

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

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

YEAR ENDED JUNE 30, 2017

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Clarion-Goldfield-Dows Community School District
Clarion, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Beth Severson	President	2017
Corey Jacobsen	Vice President	2017
Troy Seaba	Board Member	2019
Clint Middleton	Board Member	2019
Beth Jackson	Board Member	2017

School Officials

Robert Olson	Superintendent	2019
Anita Frye	District Secretary	Indefinite
Susan Toftey	District Treasurer	Indefinite
Robert Malloy & Rick Engel	Co-Attorneys	Indefinite

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

Certified Public Accountants

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

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

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

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

Independent Auditor's Report

To the Board of Education of
Clarion-Goldfield-Dows 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-Dows Community School District, Clarion, Iowa, as of and for the year ended June 30, 2017, 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-Dows Community School District as of June 30, 2017, 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, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 14 and 55 through 61 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-Dows 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 three years ended June 30, 2016 (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 19, 2018 on our consideration of Clarion-Goldfield-Dows 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 solely 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 effectiveness of the District's 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-Dows 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 19, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clarion-Goldfield-Dows 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, 2017. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$11,589,466 in fiscal year 2016 to \$11,958,193 in fiscal year 2017, while General Fund expenditures increased from \$11,201,682 in fiscal year 2016 to \$11,752,690 in fiscal year 2017. The District's General Fund balance increased from \$2,019,230 at the end of fiscal year 2016 to \$2,242,018 at the end of fiscal year 2017, an 11% increase.
- The fiscal year 2017 General Fund revenue increase was attributable to increases in local revenue. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits. The increase in revenue and the increase in expenditures resulted 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-Dows 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-Dows 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-Dows 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, the District's proportionate share of the net

pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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 the Private-Purpose Trust.

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

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 governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2017 compared to June 30, 2016.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,	June 30,
	2017	2016	2017	2016	2017	2016	2016-2017
Current and other assets	\$ 15,268	14,289	151	144	15,419	14,433	6.8%
Capital assets	<u>10,262</u>	<u>10,201</u>	<u>47</u>	<u>55</u>	<u>10,309</u>	<u>10,256</u>	<u>0.5%</u>
Total assets	<u>25,530</u>	<u>24,490</u>	<u>198</u>	<u>182</u>	<u>25,728</u>	<u>24,688</u>	<u>4.2%</u>
Deferred outflows of resources	<u>1,501</u>	<u>738</u>	<u>71</u>	<u>24</u>	<u>1,572</u>	<u>762</u>	<u>106.3%</u>
Long-term liabilities	11,730	10,493	328	279	12,058	10,772	11.9%
Other liabilities	<u>374</u>	<u>392</u>	<u>7</u>	<u>11</u>	<u>381</u>	<u>403</u>	<u>-5.5%</u>
Total liabilities	<u>12,104</u>	<u>10,885</u>	<u>335</u>	<u>290</u>	<u>12,439</u>	<u>11,175</u>	<u>11.3%</u>
Deferred inflows of resources	<u>6,372</u>	<u>6,267</u>	<u>29</u>	<u>15</u>	<u>6,401</u>	<u>6,282</u>	<u>1.9%</u>
Net position:							
Net investment in capital assets	7,825	7,513	47	55	7,872	7,568	4.0%
Restricted	7,135	6,660	---	---	7,135	6,660	7.1%
Unrestricted	<u>(6,405)</u>	<u>(6,097)</u>	<u>(143)</u>	<u>(138)</u>	<u>(6,548)</u>	<u>(6,235)</u>	<u>-5.0%</u>
Total net position	<u>\$ 8,555</u>	<u>8,076</u>	<u>(96)</u>	<u>(83)</u>	<u>8,459</u>	<u>7,993</u>	<u>5.8%</u>

The District's total net position increased 5.8% or approximately \$466,000, from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, 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 \$475,000 or 7%, from the prior year. The increase was primarily a result of an increase in the Management Internal Service Fund due to an increase in revenues.

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 \$313,000 or 5%.

Figure A-2 shows the changes in net position for the year ended June 30, 2017 compared to the year ended June 30, 2015.

Figure A-2							
Changes in Net Position							
(Expressed in Thousands)							
	Governmental		Business Type		Total School		Total
	Activities		Activities		District		Change
	2017	2016	2017	2016	2017	2016	2016-2017
Revenues:							
Program revenues:							
Charges for service	\$ 777	712	208	212	985	924	6.6%
Operating grants, contributions and restricted interest	2,106	1,857	353	326	2,459	2,183	12.6%
Capital grants, contributions and restricted interest	37	4	4	1	41	5	720%
General revenues:							
Property tax	5,841	5,685	---	---	5,841	5,685	2.7%
Statewide sales, services and use tax	911	910	---	---	911	910	0.1%
Income surtax	0	2---	---	---	0	2	-100%
Unrestricted state grants	4,334	4,261	---	---	4,334	4,261	1.7%
Unrestricted investment earnings	18	25	---	---	18	25	-38.9%
Other	270	257	2	---	272	257	5.8%
Total revenues	<u>14,294</u>	<u>13,713</u>	<u>567</u>	<u>539</u>	<u>14,861</u>	<u>13,778</u>	<u>7.9%</u>
Program expenses:							
Instruction	8,330	8,183	---	---	8,330	8,183	1.8%
Support services	3,975	3,742	---	---	3,975	3,742	6.2%
Non-instructional programs	14	13	579	562	593	575	3.1%
Other expenses	1,496	1,534	---	---	1,496	1,534	-2.5%
Total expenses	<u>13,815</u>	<u>13,472</u>	<u>579</u>	<u>562</u>	<u>14,394</u>	<u>14,034</u>	<u>2.6%</u>
Change in net position	479	241	(12)	(23)	467	218	114%
Net position beginning of year	<u>8,076</u>	<u>7,835</u>	<u>(83)</u>	<u>(60)</u>	<u>7,993</u>	<u>7,775</u>	<u>2.8%</u>
Net position end of year	<u>\$ 8,555</u>	<u>8,076</u>	<u>(95)</u>	<u>(83)</u>	<u>8,460</u>	<u>7,993</u>	<u>5.8%</u>

In fiscal year 2017, property tax and unrestricted state grants account for 71.2% of governmental activities revenue while charges for service and operating grants and contributions account for 100% of the revenue from business type activities. The District's total revenues were approximately \$14.9 million, of which approximately \$14.3 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-2, the District as a whole experienced a 7.9% increase in revenues and an 2.6% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$14,292,590 and expenses were \$13,814,051 for the year ended June 30, 2017.

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, 2017 compared to those expenses for the year ended June 30, 2016.

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	<u>2017</u>	<u>2016</u>	<u>Change 2017-2016</u>	<u>2017</u>	<u>2016</u>	<u>Change 2017-2016</u>
Instruction	\$ 8,330	8,183	1.8%	5,974	6,160	-3.2%
Support services	3,975	3,742	6.2%	3,856	3,607	6.9%
Non-instructional programs	14	13	7.7%	14	13	7.7%
Other expenses	<u>1,495</u>	<u>1,534</u>	<u>-2.5%</u>	<u>1,051</u>	<u>1,118</u>	<u>-5.9%</u>
Total	<u>\$ 13,814</u>	<u>13,472</u>	<u>2.5%</u>	<u>10,895</u>	<u>10,898</u>	<u>-0.03%</u>

For the year ended June 30, 2017:

- The cost financed by users of the District's programs was \$776,859.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,142,117.
- The net cost of governmental activities was financed with \$6,751,770 in property and other taxes and \$4,333,784 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2017 were \$567,255, representing a 5.1% increase over the prior year, while expenses totaled \$579,673, a 3.1% 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.

