CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2012

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

JUNE 30, 2012

TABLE OF CONTENTS

		Page No.
Officials		1
Independent Auditor's Report		2-3
Required Supplementary Information - Part I:		
Management's Discussion and Analysis		4-12
Basic Financial Statements:	**Exhibit**	
Government-wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14-16
Governmental Fund Financial Statements:		
Balance Sheet	C	17-18
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	19
Statement of Revenues, Expenditures and Changes in Fund Balances	E	20-21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	22
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	23
Statement of Revenues, Expenses and Changes in Net Assets	H	24
Statement of Cash Flows	I	25
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	26
Statement of Changes in Fiduciary Net Assets	K	27
Notes to Financial Statements		28-44
Required Supplementary Information - Part II:		
Schedule of Funding Progress for the Retiree Health Plan		45
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		46
Notes to Required Supplementary Information - Budgetary Reporting		47
Other Supplementary Information:	**Schedule**	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	48
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	49
Capital Project Accounts:		
Combining Balance Sheet	3	50
Combining Schedule of Revenues, Expenditures And Changes in Fund Balances	4	51

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

TABLE OF CONTENTS (Continued)

Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	52
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	6	53
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7	54
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*		55-56
Schedule of Findings		57-61

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

OFFICIALS

Name	Title	Term Expires
	Board of Education	
	(Before September 2011 Election)	
Dan Berns	President	2011
Kathy Ihde	Vice President	2013
Michael Finnegan	Board Member	2013
Jolynn Moore	Board Member	2011
Mary Waterman	Board Member	2013
Janice Andregg	Board Member	2011
Dr. Jeff Hoffman	Board Member	2011
	(After September 2011 Election)	
Kathy Ihde	President	2013
Janice Andregg	Board Member	2015
Michael Finnegan	Board Member	2013
Mary Waterman	Board Member	2013
Dr. Jeff Hoffmann	Board Member	2015
John Heying	Board Member	2015
Christine Aulwes	Board Member	2015
	School Officials	
Allan Nelson	Superintendent	2012
Mary Seifert	Board Secretary	2012
David Schlueter	Business Manager/Treasurer	2012
Brett Nitschke	Attorney	

O'CONNOR, BROOKS & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

W.H. LEGLAR, CPA
S.J. DOMEYER, CPA
M.A. KUEPERS, CPA
J.W. HANNAN, CPA
M.P. RUGGEBERG, CPA
P.C. McCARTHY, CPA
E.A. SCHILLING, CPA
S.H. ROBERTS, CPA
J.L. WOOLF, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Clayton Ridge Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Clayton Ridge Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Clayton Ridge Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2013, on our consideration of the Clayton Ridge Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

1415 LOCUST STREET
P.O. BOX 743
DUBUQUE, IOWA 52004-0743
PHONE (563) 582-7224
FAX (563) 582-6118

MEMBERS OF:
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
IOWA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

www.oconnorbrooks.com

901 SPRING STREET
P.O. BOX 294
GALENA, ILLINOIS 61036
PHONE (815) 777-1880
FAX (815) 777-3092

U.S. generally accepted accounting principles require Management's Discussion and Analysis (pages 4 through 12), the Budgetary Comparison Information (page 46 and 47), and the Schedule of Funding Progress (page 45) 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 which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clayton Ridge Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

O'CONNOR, BROOKS & CO., P.C.

O'Connor, Brooks & Co., P.C.

Dubuque, Iowa
March 7, 2013

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

This section of the Clayton Ridge Community School District's Comprehensive Annual Financial Report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2012. The analysis focuses on District financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

2012 Financial Highlights

- A resolution was adopted asking the voters to approve a $.67 PPEL for ten years beginning in fiscal 2009. The voters approved this levy at the September 15, 2006 election.

