

CLEARFIELD COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2010

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Clearfield Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
Becky Kerns	President	2011
Patricia Parrish	Vice President	2009
Dean Spurrier	Board Member	2011
Michelle Powell	Board Member	2009
Bob Cameron	Board Member	2011
Board of Education (After September 2009 Election)		
Becky Kerns	President	2011
Patricia Parrish	Vice President	2013
Kristen Leonard	Board Member	2013
Dean Spurrier	Board Member (Resigned 9/2009)	2011
Chris Knox	Board Member (Appointed 9/2009)	2011
Bob Cameron	Board Member	2011
School Officials		
Joe Drake	Superintendent	2010
Pam Nickell	District Secretary/Treasurer	2010
Travis & Bonnett	Attorney	2010

CLEARFIELD COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Clearfield Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Clearfield Community School District, Clearfield, Iowa as of and for the year ended June 30, 2010, 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 the Clearfield Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 15, 2011 on our consideration of the Clearfield 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.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 15 and 36 through 37 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 Clearfield Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 3 are presented for purposes of additional analysis and are 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.


NOLTE, CORNMAN & JOHNSON, P.C.

March 15, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clearfield 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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$1,083,538 in fiscal 2009 to \$939,091 in fiscal 2010, and General Fund expenditures decreased from \$1,179,174 in fiscal 2009 to \$1,141,646 in fiscal 2010. The District's General Fund balance decreased from \$262,523 in fiscal 2009 to a balance of \$59,968 in fiscal 2010, an decrease of 77.16% from the prior year.

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 Clearfield 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 Clearfield Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Clearfield Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major funds.