INDIVIDUAL FUND ANALYSIS

As previously noted, Clarion-Goldfield-Dows 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 \$5,067,148, below last year's ending fund balances of \$5,107,416.

Governmental Fund Highlights

- The General Fund balance increased from \$2,019,230 to \$2,242,018.
- The Debt Service Fund balance increased from \$327,717 to \$332,407.
- The Capital Projects Fund balance decreased from \$1,671,650 to \$1,644,283.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from a deficit of \$82,896 at June 30, 2016 to a deficit of \$95,314 at June 30, 2017, representing a decrease of approximately 14.9%. The decrease was due primarily to the accrual of the IPERS obligations related to implementation of GASB 68.

BUDGETARY HIGHLIGHTS

The District's total revenues were \$352,168 more than total budgeted revenues, a variance of 2.5%.

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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had invested approximately \$10.2 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-4) This represents a net decrease of 0.6% 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 \$932,016.

The original cost of the District's capital assets was approximately \$20.3 million. Governmental funds account for approximately \$20.0 million with the remainder of approximately \$0.3 million accounted for in the Proprietary, School Nutrition Fund.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2017	2016	2017	2016	2017	2016	2016-2017
Land	\$ 82	82	---	---	82	82	0.0%
Construction in progress	---	---	---	---	---	---	---
Buildings	8,908	9,197	---	---	8,908	9,197	-3.1%
Improvements other than buildings	271	300	---	---	271	300	-9.6%
Furniture and equipment	<u>1,002</u>	<u>621</u>	<u>84</u>	<u>55</u>	<u>1,086</u>	<u>676</u>	<u>37.8%</u>
Total	<u>\$ 10,263</u>	<u>10,200</u>	<u>84</u>	<u>55</u>	<u>10,347</u>	<u>10,255</u>	<u>0.9%</u>

Long-Term Debt

At June 30, 2017, the District had \$2,494,007 long-term debt outstanding. (See Figure A-5) This represents a decrease of approximately 9% from last year. Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

	Total District		Total Change
	June 30,		June 30,
	2017	2016	2016-2017
General obligation refunding bonds	2,437	2,689	-9.3%
Termination benefits	<u>57</u>	<u>80</u>	<u>28.75%</u>
Total	<u>\$ 2,494</u>	<u>2,769</u>	<u>-9.9%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The district has experienced an increase in enrollment October 2017. Certified enrollment increased by 3.6 students compared to the previous year. In addition to this, preschool enrollment was filled to capacity increasing from 42 students the fall of 2015 to 63 students in the fall of 2017. An increase of 21 students adds an additional 10.5 students for funding purposes, with each student worth one-half a student. Enrollment counts in the fall of 2017 is used for budget purposes in FY18. The increase in student enrollment is offset with an increase of the difference between open enrollment students out to open enrollment in. Open enrollment out increased by 12.2 students while open enrollment in increased only 3 students for a net loss of 9.2 students. The net gain in certified enrollment is only 6.3 with open enrollment factored in.
- The district, especially Clarion is short of housing. The Wright County Economic Development Director indicated that about 1,000 individuals leave Clarion to work somewhere else, while 2,000 come to Clarion to work. The largest employer, Hagie Manufacturing, of its employees 70% live outside of Clarion. If affordable housing was available, it is certain that district enrollment would be significantly larger. The district is currently in discussions with the City of Goldfield, Wright County Economic Development Director, and a developer to possibly use the Goldfield school building for apartments. There are also talks about building single and multi-family units on school district property for an additional 605-68 family units annually for three years.
- Prestage Farms has announced that they are building a \$240-million dollar pork processing plant southwest of Eagle Grove. The plant is scheduled to open in November of 2018 and initially employ more than 900 full-time employees. It is anticipated that a few years after, an additional shift would be started and that number would double. Workers will be looking for housing and county and city housing committees are creating plans to increase housing to meet the demand. It is uncertain how many employees will choose to live in the Clarion-Goldfield-Dows School District, but increased enrollment could place greater demands on the district's facilities. The district's facilities in the elementary and middle schools are currently filled to near capacity. If a significant number of students move into the district, additional facilities will need to be built.
- The Iowa economy is soft with slow growth due to a stressed agricultural climate. Commodity prices are low and production prices remain high. As a result, the legislature only approved a State Supplemental Aid (SSA) of 1.11%. The Clarion-Goldfield-Dows Education Association and District approved a two-year agreement for a total package increase for FY18 of 1.93%. Year two will essentially be the same and provides the district predictability and planning.

- This places stress on school budgets as well. There is hope that the legislature will approve a bill that provides transportation funding and equalization on the Controlled Cost Per Pupil (CCPP) that is as much as \$175 different from the highest to lowest. Clarion-Goldfield-Dows is \$140 below the highest funded school per pupil. With a certified enrollment of 966.65 students, if the CCPP were at the highest level of funding, the district would receive \$135,331 more in FY18. Even though the Iowa Senate passed the bill unanimously, the House and Governor still need to approve it.
- The district also resists the Governor’s proposal to “scoop” the SAVE (one-cent sales tax) fund designed exclusively for education to pay for water quality. Even though water quality is important for the state of Iowa, it seems improper to divert educational funds initially approved by voters to be used for non-educational purposes. These funds should continue to be used to improve school facilities and minimize the impact on local property taxes. The legislature is considering a bill that will extend the sunset date to 2050 with no provision for clean water.

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-Dows Community School District, 319 3rd Avenue NE, Clarion, Iowa 50525.

Basic Financial Statements

Clarion-Goldfield-Dows Community School District
Clarion, Iowa
Statement of Net Position
June 30, 2017

Exhibit A

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash, cash equivalents and pooled investments	\$ 8,664,923	134,417	8,799,340
Receivables:			
Property tax:			
Delinquent	28,718	-	28,718
Succeeding year	6,265,309	-	6,265,309
Accounts	-	10,131	10,131
Due from other governments	309,269	-	309,269
Inventories	-	6,384	6,384
Capital assets, net of accumulated depreciation	<u>10,262,016</u>	<u>47,196</u>	<u>10,325,304</u>
Total assets	<u>25,530,235</u>	<u>198,128</u>	<u>25,728,363</u>
 Deferred Outflows of Resources			
Pension related deferred outflows	<u>1,501,191</u>	<u>44,931</u>	<u>1,546,122</u>
 Liabilities			
Accounts payable	325,294	1,898	327,192
Salaries and benefits payable	40,152	4,205	44,357
Advances from grantors	617	-	617
Unearned revenue	-	504	504
Accrued interest payable	8,256	-	8,256
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	245,000	-	245,000
Termination benefits	56,594	-	56,594
Portion due after one year:			
General obligation bonds	2,145,000	-	2,145,000
Bond premium	47,007	-	47,007
Net pension liability	5,435,814	191,528	5,627,342
Net OPEB Liability	<u>3,800,841</u>	<u>136,630</u>	<u>3,937,471</u>
Total liabilities	<u>12,104,575</u>	<u>334,765</u>	<u>12,439,340</u>
 Deferred Inflows of Resources			
Unavailable property tax revenue	6,265,309	-	6,265,309
Pension related deferred inflows	<u>106,722</u>	<u>3,608</u>	<u>110,330</u>
Total deferred inflows of resources	<u>6,372,031</u>	<u>3,608</u>	<u>6,375,639</u>

