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David A. Vaudt, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

June 15, 2012

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Auditor of State David A. Vaudt today released an audit report on Clay Central/Everly Community School District in Royal, Iowa.

The District's revenues totaled \$5,838,545 for the year ended June 30, 2011, a 19% percent increase over the prior year. Revenues included \$2,326,288 in local tax, charges for service of \$447,743, operating grants, contributions and restricted interest of \$960,429, statewide sales, services and use tax of \$314,646, income surtax of \$119,676, unrestricted state grants of \$1,115,347, donations of \$489,146 and other general revenues of \$65,270.

Expenses for District operations totaled \$5,280,613, a 7% increase over the prior year. Expenses included \$3,291,423 for instruction, \$1,474,757 for support services, \$196,559 for food service operations and \$317,874 for other expenditures.

A copy of the audit report is available for review in the District Secretary's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1130-1218-B00F.pdf>.

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CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

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Clay Central/Everly Community School District

Officials

<u>Name</u>	<u>Title</u>	Term <u>Expires</u>
Board of Education		
Sue Brugman	President	2011
Dave Saboe	Vice President	2013
Gary Klett	Board Member	2011
Scott Rinehart	Board Member	2013
Tony Seivert	Board Member	2013
School Officials		
Robert Raymer	Superintendent	Indefinite
Diane White	District Secretary/Treasurer	Indefinite
Tom Whorley	Attorney	Indefinite

Clay Central/Everly Community School District



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Independent Auditor's Report

To the Board of Education of
Clay Central/Everly Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clay Central/Everly Community School District, Royal, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clay Central/Everly Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated May 29, 2012 on our consideration of Clay Central/Everly Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The District's General Fund deficit at June 30, 2010 was \$1,073,741 compared to a deficit at June 30, 2011 of \$647,973. The decrease in the deficit resulted primarily from the District receiving community donations of \$489,146 during the year ended June 30, 2011. The District indicated it would investigate alternatives to eliminate the deficit fund balance.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 46 through 49 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clay Central/Everly Community School District's basic financial statements. The financial statements for the seven years ended June 30, 2010 (which are not presented herein) were audited by another auditor who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 29, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clay Central/Everly Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,162,072 in fiscal year 2010 to \$5,071,806 in fiscal year 2011 while General Fund expenditures increased from \$4,307,862 in fiscal year 2010 to \$4,646,038 in fiscal year 2011. The District's General Fund balance increased from (\$1,073,741) at the end of fiscal year 2010 to (\$647,973) at the end of fiscal year 2011, a 40% increase.
- The fiscal year 2011 General Fund revenue increase was attributable to increases in property tax and approximately \$489,000 of donations from the community. The increase in expenditures was due, in part, to an increase in negotiated salaries and benefits. One reason the General Fund balance increased is because the District made a conscious decision to limit spending in the second half of fiscal year 2011.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Clay Central/Everly 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 Clay Central/Everly Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Clay Central/Everly Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

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

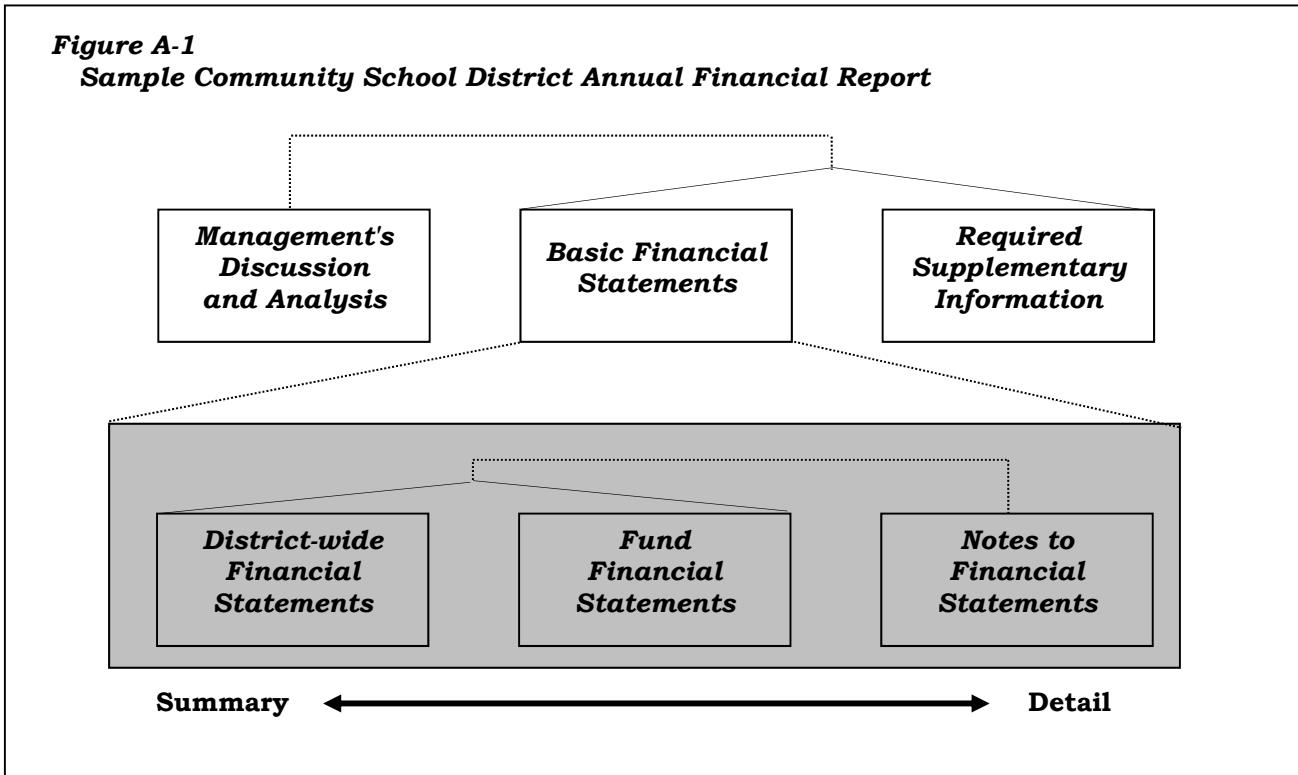


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show 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 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 Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows.

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain revenue collected for District employee purchases of school morale related expenditures.

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 Assets and a Statement of Changes in Fiduciary Net Assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

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

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$ 3,218	2,968	(50)	(48)	3,168	2,920	8.5%
Capital assets	1,075	1,182	29	31	1,104	1,213	-9.0%
Total assets	4,293	4,150	(21)	(17)	4,272	4,133	3.4%
Long-term liabilities	114	101	13	1	127	102	24.5%
Other liabilities	3,149	3,579	3	18	3,152	3,597	-12.4%
Total liabilities	3,263	3,680	16	19	3,279	3,699	-11.4%
Net assets:							
Invested in capital assets, net of related debt	1,075	1,182	29	31	1,104	1,213	-9.0%
Restricted	588	305	-	-	588	305	92.8%
Unrestricted	(633)	(1,017)	(66)	(67)	(699)	(1,084)	35.5%
Total net assets	\$ 1,030	470	(37)	(36)	993	434	128.8%

The District's combined net assets increased 129%, or approximately \$559,000, from the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, buildings, improvements and equipment).

