

CLINTON COMMUNITY SCHOOL DISTRICT
Clinton, Iowa

FINANCIAL STATEMENTS
June 30, 2012

CLINTON COMMUNITY SCHOOL DISTRICT

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CLINTON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term</u>
Board of Education		
James McGraw	President	September 2015
Mercia Wolf	Vice President	September 2013
Gregg Obren	Board Member	September 2013
Missey Sullivan-Pope	Board Member	September 2013
Jack Wenzel	Board Member	September 2013
Devin Guillory	Board Member	September 2015
Jenny Green	Board Member	September 2015
School Officials		
Deb Olson	Superintendent	Current
Jan Culbertson	District Secretary/Treasurer and Business Manager	Retirement effective March 31, 2013
Cindy McAleer	District Secretary/Treasurer and Business Manager	Current

Independent Auditor's Report

To the Board of Education
Clinton Community School District
Clinton, Iowa

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Clinton Community School District, Clinton, Iowa, 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. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with 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.

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 Clinton Community School District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof 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 our report dated May 6, 2013, on our consideration of Clinton 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 15 and 49 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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 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 Clinton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2011 (which are not presented herein). The financial statements for the years ended June 30, 2011 and June 30, 2010 expressed qualified opinions, while the financial statements for the year ended June 30, 2009 expressed an unqualified opinion. The financial statements for the seven years ended June 30, 2009, presented in Schedule 7 on page 64 of this report, were audited by other auditors whose reports expressed unqualified opinions on those financial statements. The combining balance sheet - nonmajor special revenue funds, combining schedule of revenues, expenditures, and changes in fund balances (deficit) - nonmajor special revenue funds, combining balance sheet - capital project accounts, combining schedule of revenues, expenditures, and changes in fund balances - capital project accounts, schedule of changes in special revenue fund, student activity accounts, schedule of changes in fiduciary assets and liabilities - agency fund and schedule of revenues by source and expenditures by function - all governmental funds are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining balance sheet - nonmajor special revenue funds, combining schedule of revenues, expenditures, and changes in fund balances (deficit) - nonmajor special revenue funds, combining balance sheet - capital project accounts, combining schedule of revenues, expenditures, and changes in fund balances - capital project accounts, schedule of changes in special revenue fund, student activity accounts, schedule of changes in fiduciary assets and liabilities - agency fund and schedule of revenues by source and expenditures by function - all governmental funds and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 the audit of the 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Winkel, Parker & Foster, CPA PC

Clinton, Iowa
May 6, 2013

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

As management of the Clinton Community School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- General revenues accounted for \$45,658,428 of the government-wide revenue, or 83.6% of all fiscal year 2012 revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$8,925,868 or 16.4% of total fiscal year 2012 revenues.
- The District had \$47,588,061 in expenses related to governmental activities; of which \$6,862,199 of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$45,658,428 provided for the remaining costs of these programs.
- A decline in interest rates during the past three fiscal years has resulted in a decrease in interest earnings. Interest earnings in fiscal year 2012 totaled \$42,526 compared to \$54,675 in fiscal year 2011.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Clinton 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 Clinton 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 Clinton Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

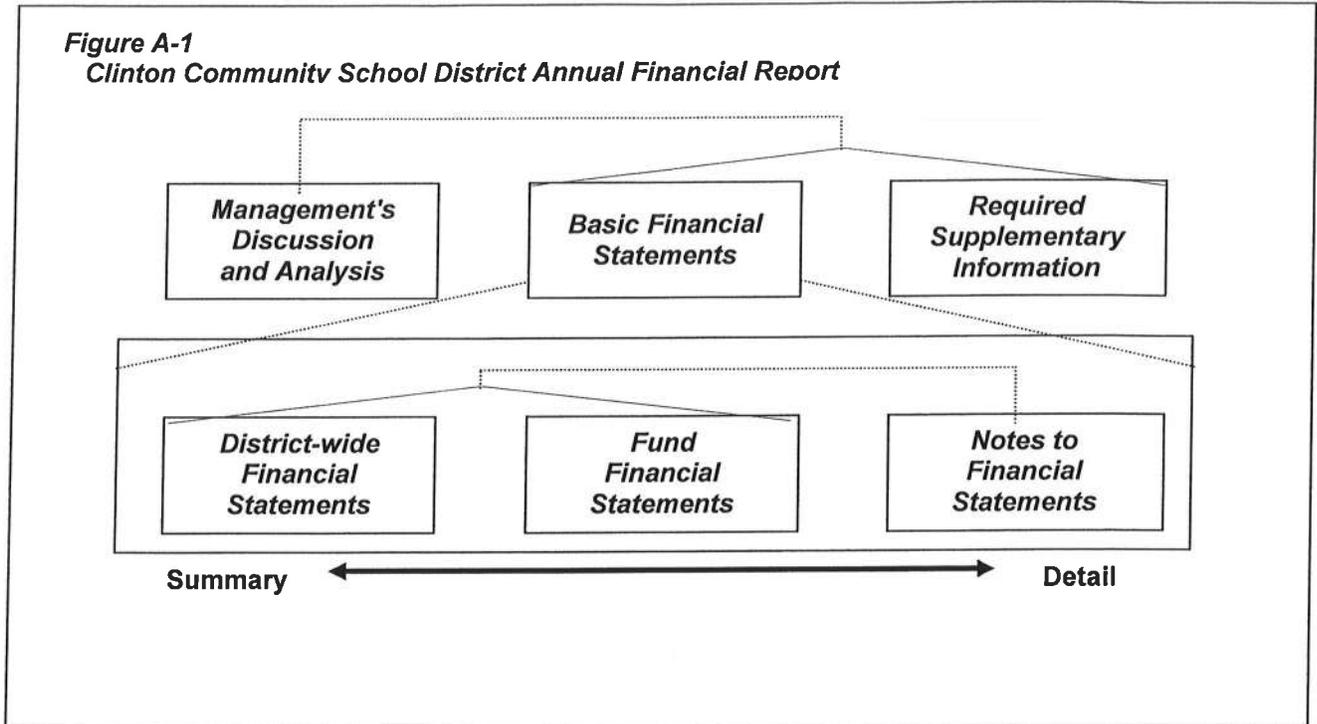
Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

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

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.

CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

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



**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

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

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

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The statement of net assets presents information on all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

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

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

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

The government-wide financial statements can be found on pages 17 through 19 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows of resources that can be spent, as well as on balances of resources that can be spent, that are available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 21 and 24, respectively.

The District maintains nine individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Capital Projects, and Debt Service Funds which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 20 and 22-23 of this report.

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Proprietary funds. Proprietary funds are used to account for activities that are similar to private business activities. Proprietary funds are reported in the same manner as the government-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provides more detail and additional information, such as cash flows. The District has two enterprise funds: School Nutrition and Student Construction. The District's internal service funds are used to account for health benefits for District employees and print shop activities. The internal service funds are allocated to the governmental activities column on the statement of activities. The required financial statements for proprietary funds include a statement of net assets; a statement of revenues, expenses, and changes in net assets, and a statement of cash flows.

The basic proprietary fund financial statements can be found on pages 25-29 of this report.

Fiduciary funds. The District is the trustee, or fiduciary, for assets that belong to others. The District has one agency fund.

Agency Funds - These are funds through which the District accounts for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

The District is responsible for ensuring the assets reported in the fiduciary fund 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.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 31-47 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process. The District adopts an annual expenditure budget for all governmental funds. The District did not amend its budget during fiscal year 2012. A budgetary comparison statement has been provided as required supplementary information.

The required supplementary information can be found on pages 49-51 of this report.

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$39,842,920 as of June 30, 2012.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition, refinancing and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2012 compared to June 30, 2011.

	Governmental Activities		Business-type Activities		Total School District	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 43,229,633	\$ 49,995,209	\$ 1,757,081	\$ 1,577,007	\$ 44,986,714	\$ 51,572,216
Capital assets	48,567,943	41,638,710	430,334	591,302	48,998,277	42,230,012
Total assets	<u>91,797,576</u>	<u>91,633,919</u>	<u>2,187,415</u>	<u>2,168,309</u>	<u>93,984,991</u>	<u>93,802,228</u>
Current and other liabilities	20,030,763	25,029,326	14,442	36,009	20,045,205	25,065,335
Long-term liabilities	34,069,869	34,891,441	26,997	24,844	34,096,866	34,916,285
Total liabilities	<u>54,100,632</u>	<u>59,920,767</u>	<u>41,439</u>	<u>60,853</u>	<u>54,142,071</u>	<u>59,981,620</u>
Invested in capital assets, net of related debt	31,260,269	31,795,575	430,334	591,302	31,690,603	32,386,877
Restricted	4,079,213	1,500,586	-	-	4,079,213	1,500,586
Unrestricted	2,357,462	(1,583,009)	1,715,642	1,516,154	4,073,104	(66,855)
Total net assets	<u>\$ 37,696,944</u>	<u>\$ 31,713,152</u>	<u>\$ 2,145,976</u>	<u>\$ 2,107,456</u>	<u>\$ 39,842,920</u>	<u>\$ 33,820,608</u>

A portion of the District's net assets (79.5%) reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that are still outstanding. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The government-wide statements also include \$34,096,866 in long-term liabilities (see Note 5 on pages 39-42), including general obligation bonds, revenue bonds, notes payable, compensated absences payable and other post-employment benefits payable.

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 were \$4,079,213 at year end.

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 were \$4,073,104 at year end.

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Changes in net assets. The District's total revenue for the fiscal year ended June 30, 2012 was \$54,584,296 compared to \$51,296,324 at June 30, 2011. The total cost of all programs and services for fiscal year 2012 was \$49,613,210 compared to \$48,512,614 in fiscal year 2011. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2012 and 2011:

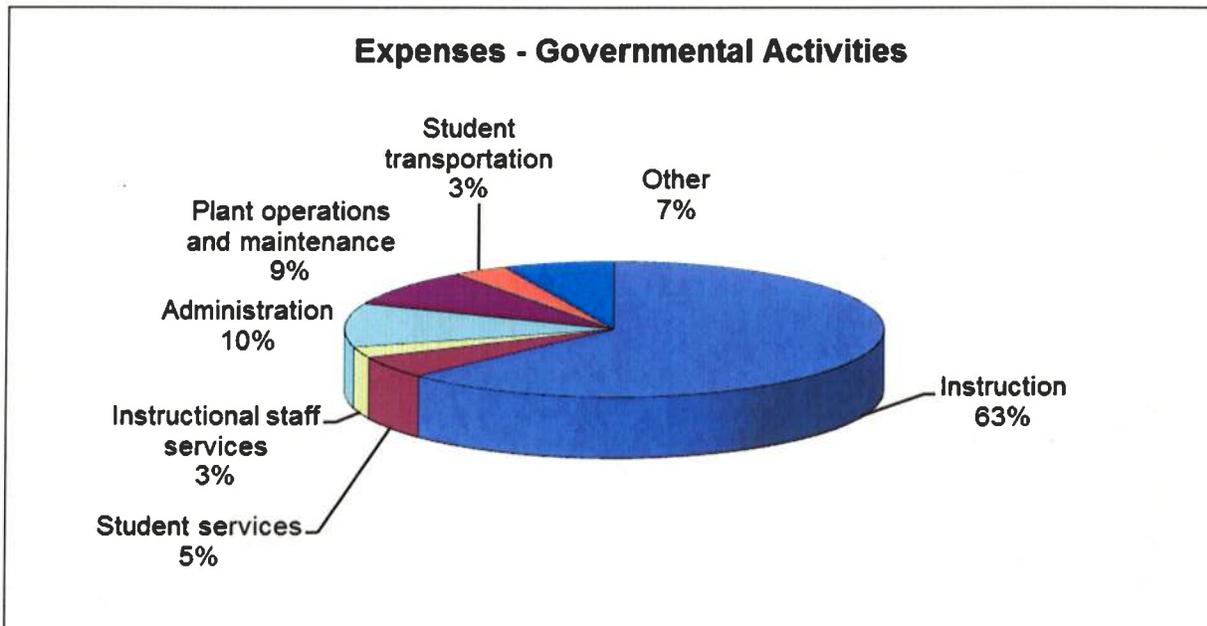
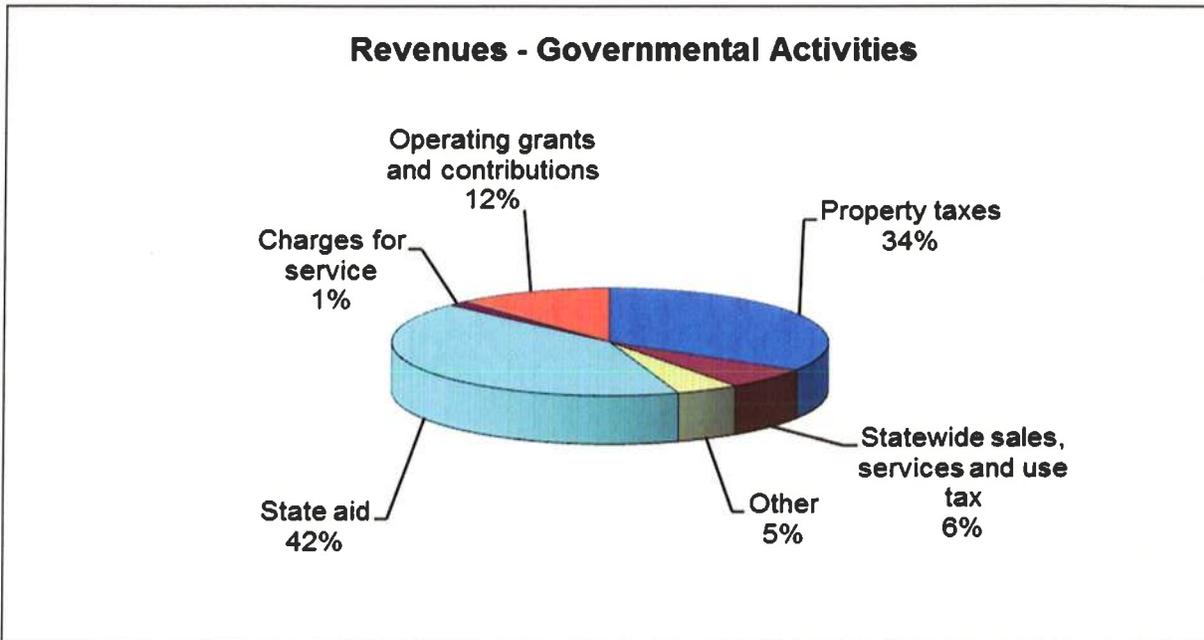
	Governmental Activities		Business-type Activities		Total School District	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues						
Charges for service	\$ 771,566	\$ 723,605	\$ 769,921	\$ 634,020	\$ 1,541,487	\$ 1,357,625
Operating grants, contributions and restricted interest	6,090,633	6,188,027	1,293,748	1,215,596	7,384,381	7,403,623
Capital grants, contributions and restricted interest	-	261,609	-	-	-	261,609
General revenues						
Property and mobile home taxes	17,727,760	14,556,414	-	-	17,727,760	14,556,414
Statewide sales, services and use tax	3,412,322	3,302,527	-	-	3,412,322	3,302,527
Unrestricted state aid	22,078,279	21,983,874	-	-	22,078,279	21,983,874
AEA flowthrough	1,625,970	1,805,505	-	-	1,625,970	1,805,505
Unrestricted investment earnings	42,526	54,675	-	-	42,526	54,675
Miscellaneous	801,132	570,472	-	-	801,132	570,472
Gain/(loss) on disposal of capital assets	(29,561)	-	-	-	(29,561)	-
Total revenues	52,520,627	49,446,708	2,063,669	1,849,616	54,584,296	51,296,324
Expenses						
Instruction	29,908,311	29,661,623	-	-	29,908,311	29,661,623
Support services						
Student services	2,495,439	2,213,811	-	-	2,495,439	2,213,811
Instructional staff services	1,238,451	1,327,540	-	-	1,238,451	1,327,540
Administration services	4,961,184	4,346,634	-	-	4,961,184	4,346,634
Plant operation and maintenance	4,261,691	4,119,106	-	-	4,261,691	4,119,106
Student transportation	1,558,727	1,492,069	-	-	1,558,727	1,492,069
Non-instructional programs	41,069	27,186	2,025,149	1,784,495	2,066,218	1,811,691
Other expenditures						
Facilities acquisition	113,470	267,441	-	-	113,470	267,441
Long-term debt interest	1,383,749	1,467,194	-	-	1,383,749	1,467,194
AEA flowthrough	1,625,970	1,805,505	-	-	1,625,970	1,805,505
Total expenses	47,588,061	46,728,119	2,025,149	1,784,495	49,613,210	48,512,614
Increase in net assets before special items and transfers	4,932,566	2,718,589	38,520	65,121	4,971,086	2,783,710
Special item, missappropriated collections	-	500,000	-	-	-	500,000
Transfers	-	(12,553)	-	12,553	-	-
Change in net assets	4,932,566	3,206,036	38,520	77,674	4,971,086	3,283,710
Net assets, beginning of year, as restated	32,764,378	28,507,116	2,107,456	2,029,782	34,871,834	30,536,898
Net assets, end of year	\$ 37,696,944	\$ 31,713,152	\$ 2,145,976	\$ 2,107,456	\$ 39,842,920	\$ 33,820,608

CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

Governmental Activities

Unrestricted state aid, property taxes, and operating grants and contributions are the primary sources of revenue for the District accounting for approximately 88% of total governmental revenues.

Instruction constitutes the largest portion of expenditures at \$29,908,311. The District offers a wide array of programs including general education, special education, vocational and college preparatory classes. The purely administrative activities of the District accounted for approximately 10% of total costs.



**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

The following table presents the cost of the District's functional governmental activities. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-2012	2012	2011	Change 2011-2012
Instruction	\$ 29,908,311	\$ 29,661,623	0.8%	\$ 24,037,975	\$ 23,975,976	0.3%
Support services						
Student services	2,495,439	2,213,811	12.7%	1,573,919	1,063,388	48.0%
Instructional staff services	1,238,451	1,327,540	-6.7%	1,207,280	1,297,501	-7.0%
Administration services	4,961,184	4,346,634	14.1%	4,961,184	4,346,634	14.1%
Plant operation and maintenance	4,261,691	4,119,106	3.5%	4,254,159	4,110,982	3.5%
Student transportation	1,558,727	1,492,069	4.5%	1,527,087	1,193,061	28.0%
Non-instructional programs	41,069	27,196	51.0%	41,069	27,196	51.0%
Other expenditures						
Facilities acquisition	113,470	267,441	-57.6%	113,470	267,441	-57.6%
Long-term debt interest	1,383,749	1,467,194	-5.7%	1,383,749	1,467,194	-5.7%
AEA flowthrough	1,625,970	1,805,505	-9.9%	1,625,970	1,805,505	-9.9%
Total expenses	\$ 47,588,061	\$ 46,728,119	1.8%	\$ 40,725,862	\$ 39,554,878	3.0%

- The cost of all governmental activities this year was \$47,588,061.
- Federal and state governments and charges for services subsidized certain governmental activities with grants and contributions totaling \$6,862,199.
- The net cost of governmental activities of \$40,725,862 was financed by general revenues, which are made up of primarily property and statewide sales, services and use tax (\$21.1 million) and state aid (\$22.1 million). Investment earnings and miscellaneous sources accounted for \$2.4 million.

Business-type activities

Revenues for business-type activities during the year ended June 30, 2012 were \$2,063,669, representing an 11.6% increase over the prior year, while expenses totaled \$2,025,149, a 13.5% increase over the prior year. The District's business-type activities include the Student Construction and School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$14,455,665, compared to an ending fund balance of \$18,655,785 at June 30, 2011.

Governmental Fund Highlights

The General Fund is the principal operating fund of the District. The General Fund increased its fund balance by \$567,531 during fiscal year 2012, however the fund is still in a deficit financial position.

The Capital Projects fund balance decreased by \$5,813,892 during the fiscal year. This decrease was due to ongoing payments for construction projects as they progress.

The Debt Service Fund balance decreased by \$39,382 during fiscal year 2012 due to bond payments and debt reduction.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$1,877,746 at June 30, 2011 to \$1,877,524 at June 30, 2012, representing a decrease of approximately .01%.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Over the course of the year, the District did not amend its annual operating budget.

The District's total actual receipts were approximately \$1,100,000 less than the total budgeted receipts, a variance of 2.0%. The District's total actual expenditures were approximately \$9.1 million less than the total budgeted expenditures, a variance of 13.6%.

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.

A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and other governmental funds are not presented in the budgetary comparison on pages 49-50.

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2012, the District had invested \$48,998,277 in capital assets, including land, construction in progress, school buildings, athletic facilities, buses and other vehicles, computers, and other equipment. This amount represents a net increase prior to depreciation of \$8,123,563 from last year. Total depreciation expense for the year was \$1,355,298.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2012.

Capital Assets	Governmental Activities		Business-type Activities		Total School District	
	2012	2011	2012	2011	2012	2011
Land	\$ 1,860,229	\$ 1,860,229	\$ -	\$ -	\$ 1,860,229	\$ 1,860,229
Construction in progress	14,944,779	9,184,872	-	146,462	14,944,779	9,331,334
Land improvements	2,315,016	2,405,561	-	-	2,315,016	2,405,561
Buildings	27,998,934	26,862,803	-	-	27,998,934	26,862,803
Furniture and equipment	748,538	612,605	430,334	444,840	1,178,872	1,057,445
Buses	700,447	712,640	-	-	700,447	712,640
Total assets	\$ 48,567,943	\$ 41,638,710	\$ 430,334	\$ 591,302	\$ 48,998,277	\$ 42,230,012

Additional information on the District's capital assets can be found in Note 4 on pages 38-39 of this report.

Debt Administration. At year-end, the District had \$34,096,866 in general obligation bonds, revenue bonds and other long-term debt outstanding, of which \$1,235,991 is due within one year. The following table presents a summary of the District's outstanding long-term debt for the fiscal years ended June 30, 2012 and June 30, 2011, respectively.

	Total Cost School District		Total Change 2011-2012
	2012	2011	
General obligation bonds *	\$ 3,269,457	\$ 3,852,760	-15.1%
Revenue bonds *	29,623,244	29,835,378	-0.7%
Notes payable	20,000	40,000	-50.0%
Compensated absences	345,991	464,973	-25.6%
Net OPEB liability	838,174	723,174	15.9%
	\$ 34,096,866	\$ 34,916,285	-2.3%

* Net of premiums and discounts

State statutes currently limit the amount of general obligation debt a district may issue to 5 percent of its total assessed valuation. The current debt limitation for the District is \$67.6 million, which is more than the District's outstanding general obligation debt.

Additional information on the District's long-term debt can be found in Note 5 on pages 39-42 of this report.

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- District enrollment decreased in fiscal year 2011-12 by 56 students, this negative note is exacerbated by an increase of an additional 24 students in the open enrolled out program bringing that total to 304 students for fiscal year 2011-12. The open enrolled in students changed from 43 the previous year to 44 resulting in one additional tuition paid to Clinton Schools. Under Iowa's school funding formula, District funding for the next year is highly dependent upon the District's enrollment on student count day in October. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- The certified teaching staff was decreased by 4 teachers for FY12. The total certified staff for fiscal year 2012 was 329. There were also 23 secretaries, 111 paraprofessionals, 38 custodian/maintenance employees, 24 bus drivers, 9 bus monitors, 15 administrators, 7 supervisors, and 61 nutrition personnel.
- Clinton Community School District qualified for the State's 4 year old pre-school program with 273 students participating. That was an increase of 17 students. The count for 2012-13 is 219 due to one of the private preschools dropping out.
- An embezzlement was discovered in January 2010. Over a four year period of time, it was determined \$1.2 million had been embezzled. Insurance proceeds were received for \$1 million. The remaining funds are expected to be received March 2013. The state has indicated that the funds are to be returned to the fund that they were embezzled from. Therefore, not all money recovered will be General Fund receipts.
- A long term discussion on the Eagle Heights turning lane is expected to be finalized. This could result in the district paying to have the entrance to Eagle Heights reconstructed.
- The Instructional Support Levy is due to be renewed for an additional 5 years. This is the last year it is in effect. The levy was approved in November 2012 by the Board for five years beginning July 1, 2013.
- Plans are moving ahead to construct a 1,000 student middle school. Land has been purchased and it is expected to receive bids and have the project begin in April 2013.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Business and Finance Office, Clinton Community School District, 1401 12th Avenue North, Clinton, Iowa 52732.