Clarion-Goldfield-Dows Community School District
Clarion, Iowa
Statement of Net Position
June 30, 2017

Exhibit A

	<u>Governmental</u> <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
Net position			
Net investment in capital assets	7,825,009	47,196	7,872,205
Restricted for:			
Categorical funding	739,750	-	739,750
Management levy	701,443	-	701,443
Physical plant and equipment levy	242,277	-	242,277
School infrastructure	1,402,006	-	1,402,006
Student activities	146,997	-	146,997
Debt service	332,407	-	332,407
Health Insurance	3,569,699	-	3,569,699
Unrestricted	<u>(6,404,768)</u>	<u>(142,510)</u>	<u>(6,547,278)</u>
Total net position	<u>\$ 8,554,820</u>	<u>(95,314)</u>	<u>8,459,506</u>

See notes to financial statements.

Clarion-Goldfield-Dows Community School District
Clarion, Iowa
Statement of Activities
Year ended June 30, 2017

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 4,862,862	401,821	835,219	5,521
Special instruction	1,784,248	91,077	271,332	-
Other instruction	1,682,544	228,039	522,634	-
	<u>8,329,654</u>	<u>720,937</u>	<u>1,629,185</u>	<u>5,521</u>
Support services:				
Student services	463,340	-	62,111	-
Instructional staff services	379,826	46,625	600	-
Administration services	1,171,205	-	-	-
Operation and maintenance of plant	1,225,704	8,242	-	-
Transportation services	734,598	1,055	-	-
	<u>3,974,673</u>	<u>55,922</u>	<u>62,711</u>	<u>-</u>
Non-instructional programs:				
Food services operations	14,295	-	-	-
Other expenditures:				
Facilities acquisition	8,356	-	-	31,059
Long-term debt interest	48,676	-	-	-
AEA flowthrough	413,641	-	413,641	-
Depreciation (unallocated)	1,024,756	-	-	-
	<u>1,495,429</u>	<u>-</u>	<u>413,641</u>	<u>31,059</u>
Total governmental activities	13,814,051	776,859	2,105,537	36,580
Business type activities:				
Non-instructional programs:				
Food service operations	579,673	207,746	353,111	4,170
Total	<u>\$ 14,393,724</u>	<u>984,605</u>	<u>2,458,648</u>	<u>40,750</u>
General Revenues:				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Statewide sales, service and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Gain on sale of capital assets				
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
(3,620,301)	-	(3,620,301)
(1,421,839)	-	(1,421,839)
(931,871)	-	(931,871)
<u>(5,974,011)</u>	<u>-</u>	<u>(5,974,011)</u>
(401,229)	-	(401,229)
(332,601)	-	(332,601)
(1,171,205)	-	(1,171,205)
(1,217,462)	-	(1,217,462)
(733,543)	-	(733,543)
<u>(3,856,040)</u>	<u>-</u>	<u>(3,856,040)</u>
<u>(14,295)</u>	<u>-</u>	<u>(14,295)</u>
22,703	-	22,703
(48,676)	-	(48,676)
-	-	-
<u>(1,024,756)</u>	<u>-</u>	<u>(1,024,756)</u>
<u>(1,050,729)</u>	<u>-</u>	<u>(1,050,729)</u>
(10,895,075)	-	(10,895,075)
<u>-</u>	<u>(14,646)</u>	<u>(14,646)</u>
<u>(10,895,075)</u>	<u>(14,646)</u>	<u>(10,909,721)</u>
\$ 5,155,416	-	5,155,416
208,646	-	208,646
476,892	-	476,892
910,816	-	910,816
4,333,784	-	4,333,784
18,279	470	18,749
177,880	1,758	179,638
91,901	-	91,901
<u>11,373,614</u>	<u>2,228</u>	<u>11,375,842</u>
478,539	(12,418)	466,121
8,076,281	(82,896)	7,993,385
<u>\$ 8,554,820</u>	<u>(95,314)</u>	<u>8,459,506</u>

Clarion-Goldfield-Dows Community School District
Clarion, Iowa

Exhibit C

Balance Sheet
Governmental Funds

June 30, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Assets					
Cash, cash equivalents and pooled investments	\$ 2,353,420	331,610	1,554,620	855,574	5,095,224
Receivables:					
Property tax:					
Delinquent	24,362	797	2,313	1,246	28,718
Succeeding year	5,301,571	217,081	496,657	250,000	6,265,309
Due from other governments	187,957	-	121,312	-	309,269
Total assets	\$ 7,867,310	\$ 549,488	2,174,902	1,106,820	11,698,520
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 282,952	-	33,962	8,380	325,294
Salaries and benefits payable	40,152	-	-	-	40,152
Advances from grantors	617	-	-	-	617
Total liabilities	323,721	-	33,962	8,380	366,063
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	5,301,571	217,081	496,657	250,000	6,265,309
Fund balances:					
Restricted for:					
Categorical funding	739,750	-	-	-	739,750
Debt service	-	332,407	-	-	332,407
School infrastructure	-	-	1,402,006	-	1,402,006
Physical plant and equipment	-	-	242,277	-	242,277
Student activities	-	-	-	146,997	146,997
Management levy purposes	-	-	-	701,443	701,443
Unassigned	1,502,268	-	-	-	1,502,268
Total fund balances	2,242,018	332,407	1,644,283	848,440	5,067,148
Total liabilities, deferred inflows of resources and fund balances	\$ 7,867,310	\$ 549,488	2,174,902	1,106,820	11,698,520

See notes to financial statements.

Clarion-Goldfield-Dows Community School District
Clarion, Iowa

Exhibit D

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

June 30, 2017

Total fund balances of governmental funds (page 21) \$ 5,067,148

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. 10,262,016

Internal Service Fund assets that are to be included with governmental funds. 3,569,699

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. (8,256)

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	1,501,191	
Deferred inflows of resources	<u>(106,722)</u>	1,394,469

Long-term liabilities, including bonds and notes payable, compensated absences payable, other post employment benefits payable and net pension liability, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (11,730,256)

Net position of governmental activities (page 18) \$ 8,554,820

See notes to financial statements.