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$283,000, or 93%, over the prior year. The increase was primarily a result of decreased expenditures in the Capital Projects Fund related to the statewide sales, services and use tax received for the fiscal year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$385,000, or 36%. This increase in unrestricted net assets was primarily a result of the District's collection of donations to mitigate a poor financial position and the District's efforts to limit spending in the current year.

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

Figure A-4 Changes in Net Assets (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues:							
Program revenues:							
Charges for service	\$ 345	370	103	101	448	471	-4.9%
Operating grants, contributions and restricted interest	868	796	92	93	960	889	8.0%
General revenues:							
Property tax	2,326	2,231	-	-	2,326	2,231	4.3%
Income surtax	120	105	-	-	120	105	14.3%
Statewide sales, services and use tax	315	319	-	-	315	319	-1.3%
Unrestricted state grants	1,115	884	-	-	1,115	884	26.1%
Unrestricted investment earnings	1	29	-	-	1	29	-96.6%
Other	554	8	-	-	554	8	6825.0%
Total revenues	5,644	4,742	195	194	5,839	4,936	18.3%
Program expenses:							
Instruction	3,291	2,956	-	-	3,291	2,956	11.3%
Support services	1,475	1,422	-	-	1,475	1,422	3.7%
Non-instructional programs	-	-	196	208	196	208	-5.8%
Other expenses	318	358	-	-	318	358	-11.2%
Total expenses	5,084	4,736	196	208	5,280	4,944	6.8%
Excess (deficiency) of revenues over (under) expenses	560	6	(1)	(14)	559	(8)	-7087.5%
Transfers	-	(11)	-	11	-	-	-
Change in net assets	560	(5)	(1)	(3)	559	(8)	-7087.5%
Net assets beginning of year, as restated	470	475	(36)	(33)	434	442	-1.8%
Net assets end of year	\$ 1,030	470	(37)	(36)	993	434	128.8%

In fiscal year 2011, property tax and unrestricted state grants accounted for 61% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 100% of business type activities revenue.

The District's total revenues were approximately \$5.8 million, of which approximately \$5.6 million was for governmental activities and less than \$200,000 was for business type activities.

As shown in Figure A-4, the District as a whole experienced an 18.3% increase in revenues and a 6.8% increase in expenses. Donations of approximately \$489,000 were collected in the current fiscal year. Property tax increased approximately \$95,000 and unrestricted state grants increased approximately \$231,000 to fund the increase in expenses. The increase in expenses is due, in part, to increases in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$5,643,439 and expenses were \$5,084,054 for the year ended June 30, 2011. In a difficult budget year, the District tried to balance the budget by limiting expenses to available revenues.

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, 2011 compared to the year ended June 30, 2010.

	Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)					
	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 3,291	2,956	11.3%	(2,292)	(1,966)	16.6%
Support services	1,475	1,422	3.7%	(1,450)	(1,420)	2.1%
Non-instructional programs	-	-	-	-	6	-100.0%
Other expenses	318	358	-11.2%	(129)	(190)	-32.1%
Total	\$ 5,084	4,736	7.3%	(3,871)	(3,570)	-8.4%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$345,072.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$868,037.
- The net cost of governmental activities was financed with \$2,760,610 in property and other taxes and \$1,115,347 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$195,106, remaining stable as compared to the prior year revenues of \$194,463, while expenses totaled \$196,559, a 5.6% decrease 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 and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Clay Central/Everly 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 (\$36,315), well above last year's ending fund balances of (\$691,414). One major reason for the increase in combined fund balances at the end of fiscal year 2011 is the District collecting approximately \$489,000 in donations from the community. In addition, statewide sales, services and use tax received was significantly more than the District expended on related capital improvements during fiscal year 2011.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. Growth during the year in donations, property tax and unrestricted state grants resulted in an increase in revenues. The increase in revenues was offset somewhat by the District's increase in General Fund expenditures. While the General Fund financial position is improving, a significant deficit fund balance still exists at June 30, 2011. The General Fund balance increased from (\$1,073,741) to (\$647,973) due to the factors noted above.
- The Capital Projects Fund balance increased due to the District spending less on capital improvements and purchases than received in statewide sales, services and use tax during the current fiscal year. The District ended fiscal year 2011 with a fund balance of \$434,457 compared to a balance of \$238,973 in the prior year.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from (\$35,639) at June 30, 2010 to (\$37,092) at June 30, 2011, representing a decrease of approximately 4%. For fiscal year 2011, the District increased meal prices, resulting in a small increase in revenues. However, the District also recorded the related expenses for the net OPEB liability and experienced an increase in purchased services, which caused an overall reduction of net assets.

BUDGETARY HIGHLIGHTS

Over the course of the year, Clay Central/Everly Community School District amended its budget one time to reflect additional expenditures associated with a projected increase in instructional costs, utility and maintenance costs and building and management expenses. The District's total revenues were \$386,811 more than total budgeted revenues, a variance of 7%. The primary reason for this is due to the District not budgeting for the donations received from the community.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction functional area.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested approximately \$1.1 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 9% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$149,221.

Figure A-6
Capital Assets, net of Depreciation
(expressed in thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2010		June 30, 2011		June 30, 2011		June 30, 2010
	2011	as restated	2011	2010	2011	2010	2010-2011
Land	\$ 10	10	-	-	10	10	0.0%
Buildings	723	770	-	-	723	770	-6.1%
Improvements other than buildings	104	111	-	-	104	111	-6.3%
Furniture and equipment	238	291	29	31	267	322	-17.1%
Total	\$ 1,075	1,182	29	31	1,104	1,213	-9.0%

The original cost of the District's capital assets was approximately \$5.4 million. Governmental funds account for approximately \$5.3 million, with the remainder of approximately \$0.1 million accounted for in the Proprietary, School Nutrition Fund.

Long-Term Debt

The District did not have any outstanding bonds or notes at June 30, 2011 or June 30, 2010.

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 which could significantly affect its financial health in the future:

- Clay County has advised the District its total taxable valuation will increase 4.0% for property tax collected in fiscal year 2012 due to the increase in agriculture and land values.
- The District expects a slight decrease in enrollment due to smaller class size entering the District. There is also an increase in open enrollment numbers going out.
- The District has evaluated the condition of its transportation vehicles and determined, due to safety precautions, one bus will be replaced during fiscal year 2012 at a cost of \$72,999. To pay for this bus, the District will use money from the Capital Projects Fund. It is anticipated another new bus will be necessary during the following year.
- The District has implemented staffing reductions which are expected to reduce fiscal year 2012 General Fund expenditures by over \$800,000. The reductions were included in a corrective action plan the District submitted to the School Budget Review Committee (SBRC) in February 2011. The District's plan was accepted by the SBRC, but the District's request for additional spending authority of \$742,786 was denied.

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 Diane White, District Secretary/Treasurer and Business Manager, Clay Central/Everly Community School District, 401 Church Street, P.O. Box 110, Royal, Iowa, 51357.

