

CLEARFIELD COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2011

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Clearfield Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Chris Knox	President	2011
Bob Cameron	Vice President	2011
Kristen Leonard	Board Member	2013
Becky Kerns	Board Member	2011
Patricia Parrish	Board Member	2013
<b>School Officials</b>		
Joe Drake	Superintendent	2011
Pam Nickell	District Secretary/Treasurer	2011
Travis & Bonnett	Attorney	2011

**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, 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 the Clearfield Community School District at June 30, 2011, 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 27, 2012 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 38 through 39 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 seven years ended June 30, 2010 (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.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

March 27, 2012

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 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 \$939,091 in fiscal 2010 to \$1,022,025 in fiscal 2011, and General Fund expenditures increased from \$1,141,646 in fiscal 2010 to \$1,187,946 in fiscal 2011. The District's General Fund balance decreased from \$59,968 in fiscal 2010 to a deficit balance of \$105,953 in fiscal 2011, a decrease of 276.68% 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.

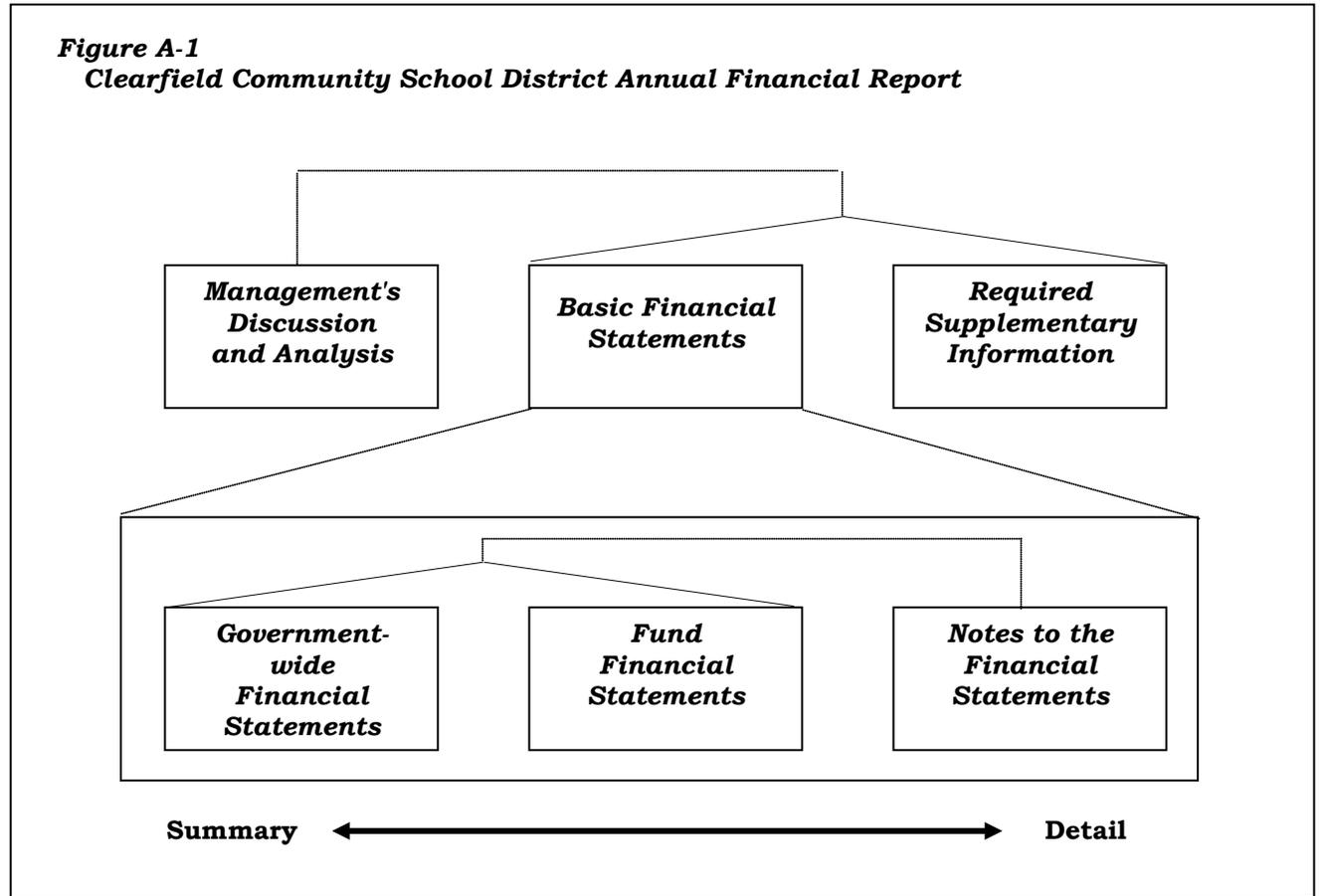


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2</b>			
<b>Major Features of the Government-wide and Fund Financial Statements</b>			
	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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>
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.

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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, 2011 compared to June 30, 2010.

Figure A-3 Condensed Statement of Net Assets							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-11
Current and other assets	\$ 1,055,550	1,054,291	3,574	2,928	1,059,124	1,057,219	0.18%
Capital assets	148,636	152,732	923	1,029	149,559	153,761	-2.73%
Total assets	1,204,186	1,207,023	4,497	3,957	1,208,683	1,210,980	-0.19%
Long-term obligations	1,066	900	-	-	1,066	900	18.44%
Other liabilities	708,895	574,029	-	403	708,895	574,432	23.41%
Total liabilities	709,961	574,929	-	403	709,961	575,332	23.40%
Net assets:							
Invested in capital assets, net of related debt	148,636	152,732	923	1,029	149,559	153,761	-2.73%
Restricted	456,255	392,702	-	-	456,255	392,702	16.18%