BASIC FINANCIAL STATEMENTS

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 15,670,048	\$ 1,627,270	\$ 17,297,318
Investments	8,721,130	-	8,721,130
Property taxes receivable			
Current year delinquent	185,628	-	185,628
Succeeding year	14,400,297	-	14,400,297
Other receivables	686,829	3,152	689,981
Prepays	98,527	-	98,527
Due from other governments	3,406,425	23,839	3,430,264
Inventories	60,749	102,820	163,569
Capital assets, net of accumulated depreciation	48,567,943	430,334	48,998,277
Total assets	<u>91,797,576</u>	<u>2,187,415</u>	<u>93,984,991</u>
LIABILITIES			
Accounts payable	2,701,513	5,708	2,707,221
Accrued payroll and deductions	3,109,086	4,059	3,113,145
Accrued interest payable	636,718	-	636,718
Deferred revenue	13,583,446	4,675	13,588,121
Long-term liabilities			
Portion due within one year:			
Bonds and notes payable	890,000	-	890,000
Compensated absences payable	318,994	26,997	345,991
Portion due after one year:			
Bonds and notes payable, net of discount	32,022,701	-	32,022,701
Net OPEB liability	838,174	-	838,174
Total liabilities	<u>54,100,632</u>	<u>41,439</u>	<u>54,142,071</u>
NET ASSETS			
Investment in capital assets, net of related debt	31,260,269	430,334	31,690,603
Restricted for:			
Categorical funding	1,089,289	-	1,089,289
Management levy purposes	490,522	-	490,522
School infrastructure	1,473,346	-	1,473,346
Physical plant and equipment levy	195,407	-	195,407
Other purposes	95,193	-	95,193
Debt service	735,456	-	735,456
Unrestricted	2,357,462	1,715,642	4,073,104
Total net assets	<u>\$ 37,696,944</u>	<u>\$ 2,145,976</u>	<u>\$ 39,842,920</u>

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

<u>Functions/Programs</u>	Program Revenues		
<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	
Governmental activities:			
Instruction			
Regular instruction	\$ 15,053,108	\$ 352,978	\$ 3,966,410
Special instruction	9,206,391	48,669	-
Other instruction	5,648,812	340,172	1,162,107
	29,908,311	741,819	5,128,517
Support services			
Student services	2,495,439	-	921,520
Instructional staff services	1,238,451	6,549	24,622
General administration	703,270	-	-
Building administration	2,624,550	-	-
Business administration	1,633,364	-	-
Plant operations and maintenance	4,261,691	7,532	-
Student transportation	1,558,727	15,666	15,974
	14,515,492	29,747	962,116
Non-instructional programs	41,069	-	-
Other expenditures			
Facilities acquisition	113,470	-	-
Long-term debt interest	1,383,749	-	-
AEA flowthrough	1,625,970	-	-
	3,123,189	-	-
Total governmental activities	47,588,061	771,566	6,090,633
Business-type activities:			
Non-instructional programs			
Nutrition services	1,890,557	596,587	1,293,748
Student construction	134,592	173,334	-
Total business-type activities	2,025,149	769,921	1,293,748
Total	\$ 49,613,210	\$ 1,541,487	\$ 7,384,381
General revenues:			
Property and mobile home taxes			
Statewide sales, services and use tax			
Unrestricted state aid			
AEA flowthrough			
Unrestricted investment earnings			
Miscellaneous			
Gain/(loss) on disposal of capital assets			
Total general revenues			

INCREASE IN NET ASSETS

NET ASSETS, BEGINNING OF YEAR, AS RESTATED

NET ASSETS, END OF YEAR

See notes to financial statements.

EXHIBIT B

Net (Expenses) Revenues
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (10,733,720)	\$ -	\$ (10,733,720)
(9,157,722)	-	(9,157,722)
(4,146,533)	-	(4,146,533)
<u>(24,037,975)</u>	<u>-</u>	<u>(24,037,975)</u>
(1,573,919)	-	(1,573,919)
(1,207,280)	-	(1,207,280)
(703,270)	-	(703,270)
(2,624,550)	-	(2,624,550)
(1,633,364)	-	(1,633,364)
(4,254,159)	-	(4,254,159)
<u>(1,527,087)</u>	<u>-</u>	<u>(1,527,087)</u>
<u>(13,523,629)</u>	<u>-</u>	<u>(13,523,629)</u>
(41,069)	-	(41,069)
(113,470)	-	(113,470)
(1,383,749)	-	(1,383,749)
<u>(1,625,970)</u>	<u>-</u>	<u>(1,625,970)</u>
<u>(3,123,189)</u>	<u>-</u>	<u>(3,123,189)</u>
(40,725,862)	-	(40,725,862)
-	(222)	(222)
-	38,742	38,742
-	38,520	38,520
(40,725,862)	38,520	(40,687,342)
17,727,760	-	17,727,760
3,412,322	-	3,412,322
22,078,279	-	22,078,279
1,625,970	-	1,625,970
42,526	-	42,526
801,132	-	801,132
<u>(29,561)</u>	<u>-</u>	<u>(29,561)</u>
<u>45,658,428</u>	<u>-</u>	<u>45,658,428</u>
4,932,566	38,520	4,971,086
<u>32,764,378</u>	<u>2,107,456</u>	<u>34,871,834</u>
<u>\$ 37,696,944</u>	<u>\$ 2,145,976</u>	<u>\$ 39,842,920</u>

CLINTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

EXHIBIT C

ASSETS	ASSETS				
	General	Capital Projects	Debt Service	Nonmajor	Total
Cash and cash equivalents	\$ 1,892,563	\$ 6,171,763	\$ -	\$ 563,206	\$ 8,627,532
Investments	382,334	8,338,796	-	-	8,721,130
Property taxes receivable	166,624	3,664	8,029	7,311	185,628
Current year delinquent	12,911,082	301,645	687,567	500,003	14,400,297
Succeeding year	13,395	69,250	-	4,546	87,191
Other receivables	98,527	-	-	-	98,527
Prepays	-	896,724	-	-	896,724
Due from other funds	2,868,050	538,375	-	-	3,406,425
Due from other governments	-	-	-	-	-
TOTAL ASSETS	\$ 18,332,575	\$ 16,320,217	\$ 695,596	\$ 1,075,066	\$ 36,423,454

LIABILITIES AND FUND BALANCES (DEFICIT)	LIABILITIES AND FUND BALANCES (DEFICIT)				
	General	Capital Projects	Debt Service	Nonmajor	Total
Liabilities	\$ 629,581	\$ 1,181,741	\$ -	\$ 19,687	\$ 1,831,009
Accounts payable	3,108,316	-	-	151	3,108,467
Accrued payroll and deductions	-	-	57,690	640,997	698,687
Due to other funds	-	-	-	-	-
Deferred revenue	12,911,082	301,645	687,567	500,003	14,400,297
Succeeding year property tax	1,929,329	-	-	-	1,929,329
Other	18,578,308	1,483,386	745,257	1,160,838	21,967,789
Total liabilities	-	-	-	-	-
Fund balances (deficit)	98,527	-	-	-	98,527
Nonspendable:	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-
Restricted for:	1,089,289	-	-	-	1,089,289
Categorical funding	-	-	-	-	-
Management levy purposes	-	-	-	506,355	506,355
School infrastructure	-	14,704,549	-	-	14,704,549
Physical plant and equipment	-	132,282	-	-	132,282
Other purposes	-	-	-	57,063	57,063
Unassigned	(1,433,549)	-	(49,661)	(649,190)	(2,132,400)
Total fund balances (deficit)	(245,733)	14,836,831	(49,661)	(85,772)	14,455,665
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 18,332,575	\$ 16,320,217	\$ 695,596	\$ 1,075,066	\$ 36,423,454

See notes to financial statements.

**CLINTON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2012**

Total fund balances (deficit) of governmental funds (page 20)		\$ 14,455,665
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		48,564,960
Receivables not collected within 60 days of year end are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds.		2,746,180
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(636,718)
The Internal Service Funds are used by management to charge the costs of self funding the District's health insurance benefit plan and print shop activities to individual funds.		
The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		
Capital assets	\$ 2,983	
Remaining assets and liabilities	<u>6,633,743</u>	6,636,726
Long-term liabilities, including bonds and notes payable, compensated absences, and other post employment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		<u>(34,069,869)</u>
Net assets of governmental activities (page 17)		<u><u>\$ 37,696,944</u></u>

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
 Year Ended June 30, 2012

	General	Capital Projects	Debt Service	Nonmajor	Total
REVENUES					
Local sources					
Taxes	\$ 14,202,486	\$ 3,705,415	\$ 642,337	\$ 555,628	\$ 19,105,866
Tuition	287,590	-	-	-	287,590
Other	809,227	78,803	-	663,882	1,551,912
Intermediate sources	3,036	-	-	-	3,036
State sources	26,268,923	183	401	365	26,269,872
Federal sources	3,317,330	-	-	-	3,317,330
Total revenues	44,888,592	3,784,401	642,738	1,219,875	50,535,606
EXPENDITURES					
Current operating:					
Instruction					
Regular instruction	14,009,759	112,035	-	251,594	14,373,488
Special instruction	9,277,272	-	-	-	9,277,272
Other instruction	5,022,374	72,254	-	591,869	5,686,497
Total instruction	28,309,405	184,289	-	843,563	29,337,257
Support services					
Student services	2,506,923	-	-	2,124	2,509,047
Instructional staff services	1,248,041	12	-	-	1,248,053
General administration	644,267	20,763	-	43,296	708,326
Building administration	2,650,850	-	-	-	2,650,850
Business administration	1,750,068	1,915	-	13,388	1,765,371
Plant operations and maintenance	4,078,467	31,114	-	216,260	4,325,841
Student transportation	1,476,289	-	-	59,371	1,535,660
Total support services	14,354,905	53,804	-	334,439	14,743,148

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	General	Capital Projects	Debt Service	Nonmajor	Total
Non-instructional programs	\$ 9,578	\$ -	\$ -	\$ 7,476	\$ 17,054
Other expenditures	-	7,866,203	-	-	7,866,203
Facilities acquisition	-	-	837,082	-	837,082
Long-term debt	-	-	1,360,238	-	1,360,238
Principal	-	-	-	-	-
Interest and finance charges	-	-	-	-	-
AEA flow through	1,625,970	-	-	-	1,625,970
Total other expenditures	1,625,970	7,866,203	2,197,320	-	11,689,493
Total expenditures	44,299,858	8,104,296	2,197,320	1,185,478	55,786,952
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	588,734	(4,319,895)	(1,554,582)	34,397	(5,251,346)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	372,375	1,515,200	-	1,887,575
Transfers out	(21,203)	(1,866,372)	-	-	(1,887,575)
Total other financing sources (uses)	(21,203)	(1,493,997)	1,515,200	-	-
NET CHANGE IN FUND BALANCES (DEFICIT)	567,531	(5,813,892)	(39,382)	34,397	(5,251,346)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR, AS RESTATED	(813,264)	20,650,723	(10,279)	(120,169)	19,707,011
FUND BALANCES (DEFICIT), END OF YEAR	\$ (245,733)	\$ 14,836,831	\$ (49,661)	\$ (85,772)	\$ 14,455,665

See notes to financial statements.

**CLINTON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (DEFICIT) - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2012**

Net change in fund balances (deficit) - total governmental funds (page 23) \$ (5,251,346)

**Amounts reported for governmental activities in the
Statement of Activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 8,240,914	
Depreciation expense	(1,281,664)	
Loss on disposal of capital assets	<u>(29,561)</u>	6,929,689

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the government-wide statement of activities.

Repaid		834,296
Amortization of premiums, discounts and bond issuance costs		(18,859)

Some receivables will not be collected for several months after fiscal year end, so they are not considered as "available" revenues in the governmental funds, and they are instead counted as deferred revenues. They are, however, recorded as revenues in the statement of activities.		2,014,582
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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.

Change in accrued interest payable		(1,866)
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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.

Change in compensated absences	121,135	
Change in other post employment benefits	<u>(115,000)</u>	6,135

The Internal Service Funds are used by management to charge the costs of employee health benefits and printing to individual funds. The net revenue of the Internal Service Funds is reported with governmental activities.