- The capital campaign to fund the 2009 construction of the Stephen D Shannon Athletic Complex is complete. As of June 30, 2012, the District has received over $615,000 in pledges and cash contributions from donors. The remaining cost of the project was funded through an interfund loan totaling $750,000 from the Management levy fund. The board has made annual transfers of $175,000 from the Capital Projects fund to repay the loan from the Management Fund and will continue to make transfers through fiscal 2014.

- General fund revenues increased from $6,422,402 in fiscal 2011 to $6,748,856 in fiscal 2012 while General fund expenditures decreased from $6,636,576 in fiscal 2011 to $6,615,694 in fiscal 2012. The District's General fund balance increased from $926,721 on June 30, 2012 to $1,038,926 on June 30, 2012.

- General fund revenues increased $326,454. The increase is primarily due to an increase of $240,381 in property and utility excise taxes and a $77,306 increase resulting from a superintendent sharing agreement with Central Community School District.

- General fund expenditures decreased $20,882.

- Local option sales tax collections in Clayton County began on January 1, 2004. The local option sales tax was replaced with a state-wide sales tax on July 1, 2008. Total state-wide sales tax revenues for fiscal 2012 were $483,346.

- The Instructional Support Levy was renewed by the Board in 2008 for an additional five years. This levy generates an additional 10% of regular program district cost. The income surtax rate for fiscal 2012 was 5%.

- The fiscal 2012 budget enrollment of 641.6 students decreased 9.4 versus fiscal 2011.

Overview of Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information and other information. The basic financial statements include two kinds of statements that present different views of the District:

- The Statement of Net Assets and Statement of Activities provide information on a district-wide basis. The statements present an aggregate view of the District's finances. Government-wide statements contain useful long-term information as well as information for the just-completed fiscal year.

The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the Government-wide statements.

- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending. The District's governmental funds include the General, Special Revenue, Capital Projects, and Debt Service funds.
- Proprietary funds statements offer short and long-term financial information about the activities the District operates like businesses, such as food services. The District currently has one proprietary fund, the Nutrition fund.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others. These funds include a private purpose trust fund and agency fund.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year and a schedule of funding progress for the retiree health plan. Other supplementary information provides non-major fund details, along with comparisons of revenues and expenses by fiscal year.

Government-wide Statements

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

The two Government-wide 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, respectively. To assess the District's overall financial health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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 taxes and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

Fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in the governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide statements. The District's enterprise fund (one type of proprietary fund) is the same as its business-type activities but provides more detail and additional information, such as cash flows.
- *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds. The District accounts for outside donations for specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

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

Financial Analysis of the District as a Whole

Net Assets. Figure A-1 below provides a summary of the District's net assets at June 30, 2012 as compared to June 30, 2011.

Figure A-1
Condensed Statement of Net Assets ($000)
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Current assets	$ 5,801	$ 5,712	$ 42	$ 30	$ 5,843	$ 5,742	1.70%
Capital assets	3,972	4,194	1	3	3,973	4,197	-5.30%
Total assets	**$ 9,773**	**$ 9,906**	**$ 43**	**$ 33**	**$ 9,816**	**$ 9,939**	**-1.20%**
Current liabilities	$ 4,322	$ 4,241	$ 4	$ -	$ 4,326	$ 4,241	2.00%
Non-current liabilities	617	793	4	3	621	796	-21.90%
Total liabilities	**$ 4,939**	**$ 5,034**	**$ 8**	**$ 3**	**$ 4,947**	**$ 5,037**	**-1.70%**
Net assets							
Invested in capital assets, net of related debt	$ 3,611	$ 3,655	$ 1	$ 3	$ 3,612	$ 3,658	-1.20%
Restricted	586	624	-	-	586	624	-6.00%
Unrestricted	637	593	34	27	671	620	8.20%
Total net assets	**$ 4,834**	**$ 4,872**	**$ 35**	**$ 30**	**$ 4,869**	**$ 4,902**	**0.60%**

The District's combined net assets decreased approximately .60% over the prior year.