Unrestricted	(110,666)	86,660	3,574	2,525	(107,092)	89,185	-220.08%
Total net assets	\$ 494,225	632,094	4,497	3,554	498,722	635,648	-21.54%

The District's combined net assets decreased by 21.54 %, or \$136,926, 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 16.18% or \$63,553 over the prior year. This primarily a result of the increase in the Capital Projects: Statewide Sales, Services and Use Tax Fund.

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 220.08% or \$196,277. This primarily the result of the decrease in the general fund.

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

	Figure A-4 Changes of Net Assets						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-11
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 34,306	24,908	5,641	4,633	39,947	29,541	35.23%
Operating grants and contributions and restricted interest	195,587	287,618	25,024	18,754	220,611	306,372	-27.99%
General revenues:							
Property tax	458,990	435,352	-	-	458,990	435,352	5.43%
Income surtax	24,067	26,610	-	-	24,067	26,610	-9.56%
Statewide sales, services and use tax	53,365	54,428	-	-	53,365	54,428	-1.95%
Unrestricted state grants	285,220	243,872	-	-	285,220	243,872	16.95%
Nonspecific program federal grants	41,048	-	-	-	41,048	-	100.00%
Other	10,361	34,034	97	111	10,458	34,145	-69.37%
Transfers	(16,000)	(9,000)	16,000	9,000	-	-	0.00%
Total revenues and transfers	<u>1,086,944</u>	<u>1,097,822</u>	<u>46,762</u>	<u>32,498</u>	<u>1,133,706</u>	<u>1,130,320</u>	<u>0.30%</u>
Program expenses:							
Governmental activities:							
Instructional	839,011	800,600	-	-	839,011	800,600	4.80%
Support services	334,842	336,023	9	294	334,851	336,317	-0.44%
Non-instructional programs	-	1,074	45,810	33,726	45,810	34,800	31.64%
Other expenses	50,960	60,554	-	-	50,960	60,554	-15.84%
Total expenses	<u>1,224,813</u>	<u>1,198,251</u>	<u>45,819</u>	<u>34,020</u>	<u>1,270,632</u>	<u>1,232,271</u>	<u>3.11%</u>
Change in net assets	(137,869)	(100,429)	943	(1,522)	(136,926)	(101,951)	-34.31%
Net assets beginning 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>
Net assets end of year	<u>\$ 494,225</u>	<u>632,094</u>	<u>4,497</u>	<u>3,554</u>	<u>498,722</u>	<u>635,648</u>	<u>-21.54%</u>

In fiscal 2011, property tax and unrestricted state grants account for 68.47% of the revenue from governmental activities while charges for services and operating grants and contributions account for 65.58% of the revenue from business type activities.

The District's total revenues were \$1,133,706 of which \$1,086,944 was for governmental activities and \$46,762 was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of .30% in revenues and a 3.11% increase in expenses.

