

CLEAR LAKE COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2011

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Independent Auditor's Report

To the Board of Education of  
Clear Lake 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 Clear Lake Community School District, Clear Lake, 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.

Except as discussed in the following paragraph, 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.

The financial statements of Clear Lake Community School Foundation have not been audited, and we were not engaged to audit the Foundation's financial statements as part of our audit of the Clear Lake Community School District's basic financial statements. The Foundation's financial statements are included in the District's financial statements as a discretely presented component unit. Because we were not engaged to audit the Foundation's financial statements and because we did not apply any auditing procedures to the Foundation's financial statements, we do not express an opinion on the discretely presented component unit.

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 Clear Lake Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 16, 2012, on our consideration of Clear Lake 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 43 through 45 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 Clear Lake 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 eight years ended June 30, 2010, (which are not presented herein). For 2005 to 2010 we did not issue an opinion on the discretely presented component unit and we issued unqualified opinions on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information. We issued unqualified opinions for 2004 and 2003. Other supplementary information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

February 16, 2012

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Clear Lake 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 \$12,485,319 in fiscal 2010 to \$13,397,073 in fiscal 2011, while General Fund expenditures increased from \$12,564,240 in fiscal 2010 to \$12,986,581 in fiscal 2011. The District's General Fund balance increased from \$626,109 in fiscal 2010 to \$1,025,601 in fiscal 2011.
- The fiscal year 2011 increase in General Fund revenues was attributable to increases in property tax. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance increased is because the additional weighting we received from the state for sharing a Superintendent with Mason City Community School District and having a \$620,000 cash reserve levy.

### 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 Clear Lake 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 Clear Lake 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 Clear Lake Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

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

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

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefitting the District.

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

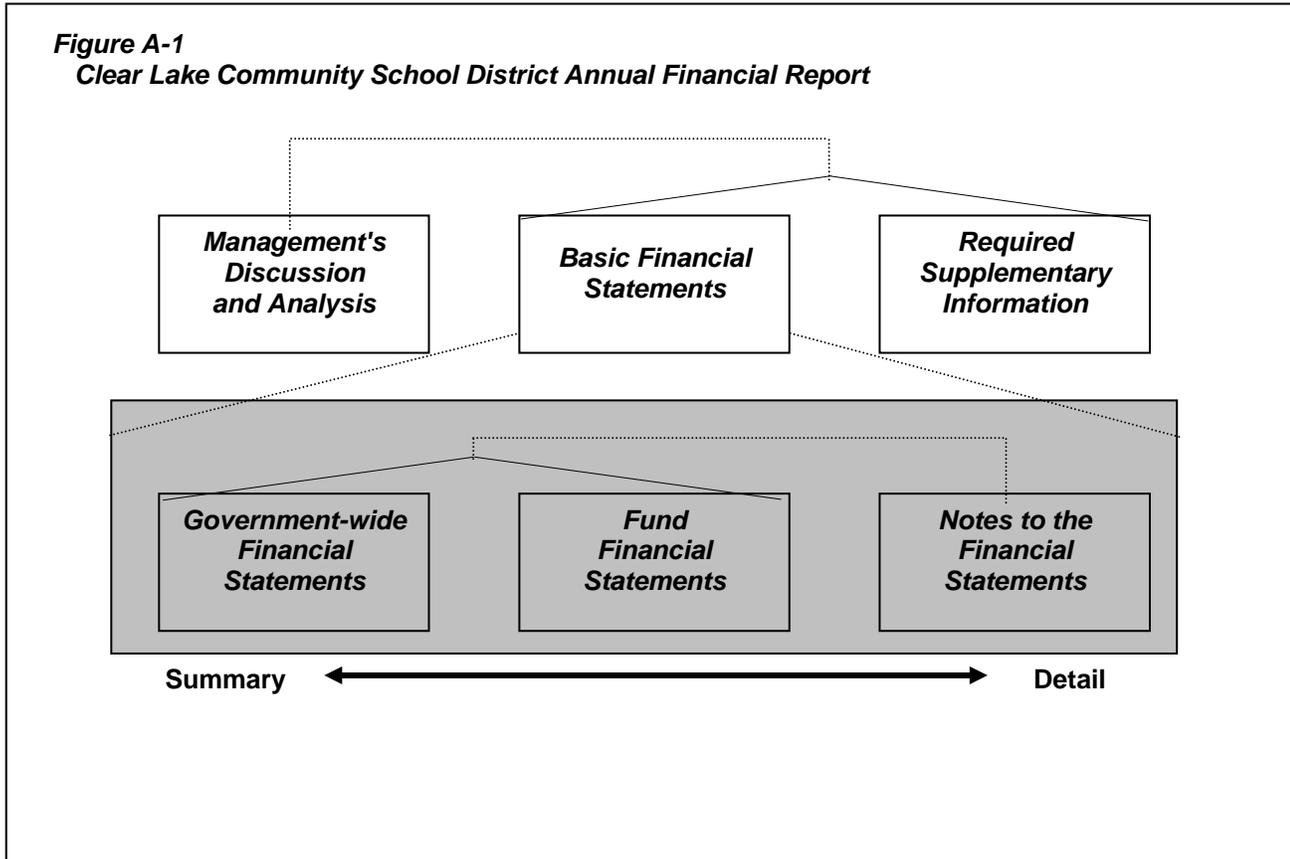


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

| <b>Figure A-2<br/>Major Features of the Government-wide and Fund Financial Statements</b> |                                                                                                                |                                                                                                                                                                                                          |                                                                                                                                                                                          |                                                                                                                                               |
|-------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                           | Government-wide Statements                                                                                     | Fund Statements                                                                                                                                                                                          |                                                                                                                                                                                          |                                                                                                                                               |
|                                                                                           |                                                                                                                | Governmental Funds                                                                                                                                                                                       | Proprietary Funds                                                                                                                                                                        | Fiduciary Funds                                                                                                                               |
| Scope                                                                                     | Entire District (except fiduciary funds)                                                                       | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance                                                                                 | Activities the District operates similar to private businesses: food services and three year old pre-school                                                                              | Instances in which the District administers resources on behalf of someone else, such as scholarship programs                                 |
| Required financial statements                                                             | <ul style="list-style-type: none"> <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 fund net assets</li> <li>• Statement of cash flows</li> </ul> | <ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</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                                                                                                                                          | Accrual accounting and economic resources focus                                                                                               |
| Type of asset/ liability information                                                      | All assets and liabilities, both financial and capital, short-term and long-term                               | Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included                                           | All assets and liabilities, both financial and capital, short-term and long-term                                                                                                         | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can                   |
| Type of inflow/ outflow information                                                       | All revenues and expenses during year, regardless of when cash is received or paid                             | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid                                                                                                   | All additions and deductions during the year, regardless of when cash is received or paid                                                     |

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

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

The two government-wide financial statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to measure the District’s financial health or financial position. Over time, increases or decreases in the District’s net assets are an

indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise 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 two Enterprise Funds, the School Nutrition Fund and the Pre-School Fund.

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
  - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
  - Agency Funds – These are funds through which the District administers and accounts for certain monies behalf of other entities.

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

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3

|                                                 | Condensed Statement of Net Assets |                     |                          |                |                       |                     |                    |
|-------------------------------------------------|-----------------------------------|---------------------|--------------------------|----------------|-----------------------|---------------------|--------------------|
|                                                 | Governmental Activities           |                     | Business-type Activities |                | Total School District |                     | Change 2010-2011   |
|                                                 | 2011                              | 2010                | 2011                     | 2010           | 2011                  | 2010                |                    |
|                                                 | \$                                | \$                  | \$                       | \$             | \$                    | \$                  |                    |
| Current and other assets                        | 20,540,153                        | 13,771,463          | 186,999                  | 162,983        | 20,727,152            | 13,934,446          | 6,792,706          |
| Capital assets                                  | 16,420,702                        | 15,762,596          | 184,525                  | 207,552        | 16,605,227            | 15,970,148          | 635,079            |
| <b>Total assets</b>                             | <b>\$36,960,855</b>               | <b>\$29,534,059</b> | <b>371,524</b>           | <b>370,535</b> | <b>37,332,379</b>     | <b>29,904,594</b>   | <b>7,427,785</b>   |
| Long-term liabilities                           | 12,901,032                        | 7,592,747           | 1,633                    | 1,795          | 12,902,665            | 7,594,542           | 5,308,123          |
| Other liabilities                               | 8,728,073                         | 8,186,923           | 48,885                   | 70,380         | 8,776,958             | 8,257,303           | 519,655            |
| <b>Total liabilities</b>                        | <b>\$21,629,105</b>               | <b>\$15,779,670</b> | <b>50,518</b>            | <b>72,175</b>  | <b>21,679,623</b>     | <b>15,851,845</b>   | <b>5,827,778</b>   |
| Net Assets:                                     |                                   |                     |                          |                |                       |                     |                    |
| Invested in capital assets, net of related debt | 10,710,702                        | 8,582,596           | 184,525                  | 207,552        | 10,895,227            | 8,790,148           | 2,105,079          |
| Restricted                                      | 3,548,311                         | 4,561,362           |                          |                | 3,548,311             | 4,561,362           | (1,013,051)        |
| Unrestricted                                    | 1,072,737                         | 610,431             | 136,481                  | 90,808         | 1,209,218             | 701,239             | 507,979            |
| <b>TOTAL NET ASSETS</b>                         | <b>\$15,331,750</b>               | <b>\$13,754,389</b> | <b>321,006</b>           | <b>298,360</b> | <b>\$15,652,756</b>   | <b>\$14,052,749</b> | <b>\$1,600,007</b> |

The District's combined total net assets increased by nearly \$1,600,007, over the prior year. The largest 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 decreased approximately \$1,013,051 over the prior year. The decrease was primarily a result of expenditures of sales tax monies that were collected in 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 – increased approximately \$507,979.

Figure A-4 shows the change in net assets for the years ended June 30, 2011 and 2010.

Figure A-4

|                                              | Change in Net Assets    |                     |                          |                    |                       |                     |                    |
|----------------------------------------------|-------------------------|---------------------|--------------------------|--------------------|-----------------------|---------------------|--------------------|
|                                              | Governmental Activities |                     | Business-type Activities |                    | Total School District |                     | Change 2010-2011   |
|                                              | 2011                    | 2010                | 2011                     | 2010               | 2011                  | 2010                |                    |
| \$                                           | \$                      | \$                  | \$                       | \$                 | \$                    | \$                  |                    |
| Revenues                                     |                         |                     |                          |                    |                       |                     |                    |
| Program Revenues:                            |                         |                     |                          |                    |                       |                     |                    |
| Charges for services                         | \$1,513,074             | \$1,575,406         | \$384,644                | \$376,342          | \$1,897,718           | \$1,951,748         | (\$54,030)         |
| Operating grants & contributions             | \$2,376,792             | \$2,484,610         | \$296,461                | \$590,196          | \$2,673,253           | \$3,074,806         | (\$401,553)        |
| Capital grants & contributions               |                         |                     |                          |                    |                       |                     |                    |
| General Revenues:                            |                         |                     |                          |                    |                       |                     |                    |
| Property taxes                               | \$6,257,526             | \$5,965,345         |                          |                    | \$6,257,526           | \$5,965,345         | \$292,181          |
| Income surtax                                | \$434,194               | \$455,618           |                          |                    | \$434,194             | \$455,618           | (\$21,424)         |
| Sales tax                                    | \$1,539,204             | \$1,557,299         |                          |                    | \$1,539,204           | \$1,557,299         | (\$18,095)         |
| Unrestricted state grants                    | \$4,097,925             | \$3,711,043         |                          |                    | \$4,097,925           | \$3,711,043         | \$386,882          |
| Unrestricted investment earnings             | \$13,081                | \$36,753            | \$436                    | \$109              | \$13,517              | \$36,862            | (\$23,345)         |
| Other revenue                                |                         | \$384               |                          |                    |                       | \$384               | (\$384)            |
| <b>Total Revenues</b>                        | <b>\$16,231,796</b>     | <b>\$15,786,458</b> | <b>\$681,541</b>         | <b>\$966,647</b>   | <b>\$16,913,337</b>   | <b>\$16,753,105</b> | <b>\$160,232</b>   |
| Expenses:                                    |                         |                     |                          |                    |                       |                     |                    |
| Instruction                                  | \$9,534,890             | \$9,038,644         |                          |                    | \$9,534,890           | \$9,038,644         | \$496,246          |
| Support services                             | \$3,808,818             | \$4,064,231         |                          |                    | \$3,808,818           | \$4,064,231         | (\$255,413)        |
| Non-instructional programs                   |                         |                     | 669,895                  | \$1,040,296        | \$669,895             | \$1,040,296         | (\$370,401)        |
| Other expenditures                           | \$1,299,727             | \$1,503,505         |                          |                    | \$1,299,727           | \$1,503,505         | (\$203,778)        |
| <b>Total expenses</b>                        | <b>\$14,643,435</b>     | <b>\$14,606,380</b> | <b>669,895</b>           | <b>\$1,040,296</b> | <b>\$15,313,330</b>   | <b>\$15,646,676</b> | <b>(\$333,346)</b> |
| <b>Change in net assets before transfers</b> | <b>\$1,588,361</b>      | <b>\$1,180,078</b>  | <b>11,646</b>            | <b>(\$73,649)</b>  | <b>\$1,600,007</b>    | <b>\$1,106,429</b>  | <b>\$493,578</b>   |
| Transfers                                    | (11,000)                | (\$56,000)          | \$11,000                 | \$56,000           |                       |                     |                    |
| <b>CHANGE IN NET ASSETS</b>                  | <b>1,577,361</b>        | <b>\$1,124,078</b>  | <b>22,646</b>            | <b>(\$17,649)</b>  | <b>\$1,600,007</b>    | <b>\$1,106,429</b>  | <b>\$493,578</b>   |
| Net assets beginning of year                 | \$13,754,389            | \$12,630,311        | \$298,360                | \$316,009          | \$14,052,749          | \$12,946,320        | \$1,106,429        |
| Net assets end of year                       | \$15,331,750            | \$13,754,389        | \$321,006                | \$298,360          | \$15,652,756          | \$14,052,749        | \$1,600,007        |

In fiscal year 2011 property tax and unrestricted state grants account for 61% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 1% increase in revenues and a \$333,346 decrease in expenses. Property tax increased \$292,181 to fund increases in expenses. The decrease in expenses related to decreases in salaries and benefits.