Unrestricted net assets - the part of net assets that can be used to finance day to day activity without constraints such as enabling legislation or other legal requirements - increased 8.2% or $51,898.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The district's restricted net assets consist primarily of fund balances in the General Fund for categorical funding, management levy, and student activities. The District's restricted net assets decreased 6.0% or $38,095.

Changes in net assets. Figure A-2 below provides a summary of the changes in net assets at June 30, 2012 as compared to June 30, 2011.

Figure A-2
Changes in of Net Assets ($000)
(Expressed in Thousands)

	Governmental Activities June 30,		Business type Activities June 30,		Total District June 30,		Total Change June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Revenues							
Program revenues:							
Charges for services	$ 631	$ 552	$ 202	$ 186	$ 833	$ 738	12.80%
Operating grants and contributions	1,012	1,306	171	160	1,183	1,466	19.30%
Capital gains and contributions	25	-	-	-	25	-	100.00%
General revenues:							
Property taxes	3,114	2,989	-	-	3,114	2,989	4.10%
Statewide sales tax	483	450	-	-	483	450	7.30%
Unrestricted state grants	2,456	2,175	-	-	2,456	2,175	12.90%
Other	267	218	-	-	267	218	22.40%
Total Revenues	$ 7,988	$ 7,690	$ 373	$ 346	$ 8,361	$ 8,036	4.00%
Expenses							
Instruction	$ 4,781	$ 4,651	$ -	$ -	$ 4,781	$ 4,651	2.70%
Student and instructional services	767	835	-	-	767	835	-8.10%
Administrative & business	638	667	-	-	638	667	-4.30%
Maintenance & operations	509	435	-	-	509	435	17.00%
Transportation	571	537	-	-	571	537	6.30%
Other	760	646	368	358	1,128	1,004	12.30%
Total Expenses	$ 8,026	$ 7,771	$ 368	$ 358	$ 8,394	$ 8,129	3.20%
Decrease in net assets	$ (38)	$ (81)	$ 5	$ (12)	$ (33)	$ (93)	-70.9%

In fiscal 2012, property tax and unrestricted state grants account for 70% of the revenue from governmental activities while charges for services and operating grants and contributions account for 100% of the revenue from business type activities.

As shown in Figure A-2, the District as a whole experienced a 4.0% increase in revenue and a 3.2% increase in expenses.

Governmental Activities

Revenues for governmental activities were $7,988,201 while total expenses were $8,025,939. Figure A-3 below presents the cost of six major district activities and each activity's net cost. Net cost shows the total cost less fees generated by the activities and intergovernmental aid provided for specific programs. The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

The total cost of all governmental activities in 2012 was $8,025,939. The net cost is $1,667,825 less due to funds received for instructional services provided to students from other districts, and due to funds received from the federal and state governments for certain programs they choose to subsidize (such as Title I). Transportation aid is also received from the State for the non-public school in our district.

Figure A-3
Net Cost of Governmental Activities ($000)
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2012	2011	Change 2011-2012	2012	2011	Change 2011-2012
Instruction	$ 4,781	$ 4,651	2.79%	$ 3,516	$ 3,144	11.83%
Student and instructional services	767	835	-8.14%	763	821	-7.06%
Administrative & business	638	667	-4.34%	561	667	-15.89%
Maintenance & operations	509	435	17.01%	501	431	16.24%
Transportation	571	537	6.33%	534	490	8.97%
Other	760	646	17.60%	481	360	33.60%
Total	$ 8,026	$ 7,771	3.20%	$ 6,356	$ 5,913	7.40%

Business-Type Activities

Revenues of the District's business-type activities (school nutrition) were comprised of charges for meals, federal and state reimbursements, and interest earnings. (See Figure A-2.)

Business-type activities expenses exceeded revenues by $4,489. Charges for meals accounts for 54% of the total revenues, while contributions from the federal and state government for free and reduced meals and commodities accounts for the remaining 46%.

