

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

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

YEAR ENDED JUNE 30, 2014

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Clarion-Goldfield Community School District
Clarion-Goldfield, Iowa

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-------------|--------------|---------------------|
|-------------|--------------|---------------------|

Board of Education

| | | |
|-----------------|----------------|------|
| Clint Middleton | President | 2015 |
| Beth Severson | Vice President | 2017 |
| Missy Schultz | Board Member | 2015 |
| Tim Nagel | Board Member | 2014 |
| Beth Jackson | Board Member | 2017 |

School Officials

| | | |
|---------------|--------------------|------------|
| Robert Olson | Superintendent | Indefinite |
| Anita Frye | District Secretary | Indefinite |
| Susan Toftey | District Treasurer | Indefinite |
| Robert Malloy | Attorney | Indefinite |

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Certified Public Accountants

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Independent Auditor's Report

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

Report on the Financial Statements

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, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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 5 through 16 and 49 through 52 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 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clarion-Goldfield Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. Other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2011 (which are not presented herein) and expressed unmodified 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 16, 2015 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 in considering Clarion-Goldfield Community School District's internal control over financial reporting and compliance.

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

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

March 16, 2015

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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$9,263,334 in fiscal year 2013 to \$9,865,138 in fiscal year 2014, while General Fund expenditures increased from \$9,040,829 in fiscal year 2013 to \$9,805,908 in fiscal year 2014. The District's General Fund balance increased from \$729,726 at the end of fiscal year 2013 to \$857,860 at the end of fiscal year 2014, an 18% increase.
- The fiscal year 2014 General Fund revenue increase was attributable to increases in local taxes, tuition, other local sources and state revenue. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits. The increase in revenue was enough to cover the increase in expenditures resulting in the increase in the General Fund balance.

USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Clarion-Goldfield Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial 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.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, 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-1
Clarion-Goldfield Community School District Annual Financial Report

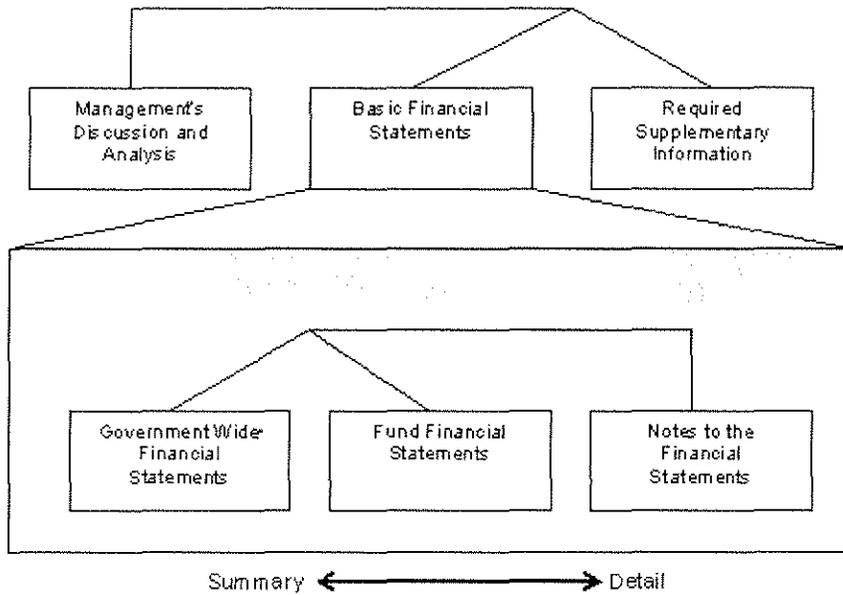


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships and other items for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants as a fiscal agent.

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-3
Condensed Statement of Net Position
(Expressed in Thousands)

| | <u>Governmental Activities</u> | | <u>Business Type Activities</u> | | <u>Total District</u> | | <u>Total</u> |
|----------------------------------|--------------------------------|----------------|---------------------------------|-------------|-----------------------|----------------|------------------|
| | <u>June 30,</u> | | <u>June 30,</u> | | <u>June 30,</u> | | <u>Change</u> |
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> | <u>2013-2014</u> |
| Current and other assets | \$ 6,257 | 10,922 | 91 | 76 | 6,348 | 10,998 | -42.3% |
| Capital assets | <u>9,664</u> | <u>9,234</u> | <u>83</u> | <u>56</u> | <u>9,747</u> | <u>9,290</u> | <u>4.9%</u> |
| Total assets | <u>15,921</u> | <u>20,156</u> | <u>174</u> | <u>132</u> | <u>16,095</u> | <u>20,288</u> | <u>-20.7%</u> |
| Long-term liabilities | 6,219 | 6,092 | --- | --- | 6,219 | 6,092 | -1.5% |
| Other liabilities | <u>677</u> | <u>591</u> | <u>7</u> | <u>6</u> | <u>684</u> | <u>597</u> | <u>14.6%</u> |
| Total liabilities | <u>6,896</u> | <u>6,683</u> | <u>7</u> | <u>6</u> | <u>6,903</u> | <u>6,689</u> | <u>3.2%</u> |
| Deferred inflows of resources | --- | <u>5,423</u> | --- | --- | --- | <u>5,423</u> | <u>-100%</u> |
| Net position: | | | | | | | |
| Net investment in capital assets | 6,514 | 5,749 | 83 | 56 | 6,597 | 5,805 | 13.6% |
| Restricted | 4,855 | 4,223 | --- | --- | 4,855 | 4,223 | 15.0% |
| Unrestricted | <u>(2,344)</u> | <u>(1,922)</u> | <u>83</u> | <u>70</u> | <u>(2,261)</u> | <u>(1,852)</u> | <u>-22.1%</u> |
| Total net position | <u>\$ 9,025</u> | <u>8,050</u> | <u>166</u> | <u>126</u> | <u>9,191</u> | <u>8,176</u> | <u>12.4%</u> |

The District's total net position increased 12.4%, or approximately \$1,015,000 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$632,000 or 15% from the prior year. The increase was primarily a result of an increase in unspent Health Insurance funds.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$409,000 or 22.1%. This decrease in unrestricted net position deficit was a result of changes in unrestricted assets and liabilities.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4
Changes in Net Position
(Expressed in Thousands)

| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
|------------------------------------------------------------|----------------------------|---------------|-----------------------------|------------|-------------------|---------------|-----------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2013-2014 |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for service | \$ 1,732 | 1,042 | 217 | 193 | 1,949 | 1,235 | 57.8% |
| Operating grants, contributions and restricted interest | 1,342 | 1,894 | 281 | 238 | 1,623 | 2,132 | -23.9% |
| Capital grants, contributions and restricted interest | 53 | 65 | 44 | --- | 97 | 65 | 49.2% |
| General revenues: | | | | | | | |
| Property tax | 5,229 | 4,952 | --- | --- | 5,229 | 4,952 | 5.6% |
| Statewide sales, services and use tax | 701 | 656 | --- | --- | 701 | 656 | 6.9% |
| Income surtax | 366 | 286 | --- | --- | 366 | 286 | 28.0% |
| Unrestricted state grants | 3,292 | 3,035 | --- | --- | 3,292 | 3,035 | 8.5% |
| Unrestricted investment earnings | 10 | 9 | --- | --- | 10 | 9 | 11.1% |
| Other | 137 | 68 | --- | --- | 137 | 68 | 101.5% |
| Total revenues | <u>12,862</u> | <u>12,007</u> | <u>542</u> | <u>431</u> | <u>13,404</u> | <u>12,438</u> | <u>7.8%</u> |
| Program expenses: | | | | | | | |
| Instruction | 7,129 | 5,804 | --- | --- | 7,129 | 5,804 | 22.9% |
| Support services | 3,343 | 3,090 | --- | --- | 3,343 | 3,090 | 8.2% |
| Non-instructional programs | 54 | 13 | 502 | 462 | 556 | 475 | 17.1% |
| Other expenses | 1,361 | 1,153 | --- | --- | 1,361 | 1,153 | 18.0% |
| Total expenses | <u>11,887</u> | <u>10,060</u> | <u>502</u> | <u>462</u> | <u>12,389</u> | <u>10,522</u> | <u>17.7%</u> |
| Increase (decrease) in net position | 975 | 1,947 | 40 | (31) | 1,015 | 1,916 | 47.0% |
| Net position beginning of year | <u>8,050</u> | <u>6,103</u> | <u>126</u> | <u>157</u> | <u>8,176</u> | <u>6,260</u> | <u>30.6%</u> |
| Net position end of year | \$ <u>9,025</u> | <u>8,050</u> | <u>166</u> | <u>126</u> | <u>9,191</u> | <u>8,176</u> | <u>12.4%</u> |

In fiscal year 2014, property tax and unrestricted state grants account for 66.2% of governmental activities revenue while charges for service, operating grants and contributions and non-instructional programs account for all of the revenue from business type activities.

