

**CLEAR LAKE COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012**

Table of Contents

Board of Education and School District Officials	1
Independent Auditor’s Report	2-3
Management’s Discussion and Analysis (MD&A)	4-13
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	14
Statement of Activities.....	15
Governmental Fund Financial Statements	
Balance Sheet.....	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets ...	17
Statement of Revenue, Expenditures and Changes in Fund Balances.....	18
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statements of Activities.....	19
Proprietary Fund Financial Statements	
Statement of Net Assets	20
Statement of Revenue, Expenses and Changes in Fund Net Assets	21
Statement of Cash Flows	22
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets	23
Statement of Changes in Fiduciary Net Assets	24
Notes to the Financial Statements	25-40
Required Supplementary Information	
Schedule of Budgetary Comparison of Revenue, Expenditures/Expenses and Changes in Balances - Budget to Actual - All Governmental Funds and Proprietary Fund	41
Schedule of Funding Progress for the Retiree Health Plan	42
Supplementary Information	
Nonmajor Governmental Funds	
Combining Balance Sheet.....	43
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances	44
Nonmajor Proprietary Funds	
Combining Schedule of Net Assets	45
Combining Schedule of Revenue, Expenses and Changes in Fund Net Assets.....	46
Combining Schedule of Cash Flows.....	47
Capital Projects Accounts	
Combining Balance Sheet.....	48
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances	49
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	50-51
Schedule of Revenue By Source and Expenditures By Function - All Governmental Fund Types (Modified Accrual Basis).....	52
Schedule of Expenditures of Federal Awards	53
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	54-55
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	56-57
Schedule of Findings and Questioned Costs	58-63

Introductory Section

Board of Education and School District Officials

As of June 30, 2012

Name	Title	Term Expires
Board of Education (Before September, 2011 Election)		
Tom Lovell	President	September, 2011
Deb Betz	Vice President	September, 2011
Ron Andrews	Board Member	September, 2011
Sandy Christ	Board Member	September, 2013
Mark Tesar	Board Member	September, 2013
 (After September, 2011 Election)		
Deb Betz	President	September, 2015
Mark Tesar	Vice President	September, 2013
Sandy Christ	Board Member	September, 2013
Chad Kuhlert	Board Member	September, 2015
Jill Wilhelm	Board Member	September, 2015
 Officials		
Dr. Anita Micich	Superintendent	Indefinite
Lorna Leerar	District Secretary/Treasurer	Indefinite

Financial Section

Independent Auditor's Report

Board of Education
Clear Lake Community School District
Clear Lake, Iowa

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, 2012, which along with the discretely presented component unit collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 auditing standards generally accepted in the United States of America 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 (Foundation) have not been audited, and we were not engaged to audit the Foundation's financial statements as part of our audit of the District's basic financial statements. The Foundation's financial activities are included in the District's basic financial statements as a discretely presented component unit and represent 100% of the assets, net assets and revenue, respectively, of the District's aggregate discretely presented component units.

Because the Foundation's financial statements have not been audited, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the discretely presented component unit of the Clear Lake Community School District as of and for the year ended June 30, 2012.

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 as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 18, 2013 on our consideration of Clear Lake Community School District's internal control over financial reporting and on 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, the budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 4 through 13, 41 and 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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. The financial statements for the nine years ended June 30, 2011 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the second paragraph of this report who expressed unqualified opinions on those financial statements. The supplementary information on pages 43 through 53, including the schedule of expenditures of federal awards required by the 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

HOGAN - HANSEN

HOGAN - HANSEN

Clear Lake, Iowa
March 18, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- General Fund revenue increased from \$13,397,073 in fiscal 2011 to \$13,648,166 in fiscal 2012, and General Fund expenditures decreased from \$12,986,581 in fiscal 2011 to \$12,975,330 in fiscal 2012. This resulted in an increase in the General Fund balance from \$1,025,601 in fiscal 2011 to \$1,795,226 in fiscal 2012.
- The increase in General Fund revenue of \$251,093 was attributable to increases in state funding. The decrease in expenditures was due primarily to budget cuts.

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 the District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the schedule of funding progress for the retiree health plan.

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the schedule of expenditures of federal awards provides details of various federal programs benefiting the District.

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

FIGURE A-1
CLEAR LAKE COMMUNITY SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT

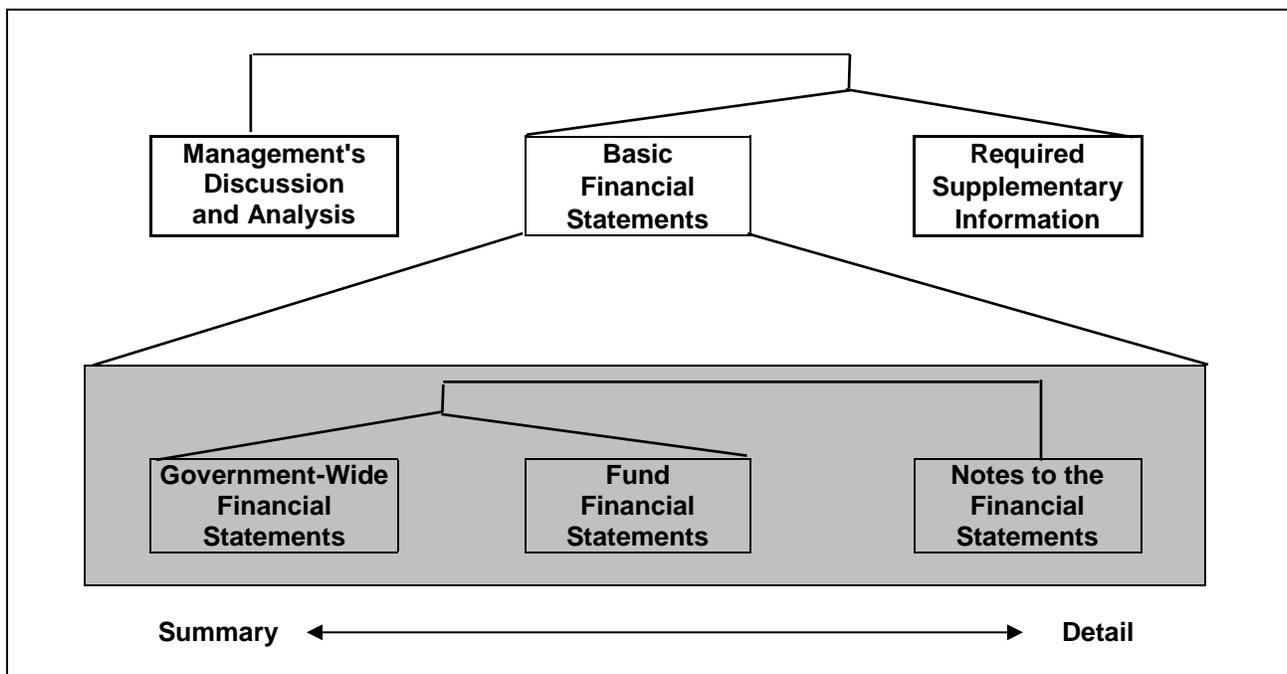


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

FIGURE A-2				
MAJOR FEATURES OF THE GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS				
	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses, such as food services and three-year-old preschool	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statements of revenue, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenue, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue 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 revenue 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 revenue 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 nonfinancial 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 Nutrition Fund and Preschool Fund are 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 or 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 demonstrate it is properly using certain revenue, such as federal grants.

The District has three kinds of funds:

- **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, the Debt Service Fund and the Capital Projects Fund.

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

- *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 Preschool Fund.

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

- *Fiduciary Funds:* The District serves as the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust.
 - Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

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

The required financial statements for fiduciary funds include a statement of fiduciary net 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 as of June 30, 2012 compared to June 30, 2011.

**FIGURE A-3
CONDENSED STATEMENT OF NET ASSETS**

	Governmental Activities June 30,		Business- Type Activities June 30,		Total District June 30,		Total Change June 30, 2011-2012
	2012	2011	2012	2011 (As Restated)	2012	2011	
Current and other assets	\$ 16,879,577	\$ 20,540,153	\$ 199,706	\$ 186,999	\$ 17,079,283	\$ 20,727,152	(17.6)%
Capital assets	<u>18,829,037</u>	<u>16,420,702</u>	<u>204,844</u>	<u>231,682</u>	<u>19,033,881</u>	<u>16,652,384</u>	<u>14.3</u>
Total Assets	<u>35,708,614</u>	<u>36,960,855</u>	<u>404,550</u>	<u>418,681</u>	<u>36,113,164</u>	<u>37,379,536</u>	<u>(3.4)</u>
Long-term liabilities	9,223,007	12,901,032	—	1,633	9,223,007	12,902,665	(28.5)
Other liabilities	<u>9,129,875</u>	<u>8,728,073</u>	<u>56,886</u>	<u>48,885</u>	<u>9,186,761</u>	<u>8,776,958</u>	<u>4.7</u>
Total Liabilities	<u>18,352,882</u>	<u>21,629,105</u>	<u>56,886</u>	<u>50,518</u>	<u>18,409,768</u>	<u>21,679,623</u>	<u>(15.1)</u>
Net Assets							
Invested in capital assets, net of related debt	9,984,037	10,710,702	204,844	231,682	10,188,881	10,942,384	(6.9)
Restricted	5,634,445	3,548,311	—	—	5,634,445	3,548,311	58.8
Unrestricted	<u>1,737,250</u>	<u>1,072,737</u>	<u>142,820</u>	<u>136,481</u>	<u>1,880,070</u>	<u>1,209,218</u>	<u>55.5</u>
Total Net Assets	<u>\$ 17,355,732</u>	<u>\$ 15,331,750</u>	<u>\$ 347,664</u>	<u>\$ 368,163</u>	<u>\$ 17,703,396</u>	<u>\$ 15,699,913</u>	<u>12.8%</u>

The District's combined net assets increased \$2,003,483, over the prior year. The largest portion of the District's net assets are 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 resources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by \$2,086,134 over the prior period.

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 by \$670,852.