Depreciation expense	(456)	
Net revenue of remaining accounts	<u>420,391</u>	<u>419,935</u>

Change in net assets of governmental activities (page 19)		<u><u>\$ 4,932,566</u></u>
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See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2012

	Enterprise Funds		Internal Service Funds			Total Internal Service
	School Nutrition	Nonmajor Student Construction	Total Enterprise	Insurance	Print Shop	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,401,416	\$ 225,854	\$ 1,627,270	\$ 7,042,516	\$ -	\$ 7,042,516
Other receivables	3,152	-	3,152	599,625	13	599,638
Due from other governments	23,839	-	23,839	-	-	-
Inventories	102,820	-	102,820	-	60,749	60,749
Total current assets	<u>1,531,227</u>	<u>225,854</u>	<u>1,757,081</u>	<u>7,642,141</u>	<u>60,762</u>	<u>7,702,903</u>
Noncurrent assets:						
Land and construction in progress	-	42,598	42,598	-	-	-
Furniture and equipment	926,849	-	926,849	-	51,239	51,239
Less accumulated depreciation	(539,113)	-	(539,113)	-	(48,256)	(48,256)
Total noncurrent assets	<u>387,736</u>	<u>42,598</u>	<u>430,334</u>	<u>-</u>	<u>2,983</u>	<u>2,983</u>
Total assets	<u>1,918,963</u>	<u>268,452</u>	<u>2,187,415</u>	<u>7,642,141</u>	<u>63,745</u>	<u>7,705,886</u>
LIABILITIES						
Accounts payable	5,708	-	5,708	159,751	1,946	161,697
Accrued payroll and deductions	4,059	-	4,059	-	619	619
Compensated absences payable	26,997	-	26,997	-	-	-
Claims payable	-	-	-	708,807	-	708,807
Due to other funds	-	-	-	-	198,037	198,037
Deferred revenue	4,675	-	4,675	-	-	-
Total liabilities	<u>41,439</u>	<u>-</u>	<u>41,439</u>	<u>868,558</u>	<u>200,602</u>	<u>1,069,160</u>
NET ASSETS						
Invested in capital assets	387,736	42,598	430,334	-	2,983	2,983
Unrestricted	1,489,788	225,854	1,715,642	6,773,583	(139,840)	6,633,743
Total net assets	<u>\$ 1,877,524</u>	<u>\$ 268,452</u>	<u>\$ 2,145,976</u>	<u>\$ 6,773,583</u>	<u>\$ (136,857)</u>	<u>\$ 6,636,726</u>

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2012

	<u>Enterprise Funds</u>		<u>Total Enterprise</u>
	<u>School Nutrition</u>	<u>Nonmajor Student Construction</u>	
OPERATING REVENUES			
Local sources			
Food service sales	\$ 595,845	\$ -	\$ 595,845
Charges to other funds	-	-	-
Other	742	173,334	174,076
Total operating revenues	<u>596,587</u>	<u>173,334</u>	<u>769,921</u>
OPERATING EXPENSES			
Non-instructional programs			
Food service operations			
Salaries	661,155	-	661,155
Employee benefits	178,779	-	178,779
Other purchased services	60,721	33,905	94,626
Supplies	916,724	100,687	1,017,411
Depreciation	73,178	-	73,178
Other operating costs	-	-	-
Total operating expenses	<u>1,890,557</u>	<u>134,592</u>	<u>2,025,149</u>
Operating income (loss)	<u>(1,293,970)</u>	<u>38,742</u>	<u>(1,255,228)</u>
NON-OPERATING REVENUES			
State sources	18,774	-	18,774
Federal sources			
Federal food commodities	100,055	-	100,055
Federal subsidy	1,174,919	-	1,174,919
Total non-operating revenues	<u>1,293,748</u>	<u>-</u>	<u>1,293,748</u>
NET INCOME (LOSS)	(222)	38,742	38,520
NET ASSETS, BEGINNING OF YEAR	<u>1,877,746</u>	<u>229,710</u>	<u>2,107,456</u>
NET ASSETS, END OF YEAR	<u>\$ 1,877,524</u>	<u>\$ 268,452</u>	<u>\$ 2,145,976</u>

See notes to financial statements.

**CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2012**

	Internal Service Funds		
	Insurance	Print Shop	Total Internal Service
OPERATING REVENUES			
Local sources			
Food service sales	\$ -	\$ -	\$ -
Charges to other funds	6,176,630	106,729	6,283,359
Other	7,643	-	7,643
Total operating revenues	6,184,273	106,729	6,291,002
OPERATING EXPENSES			
Non-instructional programs			
Food service operations			
Salaries	-	13,671	13,671
Employee benefits	-	2,215	2,215
Other purchased services	-	49,190	49,190
Supplies	-	39,840	39,840
Depreciation	-	456	456
Other operating costs	5,765,695	-	5,765,695
Total operating expenses	5,765,695	105,372	5,871,067
Operating income (loss)	418,578	1,357	419,935
NON-OPERATING REVENUES			
State sources	-	-	-
Federal sources			
Federal food commodities	-	-	-
Federal subsidy	-	-	-
Total non-operating revenues	-	-	-
NET INCOME (LOSS)	418,578	1,357	419,935
NET ASSETS, BEGINNING OF YEAR	6,355,005	(138,214)	6,216,791
NET ASSETS, END OF YEAR	\$ 6,773,583	\$ (136,857)	\$ 6,636,726

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Year Ended June 30, 2012

	Enterprise Funds		Total Enterprise	Internal Service Funds		Total Internal Service
	School Nutrition	Nonmajor Student Construction		Insurance	Print Shop	
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from sale of lunches and breakfasts	\$ 586,535	\$ -	\$ 586,535	\$ -	\$ -	\$ -
Cash received from operating fund reimbursements	742	173,334	174,076	6,406,428	106,729	6,513,157
Cash payments to employees for services	(841,849)	-	(841,849)	-	(860)	(860)
Cash payments to suppliers for goods and services	(878,833)	(137,601)	(1,016,434)	(5,559,401)	(93,400)	(5,652,801)
Net cash provided by (used in) operating activities	(1,133,405)	35,733	(1,097,672)	847,027	12,469	859,496
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Interfund loans received	-	-	-	-	198,037	198,037
Operating grants received	1,200,118	-	1,200,118	-	-	-
Net cash provided by non-capital financing activities	1,200,118	-	1,200,118	-	198,037	198,037
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase/sale of equipment/construction in progress	(16,074)	103,864	87,790	-	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	50,639	139,597	190,236	847,027	210,506	1,057,533
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,350,777	86,257	1,437,034	6,195,489	(210,506)	5,984,983
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,401,416	\$ 225,854	\$ 1,627,270	\$ 7,042,516	\$ -	\$ 7,042,516

**CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2012**

	Agency Fund
ASSETS	
Cash and cash equivalents	\$ 4,085
Other accounts receivable	56
Total assets	\$ 4,141
LIABILITIES	
Due to other groups	\$ 4,141

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Clinton Community School District is a political subdivision of the State of Iowa and provides elementary and secondary education to the citizens within the District. The District encompasses an area of approximately 18 square miles of the City of Clinton's 34.75 square miles. Within the District are eight schools, including four elementary schools for grades kindergarten to five, two middle schools for grades six to eight, one high school for grades nine to twelve, and one alternative high school. Financial accountability for the District's operations is vested with the independently elected Board of Education. Management of the District is appointed by and is accountable to the Board of Education. The District is an independent reporting entity, unaffiliated with the City of Clinton or other local government jurisdictions.

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

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but 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 City's Conference Board.

B. Basis of Presentation

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

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

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

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

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

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

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

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

The District reports the following major governmental funds:

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

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

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

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

The District also reports one fiduciary fund, which focuses on net assets and changes in net assets. The District's fiduciary fund includes the following:

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

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (continued)

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

D. Assets, Liabilities, and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 revenues, grants, and reimbursements from other governments.

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

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Fund Equity (continued)

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

Land	\$ 2,500
Land improvements	2,500
Buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

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

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Impairment of Long-Lived Assets - The District reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

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

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within 60 days after year end.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Fund Equity (continued)

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

Nonspendable - Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

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

Unassigned - All amounts not included in other spendable classifications.

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

E. Budgeting and Budgetary Accounting

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 instruction, support services and non-instructional programs functions. However, the District did not exceed its General Fund unspent authorized budget.

F. Subsequent Events

Management has evaluated subsequent events through May 6, 2013, the date the financial statements were available to be issued.

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 2 - CASH 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 investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 8,721,130

These investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

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.

NOTE 3 - INTERFUND TRANSFERS

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

	Transfers In	Transfers Out
General fund	\$ -	\$ 21,203
Capital projects fund	372,375	1,866,372
Debt service fund	1,515,200	-
Total	\$ 1,887,575	\$ 1,887,575

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

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 4 - CAPITAL ASSETS

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

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,860,229	\$ -	\$ -	\$ 1,860,229
Construction in progress	9,184,872	7,593,777	1,833,870	14,944,779
Total capital assets not being depreciated	<u>11,045,101</u>	<u>7,593,777</u>	<u>1,833,870</u>	<u>16,805,008</u>
Capital assets being depreciated:				
Land improvements	3,479,380	-	-	3,479,380
Buildings	45,180,114	2,055,058	-	47,235,172
Furniture and equipment	7,242,018	264,072	75,151	7,430,939
Buses and other pupil transportation equipment	<u>2,508,813</u>	<u>161,877</u>	<u>168,900</u>	<u>2,501,790</u>
Total capital assets being depreciated	<u>58,410,325</u>	<u>2,481,007</u>	<u>244,051</u>	<u>60,647,281</u>
Less accumulated depreciation for:				
Land improvements	1,073,819	90,545	-	1,164,364
Buildings	18,317,311	918,927	-	19,236,238
Furniture and equipment	6,629,413	98,578	45,590	6,682,401
Buses and other pupil transportation equipment	<u>1,796,173</u>	<u>174,070</u>	<u>168,900</u>	<u>1,801,343</u>
Total accumulated depreciation	<u>27,816,716</u>	<u>1,282,120</u>	<u>214,490</u>	<u>28,884,346</u>
Total capital assets being depreciated, net	<u>30,593,609</u>	<u>1,198,887</u>	<u>29,561</u>	<u>31,762,935</u>
Governmental activities capital assets, net	<u>\$41,638,710</u>	<u>\$ 8,792,664</u>	<u>\$ 1,863,431</u>	<u>\$48,567,943</u>
	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 146,462	\$ -	\$ 103,864	\$ 42,598
Capital assets being depreciated:				
Furniture and equipment	910,775	16,074	-	926,849
Less accumulated depreciation	465,935	73,178	-	539,113
Capital assets being depreciated, net:	<u>444,840</u>	<u>(57,104)</u>	<u>-</u>	<u>387,736</u>
Business-type activities capital assets, net	<u>\$ 591,302</u>	<u>\$ (57,104)</u>	<u>\$ 103,864</u>	<u>\$ 430,334</u>

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:	
Regular	\$ 947,976
Support services:	
General administration	15,187
Plant operations and maintenance	38,968
Student transportation	169,117
Instructional staff services	504
Non-instructional	24,470
Facilities acquisition	<u>85,898</u>
Total depreciation expense - governmental activities	<u>\$ 1,282,120</u>

Business-type activities:

School nutrition:	
Food service operations	<u>\$ 73,178</u>

NOTE 5 - LONG-TERM LIABILITIES

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

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 3,790,000	\$ -	\$ 580,000	\$ 3,210,000	\$ 600,000
Revenue bonds	30,234,296	-	234,296	30,000,000	270,000
Notes payable	40,000	-	20,000	20,000	20,000
Compensated absences	440,129	306,273	427,408	318,994	318,994
Net OPEB liability	723,174	115,000	-	838,174	-
Plus bond premium	62,760	-	3,303	59,457	-
Less bond discount	398,918	-	(22,162)	376,756	-
Total	<u>\$34,891,441</u>	<u>\$ 421,273</u>	<u>\$ 1,242,845</u>	<u>\$ 34,069,869</u>	<u>\$ 1,208,994</u>
Business-type activities:					
Compensated absences	<u>\$ 24,844</u>	<u>\$ 9,526</u>	<u>\$ 7,373</u>	<u>\$ 26,997</u>	<u>\$ 26,997</u>

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

General Obligation Bonds

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

Year Ending June 30,	Refunding Bond Issue of 2010			
	Interest Rates	Principal	Interest	Total
2013	2.50	\$ 600,000	\$ 85,720	\$ 685,720
2014	2.75	620,000	70,720	690,720
2015	3.00	645,000	53,670	698,670
2016	2.40	665,000	34,320	699,320
2017	2.70	680,000	18,360	698,360
Total		<u>\$ 3,210,000</u>	<u>\$ 262,790</u>	<u>\$ 3,472,790</u>

On July 8, 2010, the District issued \$4,405,000 of general obligation refunding bonds, with interest rates ranging from 2.50% to 2.70%, for a current refunding of the general obligation bonds issued May 1, 2005. The District refunded the bonds to reduce its total debt service payments by approximately \$293,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$266,000.