Clay Central/Everly Community School District

Basic Financial Statements

Clay Central/Everly Community School District

Clay Central/Everly Community School District

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 180,921	17,359	198,280
Receivables:			
Property tax:			
Delinquent	34,643	-	34,643
Succeeding year	2,681,000	-	2,681,000
Accounts	7,861	50	7,911
Internal balances	72,146	(72,146)	-
Due from other governments	241,523	-	241,523
Inventories	-	4,778	4,778
Capital assets, net of accumulated depreciation	1,074,956	28,627	1,103,583
Total assets	4,293,050	(21,332)	4,271,718
Liabilities			
Accounts payable	112,089	2,695	114,784
Salaries and benefits payable	356,283	8,298	364,581
Unearned revenue:			
Succeeding year property tax	2,681,000	-	2,681,000
Other	-	1,930	1,930
Long-term liabilities:			
Portion due within one year:			
Early retirement	32,253	-	32,253
Portion due after one year:			
Early retirement	34,604	-	34,604
Net OPEB liability	47,263	2,837	50,100
Total liabilities	3,263,492	15,760	3,279,252
Net assets			
Invested in capital assets	1,074,956	28,627	1,103,583
Restricted for:			
Categorical funding	43,000	-	43,000
Management levy purposes	71,788	-	71,788
School infrastructure	399,212	-	399,212
Physical plant and equipment	35,245	-	35,245
Student activities	38,556	-	38,556
Unrestricted	(633,199)	(65,719)	(698,918)
Total net assets	\$ 1,029,558	(37,092)	992,466

See notes to financial statements.

Clay Central/Everly Community School District

Statement of Activities

Year ended June 30, 2011

	Expenses	Program Revenues	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Instruction:			
Regular instruction	\$ 1,883,990	197,574	525,312
Special instruction	801,875	81,051	43,809
Other instruction	605,558	66,447	85,501
	<hr/> 3,291,423	<hr/> 345,072	<hr/> 654,622
Support services:			
Student	66,919	-	7,166
Instructional staff	167,884	-	12,897
Administration	661,311	-	-
Operation and maintenance of plant	387,401	-	-
Transportation	191,242	-	4,269
	<hr/> 1,474,757	<hr/> -	<hr/> 24,332
Other expenditures:			
Facilities acquisition	106,118	-	19,751
AEA flowthrough	169,332	-	169,332
Depreciation/amortization (unallocated)*	42,424	-	-
	<hr/> 317,874	<hr/> -	<hr/> 189,083
Total governmental activities	5,084,054	345,072	868,037
Business type activities:			
Non-instructional programs:			
Food service operations	196,559	102,671	92,392
Total	\$ 5,280,613	447,743	960,429

General Revenues:

Property tax levied for general purposes
 Statewide sales, services and use tax
 Income surtax
 Unrestricted state grants
 Unrestricted investment earnings
 Donations
 Other
 Total general revenues

Change in net assets

Net assets beginning of year, as restated

Net assets end of year

* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(1,161,104)	-	(1,161,104)
(677,015)	-	(677,015)
(453,610)	-	(453,610)
<u>(2,291,729)</u>	-	<u>(2,291,729)</u>
(59,753)	-	(59,753)
(154,987)	-	(154,987)
(661,311)	-	(661,311)
(387,401)	-	(387,401)
(186,973)	-	(186,973)
<u>(1,450,425)</u>	-	<u>(1,450,425)</u>
(86,367)	-	(86,367)
-	-	-
<u>(42,424)</u>	-	<u>(42,424)</u>
<u>(128,791)</u>	-	<u>(128,791)</u>
(3,870,945)	-	(3,870,945)
-	(1,496)	(1,496)
<u>(3,870,945)</u>	<u>(1,496)</u>	<u>(3,872,441)</u>
\$ 2,326,288	-	2,326,288
314,646	-	314,646
119,676		119,676
1,115,347	-	1,115,347
790	43	833
489,146	-	489,146
64,437	-	64,437
<u>4,430,330</u>	43	<u>4,430,373</u>
559,385	(1,453)	557,932
470,173	(35,639)	434,534
<u>\$ 1,029,558</u>	<u>(37,092)</u>	<u>992,466</u>

Exhibit C

Clay Central/Everly Community School District

Balance Sheet
Governmental Funds

June 30, 2011

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 250	98,388	82,283	180,921
Receivables:				
Property tax:				
Delinquent	32,855	-	1,788	34,643
Succeeding year	2,461,000	58,000	162,000	2,681,000
Accounts	3,765	-	4,096	7,861
Due from other funds	-	138,320	-	138,320
Due from other governments	193,615	47,908	-	241,523
Interfund receivable	72,146	150,000	91,994	314,140
Total assets	\$ 2,763,631	492,616	342,161	3,598,408
Liabilities and Fund Balances				
Accounts payable	\$ 108,970	159	2,960	112,089
Salaries and benefits payable	356,283	-	-	356,283
Due to other funds	138,320	-	-	138,320
Interfund payable	241,994	-	-	241,994
Unearned revenue:				
Succeeding year property tax	2,461,000	58,000	162,000	2,681,000
Other	105,037	-	-	105,037
Total liabilities	3,411,604	58,159	164,960	3,634,723
Fund balances:				
Restricted for:				
Categorical funding	43,000	-	-	43,000
Management levy purposes	-	-	138,645	138,645
School infrastructure	-	399,212	-	399,212
Physical plant and equipment	-	35,245	-	35,245
Student activities	-	-	38,556	38,556
Unassigned	(690,973)	-	-	(690,973)
Total fund balances	(647,973)	434,457	177,201	(36,315)
Total liabilities and fund balances	\$ 2,763,631	492,616	342,161	3,598,408

See notes to financial statements.

Clay Central/Everly Community School District

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

June 30, 2011

Total fund balances of governmental funds (page 22) \$ (36,315)***Amounts reported for governmental activities in the Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 1,074,956

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 105,037

Long-term liabilities, including early retirement payable and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (114,120)

Net assets of governmental activities (page 19) \$ 1,029,558

See notes to financial statements.

Exhibit E

Clay Central/Everly Community School District

**Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds**

Year ended June 30, 2011

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,301,416	314,646	120,055	2,736,117
Tuition	259,680	-	-	259,680
Other	585,941	19,751	92,629	698,321
State sources	1,634,677	-	59	1,634,736
Federal sources	290,092	-	-	290,092
Total revenues	5,071,806	334,397	212,743	5,618,946
Expenditures:				
Current:				
Instruction:				
Regular	1,800,864	-	32,368	1,833,232
Special	796,570	-	-	796,570
Other	523,162	-	78,622	601,784
	<hr/>	<hr/>	<hr/>	<hr/>
3,120,596	-	110,990	3,231,586	
Support services:				
Student	68,178	-	-	68,178
Instructional staff	156,116	-	-	156,116
Administration	622,035	-	37,557	659,592
Operation and maintenance of plant	352,881	-	21,200	374,081
Transportation	156,900	184	9,149	166,233
	<hr/>	<hr/>	<hr/>	<hr/>
1,356,110	184	67,906	1,424,200	
Other expenditures:				
Facilities acquisition	-	138,729	-	138,729
AEA flowthrough	169,332	-	-	169,332
	<hr/>	<hr/>	<hr/>	<hr/>
169,332	138,729	-	308,061	
Total expenditures	4,646,038	138,913	178,896	4,963,847
Net change in fund balances	425,768	195,484	33,847	655,099
Fund balances beginning of year, as restated	(1,073,741)	238,973	143,354	(691,414)
Fund balances end of year	\$ (647,973)	434,457	177,201	(36,315)

See notes to financial statements.