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

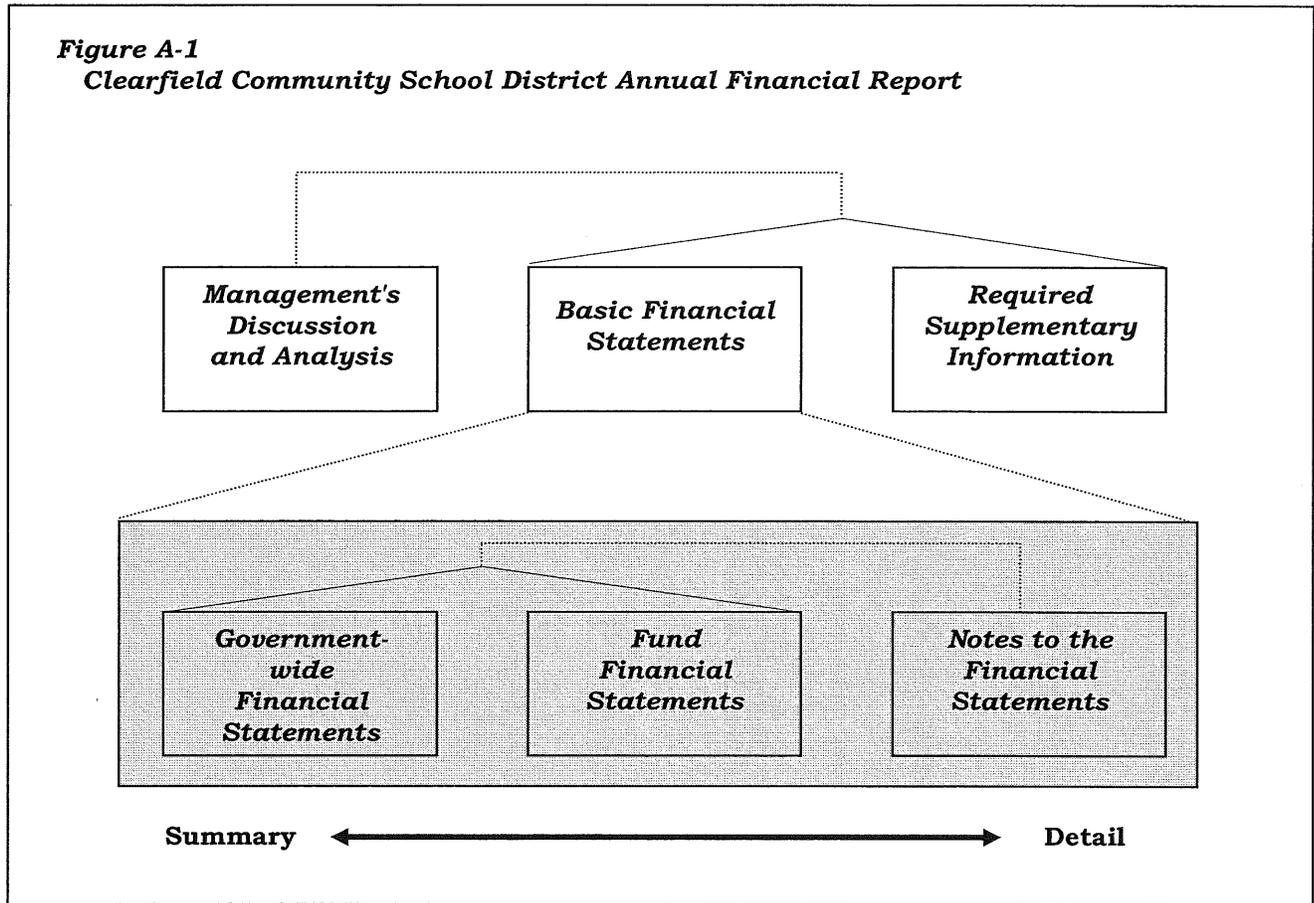


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
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
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 net assets • Statement of cash flows
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
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two 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 and Capital Projects Funds and Special Revenue Funds.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

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, 2010 compared to June 30, 2009.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Current and other assets	\$ 1,054,291	1,077,030	2,928	3,941	1,057,219	1,080,971	-2.20%
Capital assets	152,732	166,290	1,029	1,135	153,761	167,425	-8.16%
Total assets	<u>1,207,023</u>	<u>1,243,320</u>	<u>3,957</u>	<u>5,076</u>	<u>1,210,980</u>	<u>1,248,396</u>	<u>-3.00%</u>
Long-term obligations	900	641	-	-	900	641	40.41%
Other liabilities	574,029	510,156	403	-	574,432	510,156	12.60%
Total liabilities	<u>574,929</u>	<u>510,797</u>	<u>403</u>	<u>-</u>	<u>575,332</u>	<u>510,797</u>	<u>12.63%</u>
Net assets:							
Invested in capital assets, net of related debt	152,732	166,290	1,029	1,135	153,761	167,425	-8.16%
Restricted	392,702	278,896	-	-	392,702	278,896	40.81%
Unrestricted	86,660	287,337	2,525	3,941	89,185	291,278	-69.38%
Total net assets	<u>\$ 632,094</u>	<u>732,523</u>	<u>3,554</u>	<u>5,076</u>	<u>635,648</u>	<u>737,599</u>	<u>-13.82%</u>

The District's combined net assets decreased by 13.82 %, or \$101,951, from the prior year. A portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased 40.81% or \$113,806 over the prior 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 – decreased 69.38% or \$202,093.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to June 30, 2009.

	Figure A-4 Changes of Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2010	2009	2010	2009	2010	2009	2009-10
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 24,908	31,667	4,633	5,061	29,541	36,728	-19.57%
Operating grants and contributions and restricted interest	287,618	175,677	18,754	25,776	306,372	201,453	52.08%
General revenues:							
Property tax	435,352	452,949	-	-	435,352	452,949	-3.88%
Income surtax	26,610	138,687	-	-	26,610	138,687	-80.81%
Statewide sales, services and use tax	54,428	52,102	-	-	54,428	52,102	4.46%
Unrestricted state grants	243,872	372,397	-	-	243,872	372,397	-34.51%
Other	34,034	21,439	111	1	34,145	21,440	59.26%
Transfers	(9,000)	(11,169)	9,000	11,169	-	-	0.00%
Total revenues and transfers	<u>1,097,822</u>	<u>1,233,749</u>	<u>32,498</u>	<u>42,007</u>	<u>1,130,320</u>	<u>1,275,756</u>	<u>-11.40%</u>
Program expenses:							
Governmental activities:							
Instructional	800,600	827,595	-	-	800,600	827,595	-3.26%
Support services	336,023	333,311	294	-	336,317	333,311	0.90%
Non-instructional programs	1,074	110	33,726	39,635	34,800	39,745	-12.44%
Other expenses	60,554	78,829	-	-	60,554	78,829	-23.18%
Total expenses	<u>1,198,251</u>	<u>1,239,845</u>	<u>34,020</u>	<u>39,635</u>	<u>1,232,271</u>	<u>1,279,480</u>	<u>-3.69%</u>
Change in net assets	(100,429)	(6,096)	(1,522)	2,372	(101,951)	(3,724)	2637.67%
Net assets beginning of year	<u>732,523</u>	<u>738,619</u>	<u>5,076</u>	<u>2,704</u>	<u>737,599</u>	<u>741,323</u>	<u>-0.50%</u>
Net assets end of year	<u>\$ 632,094</u>	<u>732,523</u>	<u>3,554</u>	<u>5,076</u>	<u>635,648</u>	<u>737,599</u>	<u>-13.82%</u>