### Governmental Activities

Revenues for governmental activities were \$16,231,796 and expenses were \$14,643,435. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

For the year ended June 30, 2011

- The cost financed by users of the District's programs was \$1,513,074. Most of these revenues are derived from tuition charged to other school districts and from student activities.

- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,376,792.
- The net cost of governmental activities was financed with \$6,257,526 in property and local other taxes and \$4,097,925 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities were \$681,541 and expenses were \$669,895. The District's business type activities include the School Nutrition Fund and the Three Year Old Pre-school Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Clear Lake 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 a combined fund balance of \$11,402,985, well above last year's ending fund balances of \$5,230,980. However, the primary reason for the increase in combined fund balances in fiscal 2011 is due to approximately \$6 million of unexpended revenue obligation bond proceeds received in fiscal 2011.

### **Governmental Fund Highlights**

- The District's General Fund financial position is the result of many factors. Growth during the year in tax and state sources resulted in an increase in revenues.
- The General Fund balance increased from \$626,109 to \$1,025,601, due in part to budget cuts.
- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting.
  - The Physical Plant and Equipment Levy (PPEL) account balance increased from \$641,480 in fiscal 2010 to \$898,573 in fiscal 2011. While revenues remained approximately the same, the District substantially reduced spending from the PPEL Fund in order to increase the balance for future projects.
  - The Sales Tax account balance increased due to the sale of \$6,805,000 School Infrastructure Sales, Services and Use Tax Revenue and refunding Bonds in 2011. Fiscal 2011 ended with a balance of \$5,634,830 consisting primarily of unexpended bond proceeds which will be expended as the projects are completed.
- The Debt Service Fund is used to account for monies used to pay the District's bonds. The Debt Service Fund balance increased from \$1,870,316 at June 30, 2010 to \$3,486,731 at June 30, 2011. \$3,242,433 of the June 30, 2011 balance was used in July 2011 to call and repay the revenue bonds issued in 2007.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets increased from \$295,904 at June 30, 2010 to \$320,492 at June 30, 2011. The increase is due in part to the increased inventory on hand.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Clear Lake Community School District amended its annual budget one time to reflect additional revenue and expenditures associated with the Middle School renovation capital project activity.

The District's receipts were \$554,828 less than budgeted receipts, a variance of 3%. The most significant variance resulted from the District receiving less from state sources than originally anticipated.

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2011, the District had invested \$16,605,227, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of \$635,079 from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$663,399.

The largest change in capital asset activity during the year occurred in the Buildings assets that had come from the completion of the locker room renovations project.

At June 30, 2011 the District has entered into a \$2.5 million contract for middle school renovations, \$127,000 of work on the contract had been completed at year-end.

Figure A-6

### Capital Assets (net of depreciation)

|                          | Governmental      |                   | Business type  |                | Total             |                   | Change<br>2010-2011 |
|--------------------------|-------------------|-------------------|----------------|----------------|-------------------|-------------------|---------------------|
|                          | Activities        |                   | Activities     |                | School District   |                   |                     |
|                          | 2010              | 2011              | 2010           | 2011           | 2010              | 2011              |                     |
|                          | \$                | \$                | \$             | \$             | \$                | \$                |                     |
| Land                     | 106,704           | 106,704           |                |                | 106,704           | 106,704           |                     |
| Construction in progress | 245,892           | 426,064           |                |                | 245,892           | 426,064           | 180,172             |
| Buildings                | 4,520,808         | 15,023,190        |                |                | 14,520,808        | 15,023,190        | 502,382             |
| Improvements             | 303,480           | 347,601           |                |                | 303,480           | 347,601           | 44,121              |
| Equipment & furniture    | 585,712           | 517,143           | 207,552        | 184,525        | 793,264           | 701,668           | (91,596)            |
| <b>TOTAL</b>             | <b>15,762,596</b> | <b>16,420,702</b> | <b>207,552</b> | <b>184,525</b> | <b>15,970,148</b> | <b>16,605,227</b> | <b>635,079</b>      |

### Long-Term Debt

At June 30, 2011 the District had \$12,902,665 in general obligation, revenue and other long-term debt outstanding. This represents an increase of \$5,308,123 from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

In June 2011 the District's the District issued \$6,805,000 of revenue bonds. \$2,160,000 of the issue will be used to call and repay the revenue bonds issued in 2007 and \$4,645,000 of the issue will be used for middle school renovations.

The revenue bonds carry a bond rating of A assigned by a national rating agency.

The constitution of the State of Iowa limits the amount of debt school districts can issue to 5% of the assessed value of all taxable property within the district. The District's outstanding bonded and note indebtedness is significantly below its constitutional debt limit of approximately \$30 million.

**Figure A-7  
Outstanding Long-Term Obligations**

|                          | <b>Total School District</b> |                   | <b>Percentage</b> |
|--------------------------|------------------------------|-------------------|-------------------|
|                          | 2010                         | 2011              | <b>Change</b>     |
|                          |                              |                   | 2010-2011         |
|                          | \$                           | \$                |                   |
| General obligation bonds | 3,020,000                    | 2,530,000         | (490,000)         |
| Revenue bonds            | 4,160,000                    | 9,985,000         | 5,825,000         |
| Early retirement         | 359,159                      | 343,369           | (15,790)          |
| Compensated absences     | 22,119                       | 31,296            | 9,177             |
| Net OPEB liability       | 33,264                       | 13,000            | (20,264)          |
|                          | <u>7,594,542</u>             | <u>12,902,665</u> | <u>5,308,123</u>  |

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- School financing is highly dependent upon student enrollment. The District's October 2011 enrollment remained stable. Projections show declining enrollment over the next several years.
- The contract with the Clear Lake Education Teacher Association and other groups always have an impact on the District's financial health. The District will negotiate a new agreement during fiscal 2012 with the CLEA. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance.

## **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 Lorna Leerar, Business Manager/Board Secretary 1529 3<sup>rd</sup> Avenue North, Clear Lake, IA 50428.

## BASIC FINANCIAL STATEMENTS

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2011

|                                                    | Governmental<br>Activities | Business-<br>type<br>Activities | Total             | Component<br>Unit - Clear<br>Lake<br>Community<br>School<br>Foundation |
|----------------------------------------------------|----------------------------|---------------------------------|-------------------|------------------------------------------------------------------------|
|                                                    | \$                         | \$                              | \$                | \$                                                                     |
| <b>Assets</b>                                      |                            |                                 |                   |                                                                        |
| Cash and cash equivalents                          | 12,600,566                 | 133,758                         | 12,734,324        | 12,335                                                                 |
| Investments                                        | -                          | -                               | -                 | 771,271                                                                |
| Receivables:                                       |                            |                                 |                   |                                                                        |
| Property tax:                                      |                            |                                 |                   |                                                                        |
| Delinquent                                         | 71,881                     | -                               | 71,881            | -                                                                      |
| Succeeding year                                    | 6,907,744                  | -                               | 6,907,744         | -                                                                      |
| Accounts                                           | 38,102                     | 1,110                           | 39,212            | -                                                                      |
| Due from other governments                         | 866,000                    | -                               | 866,000           | -                                                                      |
| Inventories                                        | -                          | 52,131                          | 52,131            | -                                                                      |
| Unamortized bond issue costs                       | 55,860                     | -                               | 55,860            | -                                                                      |
| Capital assets, net of accumulated<br>depreciation | 16,420,702                 | 184,525                         | 16,605,227        | -                                                                      |
| <b>Total assets</b>                                | <b>36,960,855</b>          | <b>371,524</b>                  | <b>37,332,379</b> | <b>783,606</b>                                                         |
| <b>Liabilities</b>                                 |                            |                                 |                   |                                                                        |
| Accounts payable                                   | 331,538                    | -                               | 331,538           | -                                                                      |
| Salaries and benefits payable                      | 1,263,464                  | 37,474                          | 1,300,938         | -                                                                      |
| Accrued interest payable                           | 70,973                     | -                               | 70,973            | -                                                                      |
| Deferred revenue:                                  |                            |                                 |                   |                                                                        |
| Succeeding year property tax                       | 6,907,744                  | -                               | 6,907,744         | -                                                                      |
| Other                                              | 154,354                    | 11,411                          | 165,765           | -                                                                      |
| Long-term liabilities:                             |                            |                                 |                   |                                                                        |
| Portion due within one year:                       |                            |                                 |                   |                                                                        |
| General obligation bonds payable                   | 490,000                    | -                               | 490,000           | -                                                                      |
| Revenue bonds payable                              | 3,180,000                  | -                               | 3,180,000         | -                                                                      |
| Termination benefits                               | 181,895                    | -                               | 181,895           | -                                                                      |
| Compensated absences                               | 31,296                     | -                               | 31,296            | -                                                                      |
| Portion due after one year:                        |                            |                                 |                   |                                                                        |
| General obligation bonds payable                   | 2,040,000                  | -                               | 2,040,000         | -                                                                      |
| Revenue bonds payable                              | 6,805,000                  | -                               | 6,805,000         | -                                                                      |
| Termination benefits                               | 161,474                    | -                               | 161,474           | -                                                                      |
| Net OPEB liability                                 | 11,367                     | 1,633                           | 13,000            | -                                                                      |
| <b>Total liabilities</b>                           | <b>21,629,105</b>          | <b>50,518</b>                   | <b>21,679,623</b> | <b>-</b>                                                               |

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2011

|                                                 | Governmental<br>Activities | Business-<br>type<br>Activities | Total                    | Component<br>Unit - Clear<br>Lake<br>Community<br>School<br>Foundation |
|-------------------------------------------------|----------------------------|---------------------------------|--------------------------|------------------------------------------------------------------------|
|                                                 | \$                         | \$                              | \$                       | \$                                                                     |
| <b>Net assets</b>                               |                            |                                 |                          |                                                                        |
| Invested in capital assets, net of related debt | 10,710,702                 | 184,525                         | 10,895,227               | -                                                                      |
| Restricted for:                                 |                            |                                 |                          |                                                                        |
| Categorical funding                             | 145,708                    | -                               | 145,708                  | -                                                                      |
| Physical plant and equipment levy               | 840,414                    | -                               | 840,414                  | -                                                                      |
| Student activities                              | 316,601                    | -                               | 316,601                  | -                                                                      |
| School infrastructure                           | 309,330                    | -                               | 309,330                  | -                                                                      |
| Debt service                                    | 1,936,258                  | -                               | 1,936,258                | -                                                                      |
| Unrestricted                                    | <u>1,072,737</u>           | <u>136,481</u>                  | <u>1,209,218</u>         | <u>783,606</u>                                                         |
| <b>Total net assets</b>                         | <u><u>15,331,750</u></u>   | <u><u>321,006</u></u>           | <u><u>15,652,756</u></u> | <u><u>783,606</u></u>                                                  |