Clay Central/Everly Community School District

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2011

Net change in fund balances - total governmental funds (page 24) \$ 655,099***Amounts reported for governmental activities in the Statement of Activities are different because:***

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

Expenditures for capital assets	\$ 38,771
Depreciation expense	<u>(146,234)</u> (107,463)

Income surtax not collected for several months after year end is not considered available revenue and is deferred in the governmental

24,493

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:

Early retirement	10,396
Other postemployment benefits	<u>(23,140)</u> (12,744)

Change in net assets of governmental activities (page 21) \$ 559,385

See notes to financial statements.

Exhibit G

Clay Central/Everly Community School District

Statement of Net Assets
Proprietary Fund

June 30, 2011

	School Nutrition
Assets	
Cash and cash equivalents	\$ 17,359
Accounts receivable	50
Inventories	4,778
Capital assets, net of accumulated depreciation	28,627
Total assets	<u>50,814</u>
Liabilities	
Accounts payable	2,695
Salaries and benefits payable	8,298
Interfund payable	72,146
Unearned revenue	1,930
Net OPEB liability	2,837
Total liabilities	<u>87,906</u>
Net Assets	
Invested in capital assets	28,627
Unrestricted	(65,719)
Total net assets	<u>\$ (37,092)</u>

See notes to financial statements.

Clay Central/Everly Community School District

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

Year ended June 30, 2011

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 102,671
Non-instructional programs:	
Food service operations:	
Salaries	53,213
Benefits	26,708
Purchased services	3,277
Supplies	110,374
Depreciation	2,987
Total operating expenses	<u>196,559</u>
Operating loss	<u>(93,888)</u>
Non-operating revenues:	
State sources	1,682
Federal sources	90,710
Interest income	43
Total non-operating revenues	<u>92,435</u>
Change in net assets	(1,453)
Net assets beginning of year	<u>(35,639)</u>
Net assets end of year	<u>\$ (37,092)</u>

See notes to financial statements.

Exhibit I

Clay Central/Everly Community School District

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2011

	School	Nutrition
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 107,540	
Cash paid to employees for services	(82,230)	
Cash paid to suppliers for goods or services	(103,749)	
Net cash used by operating activities	<u>(78,439)</u>	
Cash flows from non-capital financing activities:		
State grants received	1,682	
Federal grants received	84,685	
Net cash provided by non-capital financing activities	<u>86,367</u>	
Cash flows from investing activities:		
Interest on investments	<u>58</u>	
Net increase in cash and cash equivalents	7,986	
Cash and cash equivalents beginning of year	<u>9,373</u>	
Cash and cash equivalents end of year	<u>\$ 17,359</u>	

Clay Central/Everly Community School District

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2011

	School	Nutrition
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss		\$ (93,888)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	6,025	
Depreciation	2,987	
Decrease in inventories	5,219	
Decrease in accounts receivable	4,495	
Decrease in accounts payable	(1,342)	
Decrease in salaries and benefits payable	(4,269)	
Increase in unearned revenue	374	
Increase in other postemployment benefits	1,960	
Net cash used by operating activities		<u>\$ (78,439)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2011, the District received \$6,025 of federal commodities.

See notes to financial statements.

Exhibit J

Clay Central/Everly Community School District

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2011

	Private Purpose Trust	Scholarship	Agency
Assets			
Cash and pooled investments	\$ 9,157	613	
Liabilities			
Other payables	-	613	
Net assets			
Reserved for scholarships	<u>\$ 9,157</u>	<u>-</u>	

See notes to financial statements.

Clay Central/Everly Community School District

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2011

	Private Purpose Trust <hr/>	Scholarship
Additions:		
Local sources:		
Gifts and contributions	\$ 2,210	
Interest income	46	
Total additions	<hr/> 2,256	
Deductions:		
Instruction:		
Regular:		
Scholarships awarded	<hr/> 2,150	
Change in net assets	106	
Net assets beginning of year	<hr/> 9,051	
Net assets end of year	<hr/> \$ 9,157	

See notes to financial statements.

Clay Central/Everly Community School District

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

Clay Central/Everly 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 Royal and Everly, Iowa and the predominately agricultural territory in a portion of the counties of Clay, Dickinson and O'Brien. 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, Clay Central/Everly Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – 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 Clay County Assessor's Conference Board.

B. Basis of Presentation

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

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

Invested in capital assets consists of capital assets, net of accumulated depreciation.

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

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

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

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 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 proprietary fund:

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

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

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

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

Proprietary funds distinguish operating revenues and expenses from 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, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for 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.

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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.

Asset Class	Amount
Land	\$ 500
Buildings	500
Improvements other than buildings	1,000
Intangibles	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	15-50
Improvements other than buildings	5-25
Intangibles	3-10
Furniture and equipment	3-20

Salaries and Benefits Payable – Payroll 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.

Unearned Revenue – 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. Unearned revenue in the governmental fund financial statements

represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Unearned revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

Unearned revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and amounts received in advance for meal sales.

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

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

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

Unassigned – All amounts not included in the preceding classification.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures in the instruction function exceeded the amount budgeted and the District exceeded its General Fund unspent authorized budget.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; 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.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. N.A. is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-11A warrants is 1.20% plus the one-month LIBOR rate, adjusted daily. The interest rate on the Series 2010-11B warrants is a variable rate, calculated daily based upon the LIBOR rate plus 120 basis points. A summary of the District's ISCAP activity for the year ended June 30, 2011 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance			Balance End of Year
			Beginning of Year	Advances Received	Advances Repaid	
2010-11A	6/30/10	6/23/11	\$ -	840,000	840,000	-
2010-11B	1/26/11	1/25/12	-	-	-	-
Total			\$ -	840,000	840,000	-

During the year ended June 30, 2011, the District paid \$7,677 of interest on the ISCAP warrants.

(4) Capital Assets

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

	Balance Beginning of year, as restated	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 9,589	-	-	9,589
Capital assets being depreciated:				
Buildings	2,942,272	3,975	-	2,946,247
Improvements other than buildings	511,008	-	-	511,008
Furniture and equipment	1,823,162	34,796	-	1,857,958
Total capital assets being depreciated	<u>5,276,442</u>	<u>38,771</u>	-	<u>5,315,213</u>
Less accumulated depreciation for:				
Buildings	2,172,151	50,746	-	2,222,897
Improvements other than buildings	399,638	7,755	-	407,393
Furniture and equipment	1,531,823	87,733	-	1,619,556
Total accumulated depreciation	<u>4,103,612</u>	<u>146,234</u>	-	<u>4,249,846</u>
Total capital assets being depreciated, net	<u>1,172,830</u>	<u>(107,463)</u>	-	<u>1,065,367</u>
Governmental activities capital assets, net	<u>\$ 1,182,419</u>	<u>(107,463)</u>	-	<u>1,074,956</u>
Business type activities:				
Furniture and equipment	\$ 117,501	-	-	117,501
Less accumulated depreciation	85,887	2,987	-	88,874
Business type activities capital assets, net	<u>\$ 31,614</u>	<u>(2,987)</u>	-	<u>28,627</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:				
Regular	\$ 47,837			
Special	2,633			
Other	800			
Support services:				
Instructional staff	10,686			
Administration	2,786			
Operation and maintenance of plant	12,238			
Transportation	26,830			
	<u>103,810</u>			
Unallocated	<u>42,424</u>			
Total depreciation expense - governmental activities	<u>\$ 146,234</u>			
Business type activities:				
Food service operations	<u>\$ 2,987</u>			

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	77,253	20,701	31,097	66,857	32,253
Net OPEB liability	24,123	61,415	38,275	47,263	-
Total	\$ 101,376	82,116	69,372	114,120	32,253
Business type activities:					
Net OPEB liability	\$ 877	3,685	1,725	2,837	-

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least fourteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which the early retirement commences. The application for early retirement is subject to approval by the Board of Education.