The District's total revenues were approximately \$13.4 million, of which approximately \$13 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 7.8% increase in revenues and a 17.7% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$12,861,946 and expenses were \$11,886,800 for the year ended June 30, 2014.

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, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

| | Total Cost of Services | | | Net Cost of Services | | |
|-------------------------------|------------------------|---------------|---------------------|----------------------|--------------|---------------------|
| | 2014 | 2013 | Change 2013-2014 | 2014 | 2013 | Change 2013-2014 |
| Instruction | \$ 7,129 | 5,804 | 22.8% | 4,693 | 3,427 | 36.9% |
| Support services | 3,343 | 3,090 | 8.2% | 2,989 | 2,788 | 7.2% |
| Non-instructional programs | 54 | 13 | 315.4% | 54 | 13 | 315.4% |
| Other expenses | <u>1,361</u> | <u>1,153</u> | <u>18.0%</u> | <u>1,024</u> | <u>830</u> | <u>23.4%</u> |
| Total | <u>\$ 11,887</u> | <u>10,060</u> | <u>18.2%</u> | <u>8,760</u> | <u>7,058</u> | <u>24.1%</u> |

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,731,722.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,341,892.
- The net cost of governmental activities was financed with \$6,296,333 in property and other taxes and \$3,291,619 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2014 were \$542,307, representing a 25.9% increase over the prior year, while expenses totaled \$503,116, an 8.9% increase from the prior year. 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, capital asset contributions and investment income.

During the year ended June 30, 2014, the District increased meal prices. This increase resulted in increased revenue to the School Nutrition Fund and helped offset some of the increase in food costs.

INDIVIDUAL FUND ANALYSIS

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 year, its governmental funds reported combined fund balances of \$3,043,433, above last year's ending fund balances of \$2,881,547.

Governmental Fund Highlights

- The General Fund balance increased from \$729,726 to \$857,860.
- The Management Fund balance increased from \$389,346 to \$619,153. The increase was due mostly to an increase in property tax revenue. The Management Fund levy was increased to increase reserves to offset anticipated layoffs and unemployment benefits associated with reorganization in FY15.
- The Capital Projects Fund balance decreased from \$1,531,112 to \$1,302,167. The decrease was due mostly to an increase in instructional and non-instructional expenses.
- The District began paying for expenses associated with a parking lot project at the high school (\$1.4 million). Expenses for this project will continue into the FY16 school year.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$126,673 at June 30, 2013 to \$166,169 at June 30, 2014, representing an increase of approximately 31.2%. The increase was due mostly to a capital asset contribution from the Capital Project Fund.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$203,557 more than total budgeted revenues, a variance of 1.6%.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the non-instructional programs function due to the timing of expenditures at year-end without sufficient time to amend the certified budget. This was largely due to underestimating FY14 expenditures associated with the high school parking lot project.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested approximately \$9.7 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 3.9% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$744,199.

The original cost of the District's capital assets was approximately \$17.4 million. Governmental funds account for approximately \$17.2 million, with the remainder of approximately \$0.2 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, Net of Depreciation
(Expressed in Thousands)

| | Governmental | | Business Type | | Total | | Total Change June 30, 2013-2014 |
|-----------------------------------|--------------|-------|---------------|------|----------|-------|------------------------------------------|
| | Activities | | Activities | | District | | |
| | June 30, | | June 30, | | June 30, | | |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | |
| Land | \$ 82 | 82 | --- | --- | 82 | 82 | 0.0% |
| Construction in progress | 410 | 89 | --- | --- | 410 | 89 | 360.7% |
| Buildings | 8,045 | 8,321 | --- | --- | 8,045 | 8,321 | -3.3% |
| Improvements other than buildings | 254 | 280 | --- | --- | 254 | 280 | -9.3% |
| Furniture and equipment | 873 | 551 | 83 | 56 | 956 | 607 | 57.5% |
| Total | \$ 9,664 | 9,323 | 83 | 56 | 9,747 | 9,379 | 3.9% |

Long-Term Debt

At June 30, 2014, the District had \$3,384,709 in total long-term debt outstanding. This represents a decrease of approximately 4.1% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations
(expressed in thousands)

| | <u>Total</u> | | <u>Total</u> |
|--------------------------|-----------------|-------------|------------------|
| | <u>District</u> | | <u>Change</u> |
| | <u>June 30,</u> | | <u>June 30,</u> |
| | <u>2014</u> | <u>2013</u> | <u>2013-2014</u> |
| General obligation bonds | \$ 2,995 | 3,180 | -5.8% |
| Revenue bonds | 155 | 305 | -49.2% |
| Computer lease | 141 | - | N/A |
| Termination benefits | <u>94</u> | <u>45</u> | <u>108.9%</u> |
| Total | \$ 3,385 | 3,530 | -4.1% |
| | ===== | ===== | ===== |

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The state foundation formula uses enrollment figures on October 1st of the previous year to determine revenue from state and local sources. Enrollment increased October 1, 2014 compared to the previous year. Budget guarantee will not be a factor for FY16 but low State Supplemental Aid increase set by the state may be insufficient to service obligated spending. The District will need to monitor the line item budget closely to make the necessary adjustments to bring expenditures in line with revenue. The District will need to continue to look for ways to reduce expenditures to keep in line with enrollment and resources.
- Possible sharing opportunities with neighboring districts are being explored to bolster the District's financial position, associated with Clarion-Goldfield and neighboring districts. Wright County School Districts meet annually in a retreat to examine educational trends and opportunities to share resources and possible operational sharing.
- The District will continue to be required to comply with unfunded and under funded mandates from the federal and state governments such as the federal No Child Left Behind Act, Individuals with Disabilities Education Act, and the state Student Achievement and Teacher Quality Initiative. This will require the District to find ways to provide services in the areas of assessment and professional development, which will divert funds from other student service areas.

- Enrollment is projected to be stable in the 950 student range through the 2014-2015 school year and slowly increase with anticipated growth in economic development and housing.
- It is difficult for the District to project the future impact of legislative changes and or mandates. The District became associated with Rural School Advocates of Iowa to lobby for legislation to remove obstacles for rural schools to provide an equitable educational program. It is hoped that legislation favorable to rural schools will provide relief for all funds, particularly the General Fund. The organization was successful in promoting legislation that removed the age cap on early retirement to allow continued use of the Management Fund rather than using the General Fund for retirees over the age of 65. Future legislative efforts designed to relieve the General Fund include bus repairs coming from PPEL, transportation equalization, expansion of operational sharing, flexible use of Dropout Prevention and At-Risk Funding, etc.