In fiscal 2010, property tax and unrestricted state grants account for 61.87% of the revenue from governmental activities while charges for services and operating grants and contributions account for 71.96% of the revenue from business type activities.

The District's total revenues were approximately \$1.13 million of which approximately \$1.10 million was for governmental activities and approximately \$0.03 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a decrease of 11.40% in revenues and a 3.69% decrease in expenses.

Governmental Activities

Revenues for governmental activities were \$1,097,822 and expenses were \$1,198,251. In a difficult budget year, the District was unable to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional and other expenses for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-10	2010	2009	Change 2009-10
Instruction	\$ 800,600	827,595	-3.26%	531,055	658,208	-19.32%
Support services	336,023	333,311	0.81%	334,523	333,311	0.36%
Non-instructional programs	1,074	110	876.36%	1,074	110	876.36%
Other expenses	60,554	78,829	-23.18%	19,073	40,872	-53.33%
Totals	<u>\$ 1,198,251</u>	<u>1,239,845</u>	<u>-3.35%</u>	<u>885,725</u>	<u>1,032,501</u>	<u>-14.22%</u>

- The cost financed by users of the District's programs was \$24,908.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$287,618.
- The net cost of governmental activities was financed with \$435,352 in property tax, \$26,610 of income surtax, \$54,428 in statewide sales, services and use tax, \$243,872 in unrestricted state grants, \$1,085 in interest income, and \$23,949 in other income net of transfers.

Business Type Activities

Revenues of the District's business type activities were \$32,498 and expenses were \$34,020. 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, investment income and a transfer from the General fund.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$434,066 below last year's ending fund balance of \$519,616.

Governmental Fund Highlights

- The District's General Fund balance decreased from \$262,523 on June 30, 2009 to \$59,968 on June 30, 2010 due to expenses exceeding revenues.
- The Management Fund balance increased from \$157,457 in 2009, to \$216,627 in 2010, due to revenues exceeding expenses.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$23,609 to \$59,639 due primarily to the revenues exceeding expenses.
- The District's Capital Projects Fund balance increased from \$76,027 in 2009 to \$97,832 in 2010, due primarily to reduced spending during fiscal year 2010.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$5,076 at June 30, 2009 to \$3,554 at June 30, 2010, representing a decrease of approximately 29.98%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$334,011 less than budgeted revenues, a variance of 23.26%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested \$153,761 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 8.16% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$29,548.

The original cost of the District's capital assets was \$503,834. Governmental funds account for \$495,619 with the remainder of \$8,215 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$45,918 at June 30, 2009, compared to \$38,074 reported at June 30, 2010.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-10
Land	\$ 2,392	2,392	-	-	2,392	2,392	0.00%
Buildings	59,327	62,816	-	-	59,327	62,816	-5.88%
Land improvements	53,968	56,299	-	-	53,968	56,299	-4.32%
Machinery and equipment	37,045	44,783	1,029	1,135	38,074	45,918	-20.60%
Total	\$ 152,732	166,290	1,029	1,135	153,761	167,425	-8.16%

Long-Term Debt

At June 30, 2010, the District had \$900 in compensated absences payable. This represents an increase of 40.41% from last year. More detailed information about the District's long term liabilities is presented in Note 5 to the financial statements.

Figure A-7			
Outstanding Long-Term Obligations			
Total District		Total Change	
June 30,		June 30,	
2010	2009	2009-10	
Compensated absences	\$ 900	641	40.41%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Declining enrollment is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- The FY 2010 state budget cut of 10% resulted in a significant decrease in General Fund revenue, shifting funding on property taxes and other revenue sources. As a result of these lost revenues, the District will explore all opportunities to reduce expenditures and/or increase revenues.