Fund Analysis of the District's Funds

Clayton Ridge Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal 2012, the governmental funds reported combined ending fund balances of $1,598,955, which was a $28,209 decrease from fiscal 2011.

The General fund is the chief operating fund of the District. The fund balance increased from $926,721 in fiscal 2011 to $1,038,926 in fiscal 2012. The increase is due to utilization of the cash reserve levy to offset prior year special education deficits.

The Management fund is used to account for health and retirement benefits for the employees of the district. The fund balance decreased $140,658 from fiscal 2011. The decrease is due to reduction of taxes levied. As early retirements were approved in prior years the taxes levied were increased to build up the fund balance to meet these obligations. The number of retirements is expected to decline and the fund balance will be managed by the district to provide for the declining obligations.

The Capital Projects fund decreased $14,195 due to timing of payments for summer capital projects.

Proprietary Funds

The Nutrition fund consists of revenues and expenditures related to the operation of the food services department. The net assets at the end of fiscal 2012 were $34,383. This represented a $4,489 increase from fiscal 2011. The increase in the fund balance is due increased meal prices to improve the fund balance.

Budgetary Highlights

The District adopts a budget in April for the following fiscal year. A comparison of the District's budget amounts compared to actual financial activity is provided in this report in the required supplementary information.

Total revenues were over budget by $192,590 or 2.4%. Total expenditures were under budget by $681,879 which is 7.51%.

The total revenues were over budget due to unanticipated grants for preschool, receipt of a Harkin Grant, funding from the federal government for Education Jobs Grant, and increased sales tax revenues.

The total expenditures were less than budget primarily due to the District's General fund, Capital Projects fund and PPEL fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General fund. The District then controls General fund spending through its line-item budget. As a result, the certified budget should always exceed actual expenditures for the year, as required by law. The District also budgets to spend the entire balance in the capital projects and PPEL funds as it does with the General funds. Spending is controlled through the line item budgets.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures functional area. This amount exceeded budget by $82,662 due to increased costs of capital expenditures.

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets as of June 30, 2012 for its governmental and business-type activities was $3,971,603 net accumulated depreciation. This investment includes land, buildings, and equipment. This represents a net decrease of approximately 5% from the prior year. Major improvements included the 1:1 technology initiative, roof sections on the middle school, a library renovation, and purchase of a new car.

Figure A-4
Capital Assets (net of depreciation) ($000)
(Expressed in Thousands)

	Governmental Activities June 30,		Business type Activities June 30,		Total District June 30,		Total Change June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Land	$ 55	$ 55	$ -	$ -	$ 55	$ 55	0%
Buildings	1,969	1,990	-	-	1,969	1,990	-1.05%
Improvements other than buildings	1,273	1,294	-	-	1,273	1,294	-1.62%
Equipment & furniture	675	855	1	3	676	858	-21.20%
Total	$ 3,972	$ 4,194	$ 1	$ 3	$ 3,973	$ 4,197	-5.30%

More detailed information about the Districts' capital assets is presented in Note 3 to the financial statements.

Depreciation expense for the year was $410,364.

Long-Term Debt

At June 30, 2012, the District had the following long term debt outstanding:

- The Capital Projects fund has an outstanding interfund loan with the Management fund to pay for construction costs with the Stephen D. Shannon Athletic Complex. The balance at June 30, 2012 was $370,000.
- The Capital Projects fund has an outstanding interfund loan with the General fund to pay for roof projects and other capital projects completed during the summer months. The balance at June 30, 2012 was $70,000.
- The District entered into a capital lease to finance the purchase of 420 laptop computers in fiscal 2010. At June 30, 2012 the balance of the outstanding capital lease was $361,172.

See Note 4 and Note 10 for additional information regarding the District's long term debt.