Clarion-Goldfield-Dows Community School District
Clarion, Iowa

Exhibit E

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2017

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 4,905,958	208,645	476,892	249,462	5,840,957
Tuition	427,561	-	-	244,987	672,548
Other	190,736	1,108	10,929	3,706	206,479
State sources	5,903,251	3,196	920,246	-	6,826,693
Federal sources	530,687	-	-	-	530,687
Total revenues	<u>11,958,193</u>	<u>212,949</u>	<u>1,408,067</u>	<u>498,155</u>	<u>14,077,364</u>
Expenditures:					
Current:					
Instruction:					
Regular	4,730,942	-	455,633	213,825	5,400,400
Special	1,827,667	-	-	-	1,827,667
Other	1,455,470	-	-	248,763	1,704,233
	<u>8,014,079</u>	<u>-</u>	<u>455,633</u>	<u>462,588</u>	<u>8,932,300</u>
Support services:					
Student	453,843	-	17,517	7,227	478,587
Instructional staff	348,395	-	118,056	-	466,451
Administration	1,059,127	-	37,277	91,064	1,187,468
Operation and maintenance of plant	792,266	-	347,423	132,868	1,272,557
Transportation	671,339	-	190,196	38,772	900,307
	<u>3,324,970</u>	<u>-</u>	<u>710,469</u>	<u>269,931</u>	<u>4,305,370</u>
Non-instructional programs:					
Food service operations	-	-	4,170	10,125	14,295
Other expenditures:					
Facilities acquisition	-	-	336,480	-	336,480
Long-term debt:					
Principal	-	245,000	-	-	245,000
Interest and fiscal charges	-	54,713	-	-	54,713
AEA flowthrough	413,641	-	-	-	413,641
	<u>413,641</u>	<u>299,713</u>	<u>336,480</u>	<u>-</u>	<u>1,049,834</u>
Total expenditures	<u>11,752,690</u>	<u>299,713</u>	<u>1,506,752</u>	<u>742,644</u>	<u>14,301,799</u>
Excess (deficiency) of revenues over (under) expenditures	<u>205,503</u>	<u>(86,764)</u>	<u>(98,685)</u>	<u>(244,490)</u>	<u>(224,436)</u>
Other financing sources (uses):					
Proceeds from the disposal of property	21,396	-	162,772	-	184,168
Operating transfers in	-	91,454	-	4,111	95,565
Operating transfers out	(4,111)	-	(91,454)	-	(95,565)
Total other financing sources (uses)	<u>17,285</u>	<u>91,454</u>	<u>71,318</u>	<u>4,111</u>	<u>184,168</u>
Change in fund balances	222,788	4,690	(27,367)	(240,379)	(40,268)
Fund balances beginning of year	2,019,230	327,717	1,671,650	1,088,819	5,107,416
Fund balances end of year	<u>\$ 2,242,018</u>	<u>\$ 332,407</u>	<u>1,644,283</u>	<u>848,440</u>	<u>5,067,148</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, 2017

Change in fund balances - total governmental funds (page 23) \$ (40,268)

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. These costs are not reported in the Statement of Activities but they 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	\$ 1,085,897	
Depreciation expense	<u>(1,024,756)</u>	61,141

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

Repaid	245,000	
Amortization of premium	<u>5,424</u>	250,424

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.

613

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position

584,240

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	23,200	
Pension expense	(634,787)	
Other postemployment benefits	<u>(390,542)</u>	<u>(1,002,129)</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.

624,518

Change in net position of governmental activities (page 20) \$ 478,539

See notes to financial statements.

Clarion-Goldfield-Dows Community School District
Clarion, Iowa

Exhibit G

Statement of Net Position
Proprietary Funds

June 30, 2017

	<u>Enterprise</u> School <u>Nutrition</u>	<u>Internal</u> Service Employee <u>Health</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 134,417	3,569,699
Accounts receivable	10,131	-
Inventories	<u>6,384</u>	<u>-</u>
Total current assets	<u>150,932</u>	<u>3,569,699</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>47,196</u>	<u>-</u>
Total assets	<u>198,128</u>	<u>3,569,699</u>
Deferred Outflows of Resources		
Pension related deferred outflows	<u>44,931</u>	<u>-</u>
Liabilities		
Current liabilities:		
Accounts payable	1,898	-
Salaries and benefits payable	4,205	-
Unearned revenue	<u>504</u>	<u>-</u>
Total current liabilities	<u>6,607</u>	<u>-</u>
Noncurrent liabilities:		
Net pension liability	191,528	-
Net OPEB liability	<u>136,630</u>	<u>-</u>
Total noncurrent liabilities	<u>328,158</u>	<u>-</u>
Total liabilities	<u>334,765</u>	<u>-</u>
Deferred Inflows of Resources		
Pension related deferred inflows	<u>3,608</u>	<u>-</u>
Net Position		
Invested in capital assets	47,196	-
Restricted for health insurance	-	3,569,699
Unrestricted	<u>(142,510)</u>	<u>-</u>
Total net position	<u>\$ (95,314)</u>	<u>3,569,699</u>

Clarion-Goldfield-Dows Community School District
Clarion, Iowa

Exhibit H

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

Year ended June 30, 2017

	<u>Enterprise</u> School <u>Nutrition</u>	<u>Internal</u> <u>Service</u> Employee <u>Health</u>
Operating revenues:		
Local sources:		
Charges for service	\$ 209,504	2,212,402
Operating expenses:		
Support services:		
Operation and maintenance of plant	20,638	
Non-instructional programs:		
Food service operations:		
Salaries	197,620	-
Benefits	120,372	-
Purchased services	1,203	-
Supplies	228,228	-
Depreciation	11,612	-
	559,035	-
Internal service programs:		
Benefits	-	1,592,927
Total operating expenses	579,673	1,592,927
Operating income/(loss)	(370,169)	619,475
Non-operating revenues:		
State sources	4,454	-
Federal sources	348,657	-
Interest income	470	5,043
Total non-operating revenues	353,581	5,043
Income before capital asset contributions	(16,588)	624,518
Capital asset contributions	4,170	-
Increase (decrease) in net position	(12,418)	624,518
Net position beginning of year	(82,896)	2,945,181
Net position end of year	\$ (95,314)	3,569,699

See notes to financial statements.

Clarion-Goldfield-Dows Community School District
Clarion, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2017

	<u>Enterprise</u> School <u>Nutrition</u>	<u>Internal</u> <u>Service</u> Employee <u>Health</u>
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 194,653	-
Cash received from miscellaneous operating activities	-	2,212,402
Cash paid to employees for services	(301,035)	(1,592,927)
Cash paid to suppliers for goods or services	<u>(208,069)</u>	<u>-</u>
Net cash used by operating activities	<u>(314,451)</u>	<u>619,475</u>
Cash flows from non-capital financing activities:		
State grants received	4,454	-
Federal grants received	<u>306,781</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>311,235</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>470</u>	<u>5,043</u>
Net increase (decrease) in cash and cash equivalents	(2,746)	624,518
Cash and cash equivalents beginning of year	<u>137,163</u>	<u>2,945,181</u>
Cash and cash equivalents end of year	<u>\$ 134,417</u>	<u>3,569,699</u>

Clarion-Goldfield-Dows Community School District
Clarion, Iowa

Exhibit I

Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2017

	<u>Enterprise</u> School <u>Nutrition</u>	<u>Internal</u> <u>Service</u> Employee <u>Health</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating income (loss)	\$ (370,169)	619,475
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	41,876	-
Depreciation	11,612	-
Decrease in accounts receivable	(8,773)	-
Decrease in inventories	(1,221)	-
Increase in accounts payable	1,345	-
Decrease in unearned revenue	(6,078)	-
Increase in net pension liability	35,002	-
(Increase) in deferred outflows of resources	(23,264)	-
Increase in deferred inflows of resources	(8,820)	-
Increase in other postemployment benefits	14,039	-
 Net cash used by operating activities	 \$ (314,451)	 619,475

Non-cash investing, capital and financing activities:

During the year ended June 30, 2017, the District received \$41,876 of federal commodities.

During the year ended June 30, 2017, the District received \$4,170 in capital asset contributions from the PPEL Fund.

See notes to financial statements.