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 Pam Nickell, District Secretary/Treasurer, Clearfield Community School District, P.O. Box 99, Clearfield, Iowa, 50840.

CLEARFIELD COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

CLEARFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 529,283	918	530,201
Receivables:			
Property tax:			
Delinquent	7,466	-	7,466
Succeeding year	394,977	-	394,977
Income surtax	46,196	-	46,196
Accounts	36,259	50	36,309
Due from other governments	40,110	-	40,110
Inventories	-	1,960	1,960
Capital assets, net of accumulated depreciation	152,732	1,029	153,761
Total assets	1,207,023	3,957	1,210,980
Liabilities			
Accounts payable	149,703	403	150,106
Deferred revenue:			
Succeeding year property tax	394,977	-	394,977
Other	29,349	-	29,349
Long-term liabilities:			
Portion due within one year:			
Compensated absences	900	-	900
Total liabilities	574,929	403	575,332
Net Assets			
Investment in capital assets, net of related debt	152,732	1,029	153,761
Restricted for:			
Categorical funding	18,604	-	18,604
Capital projects	97,832	-	97,832
Physical plant & equipment levy	59,639	-	59,639
Management levy	216,627	-	216,627
Unrestricted	86,660	2,525	89,185
Total net assets	\$ 632,094	3,554	635,648

SEE NOTES TO FINANCIAL STATEMENTS

CLEARFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, and Restricted Contributions Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 556,630	4,122	179,735	(372,773)	-	(372,773)
Special	128,844	20,786	18,955	(89,103)	-	(89,103)
Other	115,126	-	45,947	(69,179)	-	(69,179)
	800,600	24,908	244,637	(531,055)	-	(531,055)
Support services:						
Student	4,389	-	-	(4,389)	-	(4,389)
Instructional staff	31,400	-	-	(31,400)	-	(31,400)
Administration	172,661	-	1,500	(171,161)	-	(171,161)
Operation and maintenance of plant	83,442	-	-	(83,442)	-	(83,442)
Transportation	44,131	-	-	(44,131)	-	(44,131)
	336,023	-	1,500	(334,523)	-	(334,523)
Non-instructional programs	1,074	-	-	(1,074)	-	(1,074)
Other expenditures:						
Facilities acquisitions	9,753	-	-	(9,753)	-	(9,753)
AEA flowthrough	41,481	-	41,481	-	-	-
Depreciation (unallocated)*	9,320	-	-	(9,320)	-	(9,320)
	60,554	-	41,481	(19,073)	-	(19,073)
Total governmental activities	1,198,251	24,908	287,618	(885,725)	-	(885,725)
Business Type activities:						
Support services:						
Operation and maintenance of plant	294	-	-	-	(294)	(294)
Non-instructional programs:						
Nutrition services	33,726	4,633	18,754	-	(10,339)	(10,339)
Total business type activities	34,020	4,633	18,754	-	(10,633)	(10,633)
Total	\$ 1,232,271	29,541	306,372	(885,725)	(10,633)	(896,358)
General Revenues and Transfers:						
Property tax levied for:						
General purposes				\$ 422,680	-	422,680
Capital outlay				12,672	-	12,672
Income surtax				26,610	-	26,610
Statewide sales, services and use tax				54,428	-	54,428
Unrestricted state grants				243,872	-	243,872
Unrestricted investment earnings				1,085	-	1,085
Other revenues				32,949	111	33,060
Transfers				(9,000)	9,000	-
Total general revenues and transfers				785,296	9,111	794,407
Changes in net assets				(100,429)	(1,522)	(101,951)
Net assets beginning of year				732,523	5,076	737,599
Net assets end of year				\$ 632,094	3,554	635,648