Figure A-4 shows the changes in net assets for the year ended June 30, 2012 as compared to the year ended June 30, 2011.

**FIGURE A-4
CHANGES IN NET ASSETS**

	<u>Governmental Activities June 30,</u>		<u>Business- Type Activities June 30,</u>		<u>Total District June 30,</u>		<u>Total Change 2011-2012</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011 (As Restated)</u>	<u>2012</u>	<u>2011</u>	
Revenue							
Program Revenue							
Charges for service	\$ 1,673,760	\$ 1,513,074	\$ 413,324	\$ 384,644	\$ 2,087,084	\$ 1,897,718	10.0%
Operating grants and contributions	2,110,319	2,376,792	281,695	296,461	2,392,014	2,673,253	(10.5)
General Revenue							
Property tax	6,855,830	6,257,526	—	—	6,855,830	6,257,526	9.6
Income surtax	442,222	434,194	—	—	442,222	434,194	1.8
Statewide sales, services and use tax	1,764,661	1,539,204	—	—	1,764,661	1,539,204	14.6
Unrestricted state grants	4,624,414	4,097,925	—	—	4,624,414	4,097,925	12.8
Unrestricted investment earnings	37,426	13,081	599	436	38,025	13,517	181.3
Total Revenue	<u>17,508,632</u>	<u>16,231,796</u>	<u>695,618</u>	<u>681,541</u>	<u>18,204,250</u>	<u>16,913,337</u>	<u>7.6</u>
Expenses							
Instruction	9,886,261	9,534,890	—	—	9,886,261	9,534,890	3.7
Support services	4,409,442	3,808,818	—	—	4,409,442	3,808,818	15.8
Noninstructional programs	—	—	716,117	622,738	716,117	622,738	15.0
Other expenditures	1,188,947	1,299,727	—	—	1,188,947	1,299,727	(8.5)
Total Expenses	<u>15,484,650</u>	<u>14,643,435</u>	<u>716,117</u>	<u>622,738</u>	<u>16,200,767</u>	<u>15,266,173</u>	<u>6.1</u>
Change in Net Assets Before Transfers	2,023,982	1,588,361	(20,499)	58,803	2,003,483	1,647,164	21.6
Transfers	—	(11,000)	—	11,000	—	—	0.0
Change in Net Assets	2,023,982	1,577,361	(20,499)	69,803	2,003,483	1,647,164	21.6
Net Assets - Beginning of Year, as Restated							
	15,331,750	13,754,389	368,163	298,360	15,699,913	14,052,749	11.7
Net Assets - End of Year	<u>\$ 17,355,732</u>	<u>\$ 15,331,750</u>	<u>\$ 347,664</u>	<u>\$ 368,163</u>	<u>\$ 17,703,396</u>	<u>\$ 15,699,913</u>	<u>12.8%</u>

In fiscal year 2012, property tax, income surtax and unrestricted state grants accounted for 68.1% of the District's governmental activities revenue while charges for service and operating grants and contributions accounted for 99.9% of business-type activities revenue. The District's expenses primarily relate to instruction and support services, which account for 92.3% of the governmental activities expenses.

As shown in Figure A-4, the District as a whole experienced a 7.6% increase in revenue and a 6.1% increase in expenses. The increase in revenue is primarily due to an increase in property tax and unrestricted state grants and the increase in expenses can be attributed to the middle school project.

Governmental Activities

Revenue for governmental activities was \$17,508,632 and expenses were \$15,484,650 for the year ended June 30, 2012.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, noninstructional programs and other expenses for the year ended June 30, 2012 compared to the year ended June 30, 2011.

**FIGURE A-5
TOTAL AND NET COST OF GOVERNMENTAL ACTIVITIES**

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	2012	2011	Total Change 2011-2012	2012	2011	Total Change 2011-2012
Instruction	\$ 9,886,261	\$ 9,534,890	3.7%	\$ 6,725,676	\$ 6,298,053	6.8%
Support services	4,409,442	3,808,818	15.8	4,309,136	3,743,862	15.1
Other expenses	<u>1,188,947</u>	<u>1,299,727</u>	<u>(8.5)</u>	<u>665,759</u>	<u>711,654</u>	<u>(6.4)</u>
Total	<u>\$ 15,484,650</u>	<u>\$ 14,643,435</u>	<u>5.7%</u>	<u>\$ 11,700,571</u>	<u>\$ 10,753,569</u>	<u>8.8%</u>

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$1,673,760.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,110,319.
- The net cost of governmental activities was financed with \$9,062,713 in property and other taxes and \$4,624,414 in unrestricted state grants.

Business-Type Activities

Revenue for business-type activities during the year ended June 30, 2012 was \$695,618, representing a 2.1% increase over the prior year, while expenses totaled \$716,117, a 15% increase over the prior year. The District's business-type activities include the School Nutrition Fund and the Preschool Fund. Revenue from these activities was 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 combined fund balances of \$7,356,028. Last year's ending fund balances were \$11,402,985. However, the primary reason for the decrease in combined fund balances in fiscal 2012 is due to payment on the middle school project.

Governmental Fund Highlights

- The General Fund reported an overall increase in its fund balance of \$1,025,601 in fiscal year 2012. This increase was due in part from budget cuts and increased state funding.
- The Debt Service Fund is used to account for monies used to pay the District's bonds. The Debt Service Fund balance decreased from \$3,486,731 as of June 30, 2011 to \$1,078,714 as of June 30, 2012.
- The Capital Projects Fund includes revenue 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 decreased from \$840,414 in fiscal year 2011 to \$583,137 in fiscal year 2012. While revenue remained approximately the same, the District had major technology purchases which were the reason for the decrease in the account balance.
- The Sales Tax account balance decreased due to the middle school project. Fiscal year 2012 ended with a balance of \$3,567,216 consisting primarily of unexpended bond proceeds which will be expended as the projects are completed.

Proprietary Fund Highlights

The School Nutrition Fund balance decreased from \$368,163 at June 30, 2011 to \$347,664 at June 30, 2012. The decrease is due in part to increased salaries and benefit expenses.

BUDGETARY HIGHLIGHTS

Over the course of the year, Clear Lake Community School District amended its budget one time to reflect additional expenditures associated with the middle school renovation project.

The District's total revenue was \$359,262 more than total budgeted revenue, a variance of less than 1%. The most significant variance resulted from the District receiving more from local sources.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area due to the timing of expenditures at year end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested \$18,829,037, 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-5) This represents a net increase of \$2,408,335 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 \$640,506.

At June 30, 2011, the District had entered into a \$3,621,200 contract for middle school renovations. At June 30, 2012, \$3,031,600 of work on the contract had been completed.

**FIGURE A-5
CAPITAL ASSETS, NET OF DEPRECIATION**

	Governmental Activities June 30,		Business-Type Activities June 30,		Total District June 30,		Total Change June 30, 2011-2012
	2012	2011	2012	2011	2012	2011	
Land	\$ 106,704	\$ 106,704	\$ —	\$ —	\$ 106,704	\$ 106,704	0.0%
Construction in progress	3,297,600	426,064	—	—	3,297,600	426,064	674.0
Buildings	14,636,768	15,023,190	—	—	14,636,768	15,023,190	(2.6)
Improvements other than buildings	314,186	347,601	—	—	314,186	347,601	(9.6)
Furniture and equipment	473,779	517,143	204,844	231,682	678,623	748,825	(9.4)
Total	<u>\$ 18,829,037</u>	<u>\$ 16,420,702</u>	<u>\$ 204,844</u>	<u>\$ 231,682</u>	<u>\$ 19,033,881</u>	<u>\$ 16,652,384</u>	<u>14.3%</u>

Long-Term Debt

At June 30, 2012, the District had a total of \$8,845,000 in general obligation and revenue bonds outstanding. This represents a decrease of \$3,670,000 from last year. (See Figure A-6) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

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-6
OUTSTANDING LONG-TERM OBLIGATIONS**

	Total District June 30,		Total Change June 30, 2011-2012
	2012	2011	
Revenue bonds	\$ 6,805,000	\$ 9,985,000	(31.8%)
General obligation bonds	<u>2,040,000</u>	<u>2,530,000</u>	<u>(19.4)</u>
Total	<u>\$ 8,845,000</u>	<u>\$ 12,515,000</u>	<u>(29.3)%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

School financing is highly dependent upon student enrollment. The District's October, 2012 enrollment declined by 25.75 students. Projections show declining enrollment over the next several years.

The contract with the Clear Lake Education Teacher Association (CLEA) and other groups always have an impact on the District's financial health. The District has negotiated a new agreement for fiscal year 2013-2014 with the CLEA. The settlement is in excess of "new money" or allowable growth in state funding and 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, Clear Lake Community School District, 1529 - 3rd Avenue, N, Clear Lake, IA 50428.