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 Position
June 30, 2014

Exhibit A

| | <u>Governmental</u> <u>Activities</u> | <u>Business Type</u> <u>Activities</u> | <u>Total</u> |
|-------------------------------------------------|------------------------------------------|-------------------------------------------|-------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 5,415,241 | 79,160 | 5,494,401 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 55,364 | - | 55,364 |
| Succeeding year | - | - | - |
| Accounts | - | 2,376 | 2,376 |
| Accrued interest | 68 | | |
| Due from other governments | 785,728 | - | 785,728 |
| Inventories | - | 8,964 | 8,964 |
| Capital assets, net of accumulated depreciation | 9,664,392 | 83,005 | 9,747,397 |
| Total assets | <u>15,920,793</u> | <u>173,505</u> | <u>16,094,298</u> |
| Liabilities | | | |
| Accounts payable | 404,513 | 367 | 404,880 |
| Salaries and benefits payable | 31,723 | 1,754 | 33,477 |
| Advances from grantors | 215,567 | - | 215,567 |
| Unearned revenue | - | 5,215 | 5,215 |
| Accrued interest payable | 24,831 | - | 24,831 |
| Long-term liabilities: | | | |
| Portion due within one year: | | | |
| General obligation bonds payable | 195,000 | - | 195,000 |
| Revenue bonds | 155,000 | - | 155,000 |
| Computer lease | 69,549 | | |
| Termination benefits | 93,671 | - | 93,671 |
| Portion due after one year: | | | |
| General obligation bonds | 2,800,000 | - | 2,800,000 |
| Revenue bonds | - | - | - |
| Computer lease | 71,489 | | |
| Net OPEB Liability | 2,834,158 | - | 2,834,158 |
| Total liabilities | <u>6,895,501</u> | <u>7,336</u> | <u>6,902,837</u> |
| Deferred Inflows of Resources | | | |
| Other | <u>339</u> | <u>-</u> | <u>339</u> |

Clarion-Goldfield Community School District
Clarion, Iowa
Statement of Net Position
June 30, 2014

Exhibit A

| | <u>Governmental Activities</u> | <u>Business Type Activities</u> | <u>Total</u> |
|-----------------------------------|------------------------------------|-------------------------------------|------------------|
| Net position | | | |
| Net investment in capital assets | 6,514,392 | 83,005 | 6,597,397 |
| Restricted for: | | | |
| Categorical funding | 409,218 | - | 409,218 |
| Management levy | 619,153 | - | 619,153 |
| Physical plant and equipment levy | 298,428 | - | 298,428 |
| School infrastructure | 694,496 | - | 694,496 |
| Student activities | 170,925 | - | 170,925 |
| Debt service | 402,571 | - | 402,571 |
| Health Insurance | 2,259,852 | - | 2,259,852 |
| Unrestricted | (2,344,082) | 83,164 | (2,260,918) |
| Total net position | <u>\$ 9,024,953</u> | <u>166,169</u> | <u>9,191,122</u> |

See notes to financial statements.

Clarion-Goldfield Community School District
Clarion, Iowa
Statement of Activities
Year ended June 30, 2014

| | | Program Revenues | | |
|--------------------------------------|--------------------------------|----------------------------------------------------------------------------|--------------------------------------------------------------------------|--------|
| <u>Expenses</u> | <u>Charges for Service</u> | <u>Operating Grants, Contributions and Restricted Interest</u> | <u>Capital Grants, Contributions and Restricted Interest</u> | |
| <u>Functions/Programs:</u> | | | | |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular instruction | \$ 4,275,428 | 801,219 | 432,368 | 53,000 |
| Special instruction | 1,586,093 | 316,101 | 179,373 | - |
| Other instruction | 1,267,145 | 314,847 | 338,934 | - |
| | 7,128,666 | 1,432,167 | 950,675 | 53,000 |
| Support services: | | | | |
| Student services | 448,770 | 27,910 | 13,961 | - |
| Instructional staff services | 406,308 | 67,496 | 39,141 | - |
| Administration services | 1,004,369 | 139,405 | 912 | - |
| Operation and maintenance of plant | 915,737 | 46,689 | - | - |
| Transportation services | 567,584 | 18,055 | - | - |
| | 3,342,768 | 299,555 | 54,014 | - |
| Non-instructional programs: | | | | |
| Food services operations | 54,037 | - | - | - |
| Other expenditures: | | | | |
| Facilities acquisition | 150,223 | - | - | - |
| Long-term debt interest | 146,453 | - | - | - |
| AEA flowthrough | 337,203 | - | 337,203 | - |
| Depreciation (unallocated) | 727,450 | - | - | - |
| | 1,361,329 | - | 337,203 | - |
| Total governmental activities | 11,886,800 | 1,731,722 | 1,341,892 | 53,000 |
| Business type activities: | | | | |
| Non-instructional programs: | | | | |
| Food service operations | 503,116 | 217,313 | 280,931 | 44,063 |
| Total | \$ 12,389,916 | 1,949,035 | 1,622,823 | 97,063 |
| <u>General Revenues:</u> | | | | |
| 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 position | | | | |
| Net position beginning of year | | | | |
| Net position end of year | | | | |

Net (Expense) Revenue
and Changes in Net Position

| Governmental Activities | Business Type Activities | Total |
|----------------------------|-----------------------------|--------------------|
| (2,988,841) | - | (2,988,841) |
| (1,090,619) | - | (1,090,619) |
| (613,364) | - | (613,364) |
| <u>(4,692,824)</u> | <u>-</u> | <u>(4,692,824)</u> |
| (406,899) | - | (406,899) |
| (299,671) | - | (299,671) |
| (864,052) | - | (864,052) |
| (869,048) | - | (869,048) |
| (549,529) | - | (549,529) |
| <u>(2,989,199)</u> | <u>-</u> | <u>(2,989,199)</u> |
| <u>(54,037)</u> | <u>-</u> | <u>(54,037)</u> |
| (150,223) | - | (150,223) |
| (146,453) | - | (146,453) |
| - | - | - |
| <u>(727,450)</u> | <u>-</u> | <u>(727,450)</u> |
| <u>(1,024,126)</u> | <u>-</u> | <u>(1,024,126)</u> |
| (8,760,186) | - | (8,760,186) |
| <u>-</u> | <u>39,191</u> | <u>39,191</u> |
| <u>(8,760,186)</u> | <u>39,191</u> | <u>(8,720,995)</u> |
| \$ 4,435,659 | - | 4,435,659 |
| 196,772 | - | 196,772 |
| 596,773 | - | 596,773 |
| 701,495 | - | 701,495 |
| 365,634 | - | 365,634 |
| 3,291,619 | - | 3,291,619 |
| 10,223 | 305 | 10,528 |
| 137,157 | - | 137,157 |
| <u>9,735,332</u> | <u>305</u> | <u>9,735,637</u> |
| 975,146 | 39,496 | 1,014,642 |
| <u>8,049,807</u> | <u>126,673</u> | <u>8,176,480</u> |
| <u>\$ 9,024,953</u> | <u>166,169</u> | <u>9,191,122</u> |

Clarion-Goldfield Community School District
Clarion, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2014

| Assets | General | Management | Capital Projects | Nonmajor | Total |
|-------------------------------------------------------------------------------|---------------------|----------------|---------------------|----------------|------------------|
| Cash and cash equivalents | \$ 1,022,130 | 614,805 | 1,252,954 | 265,500 | 3,155,389 |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | 41,163 | 6,135 | 6,068 | 1,998 | 55,364 |
| Succeeding year | - | - | - | - | - |
| Accrued interest | - | 68 | - | - | 68 |
| Due from other governments | 489,036 | - | 296,692 | - | 785,728 |
| Total assets | <u>\$ 1,552,329</u> | <u>621,008</u> | <u>1,555,714</u> | <u>267,498</u> | <u>3,996,549</u> |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 147,721 | - | 253,547 | 3,245 | 404,513 |
| Salaries and benefits payable | 31,723 | - | - | - | 31,723 |
| Advances from grantors | 215,567 | - | - | - | 215,567 |
| Termination benefits | - | 1,855 | - | - | 1,855 |
| Total liabilities | <u>395,011</u> | <u>1,855</u> | <u>253,547</u> | <u>3,245</u> | <u>653,658</u> |
| Deferred inflows of resources: | | | | | |
| Unavailable revenues: | | | | | |
| Income surtax | 299,119 | - | - | - | 299,119 |
| Other | 339 | - | - | - | 339 |
| Total deferred inflows of resources | <u>299,458</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>299,458</u> |
| Fund balances: | | | | | |
| Restricted for: | | | | | |
| Categorical funding | 409,218 | - | - | - | 409,218 |
| Debt service | - | - | 309,243 | 93,328 | 402,571 |
| School infrastructure | - | - | 694,496 | - | 694,496 |
| Physical plant and equipment | - | - | 298,428 | - | 298,428 |
| Student activities | - | - | - | 170,925 | 170,925 |
| Management levy purposes | - | 619,153 | - | - | 619,153 |
| Unassigned | 448,642 | - | - | - | 448,642 |
| Total fund balances | <u>857,860</u> | <u>619,153</u> | <u>1,302,167</u> | <u>264,253</u> | <u>3,043,433</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 1,552,329</u> | <u>621,008</u> | <u>1,555,714</u> | <u>267,498</u> | <u>3,996,549</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 Position