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS

CLEARFIELD COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Manage- ment Levy	Other Nonmajor Governmental Levy	Total
Assets				
Cash and pooled investments	\$ 192,122	215,346	121,815	529,283
Receivables:				
Property tax:				
Delinquent	5,968	1,281	217	7,466
Succeeding year	358,236	25,000	11,741	394,977
Income surtax	46,196	-	-	46,196
Accounts	25,857	-	10,402	36,259
Due from other governments	13,005	-	27,105	40,110
Total assets	\$ 641,384	241,627	171,280	1,054,291
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 147,635	-	2,068	149,703
Deferred revenue:				
Succeeding year property tax	358,236	25,000	11,741	394,977
Income surtax	46,196	-	-	46,196
Other	29,349	-	-	29,349
Total liabilities	581,416	25,000	13,809	620,225
Fund balances:				
Reserved for:				
Categorical funding	18,604	-	-	18,604
Unreserved	41,364	216,627	157,471	415,462
Total fund balances	59,968	216,627	157,471	434,066
Total liabilities and fund balances	\$ 641,384	241,627	171,280	1,054,291

SEE NOTES TO FINANCIAL STATEMENTS

CLEARFIELD COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Total fund balances of governmental funds (page 20)	\$ 434,066
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	152,732
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	46,196
Compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(900)
Net assets of governmental activities (page 18)	<u><u>\$ 632,094</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

CLEARFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General	Manage- ment Levy	Nonmajor Other Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 375,608	74,744	67,100	517,452
Tuition	22,173	-	-	22,173
Other	3,818	3,283	240	7,341
State sources	372,601	-	-	372,601
Federal sources	158,769	-	-	158,769
Total revenues	932,969	78,027	67,340	1,078,336
Expenditures:				
Current:				
Instruction:				
Regular	553,545	1,835	-	555,380
Special	128,844	-	-	128,844
Other	115,126	-	-	115,126
	797,515	1,835	-	799,350
Support services:				
Student	4,344	-	-	4,344
Instructional staff	11,137	-	27,535	38,672
Administration	166,905	5,756	-	172,661
Operation and maintenance of plant	75,013	6,917	-	81,930
Transportation	28,394	3,275	-	31,669
	285,793	15,948	27,535	329,276
Non-instructional programs	-	1,074	-	1,074
Other expenditures:				
Facilities acquisition	-	-	13,253	13,253
AEA flowthrough	41,481	-	-	41,481
	41,481	-	13,253	54,734
Total expenditures	1,124,789	18,857	40,788	1,184,434
Excess(Deficiency) of revenues over(under) expenditures	(191,820)	59,170	26,552	(106,098)
Other financing sources(uses):				
Sale of Equipment	6,122	-	-	6,122
Compensation for loss of capital assets	-	-	23,426	23,426
Transfer in	-	-	7,857	7,857
Transfer out	(16,857)	-	-	(16,857)
Total other financing sources(uses)	(10,735)	-	31,283	20,548
Net change in fund balances	(202,555)	59,170	57,835	(85,550)
Fund balances beginning of year	262,523	157,457	99,636	519,616
Fund balances end of year	\$ 59,968	216,627	157,471	434,066

SEE NOTES TO FINANCIAL STATEMENTS

CLEARFIELD 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, 2010

Net change in fund balances - total governmental funds (page 22) \$ (85,550)

*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 reported in the Statement of Net Assets and are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlays expenditures exceeded depreciation expense in the current year, as follows:

Capital expenditures	\$ 15,884	
Depreciation expense	<u>(29,442)</u>	(13,558)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (1,062)

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:

Compensated absences	<u>(259)</u>
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Changes in net assets of governmental activities (page 19) \$ (100,429)

CLEARFIELD COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 JUNE 30, 2010

	<u>School</u> <u>Nutrition</u>
Assets	
Cash and cash equivalents	\$ 918
Receivables:	
Accounts	50
Inventories	1,960
Capital assets, net of accumulated depreciation	<u>1,029</u>
Total assets	<u><u>3,957</u></u>
Liabilities	
Accounts payable	<u>403</u>
Net Assets	
Invested in capital assets	1,029
Unrestricted	<u>2,525</u>
Total net assets	<u><u>\$ 3,554</u></u>

CLEARFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	School Nutrition
Operating revenues:	
Local sources:	
Charges for services	\$ 4,633
Miscellaneous	111
Total operating revenues	4,744
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Services	294
Non-instructional programs:	
Salaries	19,681
Benefits	2,815
Supplies	11,074
Other	50
Depreciation	106
Total operating expenses	33,726
Operating loss	(29,276)
Non-operating revenues:	
State sources	215
Federal sources	18,539
Total non-operating revenues	18,754
Net loss before other financing sources	(10,522)
Other financing sources:	
Transfer from General Fund	9,000
Change in net assets	(1,522)
Net assets beginning of year	5,076
Net assets end of year	\$ 3,554