Basic Financial Statements

Statement of Net Assets

As of June 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities (Restated - Note 15)	Total	Clear Lake Community School Foundation
Assets				
Cash and cash equivalents	\$ 8,735,252	\$ 104,294	\$ 8,839,546	\$ 8,929
Investments	—	—	—	851,167
Receivables				
Property Taxes				
Delinquent	66,075	—	66,075	—
Succeeding year	7,137,155	—	7,137,155	—
Due from other funds	—	28,284	28,284	—
Due from other governments	569,778	—	569,778	—
Accounts	322,672	651	323,323	—
Inventories	—	66,477	66,477	—
Unamortized bond issue costs	48,645	—	48,645	—
Capital assets, net of accumulated depreciation	<u>18,829,037</u>	<u>204,844</u>	<u>19,033,881</u>	<u>—</u>
Total Assets	<u>\$ 35,708,614</u>	<u>\$ 404,550</u>	<u>\$ 36,113,164</u>	<u>\$ 860,096</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable	\$ 648,592	\$ 413	\$ 649,005	\$ —
Salaries and benefits payable	1,231,007	43,914	1,274,921	—
Due to other funds	28,284	—	28,284	—
Accrued interest payable	84,837	—	84,837	—
Deferred Revenue				
Succeeding year property taxes	7,137,155	—	7,137,155	—
Unearned revenue	—	12,559	12,559	—
Long-Term Liabilities				
Portion Due Within One Year				
Revenue bonds	760,000	—	760,000	—
General obligation bonds	500,000	—	500,000	—
Termination benefits	117,210	—	117,210	—
Compensated absences	42,813	—	42,813	—
Portion Due After One Year				
Revenue bonds	6,045,000	—	6,045,000	—
General obligation bonds	1,540,000	—	1,540,000	—
Termination benefits	217,984	—	217,984	—
Total Liabilities	<u>18,352,882</u>	<u>56,886</u>	<u>18,409,768</u>	<u>—</u>
Net Assets				
Invested in capital assets, net of related debt	9,984,037	204,844	10,188,881	—
Restricted for				
Categorical funding	109,835	—	109,835	—
Debt service	1,723,022	—	1,723,022	—
Management levy purposes	46,572	—	46,572	—
Physical plant and equipment	583,137	—	583,137	—
School infrastructure	2,886,716	—	2,886,716	—
Student activities	285,163	—	285,163	—
Unrestricted	<u>1,737,250</u>	<u>142,820</u>	<u>1,880,070</u>	<u>860,096</u>
Total Net Assets	<u>17,355,732</u>	<u>347,664</u>	<u>17,703,396</u>	<u>860,096</u>
Total Liabilities and Net Assets	<u>\$ 35,708,614</u>	<u>\$ 404,550</u>	<u>\$ 36,113,164</u>	<u>\$ 860,096</u>

See accompanying notes to the financial statements.

Statement of Activities

Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenue		Net (Expense), Revenue and Changes in Net Assets			Component Unit Clear Lake Community School Foundation
		Charges for Service	Operating Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
Governmental Activities							
Instruction							
Regular	\$ 7,044,066	\$ 849,985	\$ 1,531,133	\$ (4,662,948)	\$ —	\$ (4,662,948)	\$ —
Special	1,837,246	157,541	36,972	(1,642,733)	—	(1,642,733)	—
Other	1,004,949	582,488	2,466	(419,995)	—	(419,995)	—
Total Instruction.....	<u>9,886,261</u>	<u>1,590,014</u>	<u>1,570,571</u>	<u>(6,725,676)</u>	<u>—</u>	<u>(6,725,676)</u>	<u>—</u>
Support Services							
Student	87,300	4,540	—	(82,760)	—	(82,760)	—
Instructional staff	563,224	34,207	—	(529,017)	—	(529,017)	—
Administration	1,259,098	—	—	(1,259,098)	—	(1,259,098)	—
Operation and maintenance of plant	1,964,000	11,472	—	(1,952,528)	—	(1,952,528)	—
Transportation.....	535,820	33,527	16,560	(485,733)	—	(485,733)	—
Total Support Services.....	<u>4,409,442</u>	<u>83,746</u>	<u>16,560</u>	<u>(4,309,136)</u>	<u>—</u>	<u>(4,309,136)</u>	<u>—</u>
Other Expenditures							
Long-term debt interest and fiscal charges.....	215,227	—	—	(215,227)	—	(215,227)	—
AEA flow through	523,188	—	523,188	—	—	—	—
Depreciation - unallocated.....	450,532	—	—	(450,532)	—	(450,532)	—
Total Other Expenditures	<u>1,188,947</u>	<u>—</u>	<u>523,188</u>	<u>(665,759)</u>	<u>—</u>	<u>(665,759)</u>	<u>—</u>
Total Governmental Activities.....	<u>15,484,650</u>	<u>1,673,760</u>	<u>2,110,319</u>	<u>(11,700,571)</u>	<u>—</u>	<u>(11,700,571)</u>	<u>—</u>
Business-Type Activities							
Noninstructional Programs							
Nutrition services.....	703,508	401,537	281,695	—	(20,276)	(20,276)	—
Preschool.....	12,609	11,787	—	—	(822)	(822)	—
Total Business-Type Activities.....	<u>716,117</u>	<u>413,324</u>	<u>281,695</u>	<u>—</u>	<u>(21,098)</u>	<u>(21,098)</u>	<u>—</u>
Total Primary Government.....	16,200,767	2,087,084	2,392,014	(11,700,571)	(21,098)	(11,721,669)	—
Component Unit							
Clear Lake Community School Foundation.....	<u>43,158</u>	<u>—</u>	<u>92,496</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>49,338</u>
Total	<u>\$ 16,243,925</u>	<u>\$ 2,087,084</u>	<u>\$ 2,484,510</u>	<u>(11,700,571)</u>	<u>(21,098)</u>	<u>(11,721,669)</u>	<u>49,338</u>
General Revenue							
Property Taxes Levied for							
General purposes.....				5,374,089	—	5,374,089	—
Capital outlay				597,247	—	597,247	—
Management levy.....				347,311	—	347,311	—
Debt services				537,183	—	537,183	—
Income surtax				442,222	—	442,222	—
Statewide sales, services and use tax				1,764,661	—	1,764,661	—
Unrestricted state grants				4,624,414	—	4,624,414	—
Unrestricted investment earnings				37,426	599	38,025	27,152
Total General Revenue				<u>13,724,553</u>	<u>599</u>	<u>13,725,152</u>	<u>27,152</u>
Change in Net Assets.....				2,023,982	(20,499)	2,003,483	76,490
Net Assets - Beginning of Year, as Restated (Note 15)				15,331,750	368,163	15,699,913	783,606
Net Assets - End of Year				<u>\$ 17,355,732</u>	<u>\$ 347,664</u>	<u>\$ 17,703,396</u>	<u>\$ 860,096</u>

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

As of June 30, 2012

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Assets					
Cash and pooled investments.....	\$ 3,143,800	\$ 1,073,033	\$ 4,040,944	\$ 477,475	\$ 8,735,252
Receivables					
Property Taxes					
Delinquent.....	50,794	5,681	6,317	3,283	66,075
Succeeding year	5,520,132	543,979	623,043	450,001	7,137,155
Due from other funds.....	4,245	—	—	—	4,245
Due from other governments.....	569,778	—	—	—	569,778
Accounts.....	41,913	—	280,759	—	322,672
Total Assets	\$ 9,330,662	\$ 1,622,693	\$ 4,951,063	\$ 930,759	\$ 16,835,177
Liabilities and Fund Balances					
Liabilities					
Accounts payable.....	\$ 326,147	\$ —	\$ 177,667	\$ 144,778	\$ 648,592
Salaries and benefits payable.....	1,231,007	—	—	—	1,231,007
Due to other funds.....	28,284	—	—	4,245	32,529
Deferred Revenue					
Succeeding year property taxes.....	5,520,132	543,979	623,043	450,001	7,137,155
Income surtax.....	429,866	—	—	—	429,866
Total Liabilities	7,535,436	543,979	800,710	599,024	9,479,149
Fund Balances					
Restricted for					
Categorical funding	109,835	—	—	—	109,835
Debt service.....	—	1,078,714	680,500	—	1,759,214
Management levy purposes	—	—	—	46,572	46,572
Physical plant and equipment	—	—	583,137	—	583,137
School infrastructure	—	—	2,886,716	—	2,886,716
Student activities	—	—	—	285,163	285,163
Unassigned	1,685,391	—	—	—	1,685,391
Total Fund Balances	1,795,226	1,078,714	4,150,353	331,735	7,356,028
Total Liabilities and Fund Balances	\$ 9,330,662	\$ 1,622,693	\$ 4,951,063	\$ 930,759	\$ 16,835,177

See accompanying notes to the financial statements.

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

As of June 30, 2012

Total Fund Balances for Governmental Funds (Page 16).... **\$ 7,356,028**

***Amounts reported for governmental activities in the
statement of net assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds..... 18,829,037

Income surtax receivables are not available to pay current year expenditures and, therefore, are deferred in the government funds 429,866

Bond issue costs are capitalized and amortized over the life of the bonds and, therefore, are not reported in the governmental funds..... 48,645

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds..... (84,837)

Long-term liabilities, including bonds payable, termination benefits and compensated absences, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.

Revenue bonds.....	\$ (6,805,000)	
General obligation bonds	(2,040,000)	
Termination benefits.....	(335,194)	
Compensated absences.....	<u>(42,813)</u>	<u>(9,223,007)</u>

Net Assets of Governmental Activities (Page 14) **\$ 17,355,732**

Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2012

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Revenue					
Local Sources					
Local taxes	\$ 5,810,653	\$ 537,183	\$ 2,361,908	\$ 347,311	\$ 9,057,055
Tuition.....	931,284	—	—	—	931,284
Other.....	237,338	1,951	21,685	584,770	845,744
State sources	6,256,062	—	—	—	6,256,062
Federal sources	412,829	—	—	—	412,829
Total Revenue.....	<u>13,648,166</u>	<u>539,134</u>	<u>2,383,593</u>	<u>932,081</u>	<u>17,502,974</u>
Expenditures					
Current					
Instruction					
Regular	6,772,208	—	—	203,056	6,975,264
Special	1,837,226	—	—	—	1,837,226
Other.....	387,642	—	—	615,584	1,003,226
Total Instruction.....	<u>8,997,076</u>	<u>—</u>	<u>—</u>	<u>818,640</u>	<u>9,815,716</u>
Support Services					
Student.....	87,299	—	—	—	87,299
Instructional staff.....	563,217	—	—	—	563,217
Administration	1,156,584	400	1,775	100,326	1,259,085
Operation and maintenance of plant	1,182,817	—	—	—	1,182,817
Transportation.....	465,149	—	85,797	—	550,946
Total Support Services.....	<u>3,455,066</u>	<u>400</u>	<u>87,572</u>	<u>100,326</u>	<u>3,643,364</u>
Other Expenditures					
Facilities acquisition.....	—	—	3,703,515	—	3,703,515
Long-Term Debt					
Principal.....	—	3,670,000	—	—	3,670,000
Interest and fiscal charges	—	193,148	1,000	—	194,148
AEA flowthrough	523,188	—	—	—	523,188
Total Other Expenditures	<u>523,188</u>	<u>3,863,148</u>	<u>3,704,515</u>	<u>—</u>	<u>8,090,851</u>
Total Expenditures	<u>12,975,330</u>	<u>3,863,548</u>	<u>3,792,087</u>	<u>918,966</u>	<u>21,549,931</u>
Revenue Over (Under)					
Expenditures.....	<u>672,836</u>	<u>(3,324,414)</u>	<u>(1,408,494)</u>	<u>13,115</u>	<u>(4,046,957)</u>
Other Financing Sources (Uses)					
Operating transfers in.....	96,789	916,397	—	—	1,013,186
Operating transfers out	—	—	(916,397)	(96,789)	(1,013,186)
Total Other Financing					
Sources (Uses)	<u>96,789</u>	<u>916,397</u>	<u>(916,397)</u>	<u>(96,789)</u>	<u>—</u>
Net Change in Fund Balances	769,625	(2,408,017)	(2,324,891)	(83,674)	(4,046,957)
Fund Balances - Beginning of Year ...	1,025,601	3,486,731	6,475,244	415,409	11,402,985
Fund Balances - End of Year	<u>\$ 1,795,226</u>	<u>\$ 1,078,714</u>	<u>\$ 4,150,353</u>	<u>\$ 331,735</u>	<u>\$ 7,356,028</u>

See accompanying notes to the financial statements.