Clarion-Goldfield-Dows Community School District
Clarion, Iowa

Exhibit J

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2017

	Private Purpose <u>Trusts</u>
Assets	
Cash, cash equivalents and pooled investments	\$ <u>118,343</u>
Total assets	118,343
Liabilities	
Accounts payable	<u>250</u>
Total liabilities	<u>250</u>
Net Position	
Restricted for scholarships	\$ <u><u>118,093</u></u>

See notes to financial statements.

Clarion-Goldfield-Dows Community School District
Clarion, Iowa

Exhibit K

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year Ended June 30, 2017

	<u>Private Purpose Trusts</u>
Additions:	
Local sources:	
Interest on investments	\$ 397
Contributions	<u>2,300</u>
Total additions	<u>2,697</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>20,366</u>
Total deductions	<u>20,366</u>
Change in net position	(17,669)
Net position beginning of year	<u>135,762</u>
Net position end of year	<u>\$ 118,093</u>

See notes to financial statements.

Clarion-Goldfield-Dows Community School District
Clarion, Iowa

Notes to Financial Statements

June 30, 2017

(1) Summary of Significant Accounting Policies

Clarion-Goldfield-Dows 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, Goldfield, and Dows Iowa, and the agricultural area in Wright, Humboldt, Franklin, 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-Dows 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-Dows 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 Board.

Clarion-Goldfield-Dows Community School District
Clarion, Iowa

Notes to Financial Statements

June 30, 2017

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/amortization 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. Enabling legislation did not result in any restricted net position.

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

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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 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 Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

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.

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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.

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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

Cash , Cash Equivalents and Pooled Investments – 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.

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2016.

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, and intangibles acquired after July 1, 1980 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 acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. 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.

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<u>Asset Class</u>	<u>Amount</u>
Land	\$ 5,000
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:

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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the District after the measurement date but before the end of the District’s reporting period.

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

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

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.

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Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. 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 represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year 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.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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.

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E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2017, expenditures did not exceed the amounts budgeted.

- F. Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

(2) Cash, Cash Equivalents and Pooled Investments

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.

Interest rate risk – The District’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or with 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs of the District.

A reconciliation of cash and cash equivalents as shown on the financial statements of the District is as follows:

Depository accounts	\$ 8,914,902
Certificates of deposit	<u>2,781</u>
Total cash, cash equivalents and pooled investments	<u>\$8,917,683</u>
Per Exhibit A	8,799,340
Per Exhibit J	<u>118,343</u>
	<u>8,917,683</u>

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Concentration of credit risk- The District's investment policy seeks diversification to reduce overall portfolio risk while maintaining market rates of return to enable the District to meet its anticipated cash requirements. The District does not have a policy specific to concentration of credit risk. At June 30, 2017, the District had no investments subject to concentration of credit risk.

Custodial credit risk- For deposits, this is the risk that in the event of bank failure, the District's deposits may not be returned. For an investment, this is the risk that in the event of failure of the counterparty, the District will not be able to recover the value of the investments or collateral securities that are in the possession of the outside party. The District's deposits in banks at June 30, 2017 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 ensure there will be no loss of public funds.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 91,454
Student Activities	General	<u>4,111</u>
Total		<u>95,565</u>

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

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(4) Capital Assets

Capital assets activity for the year ended June 30, 2017 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>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>82,379</u>	<u>-</u>	<u>-</u>	<u>82,379</u>
Capital assets being depreciated:				
Buildings	15,997,664	357,736	-	16,355,400
Improvements other than buildings	921,736	0	-	921,736
Furniture and equipment	<u>3,083,963</u>	<u>728,161</u>	<u>-</u>	<u>3,812,124</u>
Total capital assets being depreciated	<u>20,003,363</u>	<u>1,085,897</u>	<u>-</u>	<u>21,089,260</u>
Less accumulated depreciation for:				
Buildings	6,800,220	647,574	-	7,447,794
Improvements other than buildings	621,396	29,840	-	651,236
Furniture and equipment	<u>2,463,251</u>	<u>347,341</u>	<u>-</u>	<u>2,810,592</u>
Total accumulated depreciation	<u>9,884,867</u>	<u>1,024,756</u>	<u>-</u>	<u>10,909,623</u>
Total capital assets being depreciated, net	<u>10,118,496</u>	<u>61,142</u>	<u>-</u>	<u>10,179,637</u>
Governmental activities capital assets, net	<u>10,200,875</u>	<u>61,142</u>	<u>-</u>	<u>10,262,016</u>
<u>Business type activities:</u>				
Furniture and equipment	\$ 219,991	4,170	-	224,161
Less accumulated depreciation	<u>165,353</u>	<u>11,612</u>	<u>-</u>	<u>176,965</u>
Business type activities capital assets, net	<u>\$ 54,638</u>	<u>(7,442)</u>	<u>-</u>	<u>47,196</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				<u>\$1,024,765</u>
Business type activities:				
Food service operations				<u>\$11,612</u>

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(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2017 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End of Year		Due Within One Year
Governmental activities:						
General obligation						
Refunding bonds	2,687,431	-	250,424	2,437,007	(1)	245,000
Termination benefits	79,794	-	23,200	56,594		56,594
Net pension liability	4,315,637	1,120,177	-	5,435,814		-
Net OPEB liability	3,410,299	390,542	-	3,800,841		-
Total	10,493,161	1,510,719	273,624	11,730,256		301,594

(1) Bonds were sold at a premium; unamortized premium at June 30, 2017 totaled \$47,007

	Balance Beginning Of Year	Additions	Reductions	Balance End of Year		Due Within One Year
Business type activities:						
Net pension liability	156,526	35,002	-	191,528		-
Net OPEB liability	122,591	14,039	-	136,630		-
Total	279,117	49,041	-	328,158		-

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General Obligation Bonds

Annual debt service requirements to maturity of the general obligation refunding bonds are as follows:

Year Ending June 30,	Bond Issue of February 23, 2015			
	Interest Rates	Principal	Interest	Total
2018	1.50	245,000	49,538	294,538
2019	1.50	250,000	45,863	295,863
2020	2.00	255,000	42,113	297,113
2021	2.00	260,000	37,013	297,013
2022	2.00	265,000	31,813	296,813
2023-2026	2.25-2.50	1,115,000	68,450	1,183,450
Total		<u>2,390,000</u>	<u>274,790</u>	<u>2,664,790</u>

During the year ended June 30, 2017, the District retired \$250,000 of general obligation bonds

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-Dows Community School District. The application for early retirement is subject to approval by the Board of Education.

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

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

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

At June 30, 2017, the District has obligations to three participants who had previously been approved for early retirement and an additional seventeen employees eligible for unused sick days, which combined for a total liability of \$37,500. Actual early retirement expenditures for the year ended June 30, 2017 totaled \$19,094.

(6) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general information purposes only. Refer to the plan documents for more information.

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Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012 the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the

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“entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% of covered payroll, for a total rate of 14.88%.