SEE NOTES TO FINANCIAL STATEMENTS

CLEARFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2010

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 4,608
Cash received from miscellaneous operating activities	111
Cash payments to employees for services	(22,496)
Cash payments to suppliers for goods or services	(8,998)
Net cash used in operating activities	(26,775)
Cash flows from non-capital financing activities:	
Transfer from General fund	9,000
State grants received	215
Federal grants received	16,726
Net cash provided by non-capital financing activities	25,941
Net decrease in cash and cash equivalents	(834)
Cash and cash equivalents at beginning of year	1,752
Cash and cash equivalents at end of year	\$ 918
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (29,276)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities consumed	1,813
Depreciation	106
Decrease in inventories	204
Increase in accounts receivable	(25)
Increase in accounts payable	403
Net cash used by operating activities	\$ (26,775)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2010, the District received \$1,813 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS

CLEARFIELD COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(1) **Summary of Significant Accounting Policies**

The Clearfield Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through sixth and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Clearfield, Iowa, and the predominate agricultural territory in Ringgold and Taylor Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Clearfield 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 Clearfield Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Ringgold and Taylor County Assessors' Conference Board.

B. Basis of Presentation

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

The Statement of Net Assets presents the District's Non-fiduciary assets and liabilities, with the difference

reported as net assets. Net assets are reported in three categories:

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

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

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

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

The Special Revenue - Management Fund is utilized to account for the payment of property insurance.

The District's proprietary fund is the School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The Government-wide and the proprietary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items

are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

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 Balances

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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

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

Capital Assets - Capital assets, which include property, machinery 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

repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 3,000
Buildings	3,000
Land improvements	3,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	3,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-12 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

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

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.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

E. Budgeting and Budgetary Control

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

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2010 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 of 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.

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Direct Obligations Portfolio which are valued at an amortized cost of \$227,924 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) **Transfers**

The detail of transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Nutrition Fund	General Fund	\$ 9,000
Capital Projects Fund	General Fund	<u>7,857</u>
Total		<u>\$ 16,857</u>

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

(4) **Capital Assets**

Capital assets activity for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,392	-	-	2,392
Capital assets being depreciated:				
Buildings	210,246	3,500	1,228	212,518
Land improvements	79,851	-	-	79,851
Machinery and equipment	188,474	12,384	-	200,858
Total capital assets being depreciated	480,963	15,884	1,228	493,227
Less accumulated depreciation for:				
Buildings	147,430	6,989	1,228	153,191
Land improvements	23,552	2,331	-	25,883
Machinery and equipment	143,691	20,122	-	163,813
Total accumulated depreciation	314,673	29,442	1,228	342,887
Governmental activities capital assets, net	\$ 166,290	(13,558)	-	152,732
Business type activities:				
Machinery and equipment	\$ 8,215	-	-	8,215
Less accumulated depreciation	7,080	106	-	7,186
Business type activities capital assets, net	\$ 1,135	(106)	-	1,029

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 4,330
Support services:		
Instructional staff		1,818
Operation and Maintenance of Plant		1,512
Transportation		12,462
Unallocated depreciation		9,320
Total governmental activities depreciation expense		\$ 29,442
Business type activities:		
Food services		\$ 106

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Compensated absences	\$ 641	900	641	900	900

(6) 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 4.30% of their annual salary and the District is required to contribute 6.65% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$34,158, \$32,384, and \$30,904, respectively, equal to the required contributions for each year.