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

Year Ended June 30, 2012

Change in Fund Balances - Total Governmental Funds (Page 18) \$ (4,046,957)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, those costs are not reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense for the year are as follows:

Capital outlays.....	\$ 3,022,003	
Depreciation expense.....	<u>(613,668)</u>	2,408,335

Income surtaxes not collected for several months after year end are not considered available revenue and are deferred in the governmental funds.....		5,658
--	--	-------

Bond issue costs are expensed when incurred in governmental funds, but are capitalized and expensed over the life of the bonds in the statement of activities		(7,215)
---	--	---------

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		(13,864)
---	--	----------

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.....	\$ 8,175	
Compensated absences.....	(11,517)	
Net OPEB liability	<u>11,367</u>	8,025

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets		<u>3,670,000</u>
--	--	------------------

Change in Net Assets of Governmental Activities (Page 15) \$ 2,023,982

Statement of Net Assets - Proprietary Fund

As of June 30, 2012

	Nonmajor Enterprise Funds
Assets	
Cash and cash equivalents.....	\$ 104,294
Receivables	
Due from other funds	28,284
Accounts	651
Inventories.....	66,477
Capital assets, net of accumulated depreciation.....	<u>204,844</u>
Total Assets	<u>\$ 404,550</u>
 Liabilities and Net Assets	
Liabilities	
Accounts payable	\$ 413
Salaries and benefits payable.....	43,914
Unearned revenue.....	<u>12,559</u>
Total Liabilities	<u>56,886</u>
 Net Assets	
Invested in capital assets.....	204,844
Unrestricted.....	<u>142,820</u>
Total Net Assets	<u>347,664</u>
Total Liabilities and Net Assets	<u>\$ 404,550</u>

Statement of Revenue, Expenses and Changes in Fund Net Assets - Proprietary Fund

Year Ended June 30, 2012

	Nonmajor Enterprise Funds
Operating Revenue	
Local Sources	
Charges for service	\$ 408,318
Other receipts	<u>5,006</u>
Total Operating Revenue	<u>413,324</u>
Operating Expenses	
Noninstructional Programs	
Salaries and benefits.....	362,144
Purchased services.....	2,062
Supplies and other	325,073
Depreciation.....	<u>26,838</u>
Total Operating Expenses	<u>716,117</u>
Loss From Operations	<u>(302,793)</u>
Nonoperating Revenue	
State sources	6,443
Federal sources.....	275,252
Interest on investments	<u>599</u>
Total Nonoperating Revenue	<u>282,294</u>
Decrease in Net Assets	(20,499)
Net Assets - Beginning of Year, as Restated (Note 15)	<u>368,163</u>
Net Assets - End of Year	<u>\$ 347,664</u>

Statement of Cash Flows - Proprietary Fund

Year Ended June 30, 2012

	Nonmajor Enterprise Funds
Cash Flows From Operating Activities	
Cash received from sale of lunches and breakfasts.....	\$ 397,978
Cash received from other	5,006
Cash received from preschool services	11,947
Cash payments to employees for services	(357,337)
Cash payments to suppliers for goods and services	<u>(293,893)</u>
Net Cash Used in Operating Activities.....	<u>(236,299)</u>
Cash Flows From Noncapital Financing Activities	
State grants received.....	6,443
Federal grants received.....	228,077
Payments to other funds.....	<u>(28,284)</u>
Net Cash Provided by Noncapital Financing Activities	<u>206,236</u>
Cash Flows From Investing Activities	
Interest on investments	<u>599</u>
Net Decrease in Cash and Cash Equivalents	(29,464)
Cash and Cash Equivalents - Beginning of Year	<u>133,758</u>
Cash and Cash Equivalents - End of Year	<u>\$ 104,294</u>
Reconciliation of Loss From Operations to Net Cash Used in Operating Activities	
Loss from operations.....	\$ (302,793)
Adjustments to Reconcile Loss From Operations to Net Cash Used in Operating Activities	
Commodities used	47,175
Depreciation.....	26,838
Changes in Assets and Liabilities	
Decrease in receivables	459
Increase in inventories.....	(14,346)
Increase in accounts payable	413
Increase in salaries and benefits payable	6,440
Increase in unearned revenue	1,148
Decrease in net OPEB liability	<u>(1,633)</u>
Net Cash Used in Operating Activities.....	<u>\$ (236,299)</u>

Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2012, the District received \$47,175 of federal commodities.

Statement of Fiduciary Net Assets - Fiduciary Fund

As of June 30, 2012

	<u>Private Purpose Trust</u> Scholarships
Assets	
Cash and Pooled Investments.....	<u>\$ 1,238,841</u>
Net Assets	
Reserved for Scholarships	<u>\$ 1,238,841</u>

Statement of Changes in Fiduciary Net Assets - Fiduciary Fund ---

Year Ended June 30, 2012

	Private Purpose Trust <hr style="width: 100%;"/> Scholarships
Additions	
Local Sources	
Interest on investments	<u>\$ 41,325</u>
Deductions	
Scholarships	52,900
Investment fees	<u>10,105</u>
Total Deductions	<u>63,005</u>
Change in Net Assets	(21,680)
Net Assets - Beginning of Year	<u>1,260,521</u>
Net Assets - End of Year	<u>\$ 1,238,841</u>

Notes to the Financial Statements

(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 predominate agricultural territory in a portion of Cerro Gordo County. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board.

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 component unit discussed below has been included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Discretely Presented Component Unit

Clear Lake Community School Foundation is a legally separate entity, organized as a charitable organization under Chapter 501(c)(3) of the Internal Revenue Code. Clear Lake Community School Foundation was established to further develop, increase and extend the facilities and services of 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 is governed by a four-member Board of Directors. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The Foundation's fiscal year end is April 30, 2012. The financial information presented is as of and for the year ended June 30, 2012.

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 Cerro Gordo County Assessor's Conference Board.

Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and the statement of activities report information on all 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 revenue, are reported separately for business-type activities, which rely to a significant extent on fees and charges for service.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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 that are 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 preceding categories. Unrestricted net assets often have constraints on resources imposed by management, but can be removed or modified.

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

Fund Financial Statements

Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other 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 revenue and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

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

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

The District's nonmajor proprietary funds are the *School Nutrition Fund* which is used to account for the food service operations of the District and the *Preschool Fund* which is used to account for the District's preschool.

(1) Summary of Significant Accounting Policies

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund is the *Private Purpose Trust Fund* which 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.

Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the government considers revenue to be available if it is collected within 60 days after year end.

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenue. 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 revenue.

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.

(1) Summary of Significant Accounting Policies

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 revenue 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 revenue and expenses not meeting this definition are reported as nonoperating revenue 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.

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 nonnegotiable certificates of deposit which are stated at cost.

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

Property Taxes Receivable

Property taxes in the governmental funds are accounted for using the modified accrual basis of accounting.

Property taxes receivable are recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property taxes receivable represent unpaid taxes for the current and prior years. The succeeding year property taxes receivable represent 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 taxes 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 becomes due and collectible in September and March of the fiscal year with a 1-1/2% monthly penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012; and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2011.

Due From Other Governments

Due from other governments represents amounts due from the State of Iowa, various shared revenue, grants and reimbursements from other governments.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Food Inventories

Inventories are valued at cost using the first-in, first-out (FIFO) method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received. At June 30, 2012, total inventories included government commodities valued at \$47,797 which were on hand.

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 value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The District did not have any intangible assets as of June 30, 2012. 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.

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/amortized using the straight-line method over the following estimated useful lives:

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 and staff 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 revenue is measurable, it is not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property taxes receivable and other receivables not collected within 60 days after year end.

(1) Summary of Significant Accounting Policies

Deferred revenue on the statement of net assets includes amounts received in advance for meal sales and succeeding year property taxes 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 paid time off for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Equity

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

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

Unassigned - All amounts not included in the preceding classification.

Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures exceeded the amounts budgeted in the other expenditures function, but the District did not exceed its General Fund unspent authorized budget.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Notes to the Financial Statements

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2012 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, 2012, the District had the following investments:

	Maturity Date	Fair Value
Municipal Bonds		
Southeastern Community College	June, 2014	\$ 50,041
South Dakota District Revenue Bond	August, 2030	60,285
University of Iowa	July, 2016	53,923
U.S. Government Agency Obligations		
FFCB	February, 2017	119,569
FFCB	April, 2022	60,298
FHLB	June, 2019	50,488
FHLB	March, 2019	105,847
FHLB	December, 2014	52,577
FHLB	December, 2016	55,588
FNMA	March, 2014	104,057
Hartford Advisors Fund Class A		8,912
Goldman Sachs Financial Square - Government Fund		680,500

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at amortized cost of \$320,522 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.