### Governmental Activities

Revenues for governmental activities were \$1,086,944 and expenses were \$1,224,813. 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, 2011 compared to the year ended June 30, 2010.

Figure A-5						
Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-11	2011	2010	Change 2010-11
Instruction	\$ 839,011	800,600	4.80%	673,231	531,055	26.77%
Support services	334,842	336,023	-0.35%	311,263	334,523	-6.95%
Non-instructional programs	-	1,074	-100.00%	-	1,074	-100.00%
Other expenses	50,960	60,554	-15.84%	10,426	19,073	-45.34%
Totals	<u>\$ 1,224,813</u>	<u>1,198,251</u>	<u>2.22%</u>	<u>994,920</u>	<u>885,725</u>	<u>12.33%</u>

- The cost financed by users of the District's programs was \$34,306.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$195,587.
- The net cost of governmental activities was financed with \$458,990 in property tax, \$24,067 of income surtax, \$53,365 in statewide sales, services and use tax, \$285,220 in unrestricted state grants, \$41,048 in nonspecific program federal grants, \$838 in interest income, and \$9,523 in other revenues.

### **Business Type Activities**

Revenues of the District's business type activities were \$46,762 and expenses were \$45,819. 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 \$312,065 below last year's ending fund balance of \$434,066.

### **Governmental Fund Highlights**

- The District's General Fund balance decreased from \$59,967 at June 30, 2010 to a deficit \$105,953 at June 30, 2011 due to expenses exceeding revenues.
- The Management Fund balance increased from \$216,627 in 2010, to \$224,962 in 2011, due to revenues exceeding expenses.
- The District's Capital Projects Fund balance increased from a restated balance of \$157,471 in 2010 to \$193,056 in 2011, due primarily to reduced spending during fiscal year 2011. During the year ended June 30, 2011, the District implemented GASB Statement No. 54 which reclassified the Physical Plant and Equipment Levy Fund to a Capital Projects Fund.

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## Proprietary Fund Highlights

The School Nutrition Fund net assets increased from \$3,554 at June 30, 2010 to \$4,497 at June 30, 2011, representing an increase of approximately 26.53%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$39,414 less than budgeted revenues, a variance of 3.33%. 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, 2011, the District had invested \$149,559 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 2.73% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$27,682.

The original cost of the District's capital assets was \$527,314. Governmental funds account for \$519,099 with the remainder of \$8,215 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$38,074 at June 30, 2010, compared to \$20,818 reported at June 30, 2011. The decrease was due to depreciation expense taken during the year ended June 30, 2011.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	2010-11
Land	\$ 2,392	2,392	-	-	2,392	2,392	0.00%
Buildings	76,374	59,327	-	-	76,374	59,327	22.32%
Land improvements	49,975	53,968	-	-	49,975	53,968	-7.99%
Machinery and equipment	19,895	37,045	923	1,029	20,818	38,074	-82.89%
Total	\$ 148,636	152,732	923	1,029	149,559	153,761	-2.73%

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## Long-Term Debt

At June 30, 2011, the District had \$1,066 in compensated absences payable. This represents an increase of 18.44% 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		Total	
District		Change	
June 30,		June 30,	
2011	2010	2010-11	
Compensated absences	\$ 1,066	900	18.44%

## 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.

## 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.

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**CLEARFIELD COMMUNITY SCHOOL DISTRICT**

BASIC FINANCIAL STATEMENTS

CLEARFIELD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 316,864	2,155	319,019
Receivables:			
Property tax:			
Delinquent	4,704	-	4,704
Succeeding year	640,799	-	640,799
Income surtax	34,590	-	34,590
Accounts	170	-	170
Due from other governments	58,423	-	58,423
Inventories	-	1,419	1,419
Capital assets, net of accumulated depreciation	148,636	923	149,559
<b>Total assets</b>	<b>1,204,186</b>	<b>4,497</b>	<b>1,208,683</b>
<b>Liabilities</b>			
Accounts payable	67,402	-	67,402
Deferred revenue:			
Succeeding year property tax	640,799	-	640,799
Other	694	-	694
Long-term liabilities:			
Portion due within one year:			
Compensated absences	1,066	-	1,066
<b>Total liabilities</b>	<b>709,961</b>	<b>-</b>	<b>709,961</b>
<b>Net Assets</b>			
Investment in capital assets, net of related debt	148,636	923	149,559
Restricted for:			
Categorical funding	38,237	-	38,237
School infrastructure	146,504	-	146,504
Physical plant and equipment	46,552	-	46,552
Management levy purposes	224,962	-	224,962
Unrestricted	(110,666)	3,574	(107,092)
<b>Total net assets</b>	<b>\$ 494,225</b>	<b>4,497</b>	<b>498,722</b>