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Statement of Activities  
Year ended June 30, 2011

| <b><u>Functions/Programs</u></b>          | <b>Program Revenues</b> |                             |                                                                |                                                              |
|-------------------------------------------|-------------------------|-----------------------------|----------------------------------------------------------------|--------------------------------------------------------------|
|                                           | <b>Expenses</b>         | <b>Charges for Services</b> | <b>Operating Grants, Contributions and Restricted Interest</b> | <b>Capital Grants, Contributions and Restricted Interest</b> |
|                                           | \$                      | \$                          | \$                                                             | \$                                                           |
| Governmental activities:                  |                         |                             |                                                                |                                                              |
| Instruction:                              |                         |                             |                                                                |                                                              |
| Regular                                   | 5,909,923               | 849,410                     | 1,114,228                                                      | -                                                            |
| Special                                   | 1,699,733               | 170,530                     | 158,416                                                        | -                                                            |
| Other                                     | 1,925,234               | 438,426                     | 505,827                                                        | -                                                            |
|                                           | <u>9,534,890</u>        | <u>1,458,366</u>            | <u>1,778,471</u>                                               | <u>-</u>                                                     |
| Support services:                         |                         |                             |                                                                |                                                              |
| Student                                   | 115,856                 | 9,059                       | -                                                              | -                                                            |
| Instructional staff                       | 531,809                 | -                           | -                                                              | -                                                            |
| Administration                            | 1,290,942               | -                           | -                                                              | -                                                            |
| Operation and maintenance of plant        | 1,331,940               | 11,246                      | -                                                              | -                                                            |
| Transportation                            | 538,271                 | 34,403                      | 10,248                                                         | -                                                            |
|                                           | <u>3,808,818</u>        | <u>54,708</u>               | <u>10,248</u>                                                  | <u>-</u>                                                     |
| Other expenditures:                       |                         |                             |                                                                |                                                              |
| Facilities acquisition                    | 95,467                  | -                           | -                                                              | -                                                            |
| Long-term debt interest                   | 180,055                 | -                           | 4,459                                                          | -                                                            |
| AEA flowthrough                           | 583,614                 | -                           | 583,614                                                        | -                                                            |
| Depreciation (unallocated)*               | 440,591                 | -                           | -                                                              | -                                                            |
|                                           | <u>1,299,727</u>        | <u>-</u>                    | <u>588,073</u>                                                 | <u>-</u>                                                     |
| Total governmental activities             | 14,643,435              | 1,513,074                   | 2,376,792                                                      | -                                                            |
| Business type activities:                 |                         |                             |                                                                |                                                              |
| Food service operations                   | 640,523                 | 368,374                     | 296,461                                                        | -                                                            |
| Preschool                                 | 29,372                  | 16,270                      | -                                                              | -                                                            |
| Total business-type activities            | <u>669,895</u>          | <u>384,644</u>              | <u>296,461</u>                                                 | <u>-</u>                                                     |
| Total primary government                  | 15,313,330              | 1,897,718                   | 2,673,253                                                      | -                                                            |
| Component Unit:                           |                         |                             |                                                                |                                                              |
| Clear Lake Community School Foundation    | 25,217                  | -                           | 60,300                                                         | -                                                            |
| Total                                     | <u>15,338,547</u>       | <u>1,897,718</u>            | <u>2,733,553</u>                                               | <u>-</u>                                                     |
| <b>General Revenues:</b>                  |                         |                             |                                                                |                                                              |
| Property taxes levied for:                |                         |                             |                                                                |                                                              |
| General purposes                          |                         |                             |                                                                |                                                              |
| Capital outlay                            |                         |                             |                                                                |                                                              |
| Income surtax                             |                         |                             |                                                                |                                                              |
| Statewide sales, services and use tax     |                         |                             |                                                                |                                                              |
| Unrestricted state grants                 |                         |                             |                                                                |                                                              |
| Unrestricted investment earnings (losses) |                         |                             |                                                                |                                                              |
| Total general revenues                    |                         |                             |                                                                |                                                              |
| Transfers                                 |                         |                             |                                                                |                                                              |
| Total general revenues and transfers      |                         |                             |                                                                |                                                              |

**Change in net assets**

Net assets beginning of year

Net assets end of year

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

| Net (Expense) Revenue and Changes in Net Assets |                             |                     |                   |
|-------------------------------------------------|-----------------------------|---------------------|-------------------|
| Primary Government                              |                             |                     |                   |
| Governmental<br>Activities                      | Business<br>Type Activities | Total               | Component<br>Unit |
| \$                                              | \$                          | \$                  | \$                |
| (3,946,285)                                     | -                           | (3,946,285)         | -                 |
| (1,370,787)                                     | -                           | (1,370,787)         | -                 |
| (980,981)                                       | -                           | (980,981)           | -                 |
| <u>(6,298,053)</u>                              | <u>-</u>                    | <u>(6,298,053)</u>  | <u>-</u>          |
| (106,797)                                       | -                           | (106,797)           | -                 |
| (531,809)                                       | -                           | (531,809)           | -                 |
| (1,290,942)                                     | -                           | (1,290,942)         | -                 |
| (1,320,694)                                     | -                           | (1,320,694)         | -                 |
| (493,620)                                       | -                           | (493,620)           | -                 |
| <u>(3,743,862)</u>                              | <u>-</u>                    | <u>(3,743,862)</u>  | <u>-</u>          |
| (95,467)                                        | -                           | (95,467)            | -                 |
| (175,596)                                       | -                           | (175,596)           | -                 |
| -                                               | -                           | -                   | -                 |
| (440,591)                                       | -                           | (440,591)           | -                 |
| <u>(711,654)</u>                                | <u>-</u>                    | <u>(711,654)</u>    | <u>-</u>          |
| (10,753,569)                                    | -                           | (10,753,569)        | -                 |
| -                                               | 24,312                      | 24,312              | -                 |
| -                                               | (13,102)                    | (13,102)            | -                 |
| -                                               | 11,210                      | 11,210              | -                 |
| (10,753,569)                                    | 11,210                      | (10,742,359)        | -                 |
| -                                               | -                           | -                   | 35,083            |
| <u>(10,753,569)</u>                             | <u>11,210</u>               | <u>(10,742,359)</u> | <u>35,083</u>     |
| 5,708,990                                       | -                           | 5,708,990           | -                 |
| 548,536                                         | -                           | 548,536             | -                 |
| 434,194                                         | -                           | 434,194             | -                 |
| 1,539,204                                       | -                           | 1,539,204           | -                 |
| 4,097,925                                       | -                           | 4,097,925           | -                 |
| 13,081                                          | 436                         | 13,517              | (1,652)           |
| 12,341,930                                      | 436                         | 12,342,366          | (1,652)           |
| (11,000)                                        | 11,000                      | -                   | -                 |
| <u>12,330,930</u>                               | <u>11,436</u>               | <u>12,342,366</u>   | <u>(1,652)</u>    |
| 1,577,361                                       | 22,646                      | 1,600,007           | 33,431            |
| <u>13,754,389</u>                               | <u>298,360</u>              | <u>14,052,749</u>   | <u>750,175</u>    |
| <u>15,331,750</u>                               | <u>321,006</u>              | <u>15,652,756</u>   | <u>783,606</u>    |

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2011

|                                            | General          | Capital<br>Projects | Debt<br>Service  | Nonmajor<br>Governmental | Total             |
|--------------------------------------------|------------------|---------------------|------------------|--------------------------|-------------------|
|                                            | \$               | \$                  | \$               | \$                       | \$                |
| <b>Assets</b>                              |                  |                     |                  |                          |                   |
| Cash and pooled investments                | 2,431,374        | 6,270,007           | 3,486,731        | 412,454                  | 12,600,566        |
| Receivables:                               |                  |                     |                  |                          |                   |
| Property tax:                              |                  |                     |                  |                          |                   |
| Delinquent                                 | 61,968           | 6,491               | -                | 3,422                    | 71,881            |
| Succeeding year                            | 5,415,600        | 601,312             | 540,833          | 349,999                  | 6,907,744         |
| Accounts                                   | 29,644           | 5,302               | -                | 3,156                    | 38,102            |
| Due from other governments                 | 583,801          | 282,199             | -                | -                        | 866,000           |
| <b>Total assets</b>                        | <b>8,522,387</b> | <b>7,165,311</b>    | <b>4,027,564</b> | <b>769,031</b>           | <b>20,484,293</b> |
| <b>Liabilities and Fund Balances</b>       |                  |                     |                  |                          |                   |
| Liabilities:                               |                  |                     |                  |                          |                   |
| Accounts payable                           | 239,160          | 88,755              | -                | 3,623                    | 331,538           |
| Salaries and benefits payable              | 1,263,464        | -                   | -                | -                        | 1,263,464         |
| Deferred revenue:                          |                  |                     |                  |                          |                   |
| Succeeding year property tax               | 5,415,600        | 601,312             | 540,833          | 349,999                  | 6,907,744         |
| Income surtax                              | 424,208          | -                   | -                | -                        | 424,208           |
| Other                                      | 154,354          | -                   | -                | -                        | 154,354           |
| Total liabilities                          | <b>7,496,786</b> | <b>690,067</b>      | <b>540,833</b>   | <b>353,622</b>           | <b>9,081,308</b>  |
| Fund balances:                             |                  |                     |                  |                          |                   |
| Restricted for:                            |                  |                     |                  |                          |                   |
| Categorical funding                        | 145,708          | -                   | -                | -                        | 145,708           |
| Debt service                               | -                | 680,500             | 3,486,731        | -                        | 4,167,231         |
| Management levy                            | -                | -                   | -                | 98,808                   | 98,808            |
| Student activities                         | -                | -                   | -                | 316,601                  | 316,601           |
| School infrastructure                      | -                | 4,954,330           | -                | -                        | 4,954,330         |
| Physical plant and equipment               | -                | 840,414             | -                | -                        | 840,414           |
| Unassigned                                 | 879,893          | -                   | -                | -                        | 879,893           |
| Total fund balances                        | <b>1,025,601</b> | <b>6,475,244</b>    | <b>3,486,731</b> | <b>415,409</b>           | <b>11,402,985</b> |
| <b>Total liabilities and fund balances</b> | <b>8,522,387</b> | <b>7,165,311</b>    | <b>4,027,564</b> | <b>769,031</b>           | <b>20,484,293</b> |

## CLEAR LAKE 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 (Exhibit C)</b>                                                                                                                                                                                                   | 11,402,985          |
| <i>Amounts reported for governmental activities in the<br/>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.                                                                                                               | 16,420,702          |
| Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.                                                                                                                            | 424,208             |
| Bond issue costs are expensed when incurred for governmental fund reporting, but are capitalized and expensed over the life of the bonds for government wide reporting.                                                                                        | 55,860              |
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.                                                                                       | (70,973)            |
| Long-term liabilities, including bonds payable, termination benefits, compensated absences and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | <u>(12,901,032)</u> |
| <b>Net assets of governmental activities (Exhibit A)</b>                                                                                                                                                                                                       | <u>15,331,750</u>   |

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

|                                                              | General           | Capital<br>Projects | Debt Service       | Nonmajor<br>Governmental | Total             |
|--------------------------------------------------------------|-------------------|---------------------|--------------------|--------------------------|-------------------|
|                                                              | \$                | \$                  | \$                 | \$                       | \$                |
| Revenues:                                                    |                   |                     |                    |                          |                   |
| Local sources:                                               |                   |                     |                    |                          |                   |
| Local tax                                                    | 5,840,100         | 2,087,740           | -                  | 298,742                  | 8,226,582         |
| Tuition                                                      | 911,346           | -                   | -                  | -                        | 911,346           |
| Other                                                        | 175,777           | 4,205               | 4,459              | 434,827                  | 619,268           |
| State sources                                                | 5,824,960         | 260                 | -                  | 148                      | 5,825,368         |
| Federal sources                                              | 644,890           | -                   | -                  | -                        | 644,890           |
| Total revenues                                               | <u>13,397,073</u> | <u>2,092,205</u>    | <u>4,459</u>       | <u>733,717</u>           | <u>16,227,454</u> |
| Expenditures:                                                |                   |                     |                    |                          |                   |
| Current:                                                     |                   |                     |                    |                          |                   |
| Instruction:                                                 |                   |                     |                    |                          |                   |
| Regular                                                      | 5,636,536         | -                   | -                  | 206,447                  | 5,842,983         |
| Special                                                      | 1,701,840         | -                   | -                  | -                        | 1,701,840         |
| Other                                                        | 1,557,999         | -                   | -                  | 367,302                  | 1,925,301         |
|                                                              | <u>8,896,375</u>  | <u>-</u>            | <u>-</u>           | <u>573,749</u>           | <u>9,470,124</u>  |
| Support services:                                            |                   |                     |                    |                          |                   |
| Student                                                      | 116,018           | -                   | -                  | -                        | 116,018           |
| Instructional staff                                          | 531,809           | -                   | -                  | -                        | 531,809           |
| Administration                                               | 1,089,298         | 40,560              | 22,413             | 122,825                  | 1,275,096         |
| Operation and maintenance of<br>plant                        | 1,311,305         | -                   | -                  | -                        | 1,311,305         |
| Transportation                                               | 458,162           | -                   | -                  | -                        | 458,162           |
|                                                              | <u>3,506,592</u>  | <u>40,560</u>       | <u>22,413</u>      | <u>122,825</u>           | <u>3,692,390</u>  |
| Other expenditures:                                          |                   |                     |                    |                          |                   |
| Facilities acquisition                                       | -                 | 1,393,945           | -                  | -                        | 1,393,945         |
| Long-term debt:                                              |                   |                     |                    |                          |                   |
| Principal                                                    | -                 | -                   | 1,470,000          | -                        | 1,470,000         |
| Interest and fiscal charges                                  | -                 | 39,604              | 199,772            | -                        | 239,376           |
| AEA flowthrough                                              | 583,614           | -                   | -                  | -                        | 583,614           |
|                                                              | <u>583,614</u>    | <u>1,433,549</u>    | <u>1,669,772</u>   | <u>-</u>                 | <u>3,686,935</u>  |
| Total expenditures                                           | <u>12,986,581</u> | <u>1,474,109</u>    | <u>1,692,185</u>   | <u>696,574</u>           | <u>16,849,449</u> |
| Excess (deficiency) of revenues over<br>(under) expenditures | <u>410,492</u>    | <u>618,096</u>      | <u>(1,687,726)</u> | <u>37,143</u>            | <u>(621,995)</u>  |