Notes to the Financial Statements

(2) Cash, Cash Equivalents and Pooled Investments

Credit Risk

The investments in the Iowa Schools Joint Investment Trust and the Goldman Sachs Financial Square - Government Fund were rated AAAM by Standard and Poor's Financial Services. The South Dakota District Revenue Bond was rated AAA by Standards and Poors Financial Services. The Southeastern Community College bond was not rated. The University of Iowa bond was rated Aa3 by Moody's Investor Service.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables as of June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue Fund	
	Student Activities	\$ 4,245
School Nutrition	General	<u>28,284</u>
		<u>\$ 32,529</u>

The General Fund is repaying the School Nutrition Fund for reimbursements receivable recorded incorrectly in the current year. The Student Activities Fund is repaying the General Fund for various expenses paid for on its behalf. The balances are to be repaid by June 30, 2013.

(4) Interfund Transfers

The detail of the interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer From	Amount
Debt Service	Capital Projects	\$ 916,397
General	Special Revenue Fund	
	Management Levy	<u>96,789</u>
Total		<u>\$ 1,013,186</u>

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

Notes to the Financial Statements

(5) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance - Beginning of Year (Restated - Note 15)	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated				
Land.....	\$ 106,704	\$ —	\$ —	\$ 106,704
Construction in progress	<u>426,064</u>	<u>2,871,536</u>	<u>—</u>	<u>3,297,600</u>
Total Capital Assets Not Being Depreciated.....	<u>532,768</u>	<u>2,871,536</u>	<u>—</u>	<u>3,404,304</u>
Capital Assets Being Depreciated				
Buildings	19,696,429	21,600	—	19,718,029
Improvements other than buildings	835,723	—	—	835,723
Furniture and equipment	<u>2,439,752</u>	<u>128,867</u>	<u>—</u>	<u>2,568,619</u>
Total Capital Assets Being Depreciated.....	<u>22,971,904</u>	<u>150,467</u>	<u>—</u>	<u>23,122,371</u>
Less Accumulated Depreciation for				
Buildings	4,673,239	408,022	—	5,081,261
Improvements other than buildings	488,122	33,415	—	521,537
Furniture and equipment	<u>1,922,609</u>	<u>172,231</u>	<u>—</u>	<u>2,094,840</u>
Total Accumulated Depreciation.....	<u>7,083,970</u>	<u>613,668</u>	<u>—</u>	<u>7,697,638</u>
Net Total Capital Assets Being Depreciated.....	<u>15,887,934</u>	<u>(463,201)</u>	<u>—</u>	<u>15,424,733</u>
Net Governmental Activities				
Capital Assets.....	<u>\$ 16,420,702</u>	<u>\$ 2,408,335</u>	<u>\$ —</u>	<u>\$ 18,829,037</u>
Business-Type Activities				
Furniture and equipment	\$ 385,925	\$ —	\$ —	\$ 385,925
Less accumulated depreciation	<u>154,243</u>	<u>26,838</u>	<u>—</u>	<u>181,081</u>
Net Business-Type Activities				
Capital Assets	<u>\$ 231,682</u>	<u>\$ (26,838)</u>	<u>\$ —</u>	<u>\$ 204,844</u>

Depreciation expense was charged as follows:

Governmental Activities		
Instruction		
Regular		\$ 76,889
Other.....		1,716
Support Services		
Operation and maintenance of plant.....		13,865
Transportation.....		<u>70,666</u>
Subtotal.....		163,136
Unallocated.....		<u>450,532</u>
Total Governmental Activities Depreciation Expense		<u>\$ 613,668</u>
Business-Type Activities		
Food Service Operations.....		<u>\$ 26,838</u>

Notes to the Financial Statements

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
Governmental Activities					
Revenue bonds	\$ 9,985,000	\$ —	\$ 3,180,000	\$ 6,805,000	\$ 760,000
General obligation bonds...	2,530,000	—	490,000	2,040,000	500,000
Termination benefits	343,369	186,691	194,866	335,194	117,210
Compensated absences....	31,296	42,813	31,296	42,813	42,813
Net OPEB liability	11,367	—	11,367	—	—
Total	\$ 12,901,032	\$ 229,504	\$ 3,907,529	\$ 9,223,007	\$ 1,420,023
Business-Type Activities					
Net OPEB Liability	\$ 1,633	\$ —	\$ 1,633	\$ —	\$ —

General Obligation Bonds

Details of the District's June 30, 2012 general obligation bond indebtedness was as follows:

Year Ending June 30,	Bonds Issued April, 2010			
	Interest Rates	Principal	Interest	Total
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
Total		\$ 2,040,000	\$ 119,140	\$ 2,159,140

Revenue Bonds

Details of the District's June 30, 2012 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bonds Issued June, 2011			
	Interest Rates	Principal	Interest	Total
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	2.00	485,000	117,925	602,925
2018-2022	2.25 - 3.25	2,615,000	401,787	3,016,787
2023-2024	3.40 - 3.60	1,165,000	41,820	1,206,820
		\$ 6,805,000	\$ 1,117,280	\$ 7,922,280

(6) Long-Term Liabilities

The District has pledged future statewide sales, services and use tax revenue to repay the \$6,805,000 of bonds issued in June, 2011. The bonds were issued to finance school renovations and to refund the 2007 bonds which were issued for the purpose of financing a school building addition. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are payable through 2023. 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 40% of the statewide sales, services and use tax revenue. The total principal and interest remaining to be paid on the bonds is \$7,922,280. For the current year, no principal was paid and interest of \$50,833 was paid on the bonds and total statewide sales, services and use tax revenue was \$1,764,661.

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.

The District was in compliance with all of the provisions for the year ended June 30, 2012.

Bond Refunding

On June 28, 2011, the District issued \$6,805,000 of the statewide sales, services and use tax revenue bonds with interest rates ranging between 1% and 3.6% for which \$2,160,000 of the issue was used to refund the outstanding July, 2007 revenue bonds with interest rates of 3.9% to 4%. The call date for the July, 2007 bonds was July 1, 2011. The balance of the June 28, 2011 issue will be used for construction projects. In addition to the principal refunding of \$2,160,000 paid on the July, 2007 bonds, the District also made their regular principal payment of \$1,020,000 and paid interest of \$62,433 in the current year resulting in the retirement of the July, 2007 bonds.

(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.

Notes to the Financial Statements

(7) Pension and Retirement Benefits

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$607,553 \$525,188 and \$511,470, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting & Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, during the year ended June 30, 2009. The computed revenue and asset are not material to the District's government-wide financial statements and, therefore, have not been accrued. The required disclosures are included below.

Plan Description

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

The medical and prescription drug benefits are provided through a fully insured plan with Wellmark BCBS. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit subsidy rate 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/Asset

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

The following table shows the components of the District's annual OPEB cost for June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation/asset:

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>(189,000)</u>
Increase in Net OPEB Asset	(47,000)
Net OPEB Obligation - Beginning of Year.....	13,000
Net OPEB Asset - End of Year	<u><u>\$ (34,000)</u></u>

For calculation of the net OPEB asset, the actuary has set the transition day as July 1, 2008. The end-of-year net OPEB asset 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, 2012.

Notes to the Financial Statements

(8) Other Postemployment Benefits (OPEB)

For the year ended June 30, 2012, the District contributed \$189,000 to the medical plan. Plan members eligible for benefits contributed \$91,600 or 48% of the premiums cost.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation (asset) as of June 30, 2012 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2010	\$ 120,264	86%	\$ 33,264
June 30, 2011	142,000	114	13,000
June 30, 2012	142,000	133	(34,000)

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date for the period of July 1, 2011 through June 30, 2012, 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 \$5,047,000 and the ratio of the UAAL to covered payroll was 32.5%. As of June 30, 2012, 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 healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress for the retiree health plan, presented as required supplementary information in the section following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2010 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

(8) Other Postemployment Benefits (OPEB)

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

Projected claim costs of the medical plan are \$792 per month for retirees age 60. 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) Early Retirement Plan

The District offers an early retirement incentive to its employees that are at least age 55 and have at least ten years of continuous full-time service with the District. The application for early retirement is subject to approval by the Board of Education.

Under the plan, the District will pay the 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, 2012, the District had obligations to 21 participants with a total liability of \$335,194. Early retirement benefits expense for the year ended June 30, 2012 totaled \$165,433.

(10) Risk Management

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

(11) Area Education Agency Support

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 \$523,188 for the year ended June 30, 2012, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Notes to the Financial Statements

(12) Lease Commitments

Operating Lease

The District leases several office copy machines and laptop computers under operating leases expiring in 2017 and 2015, respectively.

The following is a schedule by years of future minimum lease payments required under the operating leases that have initial or remaining noncancelable lease terms in excess of one year:

Year Ended June 30,	Lease Payment
2013	\$ 95,732
2014	95,732
2015	95,732
2016	41,844
2017	<u>34,870</u>
Total Minimum Payments Required	<u>\$ 363,910</u>

Rental expense for all operating leases was \$93,545 for the year ended June 30, 2012.

(13) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

Program	Amount
Gifted and talented	\$ 12,425
Teacher salary supplement	786
Project Lead the Way	15,625
Educator quality, professional development	55,157
Core curriculum	<u>25,842</u>
Total	<u>\$ 109,835</u>

(14) Construction Commitment

The District has entered into various contracts totaling \$3,621,200 for middle school renovations and boiler replacements. At June 30, 2012, costs of \$3,031,600 had been incurred against the contracts. The balance of \$589,600 remaining at June 30, 2012 will be paid as work on the projects progresses.

Notes to the Financial Statements

(15) Prior Period Adjustment

During the current fiscal year, the District's management discovered \$47,157 of Nutrition Fund furniture and equipment which should have been capitalized in the prior year.

	School Nutrition	Business- Type Activities
Net Assets - Beginning of Year, as previously reported	\$ 320,492	\$ 321,006
Capitalization of furniture and equipment.....	<u>47,157</u>	<u>47,157</u>
Net Assets - Beginning of Year, as Restated.....	<u>\$ 367,649</u>	<u>\$ 368,163</u>

(16) Subsequent Event

Management has evaluated subsequent events through March 18, 2013, the date the financial statements were available to be issued.