Factors Bearing on the District's Future

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

- The District anticipates the trend of declining enrollment will continue.
- The certified employees' bargaining unit contract is a two-year contract, and open for negotiation in 2013. Salary and benefits represent a majority of the general fund expenses. Since the District receives only minimal or no increases in spending authority, any increase in settlements causes an adverse effect on the general fund budget and related fund balance.
- Lower interest rates and reduced cash balances will result in reduced interest income and spending authority.
- Fluctuating prices for gasohol and diesel continue to create added costs for transportation of students.
- The district has the following long-term obligations – bus leases, computer leases, early retirement benefits, and inter-fund loans to finance the construction of the Stephen D. Shannon Athletic Complex.
- In February, 2011 the district began studying the possibility of establishing an online academy through a services agreement with K12Inc. In January, 2012 a five-year agreement was completed and approved to form the Iowa Virtual Academy. Clayton Ridge should receive annual income of $50,000 for administering this academy.
- The Instructional Support Levy expires at the end of FY14.
- Superintendent sharing incentives have not yet been renewed beyond the FY14 budget year.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives.

If you have questions about this report or need additional financial information, contact David Schlueter, Clayton Ridge Community School District, PO Box 520, Guttenberg, Iowa, 52052.

BASIC FINANCIAL STATEMENTS

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	$ 2,049,115	$ 31,014	$ 2,080,129
Receivables:			
Property tax:			
Succeeding year property tax	3,211,276	---	3,211,276
Pledges, net of allowance of $6,500	25,097	---	25,097
Income surtax	142,675	---	142,675
Accounts	11,284	---	11,284
Due from other governments	362,235	---	362,235
Inventories	---	10,971	10,971
Capital assets, net of accumulated depreciation	3,971,603	681	3,972,284
Total Assets	$ 9,773,285	$ 42,666	$ 9,815,951
Liabilities			
Accounts payable	$ 258,980	$ 3,712	$ 262,692
Salaries and benefits payable	558,104	---	558,104
Deferred revenue - other	95	---	95
Deferred revenue - succeeding year property tax	3,211,276	---	3,211,276
Long-term liabilities:			
Portion due within one year:			
Lease payable	179,548	---	179,548
Early retirement payable	113,783	---	113,783
Portion due after one year:			
Lease payable	181,624	---	181,624
Early retirement payable	354,049	---	354,049
Net OPEB liability	81,533	4,571	86,104
Total Liabilities	$ 4,938,992	$ 8,283	$ 4,947,275
Net Assets			
Invested in capital assets, net of related debt	$ 3,610,431	$ 681	$ 3,611,112
Restricted for:			
Categorical funding	99,167	---	99,167
Management levy purposes	427,638	---	427,638
Other special revenue purposes	59,400	---	59,400
Unrestricted	637,657	33,702	671,359
Total Net Assets	$ 4,834,293	$ 34,383	$ 4,868,676

The accompanying notes are an integral part of these financial statements.

EXHIBIT "B"

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental Activities:							
Instruction:							
Regular	$ 2,777,272	$ 120,066	$ 612,112	$ ---	$ (2,045,094)	$ ---	$ (2,045,094)
Special	1,069,274	151,426	108,584	---	(809,264)	---	(809,264)
Other	934,503	272,958	---	---	(661,545)	---	(661,545)
	$ 4,781,049	$ 544,450	$ 720,696	$ ---	$ (3,515,903)	$ ---	$ (3,515,903)
Support Services:							
Student	$ 306,108	$ ---	$ ---	$ ---	$ (306,108)	$ ---	$ (306,108)
Instructional staff	461,255	---	3,907	---	(457,348)	---	(457,348)
Administration	637,842	77,306	---	---	(560,536)	---	(560,536)
Operation and maintenance of plant	508,776	7,663	---	---	(501,113)	---	(501,113)
Transportation	570,819	1,310	35,112	---	(534,397)	---	(534,397)
	$ 2,484,800	$ 86,279	$ 39,019	$ ---	$ (2,359,502)	$ ---	$ (2,359,502)
Non-instructional Programs	$ 1,517	$ ---	$ ---	$ ---	$ (1,517)	$ ---	$ (1,517)

The accompanying notes are an integral part of these financial statements.