June 30, 2014

Total fund balances of governmental funds (page 21) \$ 3,043,433

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 9,664,392

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 299,119

Internal Service Fund assets that are to be included with governmental funds. 2,259,852

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. (24,831)

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. (6,217,012)

Net position of governmental activities (page 18) \$ 9,024,953

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, 2014

| | <u>General</u> | <u>Management</u> | <u>Capital Projects</u> | <u>Nonmajor</u> | <u>Total</u> |
|-----------------------------------------------------------|-------------------|-------------------|-----------------------------|------------------|-------------------|
| Revenues: | | | | | |
| Local sources: | | | | | |
| Local tax | \$ 4,205,275 | 574,672 | 596,773 | 196,771 | 5,573,491 |
| Tuition | 740,785 | - | - | 259,879 | 1,000,664 |
| Other | 284,615 | 5,502 | 56,094 | 61 | 346,272 |
| State sources | 4,381,421 | 185 | 701,681 | - | 5,083,287 |
| Federal sources | 253,042 | - | - | - | 253,042 |
| Total revenues | <u>9,865,138</u> | <u>580,359</u> | <u>1,354,548</u> | <u>456,711</u> | <u>12,256,756</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 3,824,240 | 218,626 | 578,883 | - | 4,621,749 |
| Special | 1,520,665 | - | - | - | 1,520,665 |
| Other | 978,721 | - | - | 263,236 | 1,241,957 |
| | <u>6,323,626</u> | <u>218,626</u> | <u>578,883</u> | <u>263,236</u> | <u>7,384,371</u> |
| Support services: | | | | | |
| Student | 431,395 | 2,644 | - | - | 434,039 |
| Instructional staff | 393,604 | - | 9,257 | - | 402,861 |
| Administration | 1,001,220 | 5,321 | - | - | 1,006,541 |
| Operation and maintenance of plant | 769,725 | 98,693 | 57,816 | - | 926,234 |
| Transportation | 549,135 | 15,294 | 10,357 | - | 574,786 |
| | <u>3,145,079</u> | <u>121,952</u> | <u>77,430</u> | <u>-</u> | <u>3,344,461</u> |
| Non-instructional programs: | | | | | |
| Food service operations | - | 9,974 | 44,063 | - | 54,037 |
| Other expenditures: | | | | | |
| Facilities acquisition | - | - | 699,460 | - | 699,460 |
| Long-term debt: | | | | | |
| Principal | - | - | - | 335,000 | 335,000 |
| Interest and fiscal charges | - | - | - | 150,280 | 150,280 |
| AEA flowthrough | 337,203 | - | - | - | 337,203 |
| | <u>337,203</u> | <u>-</u> | <u>699,460</u> | <u>485,280</u> | <u>1,521,943</u> |
| Total expenditures | <u>9,805,908</u> | <u>350,552</u> | <u>1,399,836</u> | <u>748,516</u> | <u>12,304,812</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>59,230</u> | <u>229,807</u> | <u>(45,288)</u> | <u>(291,805)</u> | <u>(48,056)</u> |
| Other financing sources (uses): | | | | | |
| Lease purchase obligation issued | - | - | 141,038 | - | 141,038 |
| Proceeds from the disposal of property | 68,904 | - | - | - | 68,904 |
| Operating transfers in | - | - | - | 324,695 | 324,695 |
| Operating transfers out | - | - | (324,695) | - | (324,695) |
| Total other financing sources (uses) | <u>68,904</u> | <u>-</u> | <u>(183,657)</u> | <u>324,695</u> | <u>209,942</u> |
| Change in fund balances | 128,134 | 229,807 | (228,945) | 32,890 | 161,886 |
| Fund balances beginning of year | 729,726 | 389,346 | 1,531,112 | 231,363 | 2,881,547 |
| Fund balances end of year | <u>\$ 857,860</u> | <u>619,153</u> | <u>1,302,167</u> | <u>264,253</u> | <u>3,043,433</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, 2014

Change in fund balances - total governmental funds (page 23) \$ 161,886

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

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

| | | |
|---------------------------------|------------------|---------|
| Expenditures for capital assets | \$ 1,157,920 | |
| Depreciation expense | <u>(727,450)</u> | 430,470 |

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.

21,347

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 Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issues exceeded repayments, as follows

| | | |
|--------|----------------|---------|
| Issued | (141,038) | |
| Repaid | <u>335,000</u> | 193,962 |

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.

3,827

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 | (79,690) | |
| Other postemployment benefits | <u>(271,595)</u> | <u>(351,285)</u> |

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.

514,939

Change in net position of governmental activities (page 20) \$ 975,146

Clarion-Goldfield Community School District
Clarion, Iowa

Exhibit G

Statement of Net Position
Proprietary Funds

June 30, 2014

| | <u>Enterprise</u> School <u>Nutrition</u> | <u>Internal</u> <u>Service</u> Employee <u>Health</u> |
|-------------------------------------------------|-------------------------------------------------|----------------------------------------------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 79,160 | 2,259,852 |
| Accounts receivable | 2,376 | - |
| Inventories | 8,964 | - |
| Total current assets | <u>90,500</u> | <u>2,259,852</u> |
| Noncurrent assets: | | |
| Capital assets, net of accumulated depreciation | <u>83,005</u> | - |
| Total assets | <u>173,505</u> | <u>2,259,852</u> |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable | 367 | - |
| Salaries and benefits payable | 1,754 | - |
| Unearned revenue | 5,215 | - |
| Total liabilities | <u>7,336</u> | <u>-</u> |
| Net Position | | |
| Invested in capital assets | 83,005 | - |
| Restricted for health insurance | - | 2,259,852 |
| Unrestricted | <u>83,164</u> | <u>-</u> |
| Total net position | <u>\$ 166,169</u> | <u>2,259,852</u> |

See notes to financial statements.

Clarion-Goldfield Community School District
Clarion, Iowa

Exhibit H

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

Year ended June 30, 2014

| | <u>Enterprise</u> School <u>Nutrition</u> | <u>Internal</u> <u>Service</u> Employee <u>Health</u> |
|-------------------------------------------|-------------------------------------------------|----------------------------------------------------------------|
| Operating revenues: | | |
| Local sources: | | |
| Charges for service | \$ 217,314 | 2,033,785 |
| Operating expenses: | | |
| Support services: | | |
| Operation and maintenance of plant | 338 | - |
| Non-instructional programs: | | |
| Food service operations: | | |
| Salaries and benefits | 280,361 | - |
| Purchased services | 1,003 | - |
| Supplies | 204,665 | - |
| Depreciation | 16,749 | - |
| | <u>502,778</u> | <u>-</u> |
| Internal service programs: | | |
| Benefits | - | 1,521,392 |
| Total operating expenses | <u>503,116</u> | <u>1,521,392</u> |
| Operating income/(loss) | <u>(285,802)</u> | <u>512,393</u> |
| Non-operating revenues: | | |
| State sources | 4,012 | - |
| Federal sources | 276,918 | - |
| Interest income | 305 | 2,546 |
| Total non-operating revenues | <u>281,235</u> | <u>2,546</u> |
| Income before capital asset contributions | <u>(4,567)</u> | <u>514,939</u> |

Clarion-Goldfield Community School District
Clarion, Iowa

Exhibit H

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

Year ended June 30, 2014

| | <u>Enterprise</u> School <u>Nutrition</u> | <u>Internal</u> <u>Service</u> Employee <u>Health</u> |
|-------------------------------------|-------------------------------------------------|----------------------------------------------------------------|
| Capital asset contributions | <u>44,063</u> | <u>-</u> |
| Increase (decrease) in net position | 39,496 | 514,939 |
| Net position beginning of year | <u>126,673</u> | <u>1,744,913</u> |
| Net position end of year | <u>\$ 166,169</u> | <u>2,259,852</u> |

See notes to financial statements.

