if they should be included in the District’s financial statements.

Response – We will do this.

Conclusion – Response accepted.

- II-N-12 Deficit Balance – One student activity account had a deficit balance at June 30, 2012.

Recommendation – The District should investigate alternatives to eliminate this deficit in order to return this account to a sound financial condition.

Response – We will do this.

Conclusion – Response accepted.