SEE NOTES TO FINANCIAL STATEMENTS

CLEARFIELD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 595,603	9,599	37,444	(548,560)	-	(548,560)
Special	129,285	24,707	4,115	(100,463)	-	(100,463)
Other	114,123	-	89,915	(24,208)	-	(24,208)
	<u>839,011</u>	<u>34,306</u>	<u>131,474</u>	<u>(673,231)</u>	<u>-</u>	<u>(673,231)</u>
Support services:						
Student	2,118	-	-	(2,118)	-	(2,118)
Instructional staff	18,297	-	16,644	(1,653)	-	(1,653)
Administration	171,042	-	6,935	(164,107)	-	(164,107)
Operation and maintenance of plant	85,333	-	-	(85,333)	-	(85,333)
Transportation	58,052	-	-	(58,052)	-	(58,052)
	<u>334,842</u>	<u>-</u>	<u>23,579</u>	<u>(311,263)</u>	<u>-</u>	<u>(311,263)</u>
Other expenditures:						
AEA flowthrough	40,534	-	40,534	-	-	-
Depreciation(unallocated)*	10,426	-	-	(10,426)	-	(10,426)
	<u>50,960</u>	<u>-</u>	<u>40,534</u>	<u>(10,426)</u>	<u>-</u>	<u>(10,426)</u>
Total governmental activities	1,224,813	34,306	195,587	(994,920)	-	(994,920)
Business Type activities:						
Support services:						
Operation and maintenance of plant	9	-	-	-	(9)	(9)
Non-instructional programs:						
Nutrition services	45,810	5,641	25,024	-	(15,145)	(15,145)
Total business type activities	<u>45,819</u>	<u>5,641</u>	<u>25,024</u>	<u>-</u>	<u>(15,154)</u>	<u>(15,154)</u>
Total	\$ <u>1,270,632</u>	<u>39,947</u>	<u>220,611</u>	<u>(994,920)</u>	<u>(15,154)</u>	<u>(1,010,074)</u>
<b>General Revenues and Transfers:</b>						
Property tax levied for:						
General purposes				\$ 447,277	-	447,277
Capital outlay				11,713	-	11,713
Income surtax				24,067	-	24,067
Statewide sales, services and use tax				53,365	-	53,365
Unrestricted state grants				285,220	-	285,220
Nonspecific program federal grants				41,048	-	41,048
Unrestricted investment earnings				838	-	838
Other revenues				9,523	97	9,620
Transfers				(16,000)	16,000	-
Total general revenues and transfers				<u>857,051</u>	<u>16,097</u>	<u>873,148</u>
Changes in net assets				(137,869)	943	(136,926)
Net assets beginning of year				<u>632,094</u>	<u>3,554</u>	<u>635,648</u>
Net assets end of year				\$ <u>494,225</u>	<u>4,497</u>	<u>498,722</u>

\* 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, 2011

	General	Management Levy	Capital Projects	Total
<b>Assets</b>				
Cash and pooled investments	\$ -	224,707	168,943	393,650
Receivables:				
Property tax:				
Delinquent	4,329	255	120	4,704
Succeeding year	629,058	-	11,741	640,799
Income surtax	34,590	-	-	34,590
Accounts	170	-	-	170
Due from other governments	34,430	-	23,993	58,423
<b>Total assets</b>	<b>\$ 702,577</b>	<b>224,962</b>	<b>204,797</b>	<b>1,132,336</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Excess warrants over bank balance	\$ 76,786	-	-	76,786
Accounts payable	67,402	-	-	67,402
Deferred revenue:				
Succeeding year property tax	629,058	-	11,741	640,799
Income surtax	34,590	-	-	34,590
Other	694	-	-	694
<b>Total liabilities</b>	<b>808,530</b>	<b>-</b>	<b>11,741</b>	<b>820,271</b>
Fund balances:				
Restricted for:				
Categorical funding	38,237	-	-	38,237
School infrastructure	-	-	146,504	146,504
Physical plant and equipment	-	-	46,552	46,552
Management levy purposes	-	224,962	-	224,962
Unassigned	(144,190)	-	-	(144,190)
<b>Total fund balances</b>	<b>(105,953)</b>	<b>224,962</b>	<b>193,056</b>	<b>312,065</b>
<b>Total liabilities and fund balances</b>	<b>\$ 702,577</b>	<b>224,962</b>	<b>204,797</b>	<b>1,132,336</b>