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Other Expenditures:							
Facilities acquisition	$ 308,991	$ ---	$ ---	$ 25,000	$ (283,991)	$ ---	$ (283,991)
Long-term debt interest	5,063	---	---	---	(5,063)	---	(5,063)
AEA flowthrough	252,381	---	252,381	---	---	---	---
Depreciation (unallocated)*	192,138	---	---	---	(192,138)	---	(192,138)
	$ 758,573	$ ---	$ 252,381	$ 25,000	$ (481,192)	$ ---	$ (481,192)
Total Governmental Activities	$ 8,025,939	$ 630,729	$ 1,012,096	$ 25,000	$ (6,358,114)	$ ---	$ (6,358,114)
Business Type Activities:							
Noninstructional Programs:							
Food service operations	$ 367,955	$ 201,737	$ 170,586	$ ---	$ ---	$ 4,368	$ 4,368
Total	$ 8,393,894	$ 832,466	$ 1,182,682	$ 25,000	$ (6,358,114)	$ 4,368	$ (6,353,746)

The accompanying notes are an integral part of these financial statements.

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
General Revenues:							
Property tax levied for:							
General purposes					$ 2,849,389	$ ---	$ 2,849,389
Capital outlay					264,964	---	264,964
Statewide sales, services and use tax					483,099	---	483,099
Instructional support surtax					146,629	---	146,629
Unrestricted state grants					2,456,149	---	2,456,149
Unrestricted investment earnings					14,075	121	14,196
Gain (Loss) on disposal of fixed assets					(2,365)	---	(2,365)
Other					108,436	---	108,436
Total General Revenues					$ 6,320,376	$ 121	$ 6,320,497
Change in Net Assets					$ (37,738)	$ 4,489	$ (33,249)
Net Assets Beginning of Year					4,872,031	29,894	4,901,925
Net Assets End of Year					$ 4,834,293	$ 34,383	$ 4,868,676

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

The accompanying notes are an integral part of these financial statements.

EXHIBIT "C"

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Management Levy	Capital Projects	Nonmajor Governmental Funds	Total
Assets					
Cash and cash equivalents	$ 1,449,311	$ 523,830	$ 7,354	$ 68,620	$ 2,049,115
Receivables					
Property tax:					
Succeeding year property tax	2,830,631	110,000	270,645	---	3,211,276
Pledges, net of allowance of $6,500	---	---	25,097	---	25,097
Income surtax	142,675	---	---	---	142,675
Accounts	11,285	---	---	---	11,285
Due from other funds	70,000	370,000	---	---	440,000
Due from other governments	226,822	1,641	133,772	---	362,235
Total Assets	$ 4,730,724	$ 1,005,471	$ 436,868	$ 68,620	$ 6,241,683
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 160,292	$ ---	$ 89,468	$ 9,220	$ 258,980
Salaries and benefits payable	558,104	---	---	---	558,104
Due to other funds	---	---	440,000	---	440,000
Deferred revenue:					
Succeeding year property tax	2,830,631	110,000	270,645	---	3,211,276
Income surtax	142,675	---	---	---	142,675
Pledges receivable	---	---	31,597	---	31,597
Other	96	---	---	---	96
Total Liabilities	$ 3,691,798	$ 110,000	$ 831,710	$ 9,220	$ 4,642,728

The accompanying notes are an integral part of these financial statements.