Clarion-Goldfield Community School District
Clarion, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2014

| | <u>Enterprise</u> | <u>Internal</u> |
|-------------------------------------------------------|-------------------|------------------|
| | <u>School</u> | <u>Service</u> |
| | <u>Nutrition</u> | <u>Employee</u> |
| | | <u>Health</u> |
| Cash flows from operating activities: | | |
| Cash received from sale of lunches and breakfasts | \$ 217,590 | 2,033,785 |
| Cash paid to employees for services | (279,285) | (1,521,392) |
| Cash paid to suppliers for goods or services | <u>(163,766)</u> | <u>-</u> |
| Net cash used by operating activities | <u>(225,461)</u> | <u>512,393</u> |
| Cash flows from non-capital financing activities: | | |
| State grants received | 4,012 | - |
| Federal grants received | <u>231,498</u> | <u>-</u> |
| Net cash provided by non-capital financing activities | <u>235,510</u> | <u>-</u> |
| Cash flows from investing activities: | | |
| Interest on investments | <u>305</u> | <u>2,546</u> |
| Net increase (decrease) in cash and cash equivalents | 10,354 | 514,939 |
| Cash and cash equivalents beginning of year | <u>68,806</u> | <u>1,744,913</u> |
| Cash and cash equivalents end of year | <u>\$ 79,160</u> | <u>2,259,852</u> |

Clarion-Goldfield Community School District
Clarion, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2014

| | <u>Enterprise</u> School <u>Nutrition</u> | Internal <u>Service</u> Employee <u>Health</u> |
|-----------------------------------------------------------------------------------|-------------------------------------------------|---------------------------------------------------------|
| Reconciliation of operating loss to net cash used by operating activities: | | |
| Operating income (loss) | \$ (285,802) | 512,393 |
| Adjustments to reconcile operating loss to net cash used by operating activities: | | |
| Commodities used | 45,420 | - |
| Depreciation | 16,749 | - |
| (Increase) in accounts receivable | (350) | - |
| (Increase) in inventories | (3,180) | - |
| Increase in accounts payable | 297 | - |
| Increase in salaries and benefits payable | 1,076 | - |
| Increase in deferred revenue | <u>329</u> | <u>-</u> |
| Net cash used by operating activities | <u>\$ (225,461)</u> | <u>512,393</u> |

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$45,420 of federal commodities.

See notes to financial statements.

Clarion-Goldfield Community School District
Clarion, Iowa

Exhibit J

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2014

| | Private Purpose <u>Trusts</u> |
|-------------------------------------|-------------------------------------|
| Assets | |
| Cash and cash equivalents | \$ 123,690 |
| Total assets | 123,690 |
| Liabilities | |
| Accounts payable | - |
| Total liabilities | - |
| Net Position | |
| Reserved for scholarships | 120,175 |
| Reserved for student personal needs | 3,515 |
| Total net position | \$ 123,690 |

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, 2014

| | Private Purpose <u>Trusts</u> |
|--------------------------------|-------------------------------------|
| Additions: | |
| Local sources: | |
| Interest on investments | \$ 378 |
| Contributions | 3,100 |
| Other | <u>1,000</u> |
| Total additions | <u>4,478</u> |
| Deductions: | |
| Instruction: | |
| Scholarships awarded | <u>13,292</u> |
| Total deductions | <u>13,292</u> |
| Change in net position | (8,814) |
| Net position beginning of year | <u>132,504</u> |
| Net position end of year | <u>\$ 123,690</u> |

See notes to financial statements.

Clarion-Goldfield Community School District
Clarion, Iowa

Notes to Financial Statements

June 30, 2014

(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, 2014

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints on 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, 2014

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 Special Revenue, Management Levy Fund is used to account for the cost of unemployment benefits, liability insurance and agreements, costs of judgments and certain early retirement benefits.

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 position and changes in net position. 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, 2014

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 position 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.

Clarion-Goldfield Community School District
Clarion, Iowa

Notes to Financial Statements

June 30, 2014

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.

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, Deferred Inflows of Resources 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, if any, 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
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Notes to Financial Statements

June 30, 2014

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. 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.

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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

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 Position. 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, 2014

| 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 - Payroll taxes and insurance for the current year which are payable in July and August have been accrued as liabilities.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Advances from Grantors - Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources 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

Clarion-Goldfield Community School District
Clarion, Iowa

Notes to Financial Statements

June 30, 2014

current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

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

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the non-instructional programs function.

(2) Cash and Cash Equivalents

The District's deposits in banks at June 30, 2014 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, 2014

(3) Capital Assets

Capital assets activity for the year ended June 30, 2014 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 |
| Construction in progress | <u>89,119</u> | <u>338,085</u> | <u>17,138</u> | <u>410,066</u> |
| Total capital assets not being depreciated | <u>171,498</u> | <u>338,085</u> | <u>17,138</u> | <u>492,445</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 13,679,973 | 259,044 | - | 13,939,017 |
| Improvements other than buildings | 818,477 | - | - | 818,477 |
| Furniture and equipment | <u>1,821,890</u> | <u>577,929</u> | - | <u>2,399,819</u> |
| Total capital assets being depreciated | <u>16,320,340</u> | <u>836,973</u> | - | <u>17,157,313</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 5,448,459 | 445,189 | - | 5,893,648 |
| Improvements other than buildings | 538,657 | 26,007 | - | 564,664 |
| Furniture and equipment | <u>1,270,800</u> | <u>256,254</u> | - | <u>1,527,054</u> |
| Total accumulated depreciation | <u>7,257,916</u> | <u>727,450</u> | - | <u>7,985,366</u> |
| Total capital assets being depreciated, net | <u>9,062,424</u> | <u>109,523</u> | - | <u>9,171,947</u> |
| Governmental activities capital assets, net | <u>\$ 9,233,922</u> | <u>447,608</u> | <u>17,138</u> | <u>9,664,392</u> |
| <u>Business type activities:</u> | | | | |
| Furniture and equipment | \$ 172,367 | 44,063 | - | 216,430 |
| Less accumulated depreciation | <u>116,676</u> | <u>16,749</u> | - | <u>133,425</u> |
| Business type activities capital assets, net | <u>\$ 55,691</u> | <u>27,314</u> | - | <u>83,005</u> |
| Depreciation expense was charged to the following functions: | | | | |
| Governmental activities: | | | | |
| Unallocated | | | | <u>\$ 727,450</u> |
| Business type activities: | | | | |
| Food service operations | | | | <u>\$ 16,749</u> |

Clarion-Goldfield Community School District
Clarion, Iowa

Notes to Financial Statements

June 30, 2014

(4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

| | Balance Beginning of Year | Additions | Reductions | Balance End of Year | Due Within One Year |
|--------------------------|---------------------------------|----------------|----------------|---------------------------|---------------------------|
| Governmental activities: | | | | | |
| General obligation bonds | \$3,180,000 | - | 185,000 | 2,995,000 | 195,000 |
| Sales tax revenue bonds | 305,000 | - | 150,000 | 155,000 | 155,000 |
| Computer lease | - | 214,522 | 73,484 | 141,038 | 69,549 |
| Termination benefits | 44,832 | 48,839 | - | 93,671 | 93,671 |
| Net OPEB liability | 2,562,563 | 271,595 | - | 2,834,158 | - |
| Total | \$6,092,395 | 534,956 | 408,484 | 6,218,867 | 513,220 |