SEE NOTES TO FINANCIAL STATEMENTS

CLEARFIELD COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2011

<b>Total fund balances of governmental funds(page 20)</b>	\$ 312,065
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***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.	148,636
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Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	34,590
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Compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,066)</u>
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<b>Net assets of governmental activities(page 18)</b>	<u><u>\$ 494,225</u></u>
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SEE NOTES TO FINANCIAL STATEMENTS

CLEARFIELD COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2011

	General	Manage- ment Levy	Capital Projects	Total
Revenues:				
Local sources:				
Local tax	\$ 458,011	24,939	65,078	548,028
Tuition	34,006	-	-	34,006
Other	8,627	2,179	329	11,135
State sources	368,363	-	-	368,363
Federal sources	153,018	-	-	153,018
Total revenues	<u>1,022,025</u>	<u>27,118</u>	<u>65,407</u>	<u>1,114,550</u>
Expenditures:				
Current:				
Instruction:				
Regular	591,925	2,205	-	594,130
Special	129,285	-	-	129,285
Other	114,123	-	-	114,123
	<u>835,333</u>	<u>2,205</u>	<u>-</u>	<u>837,538</u>
Support services:				
Student	2,066	-	-	2,066
Instructional staff	16,479	-	-	16,479
Administration	163,126	7,916	-	171,042
Operation and maintenance of plant	72,118	5,362	-	77,480
Transportation	42,290	3,300	-	45,590
	<u>296,079</u>	<u>16,578</u>	<u>-</u>	<u>312,657</u>
Other expenditures:				
Facilities acquisition	-	-	29,822	29,822
AEA flowthrough	40,534	-	-	40,534
	<u>40,534</u>	<u>-</u>	<u>29,822</u>	<u>70,356</u>
Total expenditures	<u>1,171,946</u>	<u>18,783</u>	<u>29,822</u>	<u>1,220,551</u>
Excess(Deficiency) of revenues over(under) expenditures	(149,921)	8,335	35,585	(106,001)
Other financing uses:				
Transfer out	(16,000)	-	-	(16,000)
Net change in fund balances	(165,921)	8,335	35,585	(122,001)
Fund balances beginning of year, as restated	59,968	216,627	157,471	434,066
Fund balances end of year	<u>\$ (105,953)</u>	<u>224,962</u>	<u>193,056</u>	<u>312,065</u>

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, 2011

Net change in fund balances - total governmental funds(page 22) \$ (122,001)

*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 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 and depreciation expense in the current year, are as follows:

Capital expenditures	\$ 23,480	
Depreciation expense	<u>(27,576)</u>	(4,096)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (11,606)

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>(166)</u>
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Changes in net assets of governmental activities(page 19) \$ (137,869)

CLEARFIELD COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 JUNE 30, 2011

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,155
Inventories	1,419
Capital assets, net of accumulated depreciation	<u>923</u>
<b>Total assets</b>	<u>4,497</u>
<b>Liabilities</b>	
	<u>-</u>
<b>Net Assets</b>	
Invested in capital assets	923
Unrestricted	<u>3,574</u>
<b>Total net assets</b>	<u>\$ 4,497</u>

SEE NOTES TO FINANCIAL STATEMENTS

CLEARFIELD 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 services	\$ 5,641
Miscellaneous	97
Total operating revenues	5,738
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Services	9
Non-instructional programs:	
Salaries	25,137
Benefits	3,651
Services	322
Supplies	16,540
Other	54
Depreciation	106
Total operating expenses	45,810
	45,819
Operating loss	(40,081)
Non-operating revenues:	
State sources	258
Federal sources	24,766
Total non-operating revenues	25,024
Net loss before other financing sources	(15,057)
Other financing sources:	
Transfer from General Fund	16,000
Change in net assets	943
Net assets beginning of year	3,554
Net assets end of year	\$ 4,497