For licensed employees, the early retirement benefit is calculated as the difference between the base salary for a BA step one and the employee's contract salary for the application year. For classified employees, the early retirement benefit equals 50% of the employee's current annual salary, excluding overtime.

Upon retirement, the employee is eligible to continue participation in the District's group insurance plan with the District using the benefit amount to pay the retiring employee's cost of health insurance until the benefit amount is exhausted.

At June 30, 2011, the District had obligations to seven participants with a total liability of \$66,857. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$31,097.

(6) Bank Line of Credit

The District has a \$500,000 revolving line of credit with a local bank. Any balance on the line of credit outstanding at June 30, 2011 is due in full on July 15, 2011. Balances due accrue interest at 4.25% per annum. Line of credit activity for the year ended June 30, 2011 is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$ 310,000	632,000	942,000	-

The beginning balance of the bank line of credit was restated from \$193,000 to \$310,000.

(7) Interfund Assets/Liabilities

The detail of interfund receivables and payables is as follows:

Receivable Fund	Payable Fund	Amount
General	Enterprise: School Nutrition	\$ 72,146
Special Revenue: Management Levy	General	91,994
Capital Projects: Statewide Sales, Services and Use Tax	General	150,000
		<u>\$ 314,140</u>

The interfund receivables and payables result from advances between funds for cash flow purposes. The advances should be repaid in accordance with the Iowa Department of Education's declaratory order for interfund loans.

The detail of due to/from other funds is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects: Statewide Sales, Services and Use Tax	General	\$ 138,320
		<u>\$ 138,320</u>

This balance results from the reclassification of deficit cash in the General Fund to the Capital Projects, Statewide Sales, Services and Use Tax Fund for reporting purposes.

(8) Pension and Retirement Benefits

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

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$171,978, \$169,679 and \$164,800, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree health plan which provides medical and prescription drug benefits for employees and retirees and their spouses. There are 53 active and 14 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-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, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 65,000
Interest on net OPEB obligation	1,100
Adjustment to annual required contribution	(1,000)
Annual OPEB cost	<u>65,100</u>
Contributions made	(40,000)
Increase in net OPEB obligation	<u>25,100</u>
Net OPEB obligation beginning of year	<u>25,000</u>
Net OPEB obligation end of year	<u><u>\$ 50,100</u></u>

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

For the year ended June 30, 2011, the District contributed \$40,000 to the medical plan. Plan members eligible for benefits contributed \$50,603, or 56% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 65,000	61.54%	\$ 25,000
2011	65,100	61.44	50,100

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$643,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$643,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,950,000 and the ratio of the UAAL to covered payroll was 33%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2009 actuarial valuation date, the unit alternative measurement method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$800 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) 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.

(11) 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 \$169,332 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the statements.

(12) Financial Condition

The District had unassigned/unrestricted deficit balances at June 30, 2011 as follows:

General Fund	\$ 690,973
Enterprise Fund:	
School Nutrition	65,719

The deficit balance in the General Fund is the result of costs incurred in excess of available resources. The deficit balance will be eliminated by increasing the cash reserve levy and reducing expenditures. The deficit balance in the Enterprise, School Nutrition Fund will be eliminated by increasing meal prices.

(13) Special Investigation

The District requested the Office of Auditor of State perform a special investigation of the District as a result of concerns of an alleged misuse of the District's credit card by the former Superintendent, Monte Montgomery. The Auditor of State's special investigation report dated April 27, 2011 identified \$102,909 of improper and unsupported disbursements for the period July 1, 2005 through November 30, 2010. Improper disbursements of \$47,803 included \$41,844 of charges on the District's credit card held by Mr. Montgomery. Unsupported disbursements of \$55,106 included purchases totaling \$35,305 made with the credit card issued in Mr. Montgomery's name. The unsupported disbursements identified also include \$19,801 of purchases made with the credit card issued in the name of the District's former Business Manager, which was used by a number of staff members.

Copies of the special investigation report have been filed with the Division of Criminal Investigation, the Clay County Attorney's Office and the Attorney General's Office.

(14) Accounting Change/Restatements

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

	Special Revenue	
	Physical Plant and Equipment Levy	
	Capital Projects	
Balances June 30, 2010, as previously reported	\$ 195,146	43,827
Change in fund type classification per implementation of GASB Statement No. 54	43,827	(43,827)
Balances July 1, 2010, as restated	\$ 238,973	-

Beginning net assets for governmental activities were restated to include capital assets previously omitted and to correct errors in prior year depreciation expense.

	Total
Governmental activities:	
Net assets, June 30, 2010, as previously reported:	\$ 409,050
Assets erroneously omitted and depreciation errors	61,123
Net assets, July 1, 2010, as restated	\$ 470,173

In addition, adjustments were also made to reclassify certain capital assets.

Required Supplementary Information

Clay Central/Everly Community School District

**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, 2011

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual
Revenues:			
Local sources	\$ 3,694,118	102,714	3,796,832
State sources	1,634,736	1,682	1,636,418
Federal sources	290,092	90,710	380,802
Total revenues	5,618,946	195,106	5,814,052
Expenditures/Expenses:			
Instruction	3,231,586	-	3,231,586
Support services	1,424,200	-	1,424,200
Non-instructional programs	-	196,559	196,559
Other expenditures	308,061	-	308,061
Total expenditures/expenses	4,963,847	196,559	5,160,406
Excess (deficiency) of revenues over (under) expenditures/expenses	655,099	(1,453)	653,646
Balances beginning of year	(691,414)	(35,639)	(727,053)
Balances end of year	\$ (36,315)	(37,092)	(73,407)

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual Variance
Original	Final	
3,085,502	3,085,502	711,330
1,914,022	1,914,022	(277,604)
427,717	427,717	(46,915)
5,427,241	5,427,241	386,811
<hr/>		
3,030,000	3,180,000	(51,586)
1,993,200	2,143,000	718,800
205,500	290,600	94,041
171,901	371,904	63,843
5,400,601	5,985,504	825,098
<hr/>		
26,640	(558,263)	1,211,909
(622,605)	(622,605)	(104,448)
(595,965)	(1,180,868)	1,107,461

Clay Central/Everly Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary 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 a 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 adopted one budget amendment, increasing budgeted expenditures by \$584,903.

During the year ended June 30, 2011, expenditures in the instruction function exceeded the amount budgeted and the District exceeded its General Fund unspent authorized budget.

Clay Central/Everly Community School District

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial				Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
		Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)				
2010	Jul 1, 2009	-	\$ 643	643	0.0%	\$ 1,950	33.0%	
2011	Jul 1, 2009	-	643	643	0.0	1,950	33.0	

See Note 9 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.