(7) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$41,481 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Categorical Funding

The District's ending reserved balances for categorical funding as of June 30, 2010 are broken out by the following projects:

Project	Amount
Weighted At-Risk Programs	\$ 6,715
Gifted and Talented Programs	6,446
Beginning Teacher Mentoring and Induction Program	574
Professional Development for Model Core Curriculum	1,184
Professional Development	3,685
Total	<u>\$ 18,604</u>

REQUIRED SUPPLEMENTARY INFORMATION

CLEARFIELD COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2010

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 546,966	4,744	551,710	631,502	631,502	(79,792)
State sources	372,601	215	372,816	562,424	562,424	(189,608)
Federal sources	158,769	18,539	177,308	241,919	241,919	(64,611)
Total revenues	<u>1,078,336</u>	<u>23,498</u>	<u>1,101,834</u>	<u>1,435,845</u>	<u>1,435,845</u>	<u>(334,011)</u>
Expenditures/Expenses:						
Instruction	799,350	-	799,350	805,000	805,000	5,650
Support services	329,276	294	329,570	489,100	489,100	159,530
Non-instructional programs	1,074	33,726	34,800	45,600	45,600	10,800
Other expenditures	54,734	-	54,734	103,965	103,965	49,231
Total expenditures/expenses	<u>1,184,434</u>	<u>34,020</u>	<u>1,218,454</u>	<u>1,443,665</u>	<u>1,443,665</u>	<u>225,211</u>
Deficiency of revenues under expenditures/expenses	(106,098)	(10,522)	(116,620)	(7,820)	(7,820)	(108,800)
Other financing sources(uses), net	<u>20,548</u>	<u>9,000</u>	<u>29,548</u>	<u>-</u>	<u>-</u>	<u>(29,548)</u>
Deficiency of revenues and other financing sources under expenditures/expenses and other financing uses	(85,550)	(1,522)	(87,072)	(7,820)	(7,820)	(138,348)
Balances beginning of year	<u>519,616</u>	<u>5,076</u>	<u>524,692</u>	<u>625,849</u>	<u>625,849</u>	<u>(101,157)</u>
Balances end of year	<u>\$ 434,066</u>	<u>3,554</u>	<u>437,620</u>	<u>618,029</u>	<u>618,029</u>	<u>(239,505)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CLEARFIELD COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

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

CLEARFIELD COMMUNITY SCHOOL DISTRICT

OTHER SUPPLEMENTARY INFORMATION

CLEARFIELD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2010

	Special Revenue: Physical Plant & Equipment Levy	Capital Projects	Total Nonmajor Governmental Funds
Assets			
Cash and pooled investments	\$ 49,188	72,627	121,815
Receivables:			
Property tax:			
Delinquent	217	-	217
Succeeding year	11,741	-	11,741
Accounts	10,402	-	10,402
Due from other governments	-	27,105	27,105
Total assets	\$ 71,548	99,732	171,280
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 168	1,900	2,068
Deferred revenue:			
Succeeding year property tax	11,741	-	11,741
Total liabilities	11,909	1,900	13,809
Unreserved fund balances	59,639	97,832	157,471
Total liabilities and fund balances	\$ 71,548	99,732	171,280

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLEARFIELD COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2010

	Special Revenue: Physical Plant & Equipment Levy	Capital Projects	Total Nonmajor Governmental Funds
Revenues:			
Local sources:			
Local tax	\$ 12,672	54,428	67,100
Other	100	140	240
Total revenues	<u>12,772</u>	<u>54,568</u>	<u>67,340</u>
Expenditures:			
Current:			
Support services:			
Instructional staff	-	27,535	27,535
Other expenditures:			
Facilities acquisitions	168	13,085	13,253
Total expenditures	<u>168</u>	<u>40,620</u>	<u>40,788</u>
Excess of revenues over expenditures before other financing sources	12,604	13,948	26,552
Other financing sources:			
Compensation for loss of capital assets	23,426	-	23,426
Transfer in	-	7,857	7,857
Total other financing sources	<u>23,426</u>	<u>7,857</u>	<u>31,283</u>
Net change in fund balances	36,030	21,805	57,835
Fund balance beginning of year	<u>23,609</u>	<u>76,027</u>	<u>99,636</u>
Fund balance end of year	<u>\$ 59,639</u>	<u>97,832</u>	<u>157,471</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLEARFIELD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST SEVEN YEARS