The District’s contributions to IPERS for the year ended June 30, 2017 were \$599,746.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017 the District reported a liability of \$5,627,342 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2016, the District’s collective proportion was 0.089418%, which was a decrease of 0.001103 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$682,441. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 49,735	\$ 67,160
Changes of assumptions	85,856	-
Net difference between projected and actual earnings on pension plan investments	801,719	
Changes in proportion and differences between District contributions and proportionate share of contributions	7,415	43,170
District contributions subsequent to the measurement date	601,397	-
Total	\$1,546,122	\$ 110,330

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\$599,746 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30,</u>		
2018	\$	96,862
2019		96,862
2020		411,387
2021		233,711
2022		<u>(4,427)</u>
Total	\$	<u>834,395</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above. Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocations</u>	<u>Long-Term Expected Real Rate Return</u>
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit Opportunities	5	4.48
U.S. TIPS	5	1.36
Other Real Assets	2	6.42
Cash	1	(.026)
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS’ investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in The Discount Rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease <u>(6.50%)</u>	Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
District’s proportionate share of the net pension liability	\$ 9,104,278	\$ 5,627,342	\$ 2,692,763

IPERS’ Fiduciary Net Position – Detailed information about IPERS’ fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

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Payables to IPERS – At June 30, 2017, the District reported no payables to the defined benefit pension plan.

(7) Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 105 active and 25 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 benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2017, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 748,924
Interest on net OPEB obligation	88,322
Adjustments to annual required contribution	<u>(299,805)</u>
Annual OPEB cost	537,441
Contributions made	<u>(132,860)</u>
Increase in net OPEB obligation	404,581
Net OPEB obligation beginning of year	<u>3,532,890</u>
Net OPEB obligation end of year	\$ <u>3,937,471</u>

Clarion-Goldfield-Dows Community School District
Clarion, Iowa

Notes to Financial Statements

June 30, 2017

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. 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, 2017.

For the year ended June 30, 2017, the District contributed approximately \$132,860 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 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, 2015	516,983	40.7%	3,140,536
June 30, 2016	597,086	34.3%	3,532,890
June 30, 2017	537,441	24.7%	3,937,471

Funded Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was \$5,195,610, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,195,610. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6.7 million and the ratio of the UAAL to covered payroll was 77.5%. As of June 30, 2017, 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.

Clarion-Goldfield-Dows Community School District
Clarion, Iowa

Notes to Financial Statements

June 30, 2017

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, 2015 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 RP 2000 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.

(8) 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.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$413,641 for the year ended June 30, 2017 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Clarion-Goldfield-Dows Community School District
Clarion, Iowa

Notes to Financial Statements

June 30, 2017

(10) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2017 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Gifted and Talented	\$ 397,235
Teacher Quality	30,175
QRS PS Achievement Bonus	450
Successful Progression for Early Readers	46,307
Teacher Core Curriculum	250
Home School Assistance Program	18,349
Mentoring	14,156
At-Risk	69,872
Teacher Leadership Grant	30,524
Dropout Prevention	84,287
Home School Liaison	14,734
Professional Development	32,407
Professional Staff Recruitment	<u>1,004</u>
	\$ <u>739,750</u>

(11) Deficit Fund Balance

The Enterprise, School Nutrition Fund had a deficit net position of \$95,314 at June 30, 2017. The reason for the deficit net position was due to the implementation of Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 in a prior fiscal year, which requires all school districts and other governmental entities in the state of Iowa who contribute to IPERS to show their proportionate share of the IPERS funding deficit as a liability on each entity's financials beginning in fiscal year 2015.

Clarion-Goldfield-Dows Community School District
Clarion, Iowa

Notes to Financial Statements

June 30, 2017

(12) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Tax Abatements of Other Entities

Property tax revenues of the District were reduced by the following amounts for the year ended June 30, 2017 under agreements entered into by the following entities:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
Franklin County	Urban renewal and economic development projects	\$ 46,969

(13) Operating Leases

The District entered into an operating lease with Access Systems Inc. for the rental of eight copiers and eighty printers in November 2016 for a period of 60 months. This lease was revised in November 2017, which extended the payments for an additional 12 months. The amount paid for the fiscal year ended June 30, 2017 was \$32,324. Future rentals are scheduled as follows:

Year	
Ending	
<u>June 30,</u>	
2018	\$ 40,068
2019	40,068
2020	40,068
2021	40,068
2022	40,068
2023	<u>16,695</u>
Total	\$ <u>217,035</u>

Clarion-Goldfield-Dows Community School District
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Notes to Financial Statements

June 30, 2017

(14) New Accounting Pronouncement

The District adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about tax abatements of other entities which impact the District.

(15) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, 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 other postemployment benefits.

The Governmental Accounting Standards Board has issued Statement No. 80, Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14. This statement will be implemented for the fiscal year ending June 30, 2018. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement enhance the comparability of financial statements among governments.

The Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship.

Clarion-Goldfield-Dows Community School District
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Notes to Financial Statements

June 30, 2017

The Governmental Accounting Standards Board has issued Statement No. 85, Omnibus 2017. This statement will be implemented for the fiscal year ending June 30, 2018. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements.

The Governmental Accounting Standards Board has issued Statement No. 86, Certain Debt Extinguishment Issues. This statement will be implemented for the fiscal year ending June 30, 2018. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also requires the inclusion of any remaining prepaid insurance related to extinguished debt in the net carrying amount of the debt when calculating the difference between the reacquisition price and the net carrying amount of the debt for debt that is extinguished through a legal extinguishment or an in-substance defeasance. This Statement also improves notes to financial statements for debt that is defeased in substance.

The Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statements users by requiring notes to financial statement related to the timing, significance, and purpose of a government's leasing arrangements.

District management has not yet determined the effect these pronouncements will have on the District's financial statements.

Clarion-Goldfield-Dows Community School District
Clarion, Iowa

Notes to Financial Statements

June 30, 2017

(16) Subsequent Events

Subsequent events have been evaluated through March 19, 2018, which is the date the financial statements were available to be issued. The PPEL tax levy was raised to \$1.34 per \$1,000 valuation up from \$.67 per \$1,000 per vote of the public.

Required Supplementary Information

Clarion-Goldfield-Dows 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, 2017

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>
Revenues:		
Local sources	\$ 6,719,984	209,504
State sources	6,826,693	4,454
Federal sources	<u>530,687</u>	<u>348,657</u>
Total revenues	<u>14,077,364</u>	<u>562,615</u>
 Expenditures/Expenses:		
Instruction	8,932,300	-
Support services	4,305,370	20,638
Non-instructional programs	14,295	559,035
Other expenditures	<u>1,049,834</u>	<u>-</u>
Total expenditures/expenses	<u>14,301,799</u>	<u>579,673</u>
 Excess (deficiency) of revenues over (under) expenditures	(224,436)	(17,058)
 Other financing sources, net	<u>184,168</u>	<u>4,640</u>
 Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(40,268)	(12,418)
 Balances beginning of year	<u>5,107,416</u>	<u>(82,896)</u>
 Balances end of year	<u>\$ 5,067,148</u>	<u>(95,314)</u>

See accompanying independent auditor's report.