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Management Levy	Capital Projects	Nonmajor Governmental Funds	Total
Fund Balances:					
Restricted for:					
Categorical funding	$ 99,167	$ ---	$ ---	$ ---	$ 99,167
Management levy purposes	---	895,471	---	---	895,471
Student activities	---	---	---	59,400	59,400
Unassigned	939,759	---	(394,842)	---	544,917
Total Fund Balances	$ 1,038,926	$ 895,471	$ (394,842)	$ 59,400	$ 1,598,955
Total Liabilities and Fund Balances	$ 4,730,724	$ 1,005,471	$ 436,868	$ 68,620	$ 6,241,683

The accompanying notes are an integral part of these financial statements.

EXHIBIT "D"

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Total fund balances of governmental funds (page 18)	$ 1,598,955
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets of $7,929,020, net of accumulated depreciation of ($3,957,417) are not financial resources and, therefore, are not reported in the funds.	3,971,603
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	(910,537)
Income surtaxes will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	142,675
Certain pledges receivable are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	31,597
Net assets of governmental activities (page 13)	$ 4,834,293

The accompanying notes are an integral part of these financial statements.

EXHIBIT "E"

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General	Management Levy	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	$ 2,869,375	$ 125,390	$ 748,063	$ ---	$ 3,742,828
Tuition	197,997	---	---	---	197,997
Other	178,828	68,970	9,532	272,012	529,342
State sources	3,250,700	91	---	---	3,250,791
Federal sources	251,956	---	25,000	---	276,956
Total Revenues	$ 6,748,856	$ 194,451	$ 782,595	$ 272,012	$ 7,997,914
Expenditures:					
Current:					
Instruction:					
Regular	$ 2,566,054	$ 223,342	$ ---	$ ---	$ 2,789,396
Special	1,063,039	---	---	---	1,063,039
Other	652,971	---	---	280,573	933,544
	$ 4,282,064	$ 223,342	$ ---	$ 280,573	$ 4,785,979
Support Services:					
Student	$ 285,611	$ 18,578	$ ---	$ ----	$ 304,189
Instructional staff	293,675	10,553	25,561	---	329,789
Administration	622,234	20,812	5,883	---	648,929
Operation and maintenance of plant	472,635	47,028	---	---	519,663
Transportation	407,094	13,279	135,065	---	555,438
	$ 2,081,249	$ 110,250	$ 166,509	$ ---	$ 2,358,008
Non-instructional Programs	$ ---	$ 1,517	$ ---	$ ---	$ 1,517

The accompanying notes are an integral part of these financial statements.

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General	Management Levy	Capital Projects	Nonmajor Governmental Funds	Total
Other Expenditures:					
Facilities acquisition	$ ---	$ ---	$ 462,193	$ ---	$ 462,193
Long-term debt:					
Principal	---	---	---	163,025	163,025
Interest and fiscal charges	---	---	---	5,063	5,063
AEA flowthrough	252,381	---	---	---	252,381
	$ 252,381	$ ---	$ 462,193	$ 168,088	$ 882,662
Total Expenditures	$ 6,615,694	$ 335,109	$ 628,702	$ 448,661	$ 8,028,166
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 133,162	$ (140,658)	$ 153,893	$ (176,649)	$ (30,252)
Other Financing Sources (Uses):					
Operating transfers in	$ ---	$ ---	$ ---	$ 191,088	$ 191,088
Operating transfers out	(23,000)	---	(168,088)	---	(191,088)
Sale of equipment and materials	2,043	---	---	---	2,043
Total Other Financing Sources (Uses)	$ (20,957)	$ ---	$ (168,088)	$ 191,088	$ 2,043
Net Change in Fund Balances	$ 112,205	$ (140,658)	$ (14,195)	$ 14,439	$ (28,209)
Fund Balance, Beginning of Year	$ 926,721	$ 1,036,129	$ (380,647)	$ 44,961	$ 1,627,164
Fund Balances End of Year	$ 1,038,926	$ 895,471	$ (394,842)	$ 59,400	$ 1,598,955

The accompanying notes are an integral part of these financial statements.