General Obligation Bonds Payable

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

| Year Ending June 30, | Bond Issue of August 1, 2006 | | | |
|----------------------------|------------------------------|---------------------|----------------|------------------|
| | Interest Rates | Principal | Interest | Total |
| 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 | 4.40 | 220,000 | 104,940 | 324,940 |
| 2019 | 4.40 | 230,000 | 95,260 | 325,260 |
| 2020-2024 | 4.40 | 1,320,000 | 315,040 | 1,635,040 |
| 2025-2027 | 4.40 | 615,000 | 40,920 | 655,920 |
| Total | | \$ 2,995,000 | 925,320 | 3,920,320 |

Clarion-Goldfield Community School District
Clarion, Iowa

Notes to Financial Statements

June 30, 2014

Revenue Bonds

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

| Year | Bond Issue of April 1, 2004 | | | |
|----------|-----------------------------|------------|----------|---------|
| Ending | Interest | | | |
| June 30, | Rates | Principal | Interest | Total |
| 2015 | 3.70 | \$ 155,000 | 2,868 | 157,868 |
| Total | | \$ 155,000 | 2,868 | 157,868 |

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 \$157,868. For the current year, \$150,000 principal and \$8,359 of interest was paid on the bonds and total statewide sales, services, and use tax revenues were \$701,495.

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 was placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the Capital Projects Fund and is reserved for debt service.

Clarion-Goldfield Community School District
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Notes to Financial Statements

June 30, 2014

- 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.

Computer Lease

During the year ended June 30, 2014, the District entered into a capital lease agreement with Apple Inc. to finance the purchase of computers for the one to one computer program totaling \$214,522. The lease is financed for two years at an interest rate of 2.79%. The following is a schedule of the future minimum lease payments, including interest per annum, and the net present value of future minimum lease payments under the agreement at June 30, 2014:

| <u>Year ending June 30,</u> | <u>Amount</u> |
|---------------------------------------------|-------------------|
| 2015 | \$ 73,484 |
| 2016 | <u>73,484</u> |
| Total minimum lease payments | 146,968 |
| Less amount representing interest | <u>(5,930)</u> |
| Net present value of minimum lease payments | \$ <u>141,038</u> |

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.

Clarion-Goldfield Community School District
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Notes to Financial Statements

June 30, 2014

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.

At June 30, 2014, the District has obligations to one participant who had previously been approved for early retirement and an additional thirty-five employees eligible for unused sick days, which combined for a total liability of \$93,671. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$40,488.

(5) Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$478,265, \$454,566, and \$414,083, respectively, equal to the required contributions for each year.

(6) 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 94 active and 15 retired members in the plan. Participants must be age 55 or older at retirement.

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.

Clarion-Goldfield Community School District
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Notes to Financial Statements

June 30, 2014

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, 2014, the amount actually contributed to the plan changes in the District’s net OPEB obligation:

| | |
|---------------------------------------------|---------------------|
| Annual required contribution | \$ 691,452 |
| Interest on net OPEB obligation | 64,064 |
| Adjustments to annual required contribution | <u>(260,007)</u> |
| Annual OPEB cost | 495,509 |
| Contributions made | <u>(223,915)</u> |
| Increase in net OPEB obligation | 271,594 |
| Net OPEB obligation beginning of year | <u>2,562,562</u> |
| Net OPEB obligation end of year | \$ <u>2,834,156</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, 2014.

For the year ended June 30, 2014, the District contributed approximately \$224,000 to the medical plan. Plan members eligible for benefits contributed nothing, or 0% of the premium costs.

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 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, 2012 | \$ 997,200 | 16.1% | \$ 2,288,266 |
| June 30, 2013 | 522,229 | 47.5% | 2,562,563 |
| June 30, 2014 | 495,509 | 45.2% | 2,834,156 |

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Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$3.993 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.993 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5.6 million and the ratio of the UAAL to covered payroll was 71.0%. As of June 30, 2014, 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.

As of the July 1, 2012 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.

Clarion-Goldfield Community School District
Clarion, Iowa

Notes to Financial Statements

June 30, 2014

(7) 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.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$337,203 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

| <u>Program</u> | <u>Amount</u> |
|------------------------------------------|-------------------|
| Gifted and Talented | \$ 231,334 |
| Four Year Preschool | 34,400 |
| Teacher Salary Supplement | 15,437 |
| Successful Progression for Early Readers | 18,268 |
| Teacher Leadership Grant | 7,963 |
| Home School Assistance Program | 5,145 |
| Professional Development Core Curriculum | 4,940 |
| Professional Development | <u>91,731</u> |
| | \$ <u>409,218</u> |

Clarion-Goldfield Community School District
Clarion, Iowa

Notes to Financial Statements

June 30, 2014

(10) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|--------------------|----------------------|-------------------|
| Debt Service | Capital Projects | \$ <u>354,391</u> |

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

(11) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

(12) Subsequent Events

Subsequent events have been evaluated through March 16, 2015, which is the date the financial statements were available to be issued. On January 12, 2015, the Board approved the sale of \$2,635,000 General Obligation School Refunding Bonds Series 2015 to refinance General Obligation Bonds issued in July 2006, saving the District approximately \$300,000 in interest.

(13) Construction Commitment

The District has committed to a parking lot project for the high school for approximately \$1,490,000, which will be paid from cash on hand in the capital projects fund. As of June 30, 2014, costs of approximately \$410,000 had been incurred against the project. The balance of approximately \$1,080,000 remaining at June 30, 2014 will be paid as work on the project progresses.

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, 2014

| | Governmental Funds <u>Actual</u> | Proprietary Fund <u>Actual</u> |
|-------------------------------------------------------------------------------------------------------------------|----------------------------------------|--------------------------------------|
| Revenues: | | |
| Local sources | \$ 6,920,427 | 217,314 |
| State sources | 5,083,287 | 4,012 |
| Federal sources | 253,042 | 276,918 |
| Total revenues | <u>12,256,756</u> | <u>498,244</u> |
| Expenditures/Expenses: | | |
| Instruction | 7,384,371 | - |
| Support services | 3,344,461 | 338 |
| Non-instructional programs | 54,037 | 502,778 |
| Other expenditures | 1,521,943 | - |
| Total expenditures/expenses | <u>12,304,812</u> | <u>503,116</u> |
| Excess (deficiency) of revenues over (under) expenditures | (48,056) | (4,872) |
| Other financing sources, net | <u>209,942</u> | <u>44,368</u> |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | 161,886 | 39,496 |
| Balances beginning of year | <u>2,881,547</u> | <u>126,673</u> |
| Balances end of year | <u>\$ 3,043,433</u> | <u>166,169</u> |

See accompanying independent auditor's report.

| Total <u>Actual</u> | Budgeted Amounts <u>Original & Final</u> | Final to Actual <u>Variance</u> |
|------------------------|----------------------------------------------------|---------------------------------------|
| 7,137,741 | 7,653,451 | (515,710) |
| 5,087,299 | 4,307,992 | 779,307 |
| <u>529,960</u> | <u>590,000</u> | <u>(60,040)</u> |
| <u>12,755,000</u> | <u>12,551,443</u> | <u>203,557</u> |
| 7,384,371 | 7,775,000 | 390,629 |
| 3,344,799 | 4,027,200 | 682,401 |
| 556,815 | 464,500 | (92,315) |
| <u>1,521,943</u> | <u>1,951,882</u> | <u>429,939</u> |
| <u>12,807,928</u> | <u>14,218,582</u> | <u>1,410,654</u> |
| (52,928) | (1,667,139) | 1,614,211 |
| <u>254,310</u> | <u>-</u> | <u>254,310</u> |
| 201,382 | (1,667,139) | 1,868,521 |
| <u>3,008,220</u> | <u>2,992,036</u> | <u>16,184</u> |
| <u>3,209,602</u> | <u>1,324,897</u> | <u>1,884,705</u> |

Clarion-Goldfield Community School District
Clarion, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2014

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.