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,	Series 2010 Revenue Bond			
	Interest Rates	Principal	Interest	Total
2013	2.00	\$ 270,000	\$ 1,256,085	\$ 1,526,085
2014	3.00	1,315,000	1,233,660	2,548,660
2015	3.00	1,315,000	1,194,210	2,509,210
2016	3.00	1,320,000	1,154,685	2,474,685
2017	3.00	1,335,000	1,114,860	2,449,860
2018-2022	3.75-4.10	7,285,000	4,794,538	12,079,538
2023-2027	4.25-4.75	9,015,000	3,085,181	12,100,181
2028-2030	4.75-5.00	8,145,000	741,794	8,886,794
		<u>\$30,000,000</u>	<u>\$14,575,013</u>	<u>\$44,575,013</u>

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

The District has pledged future statewide sales, services and use tax revenues to repay the \$30,000,000 bonds issued during the June 30, 2010 fiscal year. The statewide sales, services and use tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limit of the district. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid is \$44,575,013. For the current year, interest paid on the bonds totaled \$1,258,785 and total statewide sales, services and use tax revenues were \$3,412,322. The District is required to begin making principal payments on the bonds in fiscal year 2013.

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

- a) The net bond proceeds shall be deposited in to a Project Fund for the purpose of aiding in the financing of the Project, and shall also be available for the payment of the principal of or interest on the Bonds at any time that other funds of the Project shall be insufficient for that purpose.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Fund.
- c) Monies in the Revenue Fund shall be disbursed to the Sinking Fund, Debt Service Reserve Fund and Surplus Revenue Fund in order of priority.
- d) The amount deposited in the Sinking Fund monthly shall be equal to 1/12th of the principal and 1/6th of the interest coming due on the Bonds.
- e) Upon settlement, from proceeds of the Bonds, the Debt Service Reserve Fund will be funded to a balance equal to the Reserve Fund Requirement. Moneys deposited in the Reserve Fund shall be used solely for the purpose of paying principal and interest on the Bonds or Parity Obligations.
- f) All money thereafter remaining in the Revenue Fund at the close of each month may be used to pay for other expenses of the Project, pay or redeem the Bonds or obligations, or for any lawful purpose.

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

Notes Payable

During the year ended June 30, 2009, the District issued School Equipment Notes to provide funds for the purchase of equipment. The notes bear interest at 3.64% per annum and are payable from the General Fund. Details of the District's indebtedness under the agreements in effect at June 30, 2012 are as follows:

<u>Year Ending June 30,</u>	<u>School Equipment Purchase Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 20,000	\$ 455	\$ 20,455

During the year ended June 30, 2012, the District made principal and interest payments totaling \$21,183 under the agreement.

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 6 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments by fund as of June 30, 2012 are as follows:

	General Fund
State appropriations	
Foster Care Claim/Juvenile Home Advance	\$ 395
Prevention thru Mentoring	13,969
Vocational Aid	989
Total state appropriations	<u>15,353</u>
Federal appropriations	
21 st Century	321,362
Advanced Placement Program	1,195
Gaining Early Awareness	28,036
Grants for State Assessments and Related Activities	4,925
Juvenile Mentoring Program	6,771
Medical Assistance Program	113,950
Perkins Grant	52,329
OJJDP	14,035
Special Education - Grants to States - Part B	91,594
Title I	348,469
Title IIA	207,841
Total federal appropriations	<u>1,190,507</u>
Miscellaneous	
Income Surtax Receivable	1,593,035
Other local sources	69,155
Total miscellaneous	<u>1,662,190</u>
Total due from other governments	<u>\$ 2,868,050</u>
	Capital Projects Fund
Miscellaneous	
Statewide sales, services and use tax	<u>\$ 538,375</u>
	School Nutrition Fund
Federal appropriations	
Summer food program	<u>\$ 23,839</u>

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 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 supplemental information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered payroll for the years ended June 30, 2012, 2011, and 2010. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$2,086,665, \$1,704,410, and \$1,699,212, respectively, equal to the required contributions for each year.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 449 active and 60 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 283,000
Interest on net OPEB obligation	27,000
Adjustment to annual required contribution	<u>(23,000)</u>
Annual OPEB cost	287,000
Contributions made	<u>(172,000)</u>
Increase in net OPEB obligation	115,000
Net OPEB obligation beginning of year	<u>723,174</u>
Net OPEB obligation end of year	<u><u>\$ 838,174</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

For the year ended June 30, 2012, the District contributed \$172,000 to the medical plan.

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

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 367,831	18.2%	\$ 608,174
June 30, 2011	287,000	59.9%	723,174
June 30, 2012	287,000	59.9%	838,174

Funded Status and Funding Progress - As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$2.526 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.526 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$21,660,000, and the ratio of the UAAL to covered payroll was 11.7%. 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 health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, 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 unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP-2000 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, 2010 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2010.

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.

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 9 - CONTINGENT LIABILITIES

As of June 30, 2012, the District is contingently liable for the unvested portion of sick leave, which totals approximately \$11,810,193.

NOTE 10 - RISK MANAGEMENT

Clinton Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. There have been no significant reductions in insurance coverage from coverage in the prior year. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District also has a self-funded health insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 120% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$45,000 in insured claims for any one covered individual. Settled claims have not exceeded the commercial coverage in any of the past three fiscal years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses. That reserve was \$708,807 at June 30, 2012. Changes in the aggregate claims liability for the current year is as follows:

	<u>2012</u>
Balance, beginning of year	\$ 540,000
Incurred claims (including IBNRs)	5,960,417
Claim payments	<u>5,791,610</u>
Balance, end of year	<u>\$ 708,807</u>

NOTE 11 - OPERATING LEASES

The District has various operating leases expiring on various dates through 2017 with various minimum annual rentals. The following is a schedule, by year, of the future minimum rentals due under these operating leases:

Year Ended June 30,	
2013	\$ 53,222
2014	45,926
2015	42,919
2016	26,719
2017	<u>17,122</u>
Total	<u>\$ 185,908</u>

Rental payments made during the year ended June 30, 2012 for all operating leases totaled approximately \$119,176.

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 12 - AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,625,970 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

NOTE 13 - CONSTRUCTION COMMITMENTS

The District has entered into contracts totaling \$17,268,800 for various construction projects. As of June 30, 2012, costs of \$15,864,547 had been incurred against the contracts. The balance of \$1,404,253 remaining at June 30, 2012 will be paid as work on the projects progress.

NOTE 14 - FUND BALANCE DEFICIT

At June 30, 2012, the General Fund, Student Activity Fund, Debt Service Fund and Print Shop Fund had fund balance deficits of \$245,733, \$649,190, \$49,661 and \$136,857, respectively, resulting from current expenses in excess of total revenues. It is expected that revenues for the next year will provide a positive fund balance.

NOTE 15 - SUBSEQUENT EVENTS

In July of 2012, the District entered into two contracts related to the Clinton High School innovation room. One of the contracts was with Hillebrand Construction totaling \$272,265, while the other contract was with Electronics Communications Systems totaling \$137,675.

In November of 2012, the District entered into a contract with Bush Turf, Inc. totaling \$970,000 related to the Clinton High School stadium field renovation.

NOTE 16 - RESTATEMENT OF FUND BALANCES/NET ASSETS

The following restatements occurred from the prior year due to the correction of an error.

	General Fund
Beginning fund balance, as previously reported	\$ (1,864,490)
Cash understatement	<u>1,051,226</u>
Beginning fund balance, as restated	<u>\$ (813,264)</u>
	Governmental Activities
Beginning net assets, as previously reported	\$ 31,713,152
Cash understatement	<u>1,051,226</u>
Beginning net assets, as restated	<u>\$ 32,764,378</u>

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CLINTON COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTAL INFORMATION
Year Ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
REVENUES						
Local sources	\$ 20,945,368	\$ 769,921	\$21,715,289	\$ 23,649,441	\$23,649,441	\$ (1,934,152)
Intermediate sources	3,036	-	3,036	-	-	3,036
State sources	26,269,872	18,774	26,288,646	28,033,086	28,033,086	(1,744,440)
Federal sources	3,317,330	1,274,974	4,592,304	2,013,350	2,013,350	2,578,954
Total revenues	<u>50,535,606</u>	<u>2,063,669</u>	<u>52,599,275</u>	<u>53,695,877</u>	<u>53,695,877</u>	<u>(1,096,602)</u>
EXPENDITURES						
Instruction	29,337,257	-	29,337,257	28,840,238	28,840,238	(497,019)
Support services	14,743,148	-	14,743,148	14,403,306	14,403,306	(339,842)
Non-instructional programs	17,054	2,025,149	2,042,203	1,881,300	1,881,300	(160,903)
Other expenditures	11,689,493	-	11,689,493	21,820,159	21,820,159	10,130,666
Total expenditures	<u>55,786,952</u>	<u>2,025,149</u>	<u>57,812,101</u>	<u>66,945,003</u>	<u>66,945,003</u>	<u>9,132,902</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,251,346)	38,520	(5,212,826)	(13,249,126)	(13,249,126)	8,036,300
OTHER FINANCING SOURCES (USES), NET	-	-	-	175,000	175,000	(175,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(5,251,346)	38,520	(5,212,826)	(13,074,126)	(13,074,126)	7,861,300
BALANCES, BEGINNING OF YEAR	<u>19,707,011</u>	<u>2,107,456</u>	<u>21,814,467</u>	<u>20,642,637</u>	<u>20,642,637</u>	<u>1,171,830</u>
BALANCES, END OF YEAR	<u>\$ 14,455,665</u>	<u>\$2,145,976</u>	<u>\$16,601,641</u>	<u>\$ 7,568,511</u>	<u>\$ 7,568,511</u>	<u>\$ 9,033,130</u>

See accompanying independent auditor's report.

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
Year ended June 30, 2012

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

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

During the year ended June 30, 2012, expenditures in the instruction, support services and non-instructional programs functions exceeded the amount budgeted, however, the District did not exceed its General fund unspent authorized budget.

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)
REQUIRED SUPPLEMENTARY INFORMATION**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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	July 1, 2008	-	\$ 2,662	\$ 2,662	0.00%	\$ 20,500	13.0%
2011	July 1, 2010	-	2,526	2,526	0.00%	20,488	12.3%
2012	July 1, 2010	-	2,526	2,526	0.00%	21,660	11.7%

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

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

CLINTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2012

ASSETS	Student Activity	Management Levy	Helen O. Stoddard Bequest	Margaret N. Kracht Gift	Total
Cash and cash equivalents	\$ -	\$ 506,143	\$ 56,980	\$ 83	\$ 563,206
Property taxes receivable	-	7,311	-	-	7,311
Current year delinquent	-	500,003	-	-	500,003
Succeeding year	4,546	-	-	-	4,546
Other receivables	-	-	-	-	-
TOTAL ASSETS	\$ 4,546	\$ 1,013,457	\$ 56,980	\$ 83	\$ 1,075,066

LIABILITIES AND FUND BALANCES (DEFICIT)					
Liabilities					
Accounts payable	\$ 12,588	\$ 7,099	\$ -	\$ -	\$ 19,687
Accrued payroll and deductions	151	-	-	-	151
Due to other funds	640,997	-	-	-	640,997
Deferred revenue	-	-	-	-	-
Succeeding year property tax	-	500,003	-	-	500,003
Total liabilities	653,736	507,102	-	-	1,160,838

Fund balances (deficit)					
Restricted for:					
Management levy purposes	-	506,355	-	-	506,355
Other purposes	-	-	56,980	83	57,063
Unassigned	(649,190)	-	-	-	(649,190)
Total fund balances (deficit)	(649,190)	506,355	56,980	83	(85,772)

TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 4,546	\$ 1,013,457	\$ 56,980	\$ 83	\$ 1,075,066
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CLINTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES (DEFICIT) - NONMAJOR SPECIAL REVENUE FUNDS
 Year Ended June 30, 2012

	Student Activity	Management Levy	Helen O. Stoddard Bequest	Margaret N. Kracht Gift	Total
REVENUES					
Local sources					
Taxes	\$ -	\$ 555,628	\$ -	\$ -	\$ 555,628
Other	599,370	64,296	216	-	663,882
State sources	-	365	-	-	365
Total revenues	599,370	620,289	216	-	1,219,875
EXPENDITURES					
Current operating:					
Instruction					
Regular instruction	-	251,694	-	-	251,694
Other instruction	591,869	-	-	-	591,869
Total instruction	591,869	251,694	-	-	843,563
Support services					
Student services	24	2,100	-	-	2,124
General administration	-	43,296	-	-	43,296
Business administration	86	13,302	-	-	13,388
Plant operations and maintenance	3,160	213,100	-	-	216,260
Student transportation	9,607	49,764	-	-	59,371
Total support services	12,877	321,562	-	-	334,439