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

|                                                 | General   | Capital<br>Projects | Debt Service | Nonmajor<br>Governmental | Total       |
|-------------------------------------------------|-----------|---------------------|--------------|--------------------------|-------------|
|                                                 | \$        | \$                  | \$           | \$                       | \$          |
| Other financing sources (uses):                 |           |                     |              |                          |             |
| Operating transfers in                          | -         | -                   | 3,304,141    | -                        | 3,304,141   |
| Operating transfers out                         | (11,000)  | (3,304,141)         | -            | -                        | (3,315,141) |
| Bonds issued                                    | -         | 6,805,000           | -            | -                        | 6,805,000   |
| Total other financing sources<br>(uses)         | (11,000)  | 3,500,859           | 3,304,141    | -                        | 6,794,000   |
| Net change in fund balances                     | 399,492   | 4,118,955           | 1,616,415    | 37,143                   | 6,172,005   |
| Fund balances beginning of year, as<br>restated | 626,109   | 2,356,289           | 1,870,316    | 378,266                  | 5,230,980   |
| Fund balances end of year                       | 1,025,601 | 6,475,244           | 3,486,731    | 415,409                  | 11,402,985  |

CLEAR LAKE 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

|                                                                                                                                                                                                                                                                                                                                                                                     | \$               | \$                      |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-------------------------|
| <b>Net change in fund balances - total governmental funds (Exhibit E)</b>                                                                                                                                                                                                                                                                                                           |                  | 6,172,005               |
| <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>                                                                                                                                                                                                                                                                           |                  |                         |
| Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows: |                  |                         |
| Expenditures for capital assets                                                                                                                                                                                                                                                                                                                                                     | 1,298,478        |                         |
| Depreciation expense                                                                                                                                                                                                                                                                                                                                                                | <u>(640,372)</u> | 658,106                 |
| Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.                                                                                                             |                  | 4,342                   |
| Bond issue costs are expensed when incurred for governmental fund reporting, but are capitalized and expensed over the life of the bonds for government wide reporting.                                                                                                                                                                                                             |                  | 31,476                  |
| Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.                                                                                                                                                                                                             |                  | 1,470,000               |
| Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.                                                                    |                  | 19,717                  |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:                                                                                                                                                                                 |                  |                         |
| Termination benefits                                                                                                                                                                                                                                                                                                                                                                | 15,790           |                         |
| Compensated absences                                                                                                                                                                                                                                                                                                                                                                | (9,177)          |                         |
| Other postemployment benefits                                                                                                                                                                                                                                                                                                                                                       | <u>20,102</u>    | 26,715                  |
| Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.                                                                                                                                                                                                                               |                  | <u>(6,805,000)</u>      |
| <b>Changes in net assets of governmental activities (Exhibit B)</b>                                                                                                                                                                                                                                                                                                                 |                  | <u><u>1,577,361</u></u> |

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Fund

June 30, 2011

|                                                 | Nonmajor<br>Enterprise<br>Funds |
|-------------------------------------------------|---------------------------------|
|                                                 | <u>\$</u>                       |
| <b>Assets</b>                                   |                                 |
| Cash and cash equivalents                       | 133,758                         |
| Accounts receivable                             | 1,110                           |
| Inventories                                     | 52,131                          |
| Capital assets, net of accumulated depreciation | <u>184,525</u>                  |
| <b>Total assets</b>                             | <u><u>371,524</u></u>           |
| <b>Liabilities</b>                              |                                 |
| Salaries and benefits payable                   | 37,474                          |
| Deferred revenue                                | 11,411                          |
| Net OPEB liability                              | <u>1,633</u>                    |
| <b>Total liabilities</b>                        | <u>50,518</u>                   |
| <b>Net assets</b>                               |                                 |
| Invested in capital assets                      | 184,525                         |
| Unrestricted                                    | <u>136,481</u>                  |
| <b>Total net assets</b>                         | <u><u>321,006</u></u>           |

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

|                                        | Nonmajor<br>Enterprise<br>Funds |
|----------------------------------------|---------------------------------|
|                                        | <u>\$</u>                       |
| Operating revenues:                    |                                 |
| Local sources:                         |                                 |
| Charges for service                    | <u>384,644</u>                  |
| Operating expenses:                    |                                 |
| Salaries                               | 273,607                         |
| Benefits                               | 55,462                          |
| Purchased services                     | 3,921                           |
| Supplies                               | 304,061                         |
| Other expenses                         | 9,817                           |
| Depreciation                           | <u>23,027</u>                   |
| Total operating expenses               | <u>669,895</u>                  |
| Operating income (loss)                | <u>(285,251)</u>                |
| Non-operating revenues:                |                                 |
| State sources                          | 15,157                          |
| Federal sources                        | 281,304                         |
| Interest income                        | 436                             |
| Total non-operating revenues           | <u>296,897</u>                  |
| Changes in net assets before transfers | 11,646                          |
| Transfer from General Fund             | <u>11,000</u>                   |
| Change in net assets                   | 22,646                          |
| Net assets beginning of year           | <u>298,360</u>                  |
| Net assets end of year                 | <u><u>321,006</u></u>           |

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2011

|                                                                                            | Nonmajor<br>Enterprise<br>Funds |
|--------------------------------------------------------------------------------------------|---------------------------------|
|                                                                                            | <u>\$</u>                       |
| Cash flows from operating activities:                                                      |                                 |
| Cash received from sale of lunches and breakfasts                                          | 366,261                         |
| Cash received from preschool services                                                      | 16,110                          |
| Cash payments to employees for services                                                    | (349,215)                       |
| Cash payments to suppliers for goods or services                                           | (288,996)                       |
| Net cash used by operating activities                                                      | <u>(255,840)</u>                |
| Cash flows from non-capital financing activities:                                          |                                 |
| Transfer from General Fund                                                                 | 11,000                          |
| State grants received                                                                      | 15,157                          |
| Federal grants received                                                                    | 231,645                         |
| Net cash provided by non-capital financing activities                                      | <u>257,802</u>                  |
| Cash flows from capital and related financing activities                                   | <u>-</u>                        |
| Cash flows from investing activities:                                                      |                                 |
| Interest on investments                                                                    | <u>436</u>                      |
| Net increase (decrease) in cash and cash equivalents                                       | 2,398                           |
| Cash and cash equivalents at beginning of year                                             | <u>131,360</u>                  |
| Cash and cash equivalents at end of year                                                   | <u><u>133,758</u></u>           |
| <b>Reconciliation of operating income (loss) to net cash used by operating activities:</b> |                                 |
| Operating income (loss)                                                                    | (285,251)                       |
| Adjustments to reconcile operating income (loss) to net cash used by operating activities: |                                 |
| Commodities used                                                                           | 49,659                          |
| Depreciation                                                                               | 23,027                          |
| Decrease (increase) in inventories                                                         | (20,844)                        |
| Decrease (increase) in accounts receivable                                                 | (774)                           |
| (Decrease) increase in accounts payable                                                    | (12)                            |
| (Decrease) increase in salaries and benefits payable                                       | (19,984)                        |
| (Decrease) increase in deferred revenue                                                    | (1,499)                         |
| (Decrease) increase in net OPEB liability                                                  | (162)                           |
| Net cash used by operating activities                                                      | <u><u>(255,840)</u></u>         |

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

During the year ended June 30, 2011, the District received \$49,659 of federal commodities.

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Fund

June 30, 2011

|                             | Private<br>Purpose<br>Trust<br>Scholarships |
|-----------------------------|---------------------------------------------|
|                             | <u>\$</u>                                   |
| <b>Assets</b>               |                                             |
| Cash and pooled investments | 1,254,677                                   |
| Accrued interest receivable | <u>5,844</u>                                |
| Total assets                | 1,260,521                                   |
| <b>Liabilities</b>          | <u>-</u>                                    |
| <b>Net Assets</b>           |                                             |
| Reserved for scholarships   | <u><u>1,260,521</u></u>                     |

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund

Year ended June 30, 2011

|                              | Private<br>Purpose<br>Trust<br>Scholarships<br><u>\$</u> |
|------------------------------|----------------------------------------------------------|
| Additions:                   |                                                          |
| Local sources:               |                                                          |
| Investment revenue           | <u>36,127</u>                                            |
| Deductions:                  |                                                          |
| Support services:            |                                                          |
| Scholarships                 | 60,300                                                   |
| Investment fees              | <u>10,162</u>                                            |
| Total deductions             | <u>70,462</u>                                            |
| Change in net assets         | (34,335)                                                 |
| Net assets beginning of year | <u>1,294,856</u>                                         |
| Net assets end of year       | <u><u>1,260,521</u></u>                                  |

# CLEAR LAKE COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

Year ended June 30, 2011

### 1. Summary of Significant Accounting Policies

Clear Lake Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Clear Lake, Iowa and the predominately agricultural territory in a portion of Cerro Gordo County. 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, Clear Lake 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 Clear Lake Community School Foundation is included in the financial statements as a discretely presented component unit, because of the nature and significance of its relationship with the Clear Lake Community School District.

The Clear Lake Community School Foundation was established to further develop, increase and extend the facilities and services of the Clear Lake Community School District by providing broader educational opportunities to its students, staff, faculty, and the residents of the geographical area which it serves. The Foundation's financial statements are shown in the Statement of Net Assets and the Statement of Activities in separate columns. As explained in the Independent Auditor's Opinion, the Foundation's financial statements have not been audited.

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

#### B. Basis of Presentation

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

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in 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 attributable to the acquisition, construction, or improvement of those assets.

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

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

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's long-term debt.

The District's proprietary funds include the Enterprise, School Nutrition Fund, which is used to account for the food service operation of the District, and the Enterprise Preschool Fund, which is used to account for the District's preschool.

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

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

#### C. Measurement Focus and Basis of Accounting

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

levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

#### D. Assets, Liabilities, and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for 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, have a maturity date no longer than three months.

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| <u>Asset Class</u>                | <u>Amount</u> |
|-----------------------------------|---------------|
|                                   | \$            |
| Land                              | -             |
| Buildings                         | 5,000         |
| Improvements other than buildings | 5,000         |
| Furniture and equipment:          |               |
| School Nutrition Fund equipment   | 500           |
| Other furniture and equipment     | 5,000         |
| Intangible assets                 | 100,000       |

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

| <u>Asset Class</u>                | <u>Estimated Useful Lives</u> |
|-----------------------------------|-------------------------------|
| Buildings                         | 20-50 years                   |
| Improvements other than buildings | 15 years                      |
| Furniture and equipment           | 5-12 years                    |
| Intangible assets                 | 3-10 years                    |

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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

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 receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation hours for subsequent use. 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.

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

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

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

Unassigned – All amounts not included in other 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 are 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. During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

**2. Cash and Pooled Investments**

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had the following investments:

|                                                  | <u>Maturity Date</u> | <u>Fair Value</u> |
|--------------------------------------------------|----------------------|-------------------|
|                                                  |                      | \$                |
| Southeastern College                             | June, 2014           | 50,201            |
| South Dakota Dist. Rev.                          | August, 2030         | 52,518            |
| U.S. Government Agency Obligations:              |                      |                   |
| FFCB                                             | March, 2018          | 76,166            |
| FFCB                                             | April, 2022          | 54,477            |
| FHLB                                             | February, 2019       | 50,191            |
| FHLB                                             | March, 2021          | 49,788            |
| FHLB                                             | March, 2019          | 106,921           |
| FHLB                                             | December, 2014       | 52,603            |
| FHLB                                             | December, 2016       | 53,058            |
| FHLMC                                            | January, 2019        | 50,100            |
| FNMA                                             | March 2014           | 105,195           |
| Hartford Advisors Fund Class A                   |                      | 8,607             |
| Goldman Sachs Financial Square – Government Fund |                      | 680,500           |

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust as follows:

|                                     | <u>Amortized<br/>Cost</u> |
|-------------------------------------|---------------------------|
|                                     | \$                        |
| Iowa Schools Joint Investment Trust | 3,581,133                 |

The Iowa Schools Joint Investment Trust investment is valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

Credit risk: The investments in the Iowa Schools Joint Investment Trust and in Goldman Sachs Financial Square – Government Fund were rated Aaa by Moody's Investors Service. The South Dakota Dist. Rev. bond was rated AAA by Standard and Pooors. The Southeastern College bond was not rated.

The investments in the South Dakota bond and the Southeastern College bond are not the type of investments allowable for Iowa governmental organizations.

**3. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011, is as follows:

| Transfer To                | Transfer From         | Amount    |
|----------------------------|-----------------------|-----------|
|                            |                       | \$        |
| Debt Service               | Capital Projects Fund | 3,304,141 |
| Nonmajor Enterprise Funds: |                       |           |
| Preschool                  | General Fund          | 11,000    |

These transfers moved revenues from the funds statutorily required to collect the resources to the funds statutorily required to expend the resources.

**4. Iowa School Cash Anticipation Program (ISCAP)**

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

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-11A warrants is 1.2% plus the one-month LIBOR rate, adjusted daily. A summary of the District's ISCAP activity for the year ended June 30, 2011, is as follows:

| Series   | Warrant Date | Final Warrant Maturity Date | Balance Beginning of Year | Advances Received | Advances Repaid | Balance End of Year |
|----------|--------------|-----------------------------|---------------------------|-------------------|-----------------|---------------------|
|          |              |                             | \$                        | \$                | \$              | \$                  |
| 2010-11A | 6/23/10      | 6/28/11                     | -                         | 800,000           | 800,000         | -                   |

During the year ended June 30, 2011, the District paid \$2,185 of interest on the ISCAP warrants.