SEE NOTES TO FINANCIAL STATEMENTS

CLEARFIELD 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	\$ 5,691
Cash received from miscellaneous operating activities	97
Cash payments to employees for services	(28,788)
Cash payments to suppliers for goods or services	(15,315)
Net cash used in operating activities	(38,315)
Cash flows from non-capital financing activities:	
Transfer from General fund	16,000
State grants received	258
Federal grants received	23,294
Net cash provided by non-capital financing activities	39,552
Net increase in cash and cash equivalents	1,237
Cash and cash equivalents at beginning of year	918
Cash and cash equivalents at end of year	\$ 2,155
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (40,081)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities consumed	1,472
Depreciation	106
Decrease in inventories	541
Decrease in accounts receivable	50
Decrease in accounts payable	(403)
Net cash used by operating activities	\$ (38,315)

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2011, the District received \$1,472 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS

CLEARFIELD COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

(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. 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 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 Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following non major proprietary fund:

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.

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 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, 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, 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, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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 other spendable classifications.

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, 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 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, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Obligations Portfolio which are valued at an amortized cost of \$242,178 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, 2011 is as follows:

Transfer to	Transfer from	Amount
Nutrition Fund	General Fund	\$ 16,000

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, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,392	-	-	2,392
Capital assets being depreciated:				
Buildings	212,518	23,480	-	235,998
Land improvements	79,851	-	-	79,851
Machinery and equipment	200,858	-	-	200,858
Total capital assets being depreciated	495,619	23,480	-	516,707
Less accumulated depreciation for:				
Buildings	153,191	6,433	-	159,624
Land improvements	25,883	3,993	-	29,876
Machinery and equipment	163,813	17,150	-	180,963
Total accumulated depreciation	342,887	27,576	-	370,463
Governmental activities capital assets, net	\$ 152,732	(4,096)	-	148,636
<b>Business type activities:</b>				
Machinery and equipment	\$ 8,215	-	-	8,215
Less accumulated depreciation	7,186	106	-	7,292
Business type activities capital assets, net	\$ 1,029	(106)	-	923

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 1,359
Support services:	
Instructional staff	1,818
Operation and Maintenance of Plant	1,511
Transportation	12,462
Unallocated depreciation	<u>10,426</u>
Total governmental activities depreciation expense	<u>\$ 27,576</u>
Business type activities:	
Food services	<u>\$ 106</u>

**(5) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Compensated absences	\$ 900	1,066	900	1,066	1,066

**(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 4.50% of their annual salary and the District is required to contribute 6.95% of annual salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$37,089, \$34,158, and \$32,384, 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 \$40,534 for the year ended June 30, 2011 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 restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Weighted At-Risk Programs	\$ 9,822
Gifted and Talented Programs	7,380
Beginning Teacher Mentoring and Induction Program	574
Iowa Early Intervention Block Grant	5,661
Professional Development for Model Core Curriculum	1,184
Teacher Development Academies	8,341
Professional Development	5,275
	<hr/>
Total	<u>\$ 38,237</u>

**(10) Accounting Change/Restatement**

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:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ 97,832	59,639
Changes in fund type classification per implementation of GASB Statement No. 54	59,639	(59,639)
	<hr/>	<hr/>
Balances July 1, 2010, as restated	<u>\$ 157,471</u>	<u>-</u>

**CLEARFIELD COMMUNITY SCHOOL DISTRICT**

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, 2011

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual		Actual		Variance
Revenues:						
Local sources	\$ 593,169	5,738	598,907	599,410	599,410	(503)
State sources	368,363	258	368,621	458,316	458,316	(89,695)
Federal sources	153,018	24,766	177,784	127,000	127,000	50,784
Total revenues	1,114,550	30,762	1,145,312	1,184,726	1,184,726	(39,414)
Expenditures/Expenses:						
Instruction	837,538	-	837,538	852,000	852,000	14,462
Support services	312,657	9	312,666	391,500	391,500	78,834
Non-instructional programs	-	45,810	45,810	48,126	48,126	2,316
Other expenditures	70,356	-	70,356	90,871	90,871	20,515
Total expenditures/expenses	1,220,551	45,819	1,266,370	1,382,497	1,382,497	116,127
Excess(deficiency) of revenues over(under) expenditures/expenses	(106,001)	(15,057)	(121,058)	(197,771)	(197,771)	76,713
Other financing sources(uses), net	(16,000)	16,000	-	-	-	-
Excess(deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing uses	(122,001)	943	(121,058)	(197,771)	(197,771)	76,713
Balances beginning of year	434,066	3,554	437,620	411,564	411,564	26,056
Balances end of year	\$ 312,065	4,497	316,562	213,793	213,793	102,769