Clay Central/Everly Community School District

Other Supplementary Information

Schedule 1

Clay Central/Everly Community School District

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2011

	Special Revenue		
	Manage-	Student	Total
	ment	Activity	
Assets			
Cash and pooled investments	\$ 44,924	37,359	82,283
Receivables:			
Property tax:			
Delinquent	1,788	-	1,788
Succeeding year	162,000	-	162,000
Accounts	-	4,096	4,096
Interfund receivable	91,994	-	91,994
Total assets	\$ 300,706	41,455	342,161
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 61	2,899	2,960
Deferred revenue:			
Succeeding year property tax	162,000	-	162,000
Total liabilities	162,061	2,899	164,960
Fund balances:			
Restricted for:			
Management levy purposes	138,645	-	138,645
Student activities	-	38,556	38,556
Total fund balances	138,645	38,556	177,201
Total liabilities and fund balances	\$ 300,706	41,455	342,161

See accompanying independent auditor's report.

Clay Central/Everly Community School District

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

Year ended June 30, 2011

	Special Revenue		
	Manage- ment Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 120,055	-	120,055
Other	8,026	84,603	92,629
State sources	59	-	59
Total revenues	128,140	84,603	212,743
Expenditures:			
Current:			
Instruction:			
Regular	32,368	-	32,368
Other	-	78,622	78,622
Support services:			
Administration	37,557	-	37,557
Operation and maintenance of plant	21,200	-	21,200
Transportation	9,149	-	9,149
Total expenditures	100,274	78,622	178,896
Net change in fund balances	27,866	5,981	33,847
Fund balances beginning of year	110,779	32,575	143,354
Fund balances end of year	\$ 138,645	38,556	177,201

See accompanying independent auditor's report.

Schedule 3

Clay Central/Everly Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Reading is Fundamental	\$ 1,163	606	604	-	1,165
Science Fair	353	1,180	756	-	777
Musical/Play	3,017	1,723	976	(10)	3,754
Athletics	8,422	33,482	34,570	356	7,690
FFA	3,692	19,774	16,446	(4,279)	2,741
Class of 2009	(5,061)	-	-	5,061	-
Class of 2010	2,357	38	800	(1,595)	-
Class of 2011	4,604	58	4,023	59	698
Calss of 2012	1,761	3,008	1,752	-	3,017
Class of 2013	1,040	-	-	-	1,040
Class of 2014	2,496	-	-	(1,077)	1,419
Class of 2015	1,476	-	-	-	1,476
Class of 2016	1,374	-	-	-	1,374
Class of 2017	-	1,698	980	-	718
High School Student Council	-	1,536	1,638	109	7
Dance Team	585	109	294	-	400
Interest	177	87	-	13	277
High School Student Pop	5,782	2,539	2,969	(2,574)	2,778
Concessions	378	10,058	7,560	(332)	2,544
Cheerleaders/Drill Team	-	1,564	659	(390)	515
Yearbook	2,635	4,140	2,799	-	3,976
Middle School Yearbook	1,741	1,589	1,143	(561)	1,626
Elementary Pop	(197)	1,414	653	-	564
Unallocated	(5,220)	-	-	5,220	-
Total	\$ 32,575	84,603	78,622	-	38,556

See accompanying independent auditor's report.

Clay Central/Everly Community School District

Combining Balance Sheet
Capital Project Accounts

Year ended June 30, 2011

	Capital Projects			
	Physical			
	Statewide Sales, Services and Use Tax	Plant and Equipment	Levy	Total
Assets				
Cash and pooled investments	\$ 63,143	35,245	98,388	
Receivables:				
Succeeding year property tax	-	58,000	58,000	
Due from other funds	138,320	-	138,320	
Due from other governments	47,908	-	47,908	
Interfund receivables	150,000	-	150,000	
Total assets	\$ 399,371	93,245	492,616	
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 159	-	159	
Deferred revenue:				
Succeeding year property tax	-	58,000	58,000	
Total liabilities	159	58,000	58,159	
Fund balances:				
Restricted for:				
School infrastructure	399,212	-	399,212	
Physical plant and equipment	-	35,245	35,245	
Total fund balances	399,212	35,245	434,457	
Total liabilities and fund balances	\$ 399,371	93,245	492,616	

See accompanying independent auditor's report.

Schedule 5

Clay Central/Everly Community School District

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances

Capital Project Accounts

Year ended June 30, 2011

	Capital Projects		
	Physical	Plant and	
	Statewide	Sales, Services	Equipment
	and Use Tax		Levy
			Total
Revenues:			
Local sources:			
Local tax	\$ 314,646	-	314,646
Other	19,695	56	19,751
Total revenues	334,341	56	334,397
Expenditures:			
Support services:			
Transportation	-	184	184
Other expenditures:			
Facilities acquisition	130,275	8,454	138,729
Total expenditures	130,275	8,638	138,913
Net change in fund balances	204,066	(8,582)	195,484
Fund balances beginning of year, as restated	195,146	43,827	238,973
Fund balances end of year	\$ 399,212	35,245	434,457

See accompanying independent auditor's report.

Clay Central/Everly Community School District

Schedule of Changes in Fiduciary Assets and Liabilities -
Agency Fund

Year ended June 30, 2011

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 496	400	283	613
Due from other governments	10	-	10	-
Total assets	\$ 506	400	293	613
Liabilities				
Other payables	\$ 506	107	-	613

See accompanying independent auditor's report.

Clay Central/Everly Community School District

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

For the Last Eight Years

	2011	2010	2009	2008
Revenues:				
Local sources:				
Local tax	\$ 2,736,117	2,648,899	2,539,371	2,538,939
Tuition	259,680	102,324	170,661	226,676
Other	698,321	306,100	257,235	299,665
State sources	1,634,736	1,341,003	1,757,501	1,779,013
Federal sources	290,092	337,847	124,514	164,603
Total	\$ 5,618,946	4,736,173	4,849,282	5,008,896
Expenditures:				
Instruction:				
Regular	\$ 1,833,232	1,717,936	1,764,952	1,767,584
Special	796,570	526,161	652,872	602,549
Other	601,784	627,634	606,864	436,170
Support services:				
Student	68,178	115,438	234,640	168,211
Instructional staff	156,116	139,770	129,757	130,107
Administration	659,592	534,052	663,956	783,644
Operation and maintenance of plant	374,081	417,467	410,501	395,673
Transportation	166,233	220,162	281,836	246,619
Non-instructional programs	-	125	386	1,036
Other expenditures:				
Facilities acquisition	138,729	189,257	167,025	117,736
Long-term debt:				
Principal	-	-	-	19,866
Interest and other charges	-	-	-	1,142
AEA flowthrough	169,332	167,914	155,039	153,117
Total	\$ 4,963,847	4,655,916	5,067,828	4,823,454

See accompanying independent auditor's report.

Modified Accrual Basis			
2007	2006	2005	2004
2,531,092	2,138,555	1,985,339	2,294,713
249,008	233,651	169,629	104,886
159,848	207,449	175,153	168,973
1,878,327	1,837,744	1,627,999	1,495,353
103,202	162,484	154,562	159,525
4,921,477	4,579,883	4,112,682	4,223,450
1,763,287	1,684,894	1,755,841	1,813,721
626,457	605,403	559,174	451,164
443,668	491,957	513,517	349,733
194,405	135,419	103,446	182,842
123,788	131,974	141,061	160,140
647,765	595,832	489,617	533,061
337,531	360,926	321,960	280,957
177,619	261,619	146,576	179,973
473	1,700	14,329	-
310,480	325,588	401,264	195,588
19,042	17,981	16,978	16,032
2,237	3,271	4,247	5,169
151,253	145,603	138,798	141,419
4,798,005	4,762,167	4,606,808	4,309,799

Clay Central/Everly Community School District



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

To the Board of Education of
Clay Central/Everly Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clay Central/Everly Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated May 29, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Clay Central/Everly Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Clay Central/Everly Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clay Central/Everly Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clay Central/Everly Community School District's internal control over financial reporting.