SCHEDULE 2
(CONTINUED)

CLINTON COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (DEFICIT) - NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2012

	Student Activity	Management Levy	Helen O. Stoddard Bequest	Margaret N. Kracht Gift	Total
Non-instructional programs	\$ -	\$ 7,476	\$ -	\$ -	\$ 7,476
Total expenditures	604,746	580,732	-	-	1,185,478
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,376)	39,557	216	-	34,397
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	(643,814)	466,798	56,764	83	(120,169)
FUND BALANCES (DEFICIT), END OF YEAR	\$ (649,190)	\$ 506,355	\$ 56,980	\$ 83	\$ (85,772)

CLINTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 June 30, 2012

	ASSETS			LIABILITIES AND FUND BALANCES				
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Revenue	Total	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Revenue	Total
Cash and cash equivalents	\$ 6,026,193	\$ 145,570	\$ -	\$ 6,171,763				
Investments	8,338,796	-	-	8,338,796				
Property taxes receivable	-	-	-	-				
Current year delinquent	-	3,664	-	3,664				
Succeeding year	-	301,645	-	301,645				
Other receivables	69,250	-	-	69,250				
Due from other funds	896,724	-	-	896,724				
Due from other governments	538,375	-	-	538,375				
TOTAL ASSETS	\$ 15,869,338	\$ 450,879	\$ -	\$ 16,320,217				
Liabilities								
Accounts payable	\$ 1,164,789	\$ 16,952	\$ -	\$ 1,181,741				
Deferred revenue	-	-	-	-				
Succeeding year property tax	-	301,645	-	301,645				
Total liabilities	1,164,789	318,597	-	1,483,386				
Fund balances								
Restricted for:								
School infrastructure	14,704,549	-	-	14,704,549				
Physical plant and equipment	-	132,282	-	132,282				
Total fund balances	14,704,549	132,282	-	14,836,831				
TOTAL LIABILITIES AND FUND BALANCES	\$ 15,869,338	\$ 450,879	\$ -	\$ 16,320,217				

**CLINTON COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CAPITAL PROJECT ACCOUNTS
Year Ended June 30, 2012**

REVENUES	<u>Statewide Sales, Services and Use Tax</u>	<u>Physical Plant and Equipment Levy</u>	<u>Other Revenue</u>	<u>Total</u>
Local sources				
Taxes	\$ 3,412,322	\$ 293,093	-	\$ 3,705,415
Other	65,050	483	13,270	78,803
State sources	-	183	-	183
Total revenues	<u>3,477,372</u>	<u>293,759</u>	<u>13,270</u>	<u>3,784,401</u>
 EXPENDITURES				
Current operating:				
Instruction				
Regular instruction	112,035	-	-	112,035
Other instruction	72,254	-	-	72,254
Total instruction	<u>184,289</u>	<u>-</u>	<u>-</u>	<u>184,289</u>
Support services				
Instructional staff services	12	-	-	12
General administration	20,763	-	-	20,763
Business administration	1,915	-	-	1,915
Plant operations and maintenance	14,162	16,952	-	31,114
Total support services	<u>36,852</u>	<u>16,952</u>	<u>-</u>	<u>53,804</u>

SCHEDULE 4
(CONTINUED)

CLINTON COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CAPITAL PROJECT ACCOUNTS
Year Ended June 30, 2012

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Revenue	Total
Other expenditures				
Facilities acquisition	\$ 7,635,348	\$ 230,855	\$ -	\$ 7,866,203
Total expenditures	7,856,489	247,807	-	8,104,296
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,379,117)	45,952	13,270	(4,319,895)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	372,375	372,375
Transfers out	(1,866,372)	-	-	(1,866,372)
Total other financing sources (uses)	(1,866,372)	-	372,375	(1,493,997)
NET CHANGE IN FUND BALANCES	(6,245,489)	45,952	385,645	(5,813,892)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	20,950,038	86,330	(385,645)	20,650,723
FUND BALANCES, END OF YEAR	\$ 14,704,549	\$ 132,282	\$ -	\$ 14,836,831

CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2012

<u>Account</u>	<u>Balance, Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Balance, End of Year</u>
Clinton High School				
10th grade	\$ 6,093	\$ -	\$ -	\$ 6,093
11th grade	5,085	-	-	5,085
Activity tickets	36,613	1,407	-	38,020
Amnesty international	177	-	-	177
Archery club	2,045	400	631	1,814
Art club	549	-	-	549
Art of film	105	-	-	105
Biology club	1,854	-	295	1,559
Camp courageous	756	842	816	782
Cheerleading	241	-	26	215
Chess club	4	-	-	4
Class of 2013	1,065	10,842	8,145	3,762
Class of 2014	302	1,335	1,005	632
Class of 2015	-	1,135	934	201
Color guard	346	-	-	346
Culinary class	4,813	4,428	2,152	7,089
Dance	398	-	-	398
Debate	1,256	-	-	1,256
Drama	7,855	9,729	16,450	1,134
FBLA	(1,110)	8,228	7,201	(83)
Friends of Rachael	(84)	1,009	1,208	(283)
General activity	108	2,078	2,261	(75)
Get a grip	871	192	-	1,063
Historical guild	410	4,122	3,683	849
Instrumental music	14,199	55,924	47,567	22,556
Instrumental music-special	4,584	9,289	11,120	2,753
Landscaping	3,128	-	-	3,128
Language arts	62	-	-	62
Lettermans club	914	-	-	914
Literacy club	-	1,442	797	645
Little theater	(240)	-	-	(240)
Math club	92	-	-	92
Medical careers	175	-	-	175
NHS	(1,211)	5,348	4,675	(538)
Orchestra	1,261	13,309	10,808	3,762
Pep club	(464)	-	-	(464)
SADD	(1,588)	2,384	2,447	(1,651)
Science club	33	104	-	137
Spanish class	599	900	1,122	377
Speech	(80)	15,408	10,626	4,702
Student council	(550)	6,514	4,868	1,096
Student venture	918	918	687	1,149
Trapshooting	-	660	-	660
Vocal music	25,987	33,987	32,408	27,566
Vocal music-special	38,046	35,134	18,184	54,996
World language club	2,828	420	917	2,331
Yearbook	23,462	23,497	20,751	26,208
Total Clinton High School	181,907	250,985	211,784	221,108

SCHEDULE 5
(CONTINUED)

CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2012

<u>Account</u>	<u>Balance, Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Balance, End of Year</u>
Clinton High School Athletics				
Athletic concessions	\$ 30,783	\$ -	\$ -	\$ 30,783
Athletic promotions	(10,181)	1,750	15,909	(24,340)
Athletic resale	210	-	-	210
Athletic support	(6,202)	-	-	(6,202)
Baseball	(107,981)	9,266	16,266	(114,981)
Baseball fundraisers	(310)	9,542	8,149	1,083
Bowling	(541)	763	617	(395)
Bowling fundraisers	-	-	86	(86)
Boys basketball	52,490	17,775	18,532	51,733
Boys basketball fundraisers	1,336	5,940	6,045	1,231
Boys cross country	(7,435)	949	1,446	(7,932)
Boys cross country fundraisers	850	1,067	1,179	738
Boys tennis	(23,198)	473	2,362	(25,087)
Boys tennis fundraisers	-	1,046	939	107
Boys track	(78,214)	4,695	11,789	(85,308)
Boys track fundraisers	1,070	5,016	5,053	1,033
Football	90,932	32,697	13,109	110,520
Football fundraisers	5,344	26,836	28,566	3,614
General athletics	(213,711)	13,287	23,360	(223,784)
Girls basketball	(23,937)	9,558	12,177	(26,556)
Girls basketball fundraisers	(610)	11,901	14,580	(3,289)
Girls bowling	(706)	1,264	1,133	(575)
Girls cross country	(6,057)	970	1,410	(6,497)
Girls cross country fundraisers	850	1,067	1,179	738
Girls golf	(25,183)	10	1,523	(26,696)
Girls golf fundraisers	-	750	1,547	(797)
Girls soccer	(35,295)	2,948	4,500	(36,847)
Girls soccer fundraisers	(100)	13,123	11,318	1,705
Girls swimming	(28,275)	4,637	4,770	(28,408)
Girls swimming fundraisers	(699)	2,526	3,708	(1,881)
Girls tennis	(28,412)	1,131	3,360	(30,641)
Girls tennis fundraisers	766	342	378	730
Girls track	(76,318)	3,417	9,777	(82,678)
Girls track fundraisers	(4,438)	2,273	1,860	(4,025)
Golf	(32,639)	1,674	4,313	(35,278)
Soccer	(45,179)	3,828	4,109	(45,460)
Soccer fundraisers	3,952	8,172	7,332	4,792
Softball	(87,376)	4,749	5,470	(88,097)
Softball fundraisers	1,023	1,898	2,160	761
Swimming	(16,713)	4,597	4,558	(16,674)
Swimming fundraisers	242	4,383	4,231	394
Volleyball	(45,278)	9,979	8,711	(44,010)
Volleyball fundraisers	(14)	5,034	2,499	2,521
Wrestling	(81,018)	11,506	21,250	(90,762)
Wrestling fundraiser	(7,227)	10,827	9,914	(6,314)
Total Clinton High School Athletics	<u>(803,399)</u>	<u>253,666</u>	<u>301,174</u>	<u>(850,907)</u>

SCHEDULE 5
(CONTINUED)

CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2012

<u>Account</u>	<u>Balance, Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Balance, End of Year</u>
Lincoln High School				
Athletic concessions	\$ (58)	\$ -	\$ -	\$ (58)
Athletic promotions	(19)	-	-	(19)
Total Lincoln High School	<u>(77)</u>	<u>-</u>	<u>-</u>	<u>(77)</u>
Lyons Middle School				
6th grade	1,035	6,631	5,745	1,921
7th grade	7,235	2,548	58	9,725
8th grade	1,973	2,615	1,695	2,893
Activity tickets	2,000	2,590	702	3,888
Boys basketball	8,328	1,632	1,584	8,376
Boys track	1,306	639	225	1,720
Football	(2,087)	974	1,955	(3,068)
General	(1,032)	-	-	(1,032)
General athletics	(16,969)	-	973	(17,942)
Girls basketball	220	950	906	264
Landscaping	355	-	-	355
Publications	(774)	-	-	(774)
Ski trip	4,859	7,818	8,885	3,792
Special education	167	-	2,121	(1,954)
Student council	1,420	351	535	1,236
Vocal music	1,630	23,750	18,727	6,653
Volleyball	1,398	1,137	881	1,654
Wrestling	261	1,515	796	980
Yearbook	5,441	579	-	6,020
Total Lyons Middle School	<u>16,766</u>	<u>53,729</u>	<u>45,788</u>	<u>24,707</u>
Washington Middle School				
6th grade	8	2,089	1,822	275
6th grade drama	867	7,306	10,380	(2,207)
7th grade	-	8,044	7,910	134
7th-8th grade	(28)	3,410	3,429	(47)
8th grade	62	659	149	572
Activity tickets	586	855	-	1,441
Archery club	(340)	-	-	(340)
Art club	(374)	-	-	(374)
AV club	817	-	-	817
Boys basketball	(2,491)	519	763	(2,735)
Boys track	156	-	37	119
Co-ed athletics	(28,893)	655	447	(28,685)
Drama	(160)	-	-	(160)
Football	(7,342)	757	933	(7,518)
General	(1,149)	227	529	(1,451)
Girls basketball	(6,367)	553	1,100	(6,914)

SCHEDULE 5
(CONTINUED)

CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2012

<u>Account</u>	<u>Balance, Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Balance, End of Year</u>
Washington Middle School (continued)				
Girls track	\$ (876)	\$ -	\$ 112	\$ (988)
Instrumental music	1,620	376	919	1,077
Orchestra	5,818	-	76	5,742
Pep club	(340)	-	-	(340)
Press club	10	-	-	10
Pride club	65	-	-	65
Spanish class	(340)	-	-	(340)
Student government	1,181	1,287	634	1,834
Tennis club	(340)	-	-	(340)
Vocal music	2,737	5,506	9,911	(1,668)
Volleyball	(268)	876	666	(58)
Wrestling	(1,967)	622	728	(2,073)
Yearbook	477	3,087	3,965	(401)
Total Washington Middle School	<u>(36,871)</u>	<u>36,828</u>	<u>44,510</u>	<u>(44,553)</u>
Eagle Heights Elementary School				
Student council	80	-	-	80
Total Eagle Heights Elementary School	<u>80</u>	<u>-</u>	<u>-</u>	<u>80</u>
Jefferson Elementary School				
Student council	1,144	1,986	1,124	2,006
Total Jefferson Elementary School	<u>1,144</u>	<u>1,986</u>	<u>1,124</u>	<u>2,006</u>
Whittier Elementary School				
Student council	(275)	176	366	(465)
Total Whittier Elementary School	<u>(275)</u>	<u>176</u>	<u>366</u>	<u>(465)</u>
District-Wide				
General	(3,089)	-	-	(3,089)
Wall of fame donations	-	2,000	-	2,000
Total District-Wide	<u>(3,089)</u>	<u>2,000</u>	<u>-</u>	<u>(1,089)</u>
TOTAL	<u>\$ (643,814)</u>	<u>\$ 599,370</u>	<u>\$ 604,746</u>	<u>\$ (649,190)</u>

**CLINTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 Year Ended June 30, 2012**

	<u>Balance, June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30, 2012</u>
ASSETS				
Cash and cash equivalents	\$ 2,522	\$ 14,032	\$ 12,469	\$ 4,085
Other accounts receivable	-	56	-	56
TOTAL ASSETS	<u>\$ 2,522</u>	<u>\$ 14,088</u>	<u>\$ 12,469</u>	<u>\$ 4,141</u>
LIABILITIES				
Due to other groups	<u>\$ 2,522</u>	<u>\$ 14,088</u>	<u>\$ 12,469</u>	<u>\$ 4,141</u>

CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
 For the Last Ten Years

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
REVENUES										
Local sources	\$ 20,945,368	\$ 20,741,061	\$ 19,678,824	\$ 15,819,106	\$ 15,103,876	\$ 14,697,134	\$ 13,662,495	\$ 12,518,893	\$ 12,722,834	\$ 12,760,713
Intermediate sources	3,036	-	55,000	1,084,316	1,353,835	2,345,250	2,035,721	1,905,217	1,730,164	1,595,305
State sources	26,269,872	26,649,863	23,652,940	26,903,191	25,688,335	23,994,622	22,411,152	21,919,637	20,601,507	21,074,476
Federal sources	3,317,330	3,504,938	6,173,564	2,522,040	2,231,413	2,684,375	2,840,567	3,141,686	1,875,296	1,731,519
TOTAL REVENUES	\$ 50,535,606	\$ 50,895,862	\$ 49,560,328	\$ 46,328,653	\$ 44,377,459	\$ 43,721,381	\$ 40,949,935	\$ 39,485,433	\$ 36,929,801	\$ 37,162,013
EXPENDITURES										
Instruction	\$ 29,337,257	\$ 29,184,412	\$ 30,157,474	\$ 28,095,451	\$ 26,072,867	\$ 25,120,818	\$ 23,924,938	\$ 24,073,051	\$ 23,259,448	\$ 22,762,499
Support services										
Student services	2,509,047	2,233,621	2,286,580	2,237,361	2,372,567	2,455,271	2,566,531	1,483,900	1,029,640	940,944
Instructional staff services	1,248,053	1,356,898	1,445,502	1,140,229	1,220,633	1,162,756	1,242,624	1,171,251	1,063,808	932,782
General administration	708,326	727,422	869,920	532,196	675,091	550,268	511,883	424,403	317,858	303,965
Building administration	2,650,850	2,252,313	2,356,980	2,188,122	1,999,990	2,012,362	1,892,744	1,589,125	1,476,661	1,560,723
Business administration	1,765,371	1,354,713	1,415,376	1,510,298	1,765,364	1,515,714	1,665,013	396,758	434,251	360,447
Plant operations and maintenance	4,325,841	4,135,325	3,884,723	4,035,938	3,917,586	3,760,269	3,817,687	3,965,345	3,604,006	3,732,438
Student transportation	1,535,660	1,439,233	1,881,958	1,694,934	1,455,990	917,280	1,249,182	1,501,224	1,230,300	1,208,200
Central support services	-	-	-	-	-	-	-	-	-	-
Non-instructional programs	17,054	3,181	3,708	5,412	4,024	2,786	11,419	119,332	332,125	617,288
Other expenditures	11,689,493	15,438,546	10,000,394	6,155,500	8,554,663	20,509,803	6,650,066	11,102,858	2,942,719	305,474
TOTAL EXPENDITURES	\$ 55,786,952	\$ 58,125,664	\$ 54,402,615	\$ 47,595,441	\$ 48,038,775	\$ 58,007,327	\$ 43,532,087	\$ 46,622,224	\$ 36,377,642	\$ 35,216,535



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

To the Board of Education
Clinton Community School District
Clinton, 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 Clinton Community School District as of and for the year ended June 30, 2012, which collectively comprise Clinton Community School District's basic financial statements and have issued our report thereon dated May 6, 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.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items II-A-12 through II-F-12 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clinton 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items II-G-12 through II-J-12.

We also noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying schedule of findings and questioned costs as well as a separate letter dated May 6, 2013.

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.

Clinton Community School District's responses 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 Clinton Community School District's responses, we did not audit Clinton 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 Clinton Community School District and other parties to whom Clinton 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 specific parties.

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

Winkel, Parker & Foster, CPA PC

Clinton, Iowa
May 6, 2013



**Winkel, Parker
& Foster, CPA PC**

Certified Public Accountants & Consultants

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

To the Board of Education
Clinton Community School District
Clinton, Iowa

Compliance

We have audited Clinton 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 Clinton Community School District's major federal programs for the year ended June 30, 2012. Clinton Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of Clinton Community School District's management. Our responsibility is to express an opinion on Clinton 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 Clinton Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Clinton Community School District's compliance with those requirements.

As described in item III-A-12 in the accompanying schedule of findings and questioned costs, Clinton Community School District did not comply with requirements regarding allowable costs/cost principals that are applicable to its Title I Grants to Local Educational Agencies. In addition, as described in item III-B-12 in the accompanying schedule of findings and questioned costs, Clinton Community School District did not comply with requirements regarding reporting that are applicable to its Education Jobs Fund program. Compliance with such requirements is necessary, in our opinion, for Clinton Community School District to comply with the requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, Clinton 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 Clinton Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Clinton Community School District's internal control over compliance with the 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 the entity's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items III-A-12 and III-B-12 to be material weaknesses.

Clinton Community School District's responses 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 Clinton Community School District's responses, we did not audit Clinton 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 Clinton Community School District and other parties to whom Clinton 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 specific parties.

Winkel, Parker & Foster, CPA PC

Clinton, Iowa
May 6, 2013

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Direct:			
U.S. Department of Justice:			
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	FY12	\$ 139,996
Juvenile Mentoring Program	16.726	FY12	18,478
Total U.S. Department of Justice			158,474
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY12	244,286
National School Lunch Program	10.555	FY12	1,030,729 *
Summer Food Service Program for Children	10.559	FY12	39,739
Total U.S. Department of Agriculture			1,314,754
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY12	1,192,590
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY12	41,076
			1,233,666
Career and Technical Education -- Basic Grants to States	84.048	FY12	52,329
Special Education_Grants to States	84.027	FY12	232,834
Twenty-First Century Community Learning Centers	84.287	FY12	444,903
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	FY12	1,195
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	FY12	28,036
English Language Acquisition Grants	84.365	FY12	3,016
Improving Teacher Quality State Grants	84.367	FY12	207,841
Grants for State Assessments and Related Activities	84.369	FY12	24,622
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	FY12	205,625
ARRA - Education Jobs Fund	84.410	FY12	556,083
Total U.S. Department of Education			2,990,150
Total			\$ 4,463,378

* - Includes \$139,835 of non-cash awards.

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

See accompanying independent auditor's report.

**CLINTON COMMUNITY SCHOOL DISTRICT
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: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? x yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes x none reported
- Noncompliance material to financial statements noted? x yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? x yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes x none reported

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

Except for the Title I Grants to Local Educational Agencies and the Education Jobs Fund program, in which material weaknesses were noted, all other major programs tested were in compliance with requirements.

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? x yes no

Identification of major programs:

<p>Title I, Part A Cluster: CFDA Number 84.010 CFDA Number 84.389</p> <p>School Nutrition Cluster Programs: CFDA Number 10.553 CFDA Number 10.555 CFDA Number 10.559</p> <p>Other Programs: CFDA Number 84.410 CFDA Number 84.287</p>	<p>Title I Grants to Local Educational Agencies ARRA - Title I Grants to Local Educational Agencies, Recovery Act</p> <p>School Breakfast Program National School Lunch Program Summer Food Service Program for Children</p> <p>ARRA - Education Jobs Fund Twenty-First Century Community Learning Centers</p>
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Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes x no

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-12 Bank Reconciliations

Criteria - Monthly bank reconciliations are the primary internal control procedure relating to the District's cash and investment accounts.

Condition - During the audit, we noted that bank reconciliations were not performed for the entire year under audit and the year-end bank reconciliation did not agree to the general ledger.

Effect - Not reconciling accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis.

Cause - The District has not implemented effective internal control procedures to ensure that bank reconciliations are completed on a monthly basis.

Recommendation - All cash and investment accounts should be reconciled on a monthly basis and agreed to the general ledger control accounts.

Response - The District will review current procedures and adjust accordingly.

Conclusion - Response accepted.

II-B-12 Financial Reporting

Criteria - Reconciling account balances and supporting documentation to control accounts is the primary internal control procedure relating to these account balances.

Condition - During the audit, we identified material amounts of receivables, capital asset additions, accounts payable, accrued payroll, long-term debt and revenue not properly recorded in the District's financial statements.

Effect - Transaction errors or other problems could occur and not be detected and corrected in a timely manner.

Cause - The District has not implemented procedures to ensure receivables, capital asset additions, accounts payable, accrued payroll, long-term debt and revenue transactions are properly recorded.

Recommendation - The District should implement procedures to ensure all receivables, capital asset additions, accounts payable, accrued payroll, long-term debt and revenue transactions are identified and properly included in the District's financial statements.

Response - The District will review current procedures and adjust accordingly.

Conclusion - Response accepted.

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

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

INTERNAL CONTROL DEFICIENCIES: (CONTINUED)

II-C-12 Segregation of Duties

Criteria - The District does not have effective internal controls to safeguard assets, and prevent or detect and correct misstatements on a timely basis, as a result of a lack of segregation of duties. Internal controls should be in place to reduce to a relatively low risk the likelihood a material misstatement to the financial statements could occur and not be detected and corrected in a timely period by employees in the normal course of performing their assigned functions. A good system of internal controls contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. Due to the small number of people employed in administrative functions, the District may not be able to fully achieve an ideal segregation of duties.

Condition - Although there are five individuals with accounting and financial duties in the Business Office, at various times employees have the ability to initiate, authorize and record transactions with no review process in place. As a result, all of those aspects of internal control which rely upon an adequate segregation of duties are, for all practical purposes, missing.

Effect - As a result of these conditions, there is a higher risk that errors or irregularities could occur and not be detected and corrected within a timely period.

Cause - The entity has a limited number of personnel performing accounting functions and limited review procedures in place.

Recommendation - The District should be aware of the lack of segregation of duties and regularly review controls which could be put in place to mitigate the risk that misstatements could occur and not be detected and corrected.

Response - The entity recognizes that it would not be cost effective to hire additional personnel to maximize the segregation of accounting duties due to its size. However, the Board of Education will maintain close oversight in relation to financial and other matters.

Conclusion - Response accepted.

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

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

INTERNAL CONTROL DEFICIENCIES: (CONTINUED)

II-D-12 Journal Entries

Criteria - Internal controls should be in place to reduce to a relatively low risk the likelihood a material misstatement could occur and not be detected and corrected.

Condition - The District does not have effective internal controls over journal entries.

Effect - As a result of this condition, there is a higher risk that account balances could be materially misstated.

Cause - Current practice is that one employee creates a journal entry and another employee posts the journal entry. The employee who posts the journal entry signs off on the supporting documentation. Although current practice resolves a segregation of duties issue, the District does not have proper approval procedures in place to ensure that posted journal entries are accurate.

Recommendation - Business Office staff should review journal entries and supporting documentation on a monthly basis. The reviewer should then sign and date the entries as an indication of approval.