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CLEARFIELD 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 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  
 CAPITAL PROJECTS FUNDS  
 JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 122,511	46,432	168,943
Receivables:			
Property tax:			
Delinquent	-	120	120
Succeeding year	-	11,741	11,741
Due from other governments	23,993	-	23,993
<b>Total assets</b>	<b>\$ 146,504</b>	<b>58,293</b>	<b>204,797</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Succeeding year property tax	\$ -	11,741	11,741
Total liabilities	-	11,741	11,741
Fund balances:			
Restricted for:			
School infrastructure	146,504	-	146,504
Physical plant and equipment	-	46,552	46,552
Total fund balances	146,504	46,552	193,056
<b>Total liabilities and fund balances</b>	<b>\$ 146,504</b>	<b>58,293</b>	<b>204,797</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLEARFIELD COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS FUNDS  
 YEAR ENDED JUNE 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 53,365	11,713	65,078
Other	215	114	329
Total revenues	<u>53,580</u>	<u>11,827</u>	<u>65,407</u>
Expenditures:			
Current:			
Other expenditures:			
Facilities acquisitions	4,908	24,914	29,822
Total expenditures	<u>4,908</u>	<u>24,914</u>	<u>29,822</u>
Net change in fund balances	48,672	(13,087)	35,585
Fund balance beginning of year, as restated	<u>97,832</u>	<u>59,639</u>	<u>157,471</u>
Fund balance end of year	<u>\$ 146,504</u>	<u>46,552</u>	<u>193,056</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 EIGHT YEARS

	Modified Accrual Basis							
	Years Ended June 30,							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 548,028	517,452	620,600	492,896	545,696	520,504	513,386	503,541
Tuition	34,006	22,173	31,667	2,564	14,793	18,964	13,944	66,207
Other	11,135	7,341	17,026	87,503	61,019	45,685	34,398	40,205
State sources	368,363	372,601	457,396	544,364	471,655	477,752	387,081	547,407
Federal sources	153,018	158,769	90,678	158,411	213,886	257,391	255,501	94,754
Total	\$ 1,114,550	1,078,336	1,217,367	1,285,738	1,307,049	1,320,296	1,204,310	1,252,114
Expenditures:								
Instruction:								
Regular	\$ 594,130	555,380	532,695	491,876	527,744	603,571	687,629	520,774
Special	129,285	128,844	188,983	181,545	161,573	161,014	291,320	317,857
Other	114,123	115,126	105,994	114,020	111,850	101,859	552	-
Support services:								
Student	2,066	4,344	7,193	317	988	1,000	11,500	10,304
Instructional staff	16,479	38,672	21,783	9,214	13,479	36,623	8,300	18,095
Administration	171,042	172,661	184,038	177,638	177,791	180,102	149,129	123,122
Operation and maintenance of plant	77,480	81,930	74,710	84,163	82,313	95,620	79,986	79,342
Transportation	45,590	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	29,822	13,253	76,535	32,331	46,223	69,462	1,325	-
AEA flow-through	40,534	41,481	37,957	37,766	35,972	34,830	34,918	36,496
Total	\$ 1,220,551	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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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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 27, 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

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-11 to be a material weakness.

### 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.

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.

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 27, 2012

CLEARFIELD COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2011

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

I-A-11 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.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-11 Certified Budget - District expenditures for the year ended June 30, 2011, did not exceed the amount budgeted.

II-B-11 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-11 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-11 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-11 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-11 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-11 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-11 Supplementary Weighting - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

- II-I-11 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-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-K-11 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-11 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. 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 District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	97,832
Revenues:			
Sales tax revenues	\$	53,365	
Other local revenues		215	53,580
			<u>151,412</u>
Expenditures/transfers out:			
Other			4,908
			<u>\$ 146,504</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.