## 5. Capital Assets

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

|                                              | Balance<br>Beginning<br>of Year | Increases        | Decreases      | Balance End<br>of Year |
|----------------------------------------------|---------------------------------|------------------|----------------|------------------------|
|                                              | \$                              | \$               | \$             | \$                     |
| <b>Governmental activities:</b>              |                                 |                  |                |                        |
| Capital assets not being depreciated:        |                                 |                  |                |                        |
| Construction in progress                     | 245,892                         | 426,064          | 245,892        | 426,064                |
| Land                                         | 106,704                         | -                | -              | 106,704                |
| Total capital assets not being deprec.       | <u>352,596</u>                  | <u>426,064</u>   | <u>245,892</u> | <u>532,768</u>         |
| Capital assets being depreciated:            |                                 |                  |                |                        |
| Buildings                                    | 18,786,869                      | 909,560          | -              | 19,696,429             |
| Improvements other than buildings            | 758,189                         | 77,534           | -              | 835,723                |
| Furniture and equipment                      | 2,524,206                       | 131,212          | 215,666        | 2,439,752              |
| Total capital assets being deprec.           | <u>22,069,264</u>               | <u>1,118,306</u> | <u>215,666</u> | <u>22,971,904</u>      |
| Less accumulated depreciation for:           |                                 |                  |                |                        |
| Buildings                                    | 4,266,061                       | 407,178          | -              | 4,673,239              |
| Improvements other than buildings            | 454,709                         | 33,413           | -              | 488,122                |
| Furniture and equipment                      | 1,938,494                       | 199,781          | 215,666        | 1,922,609              |
| Total accumulated depreciation               | <u>6,659,264</u>                | <u>640,372</u>   | <u>215,666</u> | <u>7,083,970</u>       |
| Total capital assets being depreciated, net  | <u>15,410,000</u>               | <u>477,934</u>   | <u>-</u>       | <u>15,887,934</u>      |
| Governmental activities capital assets, net  | <u>15,762,596</u>               | <u>903,998</u>   | <u>245,892</u> | <u>16,420,702</u>      |
| <b>Business type activities:</b>             |                                 |                  |                |                        |
| Furniture and equipment                      | 338,768                         | -                | -              | 338,768                |
| Less accumulated deprec.                     | <u>131,216</u>                  | <u>23,027</u>    | <u>-</u>       | <u>154,243</u>         |
| Business type activities Capital assets, net | <u>207,552</u>                  | <u>(23,027)</u>  | <u>-</u>       | <u>184,525</u>         |

Depreciation expense was charged to the following functions:

|                                                      | \$             |
|------------------------------------------------------|----------------|
| Governmental activities:                             |                |
| Instruction:                                         |                |
| Regular                                              | 96,510         |
| Other instruction                                    | 906            |
| Support services:                                    |                |
| Operation and maintenance of plant services          | 22,094         |
| Transportation                                       | 80,271         |
|                                                      | <u>199,781</u> |
| Unallocated depreciation                             | 440,591        |
| Total depreciation expense - governmental activities | <u>640,372</u> |
| Business type activities:                            |                |
| Food service operations                              | <u>23,027</u>  |

## 6. Long-Term Liabilities

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

|                           | Balance<br>Beginning of<br>Year | Additions        | Reductions       | Balance End<br>of Year | Due Within<br>One Year |
|---------------------------|---------------------------------|------------------|------------------|------------------------|------------------------|
|                           | \$                              | \$               | \$               | \$                     | \$                     |
| Governmental Activities:  |                                 |                  |                  |                        |                        |
| General obligation bonds  | 3,020,000                       | -                | 490,000          | 2,530,000              | 490,000                |
| Revenue bonds             | 4,160,000                       | 6,805,000        | 980,000          | 9,985,000              | 3,180,000              |
| Compensated absences      | 22,119                          | 31,296           | 22,119           | 31,296                 | 31,296                 |
| Termination benefits      | 359,159                         | 190,660          | 206,450          | 343,369                | 181,895                |
| Net OPEB liability        | 31,469                          | -                | 20,102           | 11,367                 | -                      |
| <b>Total</b>              | <b>7,592,747</b>                | <b>7,026,956</b> | <b>1,718,671</b> | <b>12,901,032</b>      | <b>3,883,191</b>       |
| Business type activities: |                                 |                  |                  |                        |                        |
| Net OPEB liability        | 1,795                           | -                | 162              | 1,633                  | -                      |

### Termination Benefits

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

Under the plan the District will pay cost of health insurance for up to four years. The District will also make a payment to the employee's 403(b) account for an amount calculated as 100% of the difference between the employee's current salary less the BA Step One base salary.

At June 30, 2011, the District has obligations to sixteen participants with a total liability of \$343,369. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$206,450.

### General Obligation Bonds

In April 2010, the District sold general obligation refunding bonds that mature as follows:

| Year Ending June 30, | Interest Rates | April 2010 Refunding Issue |                |                  |
|----------------------|----------------|----------------------------|----------------|------------------|
|                      |                | Principal                  | Interest       | Total            |
|                      | %              | \$                         | \$             | \$               |
| 2012                 | 1.50           | 490,000                    | 50,833         | 540,833          |
| 2013                 | 1.55           | 500,000                    | 43,483         | 543,483          |
| 2014                 | 1.95           | 505,000                    | 35,732         | 540,732          |
| 2015                 | 2.30           | 515,000                    | 25,885         | 540,885          |
| 2016                 | 2.70           | 520,000                    | 14,040         | 534,040          |
|                      |                | <u>2,530,000</u>           | <u>169,973</u> | <u>2,699,973</u> |

### Revenue Bonds

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

| July 2007 Issue         |                |           |          |           |
|-------------------------|----------------|-----------|----------|-----------|
| Year Ending<br>June 30, | Interest Rates | Principal | Interest | Total     |
|                         | %              | \$        | \$       | \$        |
| 2012                    | 3.875-4.000    | 3,180,000 | 62,433   | 3,242,433 |

| June 2011 Issue         |                |                  |                  |                  |
|-------------------------|----------------|------------------|------------------|------------------|
| Year Ending<br>June 30, | Interest Rates | Principal        | Interest         | Total            |
|                         | %              | \$               | \$               | \$               |
| 2012                    |                | -                | 78,883           | 78,883           |
| 2013                    | 1.00           | 760,000          | 151,380          | 911,380          |
| 2014                    | 1.20           | 770,000          | 142,960          | 912,960          |
| 2015                    | 1.40           | 535,000          | 134,595          | 669,595          |
| 2016                    | 1.70           | 475,000          | 126,813          | 601,813          |
| 2017-2021               | 2.00-3.25      | 3,100,000        | 519,712          | 3,619,712        |
| 2022-2023               | 3.40-.360      | 1,165,000        | 41,820           | 1,206,820        |
|                         |                | <u>6,805,000</u> | <u>1,196,163</u> | <u>8,001,163</u> |

The District has pledged future statewide sales, services and use tax revenues to repay the \$6,000,000 bonds issued in July 2007 and in June 2011. The 2007 bonds were issued for the purpose of financing a school building addition. The June 2011 bonds were issued to refund the 2007 bonds and to finance school renovations. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 60 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$11,243,596. For the current year, \$1,123,730 of interest and principal was paid on the bonds and total statewide sales, services and use tax revenues were \$1,539,204.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$680,500 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

#### Bond Refunding

On June 28, 2011, the District issued \$6,805,000 of sales tax revenue bonds with interest rates ranging between 1.0% and 3.6%. \$2,160,000 of the issue will be used to refund the outstanding July 2007 revenue bonds with interest rates of 3.9% to 4.0%. The call date for the July 2007 bonds is July 1, 2011. The balance of the June 28, 2011 issue will be used for construction projects.

A dollar value of the savings from the refunding was not calculated.

## 7. Pension and Retirement Benefits

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

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$525,188, \$511,470, and \$473,941 respectively, equal to the required contributions for each year.

## 8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 125 active and 16 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

|                                            |                      |
|--------------------------------------------|----------------------|
|                                            | \$                   |
| Annual required contribution               | 142,000              |
| Interest on net OPEB obligation            | 1,000                |
| Adjustment to annual required contribution | <u>(1,000)</u>       |
| Annual OPEB cost                           | 142,000              |
| Contributions made                         | <u>162,264</u>       |
| Increase in net OPEB obligation            | (20,264)             |
| Net OPEB obligation beginning of year      | <u>33,264</u>        |
| Net OPEB obligation end of year            | <u><u>13,000</u></u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$162,264 to the medical plan. Plan members eligible for benefits contributed \$127,000, or 44% of the premium costs.

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

| <u>Year Ended June 30</u> | <u>Annual OPEB Cost</u><br>\$ | <u>Percentage of Annual OPEB Cost Contributed</u><br>% | <u>Net OPEB Obligation</u><br>\$ |
|---------------------------|-------------------------------|--------------------------------------------------------|----------------------------------|
| 2009                      | 121,000                       | 87%                                                    | 16,000                           |
| 2010                      | 120,264                       | 86%                                                    | 33,264                           |
| 2011                      | 142,000                       | 114%                                                   | 13,000                           |

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$1,640,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,640,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,481,000, and the ratio of the UAAL to covered payroll was 29.9%. As of June 30, 2011, there were no trust fund assets.

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

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

As of the July 1, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Health Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2009 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2009.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

## 9. Risk Management

Clear Lake Community School 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.

## 10. 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 \$583,614 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.

## 11. Lease Commitment

The District entered into a five-year agreement to lease copy machines in fiscal year 2011. The lease is an operating lease. The minimum payments the District will make over the next five years are as follows:

| Year Ended<br>June 30 | Lease<br>Payment |
|-----------------------|------------------|
|                       | \$               |
| 2012                  | 41,844           |
| 2013                  | 41,844           |
| 2014                  | 41,844           |
| 2015                  | 41,844           |
| 2016                  | 38,357           |

During the year ended June 30, 2011 the District paid rents of \$48,487.

## 12. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

| Program                                    | Amount         |
|--------------------------------------------|----------------|
|                                            | \$             |
| Gifted and talented                        | 27,636         |
| Teacher salary supplement                  | 9,665          |
| D'cat. grant                               | 531            |
| Educator quality, professional development | 69,820         |
| Core curriculum                            | 38,056         |
|                                            | <u>145,708</u> |

## 13. Construction Commitment

The District has entered into a \$2,491,000 contract for middle school renovations. As of June 30, 2011 costs of \$126,509 had been incurred against the contract. The balance remaining at June 30, 2011 will be paid as work on the project progresses.

#### 14. Accounting Change/Restatement

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

|                                                                                   | Capital<br>Projects | Special<br>Revenue,<br>Physical Plant<br>and Equipment<br>Levy |
|-----------------------------------------------------------------------------------|---------------------|----------------------------------------------------------------|
|                                                                                   | \$                  | \$                                                             |
| Balances June 30, 2010, as previously reported                                    | 1,714,809           | 641,480                                                        |
| Change in fund type classification per implementation of GASB<br>Statement No. 54 | <u>641,480</u>      | <u>(641,480)</u>                                               |
| Balances July 1, 2010, as restated                                                | <u>2,356,289</u>    | <u>-</u>                                                       |

REQUIRED SUPPLEMENTARY INFORMATION

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison of Revenues, Expenditures/Expenses, and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2011

|                                                                                                          | Governmental<br>Funds Actual | Proprietary<br>Fund Actual | Total Actual             | Budgeted Amounts        |                           | Final to Actual<br>Variance -<br>Positive<br>(Negative) |
|----------------------------------------------------------------------------------------------------------|------------------------------|----------------------------|--------------------------|-------------------------|---------------------------|---------------------------------------------------------|
|                                                                                                          |                              |                            |                          | Original                | Final                     |                                                         |
|                                                                                                          | \$                           | \$                         | \$                       | \$                      | \$                        | \$                                                      |
| Revenues:                                                                                                |                              |                            |                          |                         |                           |                                                         |
| Local sources                                                                                            | 9,757,196                    | 385,080                    | 10,142,276               | 10,252,797              | 10,252,797                | (110,521)                                               |
| State sources                                                                                            | 5,825,368                    | 15,157                     | 5,840,525                | 6,480,126               | 6,480,126                 | (639,601)                                               |
| Federal sources                                                                                          | 644,890                      | 281,304                    | 926,194                  | 730,900                 | 730,900                   | 195,294                                                 |
| Total revenues                                                                                           | <u>16,227,454</u>            | <u>681,541</u>             | <u>16,908,995</u>        | <u>17,463,823</u>       | <u>17,463,823</u>         | <u>(554,828)</u>                                        |
| Expenditures/Expenses:                                                                                   |                              |                            |                          |                         |                           |                                                         |
| Instruction                                                                                              | 9,470,124                    | 29,372                     | 9,499,496                | 9,240,000               | 10,500,000                | 1,000,504                                               |
| Support services                                                                                         | 3,692,390                    | -                          | 3,692,390                | 4,930,000               | 4,930,000                 | 1,237,610                                               |
| Non-instructional programs                                                                               | -                            | 640,523                    | 640,523                  | 805,000                 | 805,000                   | 164,477                                                 |
| Other expenditures                                                                                       | 3,686,935                    | -                          | 3,686,935                | 4,273,567               | 8,433,567                 | 4,746,632                                               |
| Total expenditures/expenses                                                                              | <u>16,849,449</u>            | <u>669,895</u>             | <u>17,519,344</u>        | <u>19,248,567</u>       | <u>24,668,567</u>         | <u>7,149,223</u>                                        |
| Excess (deficiency) of revenues over<br>(under) expenditures/expenses                                    | (621,995)                    | 11,646                     | (610,349)                | (1,784,744)             | (7,204,744)               | 6,594,395                                               |
| Other financing sources net                                                                              | <u>6,794,000</u>             | <u>11,000</u>              | <u>6,805,000</u>         | <u>-</u>                | <u>-</u>                  | <u>6,805,000</u>                                        |
| Excess (deficiency) of revenues and other financing<br>sources (uses) over (under) expenditures/expenses | 6,172,005                    | 22,646                     | 6,194,651                | (1,784,744)             | (7,204,744)               | 13,399,395                                              |
| Balance beginning of year                                                                                | <u>5,230,980</u>             | <u>298,360</u>             | <u>5,529,340</u>         | <u>3,153,949</u>        | <u>3,153,949</u>          | <u>2,375,391</u>                                        |
| Balance end of year                                                                                      | <u><u>11,402,985</u></u>     | <u><u>321,006</u></u>      | <u><u>11,723,991</u></u> | <u><u>1,369,205</u></u> | <u><u>(4,050,795)</u></u> | <u><u>15,774,786</u></u>                                |

CLEAR LAKE 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 Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$5,240,000.