Required Supplementary Information

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

Year Ended June 30, 2012

	Actual			Budget Amount		Over (Under) Budget
	Govern- mental Fund Types	Proprietary Fund Type	Total	Original	Final	
Revenue						
Local sources	\$ 10,834,083	\$ 413,923	\$ 11,248,006	\$ 10,855,254	\$ 10,855,254	\$ 392,752
State sources	6,256,062	6,443	6,262,505	6,365,076	6,365,076	(102,571)
Federal sources	412,829	275,252	688,081	619,000	619,000	69,081
Total Revenue.....	<u>17,502,974</u>	<u>695,618</u>	<u>18,198,592</u>	<u>17,839,330</u>	<u>17,839,330</u>	<u>359,262</u>
Expenditures/Expenses						
Instruction.....	9,815,716	—	9,815,716	9,905,000	9,905,000	(89,284)
Support services	3,643,364	—	3,643,364	4,510,000	4,510,000	(866,636)
Noninstructional programs	—	716,117	716,117	875,000	875,000	(158,883)
Other expenditures.....	8,090,851	—	8,090,851	5,685,374	7,500,000	590,851
Total Expenditures/ Expenses	<u>21,549,931</u>	<u>716,117</u>	<u>22,266,048</u>	<u>20,975,374</u>	<u>22,790,000</u>	<u>(523,952)</u>
Revenue Under Expenditures/Expenses....	<u>(4,046,957)</u>	<u>(20,499)</u>	<u>(4,067,456)</u>	<u>(3,136,044)</u>	<u>(4,950,670)</u>	<u>883,214</u>
Balance - Beginning of Year, as Restated (Note 15)	11,402,985	368,163	11,771,148	3,849,467	3,849,467	7,921,681
Balance - End of Year	<u>\$ 7,356,028</u>	<u>\$ 347,664</u>	<u>\$ 7,703,692</u>	<u>\$ 713,423</u>	<u>\$ (1,101,203)</u>	<u>\$ 8,804,895</u>

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 the Private-Purpose Trust Fund. The budget may be amended during the year utilizing similar and 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 functional areas, not by fund. These four functional areas are instruction, support services, noninstructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2012, the District adopted one budget amendment, increasing budgeted expenditures by \$1,814,626.

During the year ended June 30, 2012, expenditures in the other expenditures function exceeded the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

Schedule of Funding Progress for the Retiree Health Plan ---

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2010	7-1-08	\$ —	\$ 879,000	\$ 879,000	\$ 0	\$ 5,063,000	17.4%
2011	7-1-09	—	1,640,000	1,640,000	0	5,481,000	29.9
2012	7-1-09	—	1,640,000	1,640,000	0	5,047,000	32.5

See Note 8 in the accompanying notes to the financial statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds

As of June 30, 2012

	Special Revenue		Total
	Management Levy	Student Activity	
Assets			
Cash and pooled investments	\$ 177,700	\$ 299,775	\$ 477,475
Receivables			
Property Taxes			
Delinquent	3,283	—	3,283
Succeeding year	<u>450,001</u>	<u>—</u>	<u>450,001</u>
Total Assets	<u>\$ 630,984</u>	<u>\$ 299,775</u>	<u>\$ 930,759</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 134,411	\$ 10,367	\$ 144,778
Due to other funds	—	4,245	4,245
Deferred Revenue			
Succeeding year property taxes	<u>450,001</u>	<u>—</u>	<u>450,001</u>
Total Liabilities	<u>584,412</u>	<u>14,612</u>	<u>599,024</u>
Fund Balances			
Restricted for			
Management levy purposes	46,572	—	46,572
Student activities	<u>—</u>	<u>285,163</u>	<u>285,163</u>
Total Fund Balances	<u>46,572</u>	<u>285,163</u>	<u>331,735</u>
Total Liabilities and Fund Balances	<u>\$ 630,984</u>	<u>\$ 299,775</u>	<u>\$ 930,759</u>

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

Year Ended June 30, 2012

	Special Revenue		
	Management Levy	Student Activity	Total
Revenue			
Local Sources			
Local taxes	\$ 347,311	\$ —	\$ 347,311
Other	624	584,146	584,770
Total Revenue	<u>347,935</u>	<u>584,146</u>	<u>932,081</u>
Expenditures			
Current			
Instruction			
Regular	203,056	—	203,056
Other	<u>—</u>	<u>615,584</u>	<u>615,584</u>
Total Instruction	<u>203,056</u>	<u>615,584</u>	<u>818,640</u>
Support Services			
Administration	<u>100,326</u>	<u>—</u>	<u>100,326</u>
Total Expenditures	<u>303,382</u>	<u>615,584</u>	<u>918,966</u>
Revenue Over (Under) Expenditures	<u>44,553</u>	<u>(31,438)</u>	<u>13,115</u>
Other Financing Uses			
Operating transfer out	<u>(96,789)</u>	<u>—</u>	<u>(96,789)</u>
Net Change in Fund Balances	(52,236)	(31,438)	(83,674)
Fund Balance - Beginning of Year	<u>98,808</u>	<u>316,601</u>	<u>415,409</u>
Fund Balance - End of Year	<u>\$ 46,572</u>	<u>\$ 285,163</u>	<u>\$ 331,735</u>

Combining Schedule of Net Assets - Nonmajor Proprietary Funds

As of June 30, 2012

	<u>Enterprise Funds</u>		
	<u>School Nutrition</u>	<u>Preschool</u>	<u>Total</u>
Assets			
Cash and cash equivalents.....	\$ 103,589	\$ 705	\$ 104,294
Receivables			
Due from other funds.....	28,284	—	28,284
Accounts.....	651	—	651
Inventories.....	66,477	—	66,477
Capital assets, net of accumulated depreciation..	<u>204,844</u>	<u>—</u>	<u>204,844</u>
Total Assets	<u>\$ 403,845</u>	<u>\$ 705</u>	<u>\$ 404,550</u>
Liabilities and Net Assets			
Liabilities			
Accounts payable	\$ 413	\$ —	\$ 413
Salaries and benefits payable.....	43,209	705	43,914
Unearned revenue.....	<u>12,559</u>	<u>—</u>	<u>12,559</u>
Total Liabilities	<u>56,181</u>	<u>705</u>	<u>56,886</u>
Net Assets			
Invested in capital assets.....	204,844	—	204,844
Unrestricted.....	<u>142,820</u>	<u>—</u>	<u>142,820</u>
Total Net Assets.....	<u>347,664</u>	<u>—</u>	<u>347,664</u>
Total Liabilities and Net Assets.....	<u>\$ 403,845</u>	<u>\$ 705</u>	<u>\$ 404,550</u>

Combining Schedule of Revenue, Expenses and Changes in Fund Net Assets - Nonmajor Proprietary Funds

Year Ended June 30, 2012

	Enterprise Funds		
	School Nutrition	Preschool	Total
Operating Revenue			
Local Sources			
Charges for service	\$ 396,531	\$ 11,787	\$ 408,318
Other receipts	5,006	—	5,006
Total Operating Revenue	<u>401,537</u>	<u>11,787</u>	<u>413,324</u>
Operating Expenses			
Noninstructional Programs			
Salaries and benefits	350,030	12,114	362,144
Purchased services	2,062	—	2,062
Supplies and other	324,578	495	325,073
Depreciation	26,838	—	26,838
Total Operating Expenses	<u>703,508</u>	<u>12,609</u>	<u>716,117</u>
Loss from Operations	<u>(301,971)</u>	<u>(822)</u>	<u>(302,793)</u>
Nonoperating Revenue			
State sources	6,443	—	6,443
Federal sources	275,252	—	275,252
Interest on investments	291	308	599
Total Nonoperating Revenue	<u>281,986</u>	<u>308</u>	<u>282,294</u>
Decrease in Net Assets	(19,985)	(514)	(20,499)
Net Assets - Beginning of Year, as Restated (Note 15)			
	<u>367,649</u>	<u>514</u>	<u>368,163</u>
Net Assets - End of Year	<u>\$ 347,664</u>	<u>\$ —</u>	<u>\$ 347,664</u>

Combining Schedule of Cash Flows - Nonmajor Proprietary Funds

Year Ended June 30, 2012

	<u>Enterprise Funds</u>		
	School Nutrition	Preschool	Total
Cash Flows From Operating Activities			
Cash received from sale of lunches and breakfasts....	\$ 397,978	\$ —	\$ 397,978
Cash received from other	5,006	—	5,006
Cash received from preschool services	—	11,947	11,947
Cash payments to employees for services	(342,610)	(14,727)	(357,337)
Cash payments to suppliers for goods and services ...	<u>(293,398)</u>	<u>(495)</u>	<u>(293,893)</u>
Net Cash Used in Operating Activities.....	<u>(233,024)</u>	<u>(3,275)</u>	<u>(236,299)</u>
Cash Flows From Noncapital Financing Activities			
State grants received.....	6,443	—	6,443
Federal grants received.....	228,077	—	228,077
Payments to other funds.....	<u>(28,284)</u>	<u>—</u>	<u>(28,284)</u>
Net Cash Provided by Noncapital Financing Activities	<u>206,236</u>	<u>—</u>	<u>206,236</u>
Cash Flows From Investing Activities			
Interest on investments	<u>291</u>	<u>308</u>	<u>599</u>
Net Decrease in Cash and Cash Equivalents	(26,497)	(2,967)	(29,464)
Cash and Cash Equivalents - Beginning of Year	<u>130,086</u>	<u>3,672</u>	<u>133,758</u>
Cash and Cash Equivalents - End of Year	<u>\$ 103,589</u>	<u>\$ 705</u>	<u>\$ 104,294</u>
Reconciliation of Loss From Operations to Net Cash Used in Operating Activities			
Loss from operations.....	\$ (301,971)	\$ (822)	\$ (302,793)
Adjustments to Reconcile Loss From Operations to Net Cash Used in Operating Activities			
Commodities used	47,175	—	47,175
Depreciation	26,838	—	26,838
Changes in Assets and Liabilities			
Decrease in accounts receivable	299	160	459
Increase in inventories	(14,346)	—	(14,346)
Increase in accounts payable.....	413	—	413
Increase (decrease) in salaries and benefits payable	9,053	(2,613)	6,440
Increase in unearned revenue.....	1,148	—	1,148
Decrease in net OPEB liability	<u>(1,633)</u>	<u>—</u>	<u>(1,633)</u>
Net Cash Used in Operating Activities.....	<u>\$ (233,024)</u>	<u>\$ (3,275)</u>	<u>\$ (236,299)</u>