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (D) through (L) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clay Central/Everly 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 the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Clay Central/Everly Community School District and other parties to whom Clay Central/Everly Community School District may report and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Clay Central/Everly 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 29, 2012

Clay Central/Everly Community School District

Schedule of Findings

Year ended June 30, 2011

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person had control over each of the following areas for the District:

- (1) Accounting system – performance of all general accounting functions and custody of cash.
- (2) Receipts – opening mail, depositing, posting, maintaining accounts receivable and reconciling.
- (3) Disbursements – invoice processing, mailing, recording and reconciling.
- (4) Payroll – recordkeeping, preparing, including entering payroll rates, and distributing.
- (5) Capital assets – recording and reconciling.
- (6) Debt – recordkeeping, debt payment processing and reconciling.
- (7) Cash – initiating cash receipt and disbursement transactions, handling and recording cash and reconciling bank accounts.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances. Officials, including elected officials, should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – We will continue to review and implement additional controls where possible. We have already implemented new methods to comply.

Conclusion – Response accepted.

(B) Financial Reporting – During the audit, we identified material amounts of receivables, interfund loans and capital asset additions not recorded in the District's financial statements. In addition, certain material journal entries were made to incorrect accounts. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Clay Central/Everly Community School District

Schedule of Findings

Year ended June 30, 2011

Recommendation – The District should implement procedures to ensure all receivables, interfund loans and capital asset additions are identified and included in the District's financial statements. Journal entries should be reviewed to ensure accuracy.

Response – The District has implemented new procedures to ensure all receivables, interfund loans and capital asset additions are identified and included in the financial statements. Journal entries will be reviewed for accuracy.

Conclusion – Response accepted.

- (C) Accounting Records – A separate process for making adjustments to the accounting records was not documented. Also, adjustments were not identified and recorded in a manner to clearly document the purpose of the adjustments. Supporting documentation was not retained for certain adjustments. In addition, non-routine adjustments were not reviewed and approved by a responsible official.

Recommendation – The District should develop a process for making adjustments to the accounting records. All adjustments should be adequately explained and supported. Adjustments should be reviewed and approved by a responsible official.

Response – The District will make adjustments as soon as they are needed. Adjustments will be adequately explained and proper support will be maintained. Adjustments will be approved by responsible officials.

Conclusion – Response accepted.

- (D) Bank Reconciliations – Monthly bank statements are reconciled to the District's monthly financial report. However, immaterial variances existed in the reconciliations at June 30, 2011 which were not resolved. In addition, the monthly bank reconciliations are not reviewed and approved by an independent person.

Recommendation – All bank reconciliation variances should be investigated and resolved timely. An independent person should review the reconciliations for propriety and document the review by signing or initialing and dating the reconciliations.

Response – Variances will be investigated and resolved. A Board member will receive monthly bank reconciliations and bank statements to review and will evidence review through initialing and dating the reconciliations.

Conclusion – Response accepted.

Clay Central/Everly Community School District

Schedule of Findings

Year ended June 30, 2011

(E) Accounting Policies and Procedures Manual – We encourage the development of an office procedures and standardized accounting manual for the District. This manual should provide the following benefits:

- (1) Help achieve uniformity in accounting and in the application of policies and procedures.
- (2) Save supervisory time by recording decisions so they will not have to be made each time the same or a similar situation arises.
- (3) Aid in training additional or replacement personnel.

Recommendation – An accounting policies and procedures manual should be developed.

Response – We will utilize the accounting software program manual thoroughly.

Conclusion – Response acknowledged. The District should also develop an accounting procedures manual to be used in addition to the accounting software program manual.

(F) Computer Systems – The following weaknesses in the District's computer systems were noted:

- Employee passwords are not required to be changed periodically.
- Critical files which reside on a stand-alone PC are not required to be backed up to the network.
- A timeout function or screensaver password is not required to be used on District computers.
- The District does not have a written disaster recovery plan.

Recommendation – The District should address the above items in order to improve the District's control over computer systems. Also, a written disaster recovery plan should be developed.

Response – We will work with the technology coordinator and software provider to comply with items requested. We will continue to study new safeguards.

Conclusion – Response accepted.

Clay Central/Everly Community School District

Schedule of Findings

Year ended June 30, 2011

- (G) Investments – There is no independent review of the investments, reconciliation or verification of earnings. In addition, investment documents are not kept in a safe deposit box or vault.

Recommendation – A person independent of the custody of the investments should perform a review of the investments, including a reconciliation and verification of earnings. The Board should also develop a policy requiring investment documents be kept in a safe deposit box or a locked vault.

Response – An independent person will periodically review the investments and reconcile values and interest earned to amounts recorded in the District's ledgers. The scholarship certificates of deposit will be placed in the safety deposit box.

Conclusion – Response accepted.

- (H) Revenues – An independent person does not prepare an initial listing of receipts. There is no independent review of revenue coding. Accounts receivable are not reconciled or reviewed for delinquent accounts.

Recommendation – The Board should develop policies and procedures requiring the preparation of an initial listing of receipts. This listing should be reconciled to recorded receipts and deposits by an independent person. An independent person should review the revenue coding to ensure revenue is coded to the proper fund and account. Accounts receivable should be periodically reconciled and reviewed for delinquent accounts.

Response – Individuals in the two school offices will open mail and prepare an initial listing of receipts which will be periodically reconciled to receipt records and deposits. The Superintendent will review revenue coding. Amounts due from other Districts will be tracked and periodically reviewed by the Superintendent.

Conclusion – Response accepted.

- (I) Expenditures – There was no evidence of claim review and approval. A Board member reviews the supporting documentation for the claims, but there is no evidence of this review.

Advance signing of checks is not prohibited. In some instances, checks were signed by the Board President in advance.

Seven expenditures tested were not coded to the proper object code.

Recommendation – The Board should develop policies and procedures requiring claim approval be documented. The Board should also develop a policy prohibiting the advance signing of checks. The District should ensure all expenditures are properly coded to the correct codes.

Clay Central/Everly Community School District

Schedule of Findings

Year ended June 30, 2011

Response – The Board will approve all claims and initial the list of bills reviewed. This will be done by a different Board member each month. The Superintendent will ensure proper coding and the Business Manager will also double check. The District will develop a policy to prohibit the advance signing of checks.

Conclusion – Response accepted.

- (J) Timecards – The District requires hourly employees to submit timecards. However, the timecards are not approved by the employee's supervisor.

Recommendation – The District should development a policy to require timecards to be approved by the employee's supervisor prior to submission.

Response – Timesheets are now being approved by the supervisor.

Conclusion – Response accepted.

- (K) School Lunch Prices – An increase in the price of school lunch was approved by the Board, effective April 1, 2011. However, the increase was not input to the meal tracker computer system until August 25, 2011.