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

| Year Ended<br>June 30, | Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>( a )<br>\$ | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>( b )<br>\$ | Unfunded<br>AAL (UAAL)<br>( b-a )<br>\$ | Funded<br>Ratio<br>( a/b )<br>% | Covered<br>Payroll<br>( c )<br>\$ | UAAL as a<br>Percentage of<br>Covered<br>Payroll<br>( (b-a)/c )<br>% |
|------------------------|--------------------------------|------------------------------------------------|-----------------------------------------------------------|-----------------------------------------|---------------------------------|-----------------------------------|----------------------------------------------------------------------|
| 2009                   | July 1, 2008                   | -                                              | 879,000                                                   | 879,000                                 | 0.0%                            | 5,576,000                         | 15.8%                                                                |
| 2010                   | July 1, 2008                   | -                                              | 879,000                                                   | 879,000                                 | 0.0%                            | 5,063,000                         | 17.4%                                                                |
| 2011                   | July 1, 2009                   | -                                              | 1,640,000                                                 | 1,640,000                               | 0.0%                            | 5,481,000                         | 29.9%                                                                |

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2011

| <b>Assets</b>                              | <u>Special Revenue Funds</u> |                 |                |
|--------------------------------------------|------------------------------|-----------------|----------------|
|                                            | <u>Management</u>            | <u>Student</u>  | <u>Total</u>   |
|                                            | <u>Levy</u>                  | <u>Activity</u> |                |
|                                            | \$                           | \$              | \$             |
| Cash and pooled investments                | 97,260                       | 315,194         | 412,454        |
| Receivables:                               |                              |                 |                |
| Property tax:                              |                              |                 |                |
| Delinquent                                 | 3,422                        | -               | 3,422          |
| Succeeding year                            | 349,999                      | -               | 349,999        |
| Accounts                                   | -                            | 3,156           | 3,156          |
| <b>Total assets</b>                        | <u>450,681</u>               | <u>318,350</u>  | <u>769,031</u> |
| <b>Liabilities &amp; Fund Balances</b>     |                              |                 |                |
| Liabilities:                               |                              |                 |                |
| Accounts payable                           | 1,874                        | 1,749           | 3,623          |
| Deferred revenue:                          |                              |                 |                |
| Succeeding year property tax               | 349,999                      | -               | 349,999        |
| Total liabilities                          | <u>351,873</u>               | <u>1,749</u>    | <u>353,622</u> |
| Fund balances:                             |                              |                 |                |
| Restricted for:                            |                              |                 |                |
| Management levy                            | 98,808                       | -               | 98,808         |
| Student activities                         | -                            | 316,601         | 316,601        |
| Total fund balances                        | <u>98,808</u>                | <u>316,601</u>  | <u>415,409</u> |
| <b>Total liabilities and fund balances</b> | <u>450,681</u>               | <u>318,350</u>  | <u>769,031</u> |

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

|                                              | Special Revenue Funds |                       | Total                 |
|----------------------------------------------|-----------------------|-----------------------|-----------------------|
|                                              | Management<br>Levy    | Student<br>Activity   |                       |
|                                              | \$                    | \$                    | \$                    |
| Revenues:                                    |                       |                       |                       |
| Local sources:                               |                       |                       |                       |
| Local tax                                    | 298,742               | -                     | 298,742               |
| Other                                        | 321                   | 434,506               | 434,827               |
| State sources                                | 148                   | -                     | 148                   |
| Total revenues                               | <u>299,211</u>        | <u>434,506</u>        | <u>733,717</u>        |
| Expenditures:                                |                       |                       |                       |
| Current:                                     |                       |                       |                       |
| Instruction:                                 |                       |                       |                       |
| Regular                                      | 206,447               | -                     | 206,447               |
| Other                                        | -                     | 367,302               | 367,302               |
| Support services:                            |                       |                       |                       |
| Administration                               | 122,825               | -                     | 122,825               |
| Total expenditures                           | <u>329,272</u>        | <u>367,302</u>        | <u>696,574</u>        |
| Net change in fund balances                  | (30,061)              | 67,204                | 37,143                |
| Fund balances beginning of year, as restated | <u>128,869</u>        | <u>249,397</u>        | <u>378,266</u>        |
| Fund balances end of year                    | <u><u>98,808</u></u>  | <u><u>316,601</u></u> | <u><u>415,409</u></u> |

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets  
Nonmajor Enterprise Funds

June 30, 2011

|                                                 | Enterprise Funds                |              |                |
|-------------------------------------------------|---------------------------------|--------------|----------------|
|                                                 | Nonmajor<br>School<br>Nutrition | Preschool    | Total          |
|                                                 | \$                              | \$           | \$             |
| <b>Assets</b>                                   |                                 |              |                |
| Cash and cash equivalents                       | 130,086                         | 3,672        | 133,758        |
| Accounts receivable                             | 950                             | 160          | 1,110          |
| Inventories                                     | 52,131                          | -            | 52,131         |
| Capital assets, net of accumulated depreciation | 184,525                         | -            | 184,525        |
|                                                 | <u>367,692</u>                  | <u>3,832</u> | <u>371,524</u> |
| <b>Total assets</b>                             |                                 |              |                |
| <b>Liabilities</b>                              |                                 |              |                |
| Salaries and benefits payable                   | 34,156                          | 3,318        | 37,474         |
| Deferred revenue                                | 11,411                          | -            | 11,411         |
| Net OPEB liability                              | 1,633                           | -            | 1,633          |
|                                                 | <u>47,200</u>                   | <u>3,318</u> | <u>50,518</u>  |
| <b>Total liabilities</b>                        |                                 |              |                |
| <b>Net assets</b>                               |                                 |              |                |
| Invested in capital assets                      | 184,525                         | -            | 184,525        |
| Unrestricted                                    | 135,967                         | 514          | 136,481        |
|                                                 | <u>320,492</u>                  | <u>514</u>   | <u>321,006</u> |
| <b>Total net assets</b>                         |                                 |              |                |

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets  
Nonmajor Enterprise Funds

Year ended June 30, 2011

|                                        | Enterprise Funds                |           |           |
|----------------------------------------|---------------------------------|-----------|-----------|
|                                        | Nonmajor<br>School<br>Nutrition | Preschool | Total     |
|                                        | \$                              | \$        | \$        |
| Operating revenue:                     |                                 |           |           |
| Local sources:                         |                                 |           |           |
| Charges for service                    | 368,374                         | 16,270    | 384,644   |
| Operating expenses:                    |                                 |           |           |
| Salaries                               | 255,036                         | 18,571    | 273,607   |
| Benefits                               | 45,379                          | 10,083    | 55,462    |
| Purchased services                     | 3,921                           | -         | 3,921     |
| Supplies                               | 303,343                         | 718       | 304,061   |
| Other expenses                         | 9,817                           | -         | 9,817     |
| Depreciation                           | 23,027                          | -         | 23,027    |
| Total operating expenses               | 640,523                         | 29,372    | 669,895   |
| Operating loss                         | (272,149)                       | (13,102)  | (285,251) |
| Non-operating revenues:                |                                 |           |           |
| State sources                          | 15,157                          | -         | 15,157    |
| Federal sources                        | 281,304                         | -         | 281,304   |
| Interest income                        | 276                             | 160       | 436       |
| Total non-operating revenues           | 296,737                         | 160       | 296,897   |
| Changes in net assets before transfers | 24,588                          | (12,942)  | 11,646    |
| Transfer from General Fund             | -                               | 11,000    | 11,000    |
| Change in net assets                   | 24,588                          | (1,942)   | 22,646    |
| Net assets beginning of year           | 295,904                         | 2,456     | 298,360   |
| Net assets end of year                 | 320,492                         | 514       | 321,006   |

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows  
Nonmajor Enterprise Funds

Year ended June 30, 2011

|                                                                                            | Enterprise Funds                |                        |                         |
|--------------------------------------------------------------------------------------------|---------------------------------|------------------------|-------------------------|
|                                                                                            | Nonmajor<br>School<br>Nutrition | Preschool              | Total                   |
|                                                                                            | \$                              | \$                     | \$                      |
| Cash flows from operating activities:                                                      |                                 |                        |                         |
| Cash received from sale of lunches and breakfasts                                          | 366,261                         | -                      | 366,261                 |
| Cash received from preschool services                                                      | -                               | 16,110                 | 16,110                  |
| Cash payments to employees for services                                                    | (296,714)                       | (52,501)               | (349,215)               |
| Cash payments to suppliers for goods or services                                           | (288,266)                       | (730)                  | (288,996)               |
| Net cash used by operating activities                                                      | <u>(218,719)</u>                | <u>(37,121)</u>        | <u>(255,840)</u>        |
| Cash flows from non-capital financing activities:                                          |                                 |                        |                         |
| Transfer from General Fund                                                                 | -                               | 11,000                 | 11,000                  |
| State grants received                                                                      | 15,157                          | -                      | 15,157                  |
| Federal grants received                                                                    | 231,645                         | -                      | 231,645                 |
| Net cash provided by non-capital financing activities                                      | <u>246,802</u>                  | <u>11,000</u>          | <u>257,802</u>          |
| Cash flows from capital and related financing activities                                   | <u>-</u>                        | <u>-</u>               | <u>-</u>                |
| Cash flows from investing activities:                                                      |                                 |                        |                         |
| Interest on investments                                                                    | <u>276</u>                      | <u>160</u>             | <u>436</u>              |
| Net increase (decrease) in cash and cash equivalents                                       | 28,359                          | (25,961)               | 2,398                   |
| Cash and cash equivalents at beginning of year                                             | <u>101,727</u>                  | <u>29,633</u>          | <u>131,360</u>          |
| Cash and cash equivalents at end of year                                                   | <u><u>130,086</u></u>           | <u><u>3,672</u></u>    | <u><u>133,758</u></u>   |
| <b>Reconciliation of operating income (loss) to net cash used by operating activities:</b> |                                 |                        |                         |
| Operating income (loss)                                                                    | (272,149)                       | (13,102)               | (285,251)               |
| Adjustments to reconcile operating income (loss) to net cash used by operating activities: |                                 |                        |                         |
| Commodities used                                                                           | 49,659                          | -                      | 49,659                  |
| Depreciation                                                                               | 23,027                          | -                      | 23,027                  |
| Decrease (increase) in inventories                                                         | (20,844)                        | -                      | (20,844)                |
| Decrease (increase) in accounts receivable                                                 | (614)                           | (160)                  | (774)                   |
| (Decrease) increase in accounts payable                                                    | -                               | (12)                   | (12)                    |
| (Decrease) increase in salaries and benefits payable                                       | 3,863                           | (23,847)               | (19,984)                |
| (Decrease) increase in deferred revenue                                                    | (1,499)                         | -                      | (1,499)                 |
| (Decrease) increase in net OPEB liability                                                  | (162)                           | -                      | (162)                   |
| Net cash used by operating activities                                                      | <u><u>(218,719)</u></u>         | <u><u>(37,121)</u></u> | <u><u>(255,840)</u></u> |

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Capital Project Accounts

June 30, 2011

|                                            | Capital Projects                                     |                                                  |                  |
|--------------------------------------------|------------------------------------------------------|--------------------------------------------------|------------------|
|                                            | Statewide<br>Sales,<br>Services and<br>Use Tax<br>\$ | Physical<br>Plant and<br>Equipment<br>Levy<br>\$ | Total<br>\$      |
| <b>Assets</b>                              |                                                      |                                                  |                  |
| Cash and pooled investments                | 5,441,386                                            | 828,621                                          | 6,270,007        |
| Receivables:                               |                                                      |                                                  |                  |
| Property tax:                              |                                                      |                                                  |                  |
| Delinquent                                 | -                                                    | 6,491                                            | 6,491            |
| Succeeding year                            | -                                                    | 601,312                                          | 601,312          |
| Accounts                                   | -                                                    | 5,302                                            | 5,302            |
| Due from other governments                 | 282,199                                              | -                                                | 282,199          |
| <b>Total assets</b>                        | <b>5,723,585</b>                                     | <b>1,441,726</b>                                 | <b>7,165,311</b> |
| <b>Liabilities &amp; Fund Balances</b>     |                                                      |                                                  |                  |
| Liabilities:                               |                                                      |                                                  |                  |
| Accounts payable                           | 88,755                                               | -                                                | 88,755           |
| Deferred revenue:                          |                                                      |                                                  |                  |
| Succeeding year property tax               | -                                                    | 601,312                                          | 601,312          |
| Total liabilities                          | 88,755                                               | 601,312                                          | 690,067          |
| Fund balances:                             |                                                      |                                                  |                  |
| Restricted for:                            |                                                      |                                                  |                  |
| Debt service                               | 680,500                                              | -                                                | 680,500          |
| School infrastructure                      | 4,954,330                                            | -                                                | 4,954,330        |
| Physical plant and equipment               | -                                                    | 840,414                                          | 840,414          |
| Total fund balances                        | 5,634,830                                            | 840,414                                          | 6,475,244        |
| <b>Total liabilities and fund balances</b> | <b>5,723,585</b>                                     | <b>1,441,726</b>                                 | <b>7,165,311</b> |