Combining Balance Sheet - Capital Projects Accounts

As of June 30, 2012

	<u>Capital Projects</u>		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equip- ment Levy	
Assets			
Cash and pooled investments	\$ 3,464,124	\$ 576,820	\$ 4,040,944
Receivables			
Property Taxes			
Delinquent	—	6,317	6,317
Succeeding year	—	623,043	623,043
Accounts.....	<u>280,759</u>	<u>—</u>	<u>280,759</u>
Total Assets	<u>\$ 3,744,883</u>	<u>\$ 1,206,180</u>	<u>\$ 4,951,063</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 177,667	\$ —	\$ 177,667
Deferred Revenue			
Succeeding year property taxes	<u>—</u>	<u>623,043</u>	<u>623,043</u>
Total Liabilities.....	<u>177,667</u>	<u>623,043</u>	<u>800,710</u>
Fund Balances			
Restricted for			
Debt service	680,500	—	680,500
Physical plant and equipment.....	—	583,137	583,137
School infrastructure.....	<u>2,886,716</u>	<u>—</u>	<u>2,886,716</u>
Total Fund Balances.....	<u>3,567,216</u>	<u>583,137</u>	<u>4,150,353</u>
Total Liabilities and Fund Balances	<u>\$ 3,744,883</u>	<u>\$ 1,206,180</u>	<u>\$ 4,951,063</u>

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

Year Ended June 30, 2012

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equip- ment Levy	
Revenue			
Local Sources			
Local taxes	\$ 1,764,661	\$ 597,247	\$ 2,361,908
Other	18,104	3,581	21,685
Total Revenue	<u>1,782,765</u>	<u>600,828</u>	<u>2,383,593</u>
Expenditures			
Current			
Support Services			
Administration.....	1,775	—	1,775
Transportation	—	85,797	85,797
Total Support Services.....	<u>1,775</u>	<u>85,797</u>	<u>87,572</u>
Other Expenditures			
Facilities acquisition.....	2,931,207	772,308	3,703,515
Long-Term Debt			
Interest and fiscal charges	1,000	—	1,000
Total Other Expenditures	<u>2,932,207</u>	<u>772,308</u>	<u>3,704,515</u>
Total Expenditures.....	<u>2,933,982</u>	<u>858,105</u>	<u>3,792,087</u>
Revenue Under Expenditures.....	(1,151,217)	(257,277)	(1,408,494)
Other Financing Uses			
Operating transfers out.....	<u>(916,397)</u>	<u>—</u>	<u>(916,397)</u>
Net Change in Fund Balances	(2,067,614)	(257,277)	(2,324,891)
Fund Balance - Beginning of Year	<u>5,634,830</u>	<u>840,414</u>	<u>6,475,244</u>
Fund Balance - End of Year	<u>\$ 3,567,216</u>	<u>\$ 583,137</u>	<u>\$ 4,150,353</u>

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

Year Ended June 30, 2012

	Balance - Beginning of Year	Revenue	Expendi- tures	Intrafund Transfers	Balance - End of Year
Activity Tickets.....	\$ —	\$ 14,445	\$ —	\$ (14,445)	\$ —
American Field Service.....	879	—	—	—	879
Athletic Concessions	—	23,068	14,969	(8,099)	—
Athletic Towel	—	909	315	(594)	—
Band Trip.....	5,669	20,711	24,924	—	1,456
Band Uniforms.....	3,723	3,775	2,571	—	4,927
Baseball	667	9,702	13,154	2,785	—
Baseball Camp	7,124	12,436	14,857	55	4,758
Boys Basketball.....	—	6,902	6,196	(706)	—
Boys Basketball Camp	829	6,773	7,957	355	—
Boys Golf.....	—	445	2,034	1,589	—
Boys Golf Camp	1,307	3,229	3,950	—	586
Boys Soccer Camp.....	2,097	1,416	1,237	(46)	2,230
Boys Tennis.....	—	320	404	84	—
Boys Tennis Camp	229	360	299	—	290
Boys Track	—	3,332	1,865	(1,467)	—
Boys Track Camp.....	—	3,549	4,122	573	—
Central Book Fair	869	3,083	2,684	—	1,268
Cheerleading	—	—	468	468	—
Cheerleading Camp.....	9,534	16,028	12,819	(12)	12,731
Clear Creek Playground	38,896	3,888	43,406	622	—
Clear Creek Student Activity/ Support	13,258	9,655	8,660	(535)	13,718
Clear Creek Vocal Music	1,340	995	719	—	1,616
Cross Country	—	1,216	1,164	(52)	—
Cross Country Camp	1,011	725	824	—	912
Dance Team.....	9,302	35,294	30,472	(6,926)	7,198
Drama	—	2,542	591	(1,951)	—
Excel	2,446	491	1,846	—	1,091
Football	—	24,891	14,074	(10,817)	—
Football Camp	7,256	33,213	29,877	439	11,031
French Camp.....	50	—	—	—	50
French Trip.....	—	1,626	906	(51)	669
General Athletics	142,872	48,476	68,660	32,500	155,188
Girls Basketball	—	4,723	4,414	(309)	—
Girls Basketball Camp	3,370	10,125	10,780	(510)	2,205
Girls Golf	—	310	2,079	1,769	—
Girls Golf Camp.....	2,271	4,829	3,272	—	3,828
Girls Soccer.....	60	2,538	2,669	71	—
Girls Soccer Camp	928	1,193	668	—	1,453

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

Year Ended June 30, 2012

	Balance - Beginning of Year	Revenue	Expendi- tures	Intrafund Transfers	Balance - End of Year
Girls Tennis	\$ —	\$ —	\$ 44	\$ 44	\$ —
Girls Tennis Camp.....	807	744	1,399	—	152
Girls Track.....	—	3,202	1,539	(1,663)	—
Girls Track Camp	591	2,920	3,289	—	222
Hall of Pride.....	567	—	—	—	567
HS Academic Excellence.....	3,070	2,625	5,948	253	—
HS Band.....	—	2,851	3,471	620	—
HS Student Activity/Support	—	47,987	48,866	879	—
Jump Rope for Heart	736	—	—	—	736
Lion Tamers	—	—	50	50	—
Magazine Campaign.....	1,567	17,547	18,023	209	1,300
Miscellaneous.....	51	1,658	51	(1,658)	—
Model United Nations	443	15,396	14,794	—	1,045
MS Art Club	178	1	—	—	179
MS Athletics	—	—	7,279	7,279	—
MS Student Activity/Support	4,889	1,178	2,549	—	3,518
MS Student Council.....	—	539	981	667	225
MS Support	—	1,597	1,386	(211)	—
Muse Norris.....	—	3,478	2,299	—	1,179
National Honor Society.....	—	360	85	—	275
Outdoor Classroom	3,991	—	31	—	3,960
Prom	11,410	4,424	2,348	—	13,486
Soccer.....	175	2,014	2,122	(67)	—
Softball	—	2,157	3,493	1,336	—
Softball Camp.....	3,620	2,315	1,665	—	4,270
Softball Resale	—	2,233	2,281	48	—
Spanish Club.....	1,052	1,934	1,275	—	1,711
Speech.....	—	355	1,168	813	—
Student Council	7,425	4,775	3,542	—	8,658
Sunset Building	1,964	—	—	(1,964)	—
Tim Tjaden Grant	500	—	350	—	150
Tour of Homes.....	347	1	—	—	348
Values for Youth Today	897	—	—	—	897
Vocal	—	2,139	3,059	920	—
Vocal Music Trip.....	576	1,175	1,570	—	181
Volleyball.....	—	3,729	3,493	801	1,037
Volleyball Camp	1,265	8,606	8,469	(1,402)	—
Washington D.C. Trip	1,725	94,249	98,059	2,085	—
Wrestling	—	10,421	6,592	(3,829)	—
Wrestling Camp.....	949	2,069	1,756	—	1,262
Yearbook.....	11,819	22,254	22,352	—	11,721
Total	\$ 316,601	\$ 584,146	\$ 615,584	\$ —	\$ 285,163

**Schedule of Revenue By Source and Expenditures By Function -
All Governmental Fund Types (Modified Accrual Basis)**

For the Last Ten Years

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenue										
Local Sources										
Local taxes.....	\$ 9,057,055	\$ 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.....	931,284	911,346	953,917	917,792	899,344	777,788	653,066	551,059	578,747	505,203
Other.....	845,744	619,268	684,091	719,205	1,074,227	774,109	656,568	538,311	597,615	535,384
Intermediate sources.....	—	—	—	—	—	38	—	—	—	—
State sources.....	6,256,062	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.....	<u>412,829</u>	<u>644,890</u>	<u>1,044,094</u>	<u>370,025</u>	<u>251,805</u>	<u>278,400</u>	<u>342,766</u>	<u>430,622</u>	<u>1,170,412</u>	<u>319,330</u>
Total	<u>\$ 17,502,974</u>	<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.....	\$ 6,975,264	\$ 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.....	1,837,226	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.....	1,003,226	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.....	87,299	116,018	191,203	269,037	270,689	302,002	296,249	350,707	352,392	369,823
Instructional staff.....	563,217	531,809	533,631	463,790	456,067	431,875	430,435	408,423	351,026	352,696
Administration.....	1,259,085	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
Operations and maintenance.....	1,182,817	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.....	550,946	458,162	483,599	575,635	572,557	581,832	412,492	481,040	354,789	339,116
Noninstructional programs.....	—	—	10,821	—	—	—	—	—	—	—
Other Expenditures										
Facilities acquisition.....	3,703,515	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.....	3,670,000	1,470,000	4,345,000	1,295,000	375,000	355,000	810,000	995,000	300,000	285,000
Interest and fiscal charges.....	194,148	239,376	355,998	410,285	329,479	230,430	250,854	282,548	289,799	301,206
AEA flowthrough.....	<u>523,188</u>	<u>583,614</u>	<u>585,313</u>	<u>489,800</u>	<u>470,073</u>	<u>446,342</u>	<u>429,501</u>	<u>426,920</u>	<u>433,697</u>	<u>447,475</u>
Total	<u>\$ 21,549,931</u>	<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>