During the year ended June 30, 2014, expenditures in the non-instructional programs function exceeded the amounts budgeted.

Clarion-Goldfield Community School District
Clarion, Iowa

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

Required Supplementary Information

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial | | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|------------------------|--------------------------------|----------------------------------------|--------------------------------------|------------------------------------|--------------------------|---------------------------|---------------------------------------------------------------|
| | | | Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | | | |
| 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% |
| 2013 | Jul 1, 2012 | - | 4,545 | 4,545 | 0.0% | 5,300 | 85.8% |
| 2014 | Jul 1, 2012 | - | 4,291 | 4,291 | 0.0% | 5,600 | 76.6% |

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

Clarion-Goldfield Community School District
Clarion, Iowa

Schedule I

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2014

| Assets | <u>Special Revenue</u> Student Activity | Debt Service | <u>Total</u> |
|-------------------------------------------------------------------------------|-----------------------------------------------|-----------------|----------------|
| Cash and cash equivalents | \$ 174,170 | 91,330 | 265,500 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | - | 1,998 | 1,998 |
| Succeeding year | - | - | - |
| Total assets | <u>\$ 174,170</u> | <u>93,328</u> | <u>267,498</u> |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | \$ 3,245 | - | 3,245 |
| Total liabilities | <u>3,245</u> | <u>-</u> | <u>3,245</u> |
| Fund balances: | | | |
| Restricted for: | | | |
| Student activities | 170,925 | - | 170,925 |
| Debt service | - | 93,328 | 93,328 |
| Total fund balances | <u>170,925</u> | <u>93,328</u> | <u>264,253</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 174,170</u> | <u>93,328</u> | <u>267,498</u> |

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, 2014

| | <u>Special Revenue</u> | | |
|---------------------------------------------------|------------------------|----------------|----------------|
| | <u>Student</u> | <u>Debt</u> | |
| | <u>Activity</u> | <u>Service</u> | <u>Total</u> |
| Revenues: | | | |
| Local sources: | | | |
| Local tax | \$ - | 196,771 | 196,771 |
| Other | 259,817 | 62 | 259,879 |
| State sources | - | 61 | 61 |
| Total revenues | <u>259,817</u> | <u>196,894</u> | <u>456,711</u> |
| Expenditures: | | | |
| Current: | | | |
| Instruction: | | | |
| Other | 263,236 | - | 263,236 |
| | <u>263,236</u> | <u>-</u> | <u>263,236</u> |
| Other expenditures: | | | |
| Long-term debt: | | | |
| Principal | - | 335,000 | 335,000 |
| Interest and fiscal charges | - | 150,280 | 150,280 |
| | <u>-</u> | <u>485,280</u> | <u>485,280</u> |
| Total expenditures | <u>263,236</u> | <u>485,280</u> | <u>748,516</u> |
| Excess (deficiency) of revenues over expenditures | (3,419) | (288,386) | (291,805) |
| Other financing sources: | | | |
| Operating transfers in | - | 324,695 | 324,695 |
| Change in fund balances | (3,419) | 36,309 | 32,890 |
| Fund balances beginning of year | <u>174,344</u> | <u>57,019</u> | <u>231,363</u> |
| Fund balances end of year | <u>\$ 170,925</u> | <u>93,328</u> | <u>264,253</u> |

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, 2014

| <u>Account</u> | <u>Balance Beginning of Year</u> | <u>Revenues</u> | <u>Expenditures</u> | <u>Balance End of Year</u> |
|-------------------------|------------------------------------------|-----------------|---------------------|------------------------------------|
| Vending machine | \$ 18,904 | 165 | 1,993 | 17,076 |
| Concessions | 13,782 | 27,950 | 27,606 | 14,126 |
| Classes | 3,222 | 4,200 | 3,004 | 4,418 |
| Spanish club | 17,567 | 4,852 | 2,537 | 19,882 |
| MS peer helper | 5,868 | 17,550 | 21,073 | 2,345 |
| Cheerleaders | 1,124 | 5,093 | 4,398 | 1,819 |
| Future business leaders | 853 | - | 10 | 843 |
| Student council | 2,346 | 1,919 | 2,605 | 1,660 |
| Athletics | (5,563) | 86,643 | 81,080 | - |
| Vocal music | 5,150 | 9,661 | 10,631 | 4,180 |
| MS vocal | 4,340 | 3,422 | 4,776 | 2,986 |
| MS band | 8,080 | 4,261 | 5,385 | 6,956 |
| Drama/Speech | 3,140 | 6,667 | 6,892 | 2,915 |
| FFA | 51,811 | 43,897 | 39,358 | 56,350 |
| National Honor Society | 2,674 | 628 | 872 | 2,430 |
| Lasso | 6,119 | 4,334 | 2,208 | 8,245 |
| Architecture Club | 6,096 | 9,889 | 12,794 | 3,191 |
| Science Club | 4,302 | - | - | 4,302 |
| JEL | 800 | - | - | 800 |
| FCCLA | 3,096 | - | 59 | 3,037 |
| HS band | 6,871 | 24,357 | 25,712 | 5,516 |
| Dance | 2,575 | 3,827 | 3,173 | 3,229 |
| Fun Run | 2,773 | 558 | 773 | 2,558 |
| Interest | 8,414 | 846 | 7,199 | 2,061 |
| Total | <u>\$ 174,344</u> | <u>260,719</u> | <u>264,138</u> | <u>170,925</u> |

See accompanying independent auditor's report.

Clarion-Goldfield Community School District
Clarion, Iowa

Schedule 4

Combining Balance Sheet
Capital Project Accounts

June 30, 2014

| | Capital Projects | | |
|-------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|------------------|
| | Statewide Sales, Service and Use Tax | Physical Plant and Equipment Levy | Total |
| Assets | | | |
| Cash and cash equivalents | \$ 959,897 | 293,057 | 1,252,954 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | - | 6,068 | 6,068 |
| Succeeding year | - | - | - |
| Due from other governments | <u>296,692</u> | <u>-</u> | <u>296,692</u> |
| Total assets | <u>\$ 1,256,589</u> | <u>299,125</u> | <u>1,555,714</u> |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | <u>\$ 252,850</u> | <u>697</u> | <u>253,547</u> |
| Total liabilities | <u>252,850</u> | <u>697</u> | <u>253,547</u> |
| Fund balances: | | | |
| Restricted for: | | | |
| Debt service | 309,243 | - | 309,243 |
| School infrastructure | 694,496 | - | 694,496 |
| Physical plant and equipment | <u>-</u> | <u>298,428</u> | <u>298,428</u> |
| Total fund balances | <u>1,003,739</u> | <u>298,428</u> | <u>1,302,167</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 1,256,589</u> | <u>299,125</u> | <u>1,555,714</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, 2014