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2011

|                                                           | Capital Projects                               |                                            |                         |
|-----------------------------------------------------------|------------------------------------------------|--------------------------------------------|-------------------------|
|                                                           | Statewide<br>Sales,<br>Services and<br>Use Tax | Physical<br>Plant and<br>Equipment<br>Levy | Total                   |
|                                                           | \$                                             | \$                                         | \$                      |
| Revenues:                                                 |                                                |                                            |                         |
| Local sources:                                            |                                                |                                            |                         |
| Local tax                                                 | 1,539,204                                      | 548,536                                    | 2,087,740               |
| Other                                                     | 1,169                                          | 3,036                                      | 4,205                   |
| State sources                                             | -                                              | 260                                        | 260                     |
| Total revenues                                            | <u>1,540,373</u>                               | <u>551,832</u>                             | <u>2,092,205</u>        |
| Expenditures:                                             |                                                |                                            |                         |
| Current:                                                  |                                                |                                            |                         |
| Support services:                                         |                                                |                                            |                         |
| Administration services                                   | -                                              | 40,560                                     | 40,560                  |
| Other expenditures:                                       |                                                |                                            |                         |
| Facilities acquisition                                    | 1,081,607                                      | 312,338                                    | 1,393,945               |
| Long-term debt fiscal charges                             | 39,604                                         | -                                          | 39,604                  |
| Total expenditures                                        | <u>1,121,211</u>                               | <u>352,898</u>                             | <u>1,474,109</u>        |
| Excess (deficiency) of revenues over (under) expenditures | <u>419,162</u>                                 | <u>198,934</u>                             | <u>618,096</u>          |
| Other financing sources (uses):                           |                                                |                                            |                         |
| Bonds issued                                              | 6,805,000                                      | -                                          | 6,805,000               |
| Operating transfers out                                   | (3,304,141)                                    | -                                          | (3,304,141)             |
| Total other financing sources (uses)                      | <u>3,500,859</u>                               | <u>-</u>                                   | <u>3,500,859</u>        |
| Net change in fund balance                                | 3,920,021                                      | 198,934                                    | 4,118,955               |
| Fund balances beginning of year, as restated              | <u>1,714,809</u>                               | <u>641,480</u>                             | <u>2,356,289</u>        |
| Fund balance end of year                                  | <u><u>5,634,830</u></u>                        | <u><u>840,414</u></u>                      | <u><u>6,475,244</u></u> |

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

| <u>Account</u>          | Balance<br>Beginning of<br>Year | Revenues | Expenditures | Intra-Fund<br>Transfers | Balance End<br>of Year |
|-------------------------|---------------------------------|----------|--------------|-------------------------|------------------------|
|                         | \$                              | \$       | \$           | \$                      | \$                     |
| Activity tickets        | -                               | 13,655   | -            | (13,655)                | -                      |
| American field service  | 879                             | -        | -            | -                       | 879                    |
| Athletic towel          | -                               | 564      | 261          | (303)                   | -                      |
| Athletics concessions   | -                               | 18,972   | 13,241       | (5,731)                 | -                      |
| Academic exe.           | 2,495                           | 3,900    | 3,325        | -                       | 3,070                  |
| Band                    | -                               | 2,872    | 4,737        | 1,865                   | -                      |
| Band trip               | -                               | 12,426   | 6,757        | -                       | 5,669                  |
| Band uniforms           | -                               | 7,787    | 4,064        | -                       | 3,723                  |
| Baseball                | -                               | 6,550    | 11,477       | 4,927                   | -                      |
| Baseball concession     | -                               | 1,019    | 352          | -                       | 667                    |
| Baseball camp           | 7,615                           | 11,560   | 12,051       | -                       | 7,124                  |
| Boys basketball         | -                               | 5,755    | 4,214        | (1,541)                 | -                      |
| Boys basketball camp    | 2,396                           | 6,610    | 8,177        | -                       | 829                    |
| Boys golf               | -                               | 451      | 1,605        | 1,154                   | -                      |
| Boys golf camp          | 278                             | 5,335    | 4,306        | -                       | 1,307                  |
| Boys soccer camp        | 1,767                           | 4,304    | 3,974        | -                       | 2,097                  |
| Boys tennis             | -                               | 95       | 44           | (51)                    | -                      |
| Boys tennis camp        | 315                             | 436      | 522          | -                       | 229                    |
| Boys track              | -                               | 3,467    | 1,901        | (1,566)                 | -                      |
| Boys track camp         | 176                             | 75       | 299          | 48                      | -                      |
| Central band fund       | -                               | 122      | -            | (122)                   | -                      |
| Central book fair       | 57                              | 3,661    | 3,500        | 651                     | 869                    |
| Clear Creek building    | (55)                            | 12,343   | 6,701        | 7,671                   | 13,258                 |
| Cheerleading            | -                               | 125      | 537          | 412                     | -                      |
| Cheerleading camp fund  | 12,416                          | 6,584    | 9,466        | -                       | 9,534                  |
| Clear Creek playground  | 5,724                           | 38,416   | 5,244        | -                       | 38,896                 |
| Clear Creek vocal music | -                               | 1,564    | 974          | 750                     | 1,340                  |
| Cross country           | -                               | 900      | 702          | (198)                   | -                      |
| Cross country camp      | 1,400                           | 1,811    | 2,200        | -                       | 1,011                  |
| Dance team              | 6,220                           | 21,747   | 18,665       | -                       | 9,302                  |
| Drum & bugle            | 8,300                           | -        | -            | (8,300)                 | -                      |
| Excel                   | 2,630                           | 75       | 259          | -                       | 2,446                  |
| Football                | -                               | 25,797   | 19,237       | (6,560)                 | -                      |
| Football camp           | 486                             | 28,600   | 21,830       | -                       | 7,256                  |
| French camp             | 50                              | -        | -            | -                       | 50                     |
| French trip             | -                               | 1,679    | 1,770        | 91                      | -                      |
| Misc.                   | -                               | -        | -            | 51                      | 51                     |
| General athletics       | 122,376                         | 25,926   | 27,382       | 21,952                  | 142,872                |
| Girls basketball        | -                               | 6,542    | 6,550        | 8                       | -                      |
| Girls basketball camp   | 4,723                           | 13,349   | 14,702       | -                       | 3,370                  |
| Girls golf              | -                               | 703      | 2,370        | 1,667                   | -                      |
| Girls golf camp         | 442                             | 6,230    | 4,401        | -                       | 2,271                  |
| Girls soccer            | -                               | 1,776    | 3,086        | 1,370                   | 60                     |
| Girls soccer camp       | 1,222                           | 3,028    | 3,322        | -                       | 928                    |

See accompanying independent auditor's report.

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

| Account                     | Balance              | Revenues | Expenditures | Intra-Fund<br>Transfers | Balance End |
|-----------------------------|----------------------|----------|--------------|-------------------------|-------------|
|                             | Beginning of<br>Year |          |              |                         | of Year     |
|                             | \$                   | \$       | \$           | \$                      | \$          |
| Girls tennis                | -                    | -        | 44           | 44                      | -           |
| Girls tennis camp           | 90                   | 2,617    | 1,900        | -                       | 807         |
| Girls track                 | -                    | 3,514    | 1,846        | (1,668)                 | -           |
| Girls track camp            | 264                  | 2,587    | 2,260        | -                       | 591         |
| Hall of pride               | 567                  | -        | -            | -                       | 567         |
| HS building                 | 2,911                | 5,468    | 8,400        | 21                      | -           |
| Interest                    | -                    | 1,323    | -            | (1,323)                 | -           |
| JH athletics                | -                    | -        | 7,859        | 7,859                   | -           |
| JH band                     | -                    | 1,443    | 1,452        | 9                       | -           |
| JH building                 | 4,042                | 5,878    | 5,031        | -                       | 4,889       |
| Jump rope for heart         | 736                  | -        | -            | -                       | 736         |
| Magazine campaign           | 3,108                | 16,204   | 9,877        | (7,868)                 | 1,567       |
| Middle school art club      | 178                  | -        | -            | -                       | 178         |
| Model United Nations        | 94                   | 14,072   | 13,723       | -                       | 443         |
| Musical                     | -                    | 7,822    | 6,065        | (1,757)                 | -           |
| National Honor Society      | -                    | 375      | 846          | 471                     | -           |
| Outdoor classroom fund      | 3,991                | -        | -            | -                       | 3,991       |
| Primary book fair           | 651                  | -        | -            | (651)                   | -           |
| Prom                        | 9,721                | 3,890    | 2,201        | -                       | 11,410      |
| Soccer                      | -                    | 2,331    | 2,115        | (41)                    | 175         |
| Softball                    | -                    | 4,145    | 5,325        | 1,180                   | -           |
| Softball resale             | -                    | 3,209    | 2,319        | (890)                   | -           |
| Softball camp               | 4,425                | 930      | 1,735        | -                       | 3,620       |
| Spanish club                | 1,144                | 1,260    | 1,352        | -                       | 1,052       |
| Speech                      | -                    | 300      | 1,254        | 954                     | -           |
| Student council             | 6,091                | 3,515    | 2,181        | -                       | 7,425       |
| Sunset building             | 1,964                | -        | -            | -                       | 1,964       |
| Tour of homes               | 342                  | 5,890    | 5,885        | -                       | 347         |
| Tim Tjaden fund             | 260                  | 240      | -            | -                       | 500         |
| Values for youth today fund | 897                  | -        | -            | -                       | 897         |
| Vocal                       | -                    | 1,653    | 2,760        | 1,107                   | -           |
| Vocal music trip            | 1,628                | 175      | 1,227        | -                       | 576         |
| Volleyball                  | -                    | 4,179    | 2,926        | (1,253)                 | -           |
| Volleyball camp             | 2,967                | 3,589    | 5,291        | -                       | 1,265       |
| Washington D.C. trip        | 1,725                | -        | -            | -                       | 1,725       |
| Wrestling                   | -                    | 5,201    | 4,417        | (784)                   | -           |
| Wrestling camp              | 694                  | 6,740    | 6,485        | -                       | 949         |
| Yearbook                    | 18,995               | 19,145   | 26,321       | -                       | 11,819      |
| Totals                      | 249,397              | 434,506  | 367,302      | -                       | 316,601     |

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

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

For the Last Nine Years

|                            | Modified Accrual Basis |                   |                   |                   |                   |                   |                   |                   |                   |
|----------------------------|------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                            | 2011                   | 2010              | 2009              | 2008              | 2007              | 2006              | 2005              | 2004              | 2003              |
|                            | \$                     | \$                | \$                | \$                | \$                | \$                | \$                | \$                | \$                |
| Revenues:                  |                        |                   |                   |                   |                   |                   |                   |                   |                   |
| Local sources:             |                        |                   |                   |                   |                   |                   |                   |                   |                   |
| Local tax                  | 8,226,582              | 7,946,850         | 7,803,193         | 7,694,208         | 7,378,752         | 7,085,360         | 7,102,629         | 6,517,071         | 5,171,246         |
| Tuition                    | 911,346                | 953,917           | 917,792           | 899,344           | 777,788           | 653,066           | 551,059           | 578,747           | 505,203           |
| Other                      | 619,268                | 684,091           | 719,205           | 1,074,227         | 774,109           | 656,568           | 538,311           | 597,615           | 535,384           |
| Intermediate sources       | -                      | -                 | -                 | -                 | 38                | -                 | -                 | -                 | -                 |
| State sources              | 5,825,368              | 5,125,710         | 5,943,499         | 5,927,369         | 5,587,891         | 5,648,453         | 5,497,907         | 5,583,902         | 5,649,892         |
| Federal sources            | 644,890                | 1,044,094         | 370,025           | 251,805           | 278,400           | 342,766           | 430,622           | 1,170,412         | 319,330           |
| Total revenues             | <u>16,227,454</u>      | <u>15,754,662</u> | <u>15,753,714</u> | <u>15,846,953</u> | <u>14,796,978</u> | <u>14,386,213</u> | <u>14,120,528</u> | <u>14,447,747</u> | <u>12,181,055</u> |
| Expenditures:              |                        |                   |                   |                   |                   |                   |                   |                   |                   |
| Instruction:               |                        |                   |                   |                   |                   |                   |                   |                   |                   |
| Regular                    | 5,842,983              | 5,640,992         | 5,755,896         | 5,405,018         | 5,181,318         | 5,080,574         | 5,350,921         | 5,103,892         | 5,026,884         |
| Special                    | 1,701,840              | 1,674,586         | 1,701,711         | 1,799,576         | 1,666,542         | 1,629,080         | 1,606,248         | 1,669,377         | 1,686,325         |
| Other                      | 1,925,301              | 1,635,168         | 1,186,040         | 1,138,333         | 1,062,331         | 1,126,853         | 767,184           | 827,780           | 706,396           |
| Support services:          |                        |                   |                   |                   |                   |                   |                   |                   |                   |
| Student                    | 116,018                | 191,203           | 269,037           | 270,689           | 302,002           | 296,249           | 350,707           | 352,392           | 369,823           |
| Instructional staff        | 531,809                | 533,631           | 463,790           | 456,067           | 431,875           | 430,435           | 408,423           | 351,026           | 352,696           |
| Administration             | 1,275,096              | 1,376,261         | 1,338,533         | 1,565,650         | 1,303,975         | 1,313,135         | 1,185,912         | 1,252,502         | 1,135,896         |
| Operation and maintenance  | 1,311,305              | 1,332,685         | 1,415,805         | 1,291,820         | 1,273,033         | 1,275,457         | 1,209,981         | 1,084,470         | 1,053,541         |
| Transportation             | 458,162                | 483,599           | 575,635           | 572,557           | 581,832           | 412,492           | 481,040           | 354,789           | 339,116           |
| Non-instructional programs | -                      | 10,821            | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Other expenditures:        |                        |                   |                   |                   |                   |                   |                   |                   |                   |
| Facilities acquisition     | 1,393,945              | 582,086           | 1,842,399         | 4,174,670         | 1,754,063         | 769,713           | 876,919           | 3,235,345         | 380,860           |
| Long-term debt:            |                        |                   |                   |                   |                   |                   |                   |                   |                   |
| Principal                  | 1,470,000              | 4,345,000         | 1,295,000         | 375,000           | 355,000           | 810,000           | 995,000           | 300,000           | 285,000           |
| Interest and other charges | 239,376                | 355,998           | 410,285           | 329,479           | 230,430           | 250,854           | 282,548           | 289,799           | 301,206           |
| AEA flowthrough            | 583,614                | 585,313           | 489,800           | 470,073           | 446,342           | 429,501           | 426,920           | 433,697           | 447,475           |
| Total expenditures         | <u>16,849,449</u>      | <u>18,747,343</u> | <u>16,743,931</u> | <u>17,848,932</u> | <u>14,588,743</u> | <u>13,824,343</u> | <u>13,941,803</u> | <u>15,255,069</u> | <u>12,085,218</u> |