Response - The District will review current procedures and adjust accordingly.

Conclusion - Response accepted.

II-E-12 Financial Statement Preparation

Criteria - The District engages Winkel, Parker & Foster, CPA PC to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, Winkel, Parker & Foster, CPA PC cannot be considered part of the District's internal control system. To establish proper internal control over the preparation of its financial statements, including disclosures, the District should design and implement a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of applicable generally accepted accounting principles and knowledge of the District's activities and operations.

Condition - The District has not implemented procedures, to the degree necessary, to perform a review and assume responsibility of the District's financial statements and related disclosures to provide a high level of assurance that potential omissions or other errors that are less than material, but more than inconsequential, would be identified and corrected.

Effect - Management or employees in the normal course of performing their assigned functions may not prevent or detect and correct financial statement misstatements and disclosure omissions in a timely manner.

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

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

INTERNAL CONTROL DEFICIENCIES: (CONTINUED)

II-E-12 Financial Statement Preparation (continued)

Cause - The District has relied on independent auditors to some degree to provide assurance that the financial statements, including disclosures, are not materially misstated.

Recommendation - Management should perform a comprehensive review of the financial statements to ensure that the financial statements, including disclosures, are complete and accurate.

Response - Management will perform a comprehensive review of the financial statements to ensure that the financial statements, including disclosures, are complete and accurate.

Conclusion - Response accepted.

II-F-12 Restatement of Fund Balance/Net Assets

Criteria - A restatement can be an indicator of a control deficiency that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control. Restatements can be caused by a number of factors, however, in the current year the restatement was due to the correction of an error.

Condition - During the audit engagement we noted cash balances were not reconciled to the general ledger. This was due to bank reconciliations not being performed for the entire year under audit, or in prior years. Cash balances were confirmed with financial institutions and extensive audit procedures were performed, including making material audit adjustments, in order to reconcile cash balances confirmed by financial institutions to the District's accounting records. Although we believe that adjusted cash balances are now correct, we also believe the difference was due to the correction of an error in the financial statements of a prior period. Therefore, a restatement of fund balance was considered appropriate in the circumstances.

Effect - A restatement of fund balance was required to properly reflect cash balances in the general fund and statement of activities.

Cause - Cash balances were not reconciled to the general ledger in the current or prior years.

Recommendation - We recommend that the District implement procedures to ensure that cash balances are reconciled to the general ledger on a monthly basis.

Response - The District will review current procedures and adjust accordingly.

Conclusion - Response accepted.

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

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

INSTANCES OF NON-COMPLIANCE: (CONTINUED)

II-G-12 Deposits and Investments

Criteria - Chapter 12C.2 of the Code of Iowa requires the approval, by resolution, of financial institutions as depositories of public funds. The resolution should specify the maximum amount that may be kept on deposit in each depository. Although the District has approved the required resolution, the District exceeded the maximum allowable amount that may be kept on deposit according to the resolution.

Condition - The District does not have effective internal controls to ensure compliance with the investment provisions of Chapter 12B and 12C of the Code of Iowa.

Effect - As a result of this condition, there is a higher risk that balances held with depositories could exceed the maximum allowable amount.

Cause - The District did not transfer funds to another depository to ensure compliance with requirements.

Recommendation - The District should transfer funds when deposits near the maximum amount allowable under the resolution.

Response - The District will review current procedures and adjust accordingly.

Conclusion - Response accepted.

II-H-12 Deficit Balances

Criteria - The fundamental purpose of fund accounting is to properly account for all resources received and used. Each fund has its own revenues, expenditures, transfers, assets, liabilities, and fund balance. A change in fund balance represents the difference between fund additions (revenues and transfers in) and deductions (expenditures and transfers out). A fund balance is identified as the net difference between a fund's assets and liabilities. A fund is in a deficit status if the expenditures and transfers out exceed revenues and transfers in.

Condition - The General Fund, Student Activity Fund, Debt Service Fund and Print Shop Fund had deficit fund balances at June 30, 2012.

Effect - Fund balance deficits could continue to increase if spending levels are not adjusted to correspond with the amount of revenue received in each of these funds.

Cause - Expenditures paid out of these funds exceed the revenues received.

Recommendation - The District should investigate alternatives to eliminate these deficits and return the funds to a sound financial condition.

Response - The District is continuing to investigate alternatives to eliminate the deficit balances in these funds.

Conclusion - Response accepted.

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

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

INSTANCES OF NON-COMPLIANCE: (CONTINUED)

II-I-12 Certified Budget

Criteria - By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. Due to changing circumstances, the budget made need to be amended to incorporate changes in the operating environment.

Condition - Expenditures for the year ended June 30, 2012 exceeded the certified budget amount in the instruction, support services and non-instructional programs functions.

Effect - The District is not in compliance with statutory requirements.

Cause - The District did not amend the certified budget prior to expenditures being incurred.

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.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

II-J-12 Certified Annual Report

Criteria - The Certified Annual Report is required to be certified to the Iowa Department of Education each year by the due date. The Certified Annual Report is also compared to the audited financial statements to ensure that the amounts reported to the Department of Education are materially correct.

Condition - The Certified Annual Report was not properly certified to the Iowa Department of Education by September 17, 2012. In addition, the Certified Annual Report did not materially agree to the audited financial statements.

Effect - The Certified Annual Report submitted to the Department of Education was materially incorrect.

Cause - The District has not implemented procedures, to the degree necessary, to ensure that the Certified Annual Report is submitted timely and accurately.

Recommendation - In the future, the District should ensure the Certified Annual Report is certified timely to the Iowa Department of Education. The District should also ensure that the information submitted is accurate.

Response - The District will ensure that the Certified Annual Report is certified timely to the Iowa Department of Education and will implement procedures to ensure that the information submitted is accurate.

Conclusion - Response accepted.

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE AND INTERNAL CONTROL DEFICIENCIES:

CFDA Number 84.010: Title I Grants to Local Education Agencies
Federal Award Year: 2012
Department of Education
Passed through the Iowa Department of Education

III-A-12 Noncompliance with Time and Effort Reporting Requirements

Criteria - Office of Management and Budget (OMB) Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with State and local governments and federally recognized Indian tribal governments. Part 4 of the OMB Circular A-133 Compliance Supplement for the Department of Education prescribes that employee time and effort distribution records must be maintained to document the portion of time and effort dedicated to the single cost objective and each program or other cost objective supported by non-consolidated Federal funds or other revenue sources. Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee and supervisory official having firsthand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B, paragraphs 8.h.(3))

Condition - It was noted that employees who worked solely on Title I, Part A did not prepare the required semi-annual certifications stating they had worked full time on this program.

Effect - The District is not in compliance with the Allowable Costs/Cost Principals section of OMB Circular A-133 or the Cost Principals of OMB Circular A-87 for compensation for personnel services, which could result in federal funds being expended for unallowable purposes.

Cause - The District does not have established policies and procedures regarding salaries and benefits that incorporate the requirements outlined in the Allowable Costs/Cost Principals section of the OMB Circular A-133 compliance supplement and the Cost Principals of OMB Circular A-87 for compensation for personnel services.

Recommendation - We recommend that the District implement policies and procedures regarding salaries and benefits that incorporate the requirements of OMB Circulars A-133 and A-87.

Response - The District will implement procedures to ensure compliance with requirements.

Conclusion - Response accepted.

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

Part III: Findings and Questioned Costs for Federal Awards (continued):

CFDA Number 84.410: Education Jobs Fund
Federal Award Year: 2012
Department of Education
Passed through the Iowa Department of Education

III-B-12 Noncompliance with Reporting Requirements

Criteria - Reports submitted to granting agencies should be accurate. This requires that reports be prepared according to stated instructions.

Condition - The expenditure report submitted for the cumulative grant award period ending June 30, 2012 was understated due to it excluding fiscal year 2011 Education Jobs Fund expenditures. The report submitted only included fiscal year 2012 expenditures. The report instructions indicated that total ARRA expenditures reported should include the "cumulative value from the beginning of the award".

Effect - The expenditure report submitted to the granting agency was inaccurate.

Cause - The inaccuracy was due to human error that went undetected and uncorrected due to a lack of procedures in place to detect and correct such errors.

Recommendation - We recommend that the District implement procedures to ensure that grant expenditure reports are reviewed and approved by someone other than the preparer in order to better detect and correct errors prior to submission.

Response - The District will implement procedures to ensure that reports are reviewed and approved prior to submission to the granting agency.

Conclusion - Response accepted.

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-12 Questionable Expenditures - No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-B-12 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-C-12 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
James McGraw, Board President, Owner Of Happy Joe's Pizza	Food	\$ 2,981
Gregg Obren, Board Member, Game Official	Officiating Athletic Events	570
Laura Rose, Teacher Owner of J&L Trucking	Mowing	3,000

The transactions with the Board President do not appear to represent a conflict of interest. Although transactions during the year exceeded \$2,500, these purchases were not made pursuant to a contract as described in Chapter 279.7(a) of the Code of Iowa. In addition, no individual purchase exceeded \$2,500. The transactions with the Board Member do not appear to represent a conflict of interest since total transactions were less than \$2,500 during the fiscal year. Per discussion with District personnel, the transactions with J&L Trucking, were entered into based upon them being the lowest bidder, however, according to the District's purchasing policy, the Superintendent may approve purchases without competitive bids for goods and services costing under \$10,000 without prior board approval.

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

IV-E-12 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

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

IV-F-12 Certified Enrollment - Variances in the basic enrollment data certified to the Department of Education were noted.

Recommendation - Certified enrollment numbers should be verified prior to being submitted to the Department of Education.

Response - Certified enrollment numbers will be verified in the future in prior to submission.

Conclusion - Response accepted.

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

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

IV-I-12 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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 following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2012 audit:

Beginning Balance		\$ 20,950,038
Statewide sales, services and use tax	\$ 3,412,322	
Other local revenues	<u>65,050</u>	<u>3,477,372</u>
Expenditures/transfers out:		
School infrastructure construction	7,583,771	
Equipment	144,980	
Other	127,738	
Transfers to other funds:		
Debt service fund	<u>1,866,372</u>	<u>9,722,861</u>
Ending Balance		\$ <u>14,704,549</u>

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

**CLINTON COMMUNITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
Year Ended June 30, 2012**

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>If not corrected, please provide planned corrective action or other explanation</u>
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No matters were noted.

**CLINTON COMMUNITY SCHOOL DISTRICT
CORRECTIVE ACTION PLAN FOR FEDERAL AUDIT FINDINGS
Year Ended June 30, 2012**

Finding III-A-12

Condition:

It was noted that employees who worked solely on Title I, Part A did not prepare the required semi-annual certifications stating they had worked full time on this program.

Corrective Action Plan:

The District will implement policies and procedures to ensure that semi-annual reports are prepared.

Anticipated Completion Date:

Immediately

Contact Person Responsible for Corrective Action:

John Jorgensen, Curriculum Director

Finding III-B-12

Condition:

The expenditure report submitted for the cumulative grant award period ending June 30, 2012 was understated due to it excluding fiscal year 2011 Education Jobs Fund expenditures. The report submitted only included fiscal year 2012 expenditures. The report instructions indicated that total ARRA expenditures reported should include the "cumulative value from the beginning of the award".

Corrective Action Plan:

The District will implement procedures to ensure that reports are reviewed and approved prior to submission to the granting agency.

Anticipated Completion Date:

Immediately

Contact Person Responsible for Corrective Action:

Cindy McAleer, Business Director

May 6, 2013

To the Board of Education
Clinton Community School District
Clinton, Iowa

We have completed our audit of the Clinton Community School District's financial statements as of and for the year ended June 30, 2012, and have issued our report dated May 6, 2013. In connection with our audit engagement, we noted the following matter which we would like to bring to your attention.

Credit Card Usage and Employee Travel Reimbursements

The District's policy for meal reimbursement states employees traveling overnight for work are allowed an allotment of \$10 for breakfast, \$15 for lunch and \$20 for dinner. During our testing of credit cards it was noted that several meals exceeded the approved allotment.

It was also noted that employee reimbursement requests for travel, when credit cards were not used, were not always approved prior to reimbursement and that requests did not always have proper supporting documentation.

We recommend that the District follow its current policy for employee travel and meal reimbursements. In addition, the District should ensure that employees who exceed the amount allowable are required to reimburse the District for the overage.

This letter is intended solely for the information and use of management, the Board of Education, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Winkel, Parker & Foster, CPA PC

Clinton, Iowa
May 6, 2013