| | Statewide Sales, Services and Use Tax | Physical Plant and Equipment Levy | Total |
|--------------------------------------|---------------------------------------------|--------------------------------------------|------------------|
| Revenues: | | | |
| Local sources: | | | |
| Local tax | \$ - | 596,773 | 596,773 |
| Other | 2,586 | 53,508 | 56,094 |
| State sources | <u>701,495</u> | <u>186</u> | <u>701,681</u> |
| Total revenues | <u>704,081</u> | <u>650,467</u> | <u>1,354,548</u> |
| Expenditures: | | | |
| Instruction: | | | |
| Regular | <u>228,435</u> | <u>350,448</u> | <u>578,883</u> |
| Support services: | | | |
| Instructional staff | - | 9,257 | 9,257 |
| Operation and maintenance of plant | - | 57,816 | 57,816 |
| Transportation | <u>-</u> | <u>10,357</u> | <u>10,357</u> |
| | <u>-</u> | <u>77,430</u> | <u>77,430</u> |
| Non-instructional programs | <u>-</u> | <u>44,063</u> | <u>44,063</u> |
| Other expenditures: | | | |
| Facilities acquisition | <u>589,795</u> | <u>109,665</u> | <u>699,460</u> |
| Total expenditures | <u>818,230</u> | <u>581,606</u> | <u>1,399,836</u> |
| Excess of revenues over expenditures | <u>(114,149)</u> | <u>68,861</u> | <u>(45,288)</u> |
| Other financing sources (uses): | | | |
| Lease purchase obligation issued | 141,038 | - | 141,038 |
| Operating transfers out | <u>(324,695)</u> | <u>-</u> | <u>(324,695)</u> |
| Total other financing sources (uses) | <u>(183,657)</u> | <u>-</u> | <u>(183,657)</u> |
| Change in fund balances | (297,806) | 68,861 | (228,945) |
| Fund balances beginning of year | <u>1,301,545</u> | <u>229,567</u> | <u>1,531,112</u> |
| Fund balances end of year | <u>\$ 1,003,739</u> | <u>298,428</u> | <u>1,302,167</u> |

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 Ten Years

| | Modified Accrual Basis | | | |
|---------------------------------------|------------------------|-------------------|-------------------|-------------------|
| | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> |
| Revenues: | | | | |
| Local sources: | | | | |
| Local tax | \$ 5,573,491 | 5,903,921 | 5,586,059 | 5,474,141 |
| Tuition | 1,000,664 | 865,196 | 945,861 | 720,133 |
| Other | 346,272 | 331,690 | 376,191 | 612,401 |
| State sources | 5,083,287 | 4,033,031 | 4,023,054 | 3,928,798 |
| Federal sources | 253,042 | 366,913 | 328,183 | 592,171 |
| Total | <u>\$ 12,256,756</u> | <u>11,500,751</u> | <u>11,259,348</u> | <u>11,327,644</u> |
| Expenditures: | | | | |
| Instruction: | \$ 7,384,371 | 6,589,179 | 6,390,651 | 6,344,915 |
| Support services: | | | | |
| Student | 434,039 | 410,933 | 381,301 | 372,837 |
| Instructional staff | 402,861 | 287,393 | 263,875 | 279,272 |
| Administration | 1,006,541 | 1,049,424 | 1,016,226 | 994,269 |
| Operation and maintenance of plant | 926,234 | 762,939 | 798,613 | 871,619 |
| Transportation | 574,786 | 576,933 | 531,924 | 482,311 |
| Non-instructional programs | 54,037 | 12,607 | 13,223 | 14,896 |
| Other expenditures: | | | | |
| Facilities acquisition | 699,460 | 353,597 | 122,090 | 296,705 |
| Long-term debt: | | | | |
| Principal | 335,000 | 320,000 | 555,000 | 540,000 |
| Interest and other charges | 150,280 | 163,090 | 183,930 | 200,774 |
| AEA flowthrough | 337,203 | 323,075 | 318,872 | 356,650 |
| Total | <u>\$ 12,304,812</u> | <u>10,849,170</u> | <u>10,575,705</u> | <u>10,754,248</u> |

See accompanying independent auditor's report.

Schedule 6

| <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> | <u>2005</u> |
|-------------------|-------------------|-------------------|-------------------|------------------|------------------|
| 4,727,199 | 4,698,885 | 4,376,274 | 4,246,981 | 3,866,463 | 3,760,131 |
| 604,788 | 569,929 | 625,696 | 588,690 | 464,096 | 237,260 |
| 501,876 | 561,459 | 467,016 | 708,219 | 403,312 | 311,084 |
| 3,723,676 | 4,199,712 | 4,172,647 | 4,014,363 | 3,974,315 | 3,607,654 |
| 697,317 | 399,796 | 293,454 | 280,580 | 306,184 | 337,802 |
| <u>10,254,856</u> | <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> |
| 6,214,864 | 6,291,385 | 5,867,145 | 5,695,337 | 5,351,958 | 5,070,144 |
| 344,844 | 283,234 | 237,191 | 210,850 | 204,368 | 289,181 |
| 278,976 | 282,768 | 263,874 | 251,817 | 271,394 | 237,110 |
| 994,004 | 926,364 | 960,422 | 936,083 | 845,261 | 798,647 |
| 884,844 | 831,395 | 834,047 | 840,981 | 731,884 | 704,788 |
| 456,356 | 459,694 | 523,557 | 465,688 | 424,909 | 350,256 |
| 11,942 | - | 14,609 | 4,837 | 8,480 | 20,935 |
| 261,018 | 248,780 | 1,709,599 | 3,263,419 | 80,756 | 1,247,133 |
| 525,000 | 516,693 | 351,428 | 353,940 | 431,394 | 397,172 |
| 245,163 | 233,677 | 375,026 | 74,799 | 83,869 | 84,161 |
| 359,742 | 314,550 | 307,277 | 299,372 | 290,471 | 269,312 |
| <u>10,576,753</u> | <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> |

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

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

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

We have audited 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, the 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, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clarion-Goldfield Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clarion-Goldfield Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Clarion-Goldfield Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and 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 described in Part I of the accompanying Schedule of Findings as items I-A-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as item I-B-14 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 which 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, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Clarion-Goldfield Community School District's Responses to Findings

Clarion-Goldfield Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Clarion-Goldfield Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

March 16, 2015

Clarion-Goldfield Community School District
Clarion, Iowa

Schedule of Findings

Year ended June 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Internal Control Deficiencies:

I-A-14 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 will make improvements as the situation changes.

Conclusion - Response accepted.

I-B-14 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.

Clarion-Goldfield Community School District
Clarion, Iowa

Schedule of Findings

Year ended June 30, 2014

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.

Part II: Other Findings Related to Statutory Reporting:

II-A-14 Certified Budget – Expenditures for the year ended June 30, 2014 exceeded the certified budget amounts in the non-instructional programs function.

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

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

Conclusion – Response accepted.

II-B-14 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

Clarion-Goldfield Community School District
Clarion, Iowa

Schedule of Findings

Year ended June 30, 2014

- II-C-14 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-14 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-14 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-14 Board Minutes – We noted no transactions requiring Board approval which had not been approved by the Board.
- II-G-14 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-14 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-14 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-14 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely.
- II-K-14 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-14 Revenue Bonds – No noncompliance with the provisions on the revenue bonds were noted.

Clarion-Goldfield Community School District
Clarion, Iowa

Schedule of Findings

Year ended June 30, 2014

II-M-14 Statewide Sales, Services and Use Tax – No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

| | | | |
|------------------------------------|----------------|------------------|---------------------|
| Beginning balance | | \$ 1,301,545 | |
| Revenues: | | | |
| Sales tax revenues | \$ 701,495 | | |
| Other local revenues | <u>2,586</u> | <u>704,081</u> | |
| | | | 2,005,626 |
| Expenditures/transfers out: | | | |
| School infrastructure construction | 537,554 | | |
| Equipment | 119,695 | | |
| Other | 19,943 | | |
| Transfers to other funds: | | | |
| Debt service | <u>324,695</u> | <u>1,001,887</u> | |
| Ending balance | | | \$ <u>1,003,739</u> |

For the year ended June 30, 2014, the District reduced the following levy as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

| | Rate of Levy Reduction Per \$1,000 of Taxable <u>Valuation</u> | Property Tax Dollars <u>Reduced</u> |
|-------------------|----------------------------------------------------------------------------|----------------------------------------------|
| Debt service levy | \$ 0.45361 | \$ <u>162,460</u> |

Clarion-Goldfield Community School District
Clarion, Iowa

Schedule of Findings

Year ended June 30, 2014

II-N-14 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.