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture - Indirect			
Pass-Through From Iowa Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	FY 2012	\$ 35,454
National School Lunch Program	10.555*	FY 2012	<u>239,798</u>
Total U.S. Department of Agriculture.....			<u>275,252</u>
U.S. Department of Education - Indirect			
Pass-Through From Area Education Agency 267			
Special Education - Grants to States.....	84.027	FY 2012	<u>65,527</u>
Pass-Through From Iowa Department of Education			
Title I Grants to Local Educational Agencies	84.010	FY 2012	<u>129,109</u>
Improving Teacher Quality State Grants	84.367	FY 2012	<u>44,859</u>
Grants for State Assessments and Related Activities	84.369	FY 2012	<u>6,849</u>
ARRA - Education Jobs Fund	84.410	FY 2012	<u>158,162</u>
Total Pass-Through From Iowa Department of Education			<u>338,979</u>
Pass-Through From Mason City Community School District			
Career and Technical Education - Basic Grants to States	84.048	FY 2012	<u>8,323</u>
Total U.S. Department of Education			<u>412,829</u>
Total			<u>\$ 688,081</u>

* Includes \$47,175 of noncash awards

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 modified accrual basis of accounting. The information in 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.

Subrecipients

Clear Lake Community School District provided no federal awards to subrecipients.

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

Board of Education
Clear Lake Community School District
Clear Lake, Iowa

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, 2012. Those statements along with the unaudited financial statements of the discretely presented component unit as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, as listed in the table of contents, and have issued our report thereon dated March 18, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, except as discussed in the independent auditor's report.

Internal Control Over Financial Reporting

The management of Clear Lake Community School District is responsible for establishing and maintaining effective 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 our 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 that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a 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 12-II-R-1, 12-II-R-2 and 12-II-R-3 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying schedule of findings and questioned costs as items 12-II-R-4 and 12-II-R-5 to be significant deficiencies.

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, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we also noted certain immaterial instances of noncompliance 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, 2012 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. This report is not intended to be and should not be used by anyone other than these specified parties.

HOGAN - HANSEN

HOGAN - HANSEN

Clear Lake, Iowa
March 18, 2013

**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**

Board of Education
Clear Lake Community School District
Clear Lake, Iowa

Compliance

We have audited Clear Lake Community School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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, 2012. 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 grant agreements 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 auditing standards generally accepted in the United States of America, 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 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, 2012.

Internal Control Over Compliance

The 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 grant agreements 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 in order to determine our 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 all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's 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 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 the accompanying schedule of findings and questioned costs as item 12-III-R-1 to be a material weakness.

Clear Lake Community School District's response to the 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 response, we did not audit Clear Lake Community School District's responses and, accordingly, we express no opinion on them.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of Clear Lake Community School District's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on Clear Lake Community School District's compliance but not to provide an opinion on the effectiveness of Clear Lake Community School District's internal control over compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Clear Lake Community School District's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

HOGAN - HANSEN

HOGAN - HANSEN

Clear Lake, Iowa
March 18, 2013

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Part I: Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued:

Qualified

Internal control over financial reporting:

Material weakness identified?

yes no

Significant deficiencies identified not considered to be material weaknesses?

yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

Material weakness identified?

yes no

Significant deficiencies identified not considered to be material weakness?

yes none reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133?

yes no

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

Child Nutrition Cluster

10.553

10.555

School Breakfast Program

National School Lunch Program

84.410

ARRA - Education Jobs Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes no

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Part II: Findings Related to the Financial Statements

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

12-II-R-1 Segregation of Duties

Finding - The limited number of personnel employed by the District in its accounting department makes it difficult to achieve adequate control procedures through the segregation of employee duties. The concentration of closely related duties and responsibilities, such as recording and preparing cash receipts, preparing and recording checks and preparation of journals and general financial information for posting makes it impossible to establish an adequate system of automatic internal checks on accounting record accuracy and reliability.

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

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

Auditor's Conclusion - Response accepted.

12-II-R-2 Financial Statement Preparation

Finding - The District does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with accounting principles generally accepted in the United States of America. As is inherent in many entities of this size, the District has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully prepare financial statements and the related disclosures.

Auditor's Recommendation - We recommend obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses.

District's Response - We will consider obtaining additional knowledge where practical and cost effective. However, we intend to continue to rely on assistance from our audit firm to draft these financial statements each year.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

12-II-R-3 Bank Reconciliations

Finding - During our audit, we noted that the monthly reconciliations combined several cash accounts and certificates of deposit. We also noted two funds using the same cash account, and that there was not a separate reconciliation of the cash and activity to each individual fund. This approach improperly reports the cash balance and activity of each fund, as activity and outstanding items were not allocated to the appropriate funds.

Auditor's Recommendation - We recommend that procedures be established to properly reconcile each fund's cash balance and activity. If records by fund cannot be maintained, we recommend setting up separate cash accounts for each fund.

District's Response - We will establish procedures to ensure cash balances and activity are properly reconciled and recorded for all funds. We will also obtain separate cash accounts for funds where records of pooled cash activity are not being kept.

Auditor's Conclusion - Response accepted

12-II-R-4 Travel Expenses

Finding - During our audit, we tested several disbursements for travel expenses, three of which were not supported by proper documentation.

Auditor's Recommendation - The District should have procedures in place to ensure that all expenses have appropriate support before payment is issued.

District's Response - The District has requested that all employees attach proper documentation to reimbursement requests. We will review our procedures and make the necessary changes to ensure that all expenditures have appropriate supporting documentation.

Auditor's Conclusion - Response accepted.

12-II-R-5 Purchase Orders

Finding - During our audit, we noted several disbursements which were not supported by a purchase order as required by Board policy. We also noted several purchase orders which did not indicate that they had been approved by an authorized staff member as required by Board policy.

Auditor's Recommendation - We recommend that properly approved purchase orders be used for disbursements as required by Board policy.

District's Response - We will review our procedures and make necessary changes to ensure properly approved purchase orders are being used.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Part III: Findings and Questioned Costs For Federal Awards

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

All Programs Displayed on the Schedule of Expenditures of Federal Awards

12-III-R-1 Segregation of Duties

Adequate control procedures through the segregation of employee duties is difficult to achieve due to the limited number of staff administering grants and performing accounting functions. See finding 12-II-R-1 for additional information.

Part IV: Other Findings Related to Statutory Reporting

12-IV-A Certified Budget

Finding - Expenditures for the year ended June 30, 2012 exceeded the amount budgeted in the other expenditures function.

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

District's Response - The District will monitor the expenditures in each area and amend the budget if necessary to not exceed the budget amount.

Auditor's Conclusion - Response accepted.

12-IV-B Questionable Expenditures - We noted no expenditures which did not appear to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, except for those discussed in finding 12-IV-C below.

12-IV-C Travel Expense

Finding - 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. During our audit, we tested several disbursements for travel expenses, three of which were not supported by proper documentation.

Auditor's Recommendation - The District should have procedures in place to ensure that all expenses have appropriate support before payment is issued.

District's Response - The District has requested that all employees attach proper documentation to reimbursement requests. We will review our procedures and make the necessary changes to ensure that all expenditures have appropriate supporting documentation.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

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

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

12-IV-F Board Minutes

Finding - No transactions were noted that we believe should have been approved in the Board minutes but were not. However, certain minutes of the Board of Education proceedings and the schedule of bills for one month were not published as required by Chapter 279.35 of the Code of Iowa.

Auditor's Recommendation - The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting. In addition, a list of all bills should be published monthly.

District's Response - Procedures will be revised to ensure that the minutes and listing of bills will be published as required.

Auditor's Conclusion - Response accepted.

12-IV-G Certified Enrollment

Finding - The number of basic resident students reported to the Iowa Department of Education on the Certified Enrollment Form for October, 2011 was overstated by one student.

Auditor's Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

District's Response - We will contact the Iowa Department of Education and the Department of Management.

Auditor's Conclusion - Response accepted.

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

12-IV-I Deposits and Investments

Finding - The type of deposits and investments that a school may have is limited by provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy. The District purchased a municipal bond issued by a community college and a municipal bond issued by the State of South Dakota. These investments do not appear to be allowable under the Code of Iowa.

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

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

District's Response - We will contact our attorney to determine if these investments are allowable.

Auditor's Conclusion - Response accepted.

12-IV-J Certified Annual Report

Finding - The Certified Annual Report was certified timely to the Iowa Department of Education. However, there were material misstatements due to incorrectly recording payables in two funds, not recording debt service interest and incorrectly expensing nutrition assets in the prior year.

Auditor's Recommendation - The District should correct the accounting records to ensure that the Certified Annual Report is completed accurately.

District's Response - The District will record the necessary adjustments to ensure the accuracy of the Certified Annual Report.

Auditor's Conclusion - Response accepted.

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

12-IV-L Statewide Sales, Services and Use Tax - No instances of noncompliance 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, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance.....		\$ 5,634,830
Revenue		
Sales tax revenue	\$ 1,764,661	
Interest	<u>18,104</u>	1,782,765
Expenditures/Transfers Out		
School infrastructure construction.....	\$ 2,931,207	
Other	<u>2,775</u>	
Transfer to Other Fund		
Debt Service Fund.....	<u>916,397</u>	<u>3,850,379</u>
Ending Balance		<u>\$ 3,567,216</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.