Total <u>Actual</u>	<u>Budgeted Amounts</u>		Final to Actual <u>Variance</u>
	<u>Original</u>	<u>Final</u>	
6,929,488	7,686,834	7,686,834	(757,346)
6,831,147	5,905,977	5,905,977	925,170
<u>879,344</u>	<u>695,000</u>	<u>695,000</u>	<u>184,344</u>
<u>14,639,979</u>	<u>14,287,811</u>	<u>14,287,811</u>	<u>352,168</u>
8,932,300	8,870,600	8,870,600	(61,700)
4,326,008	4,840,750	4,840,750	514,742
573,330	550,000	550,000	(23,330)
<u>1,049,834</u>	<u>1,057,661</u>	<u>1,057,661</u>	<u>7,827</u>
<u>14,881,472</u>	<u>15,319,011</u>	<u>15,319,011</u>	<u>437,539</u>
(241,494)	(1,031,200)	(1,031,200)	789,706
<u>188,808</u>	<u>-</u>	<u>-</u>	<u>188,808</u>
(52,686)	(1,031,200)	(1,031,200)	978,514
<u>5,024,520</u>	<u>4,633,369</u>	<u>4,633,369</u>	<u>5,247,360</u>
<u>4,971,834</u>	<u>3,602,169</u>	<u>3,602,169</u>	<u>1,369,665</u>

Clarion-Goldfield-Dows Community School District
Clarion, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2017

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 Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis

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

During the year ended June 30, 2017, expenditures exceeded the amounts budgeted for the instruction and non-instructional functions.

Clarion-Goldfield-Dows Community School District

Clarion, Iowa

Schedule of District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
 Last Three Fiscal Years*
 (In Thousands)

Required Supplementary Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.089418%	0.090521%	0.093138%
District's proportionate share of the net pension liability	\$ 5,627	\$ 4,472	\$ 3,694
District's covered-employee payroll	\$ 6,716	\$ 6,095	\$ 6,129
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	83.78%	73.37%	60.27%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor's report

Clarion-Goldfield-Dows Community School District

Clarion, Iowa

Schedule of District Contributions

Iowa Public Employees' Retirement System
Last Four Fiscal Years
(In Thousands)

Required Supplementary Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 600	572	556	542
Contributions in relation to the statutorily required contribution	<u>(600)</u>	<u>(572)</u>	<u>(556)</u>	<u>(542)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$6,716	6,406	6,095	6,129
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	9.12%	8.84%

See accompanying independent auditor's report.

Clarion-Goldfield-Dows Community School District
Clarion, Iowa

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2017

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

Clarion-Goldfield-Dows 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%
2015	Jul 1, 2012	-	3,993	3,993	0.0%	6,100	65.5%
2016	Jul 1, 2015	-	5,322	5,322	0.0%	6,500	81.9%
2017	Jul 1, 2015	-	5,196	5,196	0.0%	6,700	77.6%

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-Dows Community School District
Clarion, Iowa

Schedule 1

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2017

Assets	Special Revenue		Total
	Student Activity	Management Levy	
Cash, cash equivalents and pooled investments	\$ 155,377	700,197	855,574
Receivables:			
Property tax:			
Delinquent	-	1,246	1,246
Succeeding year	-	250,000	250,000
Total assets	\$ 155,377	951,443	1,106,820
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 8,380	-	8,380
Total liabilities	8,380	-	8,380
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	250,000	250,000
Total deferred inflows of resources	-	250,000	250,000
Fund balances:			
Restricted for:			
Student activities	146,997	-	146,997
Management levy purposes	-	701,443	701,443
Total fund balances	146,997	701,443	848,440
Total liabilities, deferred inflows of resources and fund balances	\$ 155,377	951,443	1,106,820

See accompanying independent auditor's report.

Clarion-Goldfield-Dows Community School District
Clarion, Iowa

Schedule 2

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

Year ended June 30, 2017

	Special Revenue		<u>Total</u>
	<u>Student Activity</u>	<u>Management Levy</u>	
Revenues:			
Local sources:			
Local tax	\$ -	249,462	249,462
Other	218,281	26,706	244,987
State sources	-	3,706	3,706
Total revenues	<u>218,281</u>	<u>279,874</u>	<u>498,155</u>
Expenditures:			
Current:			
Instruction:			
Regular	-	213,825	213,825
Other	248,763	-	248,763
	<u>248,763</u>	<u>213,825</u>	<u>462,588</u>
Support Services:			
Student Services	-	7,227	7,227
Administration	-	91,064	91,064
Operation and maintenance of plant	-	132,868	132,868
Transportation	-	38,772	38,772
	<u>-</u>	<u>269,931</u>	<u>269,931</u>
Non-instructional programs:			
Food service operations	-	10,125	10,125
	<u>-</u>	<u>10,125</u>	<u>10,125</u>
Total expenditures	<u>248,763</u>	<u>493,881</u>	<u>742,644</u>
Excess (deficiency) of revenues over expenditures	(30,483)	(214,007)	(244,490)
Other financing sources:			
Operating transfers in	<u>4,111</u>	<u>-</u>	<u>4,111</u>
Change in fund balances	(26,372)	(214,007)	(240,379)
Fund balances beginning of year	<u>173,369</u>	<u>915,450</u>	<u>1,088,819</u>
Fund balances end of year	<u>\$ 146,997</u>	<u>701,443</u>	<u>848,440</u>

See accompanying independent auditor's report.

Clarion-Goldfield-Dows Community School District
Clarion, Iowa

Schedule 3

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2017

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
Vending	\$ 13,636	273	934	12,975
Concessions	8,806	40,384	31,955	17,235
Classes	7,843	5,132	2,022	10,953
Spanish club	23,606	100	2,318	21,388
MS peer helper	4,825	23,299	21,323	6,801
Cheerleaders	1,289	1,875	2,585	579
Future business leaders	1,343	-	-	1,343
Student council	1,795	-	800	995
Athletics	(6,072)	70,884	84,646	(19,834)
Vocal music	4,557	2,000	-	6,557
MS Chorous Income	5,977	1,575	4,436	3,116
MS Band Income	9,909	1,989	18,495	(6,597)
Drama/Speech	3,891	1,992	3,253	2,630
FFA	45,094	32,440	42,388	35,146
Honor Society	1,969	280	1,288	961
Lasso	6,346	24,543	5,517	25,372
Architecture Club	3,447	-	19,769	(16,322)
Science Club	5,029	320	1,405	3,944
JEL	800	-	-	800
FCCLA	3,430	-	-	3,430
HS band	15,963	9,401	-	25,364
Dance	3,054	5,419	5,629	2,844
Fun Run	3,273	-	-	3,273
Interest	3,559	486	-	4,045
Total	<u>\$ 173,369</u>	<u>222,392</u>	<u>248,763</u>	<u>146,997</u>

See accompanying independent auditor's report.

Clarion-Goldfield-Dows Community School District
Clarion, Iowa

Schedule 4

Combining Balance Sheet
Capital Project Accounts

June 30, 2017

	Capital Projects		
	Statewide Sales, Service and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 1,360,249	194,371	1,554,620
Receivables:			
Property tax:			
Delinquent	-	2,313	2,313
Succeeding year	-	496,657	496,657
Due from other governments	75,719	45,593	121,312
Total assets	\$ 1,435,968	738,934	2,174,902
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 33,962	-	33,962
Total liabilities	33,962	-	33,962
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	496,657	496,657
Total deferred inflows of resources	-	496,657	496,657
Fund balances:			
Restricted for:			
School infrastructure	1,402,006	-	1,402,006
Physical plant and equipment	-	242,277	242,277
Total fund balances	1,402,006	242,277	1,644,283
Total liabilities, deferred inflows of resources and fund balances	\$ 1,435,968	738,934	2,174,902

See accompanying independent auditor's report.