Recommendation – The Board should develop policies and procedures to ensure approved rate increases are implemented timely.

Response – This has been corrected and we will ensure this is done correctly in the future.

Conclusion – Response accepted.

- (L) Inventory – An inventory item labeled miscellaneous for \$1,100, which consisted of multiple food items, was noted. Pricing of the individual items was not done, so the value was estimated by the Superintendent.

Recommendation – The Board should develop policies and procedures to ensure inventory is reported with sufficient description and price detail for each item.

Response – The District will itemize and breakdown any and all inventory items with a description and price detail for each item.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Clay Central/Everly Community School District

Schedule of Findings

Year ended June 30, 2011

Other Findings Related To Required Statutory Reporting:

- (1) Certified Budget – Expenditures for the year ended June 30, 2011 exceeded the amended certified budget amount in the instruction function. The District also exceeded its General Fund unspent authorized budget for the year ended June 30, 2011 by approximately \$61,000.

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. The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the General Fund unspent authorized budget overexpenditure.

Response – The District has made the proper cuts and budget reductions so we will work within our budget authorization. The budget will be amended before expenditures are allowed to exceed the budget.

Conclusion – Response accepted.

- (2) 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.
- (3) 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.
- (4) Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Gary Klett, Board Member	Officiating	\$ 805

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with the Board Member do not appear to represent conflicts of interest since total transactions were less than \$2,500 during the fiscal year.

- (5) Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the District minutes but were not.

Minutes for certain closed sessions did not include the reason for holding the closed session by reference to the specific exemption under Chapter 21.5 of the Code of Iowa, as required. In addition, certain minutes were not signed.

Clay Central/Everly Community School District

Schedule of Findings

Year ended June 30, 2011

Although the minutes include Board action to approve claims, the minutes do not include a list of the claims approved.

Recommendation – The minutes should include the specific reason for the closed session and a reference to the specific exemption as required by Chapter 21.5 of the Code of Iowa. Minutes should be signed to authenticate the action taken. A list of claims approved by the Board should be included in the Board minutes.

Response – We will begin filing the approved listing of bills with the Board minutes. We are now listing the purpose of all closed sessions within the minutes. Minutes will be signed.

Conclusion – Response accepted.

- (7) Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- (8) Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- (9) Deposits and Investments – Except as noted below, 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.

The District adopted a depository resolution naming each depository which may hold funds for the District. However, the resolution did not specify the maximum amount that may be kept on deposit at each depository as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The District should approve a depository resolution which includes the maximum amount that may be kept on deposit at each depository.

Response – We have adopted a resolution and will make sure the maximum amounts are listed in the future.

Conclusion – Response accepted.

- (10) Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education. Certain adjustments were made to the District's records for audit purposes subsequent to the submission of the Certified Annual Report.

Recommendation – The District should reflect the adjustments made to the fiscal year 2011 Certified Annual Report as upward and downward adjustments to the fiscal year 2012 beginning fund balances.

Response – We will reflect this as soon as the audit is issued. The report will be given to the auditor for the next year.

Conclusion – Response accepted.

Clay Central/Everly Community School District

Schedule of Findings

Year ended June 30, 2011

- (11) Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- (12) Statewide Sales, Services and Use Tax – Except as noted below, no instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

The District expended \$150 for pop can containers which is not an allowable use in accordance with Chapter 423F.3 of the Code of Iowa.

Recommendation – The District should ensure expenditures of the statewide sales, services and use tax revenue are limited to allowable uses.

Response – The District will review expenditures to ensure compliance in the future.

Conclusion – Response accepted.

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

Beginning balance		\$ 195,146
Revenues:		
Sales tax revenues	\$ 314,646	
Other local revenues	19,695	<u>334,341</u>
Expenditures:		
Site improvements	16,903	
Building improvements	44,519	
Equipment	68,853	<u>130,275</u>
Ending balance		<u>\$ 399,212</u>

For the year ended June 30, 2011, the District reduced the following levies 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
	Valuation	Reduced
Physical plant and equipment levy (PPEL)	\$ 1.67	<u>\$ 314,646</u>

Clay Central/Everly Community School District

Schedule of Findings

Year ended June 30, 2011

- (13) Financial Condition - The District had unassigned/unrestricted deficit balances at June 30, 2011, as follows:

Fund	Amount
General	\$ 690,973
Enterprise, School Nutrition	65,719

Recommendation – The District should investigate alternatives to eliminate these deficits to return these funds to a sound financial position.

Response – We have adopted policies to increase cash reserves and reduce expenditures to help eliminate the General Fund deficit balance. We have increased the meal prices charged and will continue to investigate alternatives in eliminating the School Nutrition Fund deficit.

Conclusion – Response accepted.

- (14) Interfunds Loans – The Iowa Department of Education issued a Declaratory Order (Order) dated October 22, 2009 outlining requirements for interfund loans. During the current and prior fiscal year, the District made loans between various funds. The District did not comply with the Order's requirements, as follows:

The interfund loans were not always formally approved by the Board.

A provision for interest was not always included in the resolution authorizing the interfund loan.

The loans were not repaid by October 1 of the fiscal year following the fiscal year in which the loan occurred. For loans unable to be repaid, the District did not follow the remedies available under Chapters 74, 278.1(5) or 24.22 of the Code of Iowa.

Recommendation – The District should comply with the requirements for existing and future interfund loans.

Response – We will comply with the requirements of the Declaratory Order. Our practice is to have the Board approve all interfund loans.

Conclusion – Response accepted.

- (15) Student Activity Accounts – In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule (IAR) 281-98.70, moneys in the Student Activity Accounts should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. The interest and unallocated accounts reported in the Special Revenue, Student Activity Fund do not appear to be extracurricular or co-curricular in nature.

Clay Central/Everly Community School District

Schedule of Findings

Year ended June 30, 2011

In accordance with IAR 281-98.70, upon dissolution of a student activity, such as a graduating class, the surplus must be used to support other student activities in the Student Activity Accounts. The District has not closed out Student Activity Accounts for graduated classes (classes of 2010 and 2011).

Beginning balances for Student Activity Accounts per District records did not agree to audited ending balances from the prior fiscal year. In addition, the District made journal entries to adjust the balances between individual Student Activity Accounts for which no supporting documentation was maintained. We were unable to determine the propriety of the adjustments. There was no evidence the Board approved the adjustments.

Recommendation – The District should review the activity in the Student Activity Accounts for proper classification and close or reclassify the accounts to the appropriate fund in accordance with the guidelines. In addition, the balances remaining in the graduated class accounts should be transferred to other Student Activity Accounts.

The District should review individual Student Activity Account balances and take action to correct them, as necessary, to reflect actual balances. Any equity transfers between accounts should be approved by the Board and the basis for the reallocation should be retained.

Response – All accounts will be classified as to guidelines. We will use audited balances to adjust the balances in the District's ledgers. Balances in accounts for graduated classes will be transferred. All transfers between accounts will be approved by the Board and supporting documentation for the basis of the reallocation will be retained.

Conclusion – Response accepted.

- (16) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains electronic images of the front of cancelled checks, but not the back of cancelled checks.

Recommendation – The District should retain an image of both the front and back of each cancelled check as required.

Response – The District will talk to the bank to obtain both the front and back of each cancelled check as required.

Conclusion – Response accepted.

Clay Central/Everly Community School District

Staff

This audit was performed by:

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