	Modified Accrual Basis						
	Years Ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	\$ 517,452	620,600	492,896	545,696	520,504	513,386	503,541
Tuition	22,173	31,667	2,564	14,793	18,964	13,944	66,207
Other	7,341	17,026	87,503	61,019	45,685	34,398	40,205
State sources	372,601	457,396	544,364	471,655	477,752	387,081	547,407
Federal sources	158,769	90,678	158,411	213,886	257,391	255,501	94,754
Total	\$ 1,078,336	1,217,367	1,285,738	1,307,049	1,320,296	1,204,310	1,252,114
Expenditures:							
Instruction:							
Regular	\$ 555,380	532,695	491,876	527,744	603,571	687,629	520,774
Special	128,844	188,983	181,545	161,573	161,014	291,320	317,857
Other	115,126	105,994	114,020	111,850	101,859	552	-
Support services:							
Student	4,344	7,193	317	988	1,000	11,500	10,304
Instructional staff	38,672	21,783	9,214	13,479	36,623	8,300	18,095
Administration	172,661	184,038	177,638	177,791	180,102	149,129	123,122
Operation and maintenance of plant	81,930	74,710	84,163	82,313	95,620	79,986	79,342
Transportation	31,669	38,472	66,064	59,389	43,365	95,581	49,553
Non-instructional:							
Food service	1,074	110	-	-	225	4,196	-
Other expenditures:							
Facilities acquisition	13,253	76,535	32,331	46,223	69,462	1,325	-
AEA flow-through	41,481	37,957	37,766	35,972	34,830	34,918	36,496
Total	\$ 1,184,434	1,268,470	1,194,934	1,217,322	1,327,671	1,364,436	1,155,543

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Telephone (641) 792-1910

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

To the Board of Education of
Clearfield 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 Clearfield Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 15, 2011. 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

In planning and performing our audit, we considered Clearfield Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Clearfield Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clearfield 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 deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-10 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-10 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 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.

Clearfield Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Clearfield 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 Clearfield Community School District and other parties to whom Clearfield Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Clearfield Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 15, 2011

CLEARFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - We will investigate available options and implement any available option.

Conclusion - Response accepted.

II-B-10 Employee Purchases From School Vendors - We noted during the audit that within the Enterprise, School Nutrition Fund there were checks from employees submitted to vendors for personal items included on invoices made to the school district.

Recommendation - The District should not allow employees to purchase items and subsequently pay through school vendors' payments; however, the vendors could set up an employee account for such purchases. When the District pays the vendor, the invoice needs to agree to the amount paid. Any instances of invoices differing from the amount to be paid must be documented and attached to the paid invoice as support for payment.

Response - Employees were reminded that they are not allowed to purchase items to be paid through school vendors.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CLEARFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-10 Certified Budget - District expenditures for the year ended June 30, 2010, did not exceed the amount budgeted.
- II-B-10 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-10 Business Transactions - Business transactions between the District and District officials were noted as follow:

Name, Title and Business Connection	Transaction Description	Amount
Marie Cameron, Cook Owns catering business	Services	\$410

In accordance with the Attorney General's opinion dated November 9, 1976, the above transaction with the District's employee does not appear to represent a conflict of interest.

- II-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-10 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - The District will make every effort to publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Conclusion - Response accepted.

- II-G-10 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-10 Supplementary Weighting - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-I-10 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-10 Certified Annual Report - We noted no significant deficiencies in the amounts reported, however, we noted the Certified Annual Report was not filed timely with the Department of Education.

Recommendation - The Certified Annual Report should have been filed with the Department of Education before the September 15th deadline.

Response - The District will file the Certified Annual Report by the deadline established by the Department of Education.

Conclusion -Response accepted.

II-K-10 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-10 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning Balance		\$	-
Statewide sales, services and use tax revenue			54,428
Expenditures/transfers out:			
School Infrastructure:			
Equipment	\$	22,641	
Other improvements		10,122	32,763
			<u>32,763</u>
Ending Balance		\$	<u>21,665</u>

As a result of the statewide sales, services and use tax revenue received during the year ended June 30, 2010, the District reduced the following levies:

	<u>Per \$1,000 of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Physical plant and equipment levy	\$ 1.34000	\$ 51,631

II-M-10 IPERS Payments - We noted during the audit that the District did not always make the IPERS payments in a timely manner.

Recommendation - IPERS payments are due by the 20th of the month following the applicable payroll period. The District should always make the required payments before the IPERS due date. By remitting their payments timely, the District not only avoids late payment penalties, but also simplifies check reconciliation efforts by limiting the number of reconciling items.

Response - The District will remit IPERS payments by due dates.

Conclusion - Response accepted.