See accompanying independent auditor's report.

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

| <u>Grantor/Program</u>                                                                  | <u>CFDA<br/>Number</u> | <u>Grant<br/>Number</u> | <u>Expenditures<br/>\$</u> |
|-----------------------------------------------------------------------------------------|------------------------|-------------------------|----------------------------|
| Indirect:                                                                               |                        |                         |                            |
| U.S. Department of Agriculture:                                                         |                        |                         |                            |
| Iowa Department of Education:                                                           |                        |                         |                            |
| School Nutrition Cluster Programs:                                                      |                        |                         |                            |
| School Breakfast Program                                                                | 10.553                 | FY11                    | 34,802                     |
| National School Lunch Program (non-cash)                                                | 10.555                 | FY11                    | 49,659                     |
| National School Lunch Program                                                           | 10.555                 | FY11                    | 196,843                    |
|                                                                                         |                        |                         | <u>281,304</u>             |
| U.S. Department of Education:                                                           |                        |                         |                            |
| Iowa Department of Education:                                                           |                        |                         |                            |
| Title I, Part A Cluster:                                                                |                        |                         |                            |
| Title I Grants to Local Educational Agencies                                            | 84.010                 | FY11                    | 140,879                    |
| ARRA - Title I Grants to Local Educational Agencies, Recovery Act                       | 84.389                 | FY11                    | 43,519                     |
|                                                                                         |                        |                         | <u>184,398</u>             |
| Special Education - Preschool Grants                                                    | 84.173                 | FY11                    | 2,521 *                    |
| Safe and Drug Free Schools and Communities - State Grants                               | 84.186                 | FY11                    | 637                        |
| Parental Information and Resource Centers                                               | 84.310                 | FY11                    | 1,500                      |
| Improving Teacher Quality State Grants                                                  | 84.367                 | FY11                    | 52,603                     |
| Grants for State Assessments and Related Activities                                     | 84.369                 | FY11                    | 8,652                      |
| State Fiscal Stabilization Fund Cluster:                                                |                        |                         |                            |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants,<br>Recovery Act | 84.394                 | FY11                    | 67,704                     |
| ARRA - State Fiscal Stabilization Fund - Government Services,<br>Recovery Act           | 84.397                 | FY11                    | 60,389                     |
|                                                                                         |                        |                         | <u>128,093</u>             |
| Education Jobs Fund                                                                     | 84.410                 | FY11                    | 102,904                    |
| Area Education Agency #267:                                                             |                        |                         |                            |
| Special Education - Grants to States                                                    | 84.027                 | FY11                    | 68,576 *                   |
| ARRA - Special Education Grants to States, Recovery Act                                 | 84.391                 | FY11                    | 87,319 *                   |
| Mason City Community School District:                                                   |                        |                         |                            |
| Career and Technical Education - Basic Grants to States                                 | 84.048                 | FY11                    | 7,687                      |
|                                                                                         |                        |                         | <u>926,194</u>             |

\* Total for Special Education Cluster (IDEA) is \$158,416

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Clear Lake Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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  
Clear Lake 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 Clear Lake 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 February 16, 2012. We did not issue an opinion on the Clear Lake Community School Foundation, which is included as a discretely presented component unit, because we were not engaged to and did not audit the Foundation. 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 Clear Lake Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clear Lake Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clear Lake 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 and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 11-II-A, 11-II-B and 11-II-C to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clear Lake 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 IV of the accompanying Schedule of Findings and Questioned Costs.

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.

Clear Lake Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Clear Lake 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 Clear Lake Community School District and other parties to whom Clear Lake 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 Clear Lake 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.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

February 16, 2012

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Independent Auditor's Report on Compliance with Requirements That Could Have a Direct  
and Material Effect on Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Board of Education of  
Clear Lake Community School District:

Compliance

We have audited Clear Lake Community School District's compliance with the types of compliance requirements described in the (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Clear Lake Community School District's major federal programs for the year ended June 30, 2011. Clear Lake Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Clear Lake Community School District's management. Our responsibility is to express an opinion on Clear Lake Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clear Lake Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Clear Lake Community School District's compliance with those requirements.

In our opinion, Clear Lake Community School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

Management of Clear Lake Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Clear Lake Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Clear Lake Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in Part III of the accompanying Schedule of Findings and Questioned Costs as item 11-III-A to be a material weakness.

Clear Lake Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Clear Lake Community School District's response and, accordingly, we express no opinion on the response.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Clear Lake Community School District and other parties to whom Clear Lake 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.

BURTON E. TRACY & CO., P.C.  
Certified Public Accountants

February 16, 2012

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 20, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information. The discretely presented component unit was not audited and no opinion was issued on it.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Title I Part A Cluster
    - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
    - CFDA Number 84.389 – ARRA – Title I Grants to Local Educational Agencies, Recovery Act
  - State Fiscal Stabilization Fund Cluster
    - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
    - CFDA Number 84.397 – ARRA State Fiscal Stabilization Fund – Government Services, Recovery act
  - Special Education Cluster (IDEA)
    - CFDA Number 84.027 – Special Education – Grants to States
    - CFDA Number 84.173 – Special Education – Preschool Grants
    - CFDA Number 84.391 – ARRA - Special Education Grants to States, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Clear Lake Community School District did not qualify as a low-risk auditee.

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 20, 2011

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

11-II-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, controlling signature stamps, processing payroll, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

11-II-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

11-II-C Financial Reporting: During the audit, we identified material amounts of transactions in scholarship investment accounts that were not recorded in the District's financial records. We also noted material construction accounts payable that were not recorded and a material overstatement of property tax receivables. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 20, 2011

Part II: Findings Related to the Financial Statements (continued):

Recommendation: The District should implement procedures to ensure all investment transactions and payables are identified and included in the District's financial statements.

The District should also develop procedures to review receivable amounts for reasonableness.

District Response: We will develop procedures to ensure that all investment and accounts payable are included in the financial statements. We will also develop financial statement review procedures.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 20, 2011

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance:

No matters were reported.

Internal Control Deficiencies:

CFDA Number 84.010: Title I Grants to Local Educational Agencies  
CFDA Number 84.389: ARRA – Title I Grants to Local Educational Agencies, Recovery Act  
Federal Award Year: 2011  
U.S. Department of Education  
Passed through the Iowa Department of Education

CFDA Number 84.027: Special Education – Grants to States  
CFDA Number 84.173: Special Education – Preschool Grants  
CFDA Number 84.391: ARRA – Special Education Grants to States, Recovery Act  
Federal Award Year: 2011  
U.S. Department of Education  
Passed through Area Education Agency #267 and Iowa Department of Education

CFDA Number 84.394: ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act  
CFDA Number 84.397: ARRA – State Fiscal Stabilization Fund – Government Services, Recovery Act  
Federal Award Year: 2011  
U.S. Department of Education  
Passed through the Iowa Department of Education

11-III-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control over compliance through the segregation of duties and responsibilities, such as processing federal program payroll, preparing and posting general journal entries, and preparing and approving federal reports. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 20, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

11-IV-A Certified Budget: Expenditures for the year ended June 30, 2011 did not exceed the certified budget amounts.

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

11-IV-C Travel Expenses: 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.

11-IV-D Business Transactions: No transactions between the District and District officials or employees were noted.

11-IV-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.

11-IV-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.

11-IV-G Certified Enrollment: The number of resident students reported to the Iowa Department of Education at October 2010, was overstated by three students.

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

District Response: We have contacted these departments.

Conclusion: Response accepted.

11-IV-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.

11-IV-I Deposits and Investments: The type of investments that a school may have is limited by the Code of Iowa and the District's investment policy. However, the District may accept gifts of stocks or bonds. The District purchased a municipal bond issued by a college and a municipal bond issued by the State of South Dakota. These investments do not appear to be allowable.

Recommendation: The District should consult with its attorney to determine if the District is in compliance with the Code of Iowa in regard to these investments.

District Response: We will contact our attorney to determine if there should be changes in the way the investment is being handled.

Conclusion: Response accepted.

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 20, 2011

Part IV: Other Findings Related to Required Statutory Reporting (continued):

- 11-IV-J Certified Annual Report (CAR): The CAR was certified to the Iowa Department of Education timely.
- 11-IV-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 11-IV-L 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 revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the following information includes the amounts reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2011 audit:

|                                               |                  |                         |
|-----------------------------------------------|------------------|-------------------------|
|                                               | \$               | \$                      |
| Beginning balance                             |                  | 1,714,809               |
| Revenues/transfers in:                        |                  |                         |
| Statewide sales, services and use tax revenue | 1,539,204        |                         |
| Interest                                      | 1,169            |                         |
| Revenue bonds issued                          | <u>6,805,000</u> | 8,345,373               |
| Expenditures/transfers out:                   |                  |                         |
| School infrastructure construction            | 1,081,607        |                         |
| Other                                         | 39,604           |                         |
| Transfers to debt service fund                | <u>3,304,141</u> | <u>4,425,352</u>        |
| Ending balance                                |                  | <u><u>5,634,830</u></u> |

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E of 423F of the Code of Iowa:

|                   |                                                                     |                                       |
|-------------------|---------------------------------------------------------------------|---------------------------------------|
|                   | Rate of Levy<br>Reduction<br>Per \$1,000 of<br>Taxable<br>Valuation | Property<br>Tax<br>Dollars<br>Reduced |
|                   | <u>\$</u>                                                           | <u>\$</u>                             |
| Debt service Levy | .9615                                                               | 546,042                               |

- 11-IV-M Reclassification of Student Activity Fund Accounts: The Student Activity Fund is to be used to account for extracurricular student activities, clubs and organizations. Each account within the Student Activity Fund should be for a specific extra-curricular club, activity, or organization. We noted miscellaneous building accounts and playground accounts in Student Activity Fund that do not appear to be student activities or clubs.

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 20, 2011

Part IV: Other Findings Related to Required Statutory Reporting (continued):

Recommendation: We recommend these accounts be reviewed and transferred to the proper fund.

District Response: We will review the accounts and make any necessary adjustments.

Conclusion: Response accepted.

11-IV-N Signatures on Checks: All District checks are to be signed by the Board President and Board Secretary. The Board may designate another individual to sign for the Board President.

We noted that checks for a scholarship fund are signed by a bank employee.

Recommendation: The District should revise its check signing procedures. All checks should be signed by the board secretary and the board president, or person appointed by the board to sign for the board president.

District Response: We will review our procedures and make any changes necessary to be in compliance with Iowa law.

Conclusion: Response accepted.

11-IV-O Construction Contract Change Orders: We noted that the Board of Directors did not approve change orders.

Recommendation: All contract changes should be approved by the Board and documented in the minutes.

District Response: All future contract changes will be documented in the minutes.

Conclusion: Response accepted.

11-IV-P Transfers to Preschool Fund: The District runs a preschool for three year old children. The District charges a fee for preschool services, however, revenues are not always enough to cover the preschool expenses. During fiscal year 2011 the District transferred \$11,000 from the General Fund to the Enterprise, Preschool Fund to cover the fiscal year 2011 deficit. The Iowa Department of Education has issued an opinion that General Fund money may not be used to support preschool programs for children not eligible for the statewide voluntary four-year-old preschool program. Other preschool programs must be supported with fees, grants and donations.

Recommendation: The District should discuss this issue with its attorney.

District Response: We have discussed this with our attorney.

Conclusion: Response accepted.