Clarion-Goldfield-Dows Community School District
Clarion, Iowa

Schedule 5

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

Year ended June 30, 2017

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	476,892	476,892
Other	3,823	7,106	10,929
State sources	913,219	7,027	920,246
Total revenues	<u>917,042</u>	<u>491,025</u>	<u>1,408,067</u>
Expenditures:			
Instruction:			
Regular	<u>31,738</u>	<u>423,895</u>	<u>455,633</u>
Support services:			
Student Services	-	17,517	17,517
Instructional staff	1,672	116,384	118,056
Administration	13,360	23,917	37,277
Operation and maintenance of plant	315,282	32,141	347,423
Transportation	-	190,196	190,196
	<u>330,314</u>	<u>380,155</u>	<u>710,469</u>
Non-instructional programs	-	4,170	4,170
Other expenditures:			
Facilities acquisition	<u>313,262</u>	<u>23,218</u>	<u>336,480</u>
Total expenditures	<u>675,314</u>	<u>831,438</u>	<u>1,506,752</u>
Excess (deficiency) of revenues over (under) expenditures	<u>241,728</u>	<u>(340,413)</u>	<u>(98,685)</u>
Other financing sources (uses):			
Proceeds from the disposal of property	62,640	100,132	162,772
Operating transfers out	<u>(91,454)</u>	-	<u>(91,454)</u>
Total other financing sources (uses)	<u>(28,814)</u>	<u>100,132</u>	<u>71,318</u>
Change in fund balances	212,914	(240,281)	(27,367)
Fund balances beginning of year	<u>1,189,092</u>	<u>482,558</u>	<u>1,671,650</u>
Fund balances end of year	<u>\$ 1,402,006</u>	<u>242,277</u>	<u>1,644,283</u>

See accompanying independent auditor's report.

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

For the Last Three Fiscal Years

	Modified Accrual Basis		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues:			
Local sources:			
Local tax	\$ 5,840,957	5,686,717	5,835,131
Tuition	672,548	625,556	588,407
Other	206,479	215,965	263,111
State sources	6,826,693	6,498,337	6,671,314
Federal sources	530,687	531,735	505,775
Total	<u>\$ 14,077,364</u>	<u>\$ 13,558,310</u>	<u>\$ 13,863,738</u>
Expenditures:			
Instruction:	\$ 8,932,300	8,158,846	7,778,887
Support services:			
Student	478,587	469,632	440,962
Instructional staff	466,451	494,045	417,644
Administration	1,187,468	1,190,395	1,085,958
Operation and maintenance of plant	1,272,557	893,777	899,474
Transportation	900,307	733,134	714,605
Non-instructional programs	14,295	13,140	12,508
Other expenditures:			
Facilities acquisition	336,480	836,908	1,182,913
Long-term debt:			
Principal	245,000	2,871,489	419,549
Interest and other charges	54,713	188,459	181,894
AEA flowthrough	413,641	415,383	405,764
Total	<u>\$ 14,301,799</u>	<u>16,265,208</u>	<u>13,540,158</u>

See accompanying independent auditor's report.

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

Certified Public Accountants

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

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

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

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

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

To the Board of Education of
Clarion-Goldfield-Dows 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-Dows Community School District as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 19, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clarion-Goldfield-Dows 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-Dows Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Clarion-Goldfield-Dows 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 have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, 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 item I-A-17 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 deficiency described in Part I of the accompanying Schedule of Findings as item I-B-17 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clarion-Goldfield-Dows 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 I of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2017 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-Dows Community School District's Responses to Findings

Clarion-Goldfield-Dows Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Clarion-Goldfield-Dows 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 results 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-Dows 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 19, 2018

Clarion-Goldfield-Dows Community School District
Clarion, Iowa

Schedule of Findings

Year ended June 30, 2017

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES

I-A-17 Segregation of Duties

Criteria - Management is responsible for establishing and maintaining internal control.

A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the District's financial statements.

Condition – Various duties such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information may be prepared by the same person.

Cause – The District has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the District's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

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

Clarion-Goldfield-Dows Community School District
Clarion, Iowa

Schedule of Findings

Year ended June 30, 2017

Conclusion - Response accepted. The District should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-17 Preparation of Financial Statements

Criteria – The District should have a system of internal control that allows for the preparation of financial statements and disclosures that are fairly presented in conformity with generally accepted accounting principles.

Condition – As is inherent in many governmental entities of this size, the District has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise needed to fully apply generally accepted accounting principles in preparing the financial statements and the related disclosures.

Cause – Management has concluded that relying on the assistance of the auditor to draft the financial statements is more cost-effective than hiring additional staff or having existing staff obtain training necessary to do this.

Effect – The potential effect of this control weakness is that errors could occur in the financial statements and not be detected by management.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, it is the responsibility of District 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 to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue to evaluate the risks to be accepted in preparation of the financial statements.

Clarion-Goldfield-Dows Community School District
Clarion, Iowa

Schedule of Findings

Year ended June 30, 2017

Part II: Other Findings Related to Statutory Reporting:

II-A-17 Certified Budget – Expenditures for the year ended June 30, 2017 exceeded the certified budget amounts in the instruction and other expenditure functions.

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

Response – The instruction expenditures were over budget due to special education billing received after the due date for the budget amendment. The other expenditures were over budget due to District remodeling. We will amend the budget in the future to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

II-B-17 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.

II-C-17 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-17 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-17 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.

Clarion-Goldfield-Dows Community School District
Clarion, Iowa

Schedule of Findings

Year ended June 30, 2017

- II-F-17 Board Minutes – We noted no transactions requiring Board approval which had not been approved by the Board.
- II-G-17 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-17 Supplementary Weighting – There was one variance in supplementary weighting certified to the Department of Education noted. There was one too many students enrolled in a concurrent college class.

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

Response – We will do this.

Conclusion – Response accepted.

- II-I-17 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-17 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely.
- II-K-17 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-17 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.

Clarion-Goldfield-Dows Community School District
Clarion, Iowa

Schedule of Findings

Year ended June 30, 2017

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, 2017, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 1,189,092
Revenues:		
Sales tax revenues	\$ 913,219	
Other local revenues	3,823	
Proceeds from disposal of property	<u>62,640</u>	<u>979,682</u>
		2,168,774
Expenditures/transfers out:		
School infrastructure construction	194,400	
Equipment	8,387	
Other	472,527	
Transfers to other funds:		
Debt service	<u>91,454</u>	<u>766,768</u>
Ending balance		\$ <u>1,402,006</u>

For the year ended June 30, 2017, 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	Property
	Per \$1,000	Tax
	of Taxable	Dollars
	<u>Valuation</u>	<u>Reduced</u>
Debt service levy	\$ 0.40312	\$ <u>188,949</u>

Clarion-Goldfield-Dows Community School District
Clarion, Iowa

Schedule of Findings

Year ended June 30, 2017

II-M-17 Deficit Balances – The Enterprise, School Nutrition Fund had a deficit net position at June 30, 2017. The primary reason for this deficit net position is due to the implementation of GASB Statement No. 68 during the prior fiscal year. Also, one student activity account had a deficit balance at June 30, 2017. There was also a couple of student activity account that had deficit balances at June 30, 2017.

Recommendation – The district should take steps to ensure the District’s administration and Board of Education understand this accounting change/restatement and how GASB Statement 68 will affect the District’s financial moving forward. Also, the District should continue to investigate alternatives to eliminate the deficits in the student activities account in order to return the account to a sound financial condition.

Response – We will review the above recommendations.

Conclusion – Response accepted.