EXHIBIT "F"

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds (page 21)	$	(28,209)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense of $410,364 exceeded capital outlays of ($204,943) in the current period.		(205,421)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. These include the net decrease in early retirement payable of $70,284 the net increase in other postemployment benefits of $(25,661), and the net decrease in the capital lease payable of $163,026.		207,649
In the statement of activities, loss on the sale and disposition of assets is reported, whereas in the governmental funds, this information is not reported since this does not effect current financial resources. This is the amount of the loss on sale and disposition of fixed assets.		(2,365)
Because income surtaxes will not be collected for several months after the district's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues (decreased) by this amount this year.		(813)
Because certain pledges will not be collected for several months after the district's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred pledge revenues (decreased) by this amount this year.		(8,579)
Change in net assets of governmental activities (page 16)	$	(37,738)

The accompanying notes are an integral part of these financial statements.

EXHIBIT "G"

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	School Nutrition
Assets	
Cash and cash equivalents	$ 31,014
Inventories	10,971
Capital assets, net of accumulated depreciation	681
Total Assets	$ 42,666
Liabilities	
Accounts payable	$ 3,712
Net OPEB liability	4,571
Total Liabilities	$ 8,283
Net Assets	
Invested in capital assets	$ 681
Unrestricted	33,702
Total Net Assets	$ 34,383

The accompanying notes are an integral part of these financial statements.

EXHIBIT "H"

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

	School Nutrition
Operating Revenue:	
Local sources:	
Charges for services	$ 201,737
Operating Expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	$ 196,975
Purchased services	4,812
Supplies	163,610
Miscellaneous	269
Depreciation	2,289
Total Operating Expenses	$ 367,955
Operating Loss	$ (166,218)
Non-operating Revenue:	
State sources	$ 3,061
Federal sources	167,525
Interest income	121
Total Non-Operating Revenues	$ 170,707
Increase in Net Assets	$ 4,489
Net Assets Beginning of Year	$ 29,894
Net Assets End of Year	$ 34,383

The accompanying notes are an integral part of these financial statements.

EXHIBIT "I"

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

		School Nutrition
Cash Flows From Operating Activities:		
Cash received from sale of lunches and breakfasts	$	201,737
Cash paid to employees for services		(195,537)
Cash paid to suppliers for goods and services		(137,612)
Net Cash Used by Operating Activities	$	(131,412)
Cash Flows From Noncapital Financing Activities:		
State grants received	$	3,061
Federal grants received		139,690
Net Cash Provided by Noncapital Financing Activities	$	142,751
Cash Flows From Investing Activities:		
Interest on investments	$	121
Net Increase in Cash and Cash Equivalents	$	11,460
Cash and Cash Equivalents Beginning of Year	$	19,554
Cash and Cash Equivalents End of Year	$	31,014
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:		
Operating loss	$	(166,218)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities used		27,835
Depreciation		2,289
(Increase) in inventories		(468)
Increase in accounts payable		3,711
Increase in net OPEB liability		1,439
Net Cash Used by Operating Activities	$	(131,412)

Non-Cash Investing, Capital and Financing Activities:

During the year ended June 30, 2012, the District received $27,835 of federal commodities.

The accompanying notes are an integral part of these financial statements.

EXHIBIT "J"

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and deposits	$ 41,130	$ 2,500
Liabilities		
Due to other governments	$ ---	$ 2,500
Net Assets		
Reserved for scholarships	$ 41,130	$ ---

The accompanying notes are an integral part of these financial statements.

EXHIBIT "K"

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2012

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	$ 5,864
Interest income	1,057
Total Additions	$ 6,921
Deductions:	
Support services:	
Scholarships awarded	7,308
Change in Net Assets	$ (387)
Net Assets Beginning of Year	41,517
Net Assets End of Year	$ 41,130

The accompanying notes are an integral part of these financial statements.

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 - Summary of Significant Accounting Policies:

The Clayton Ridge Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

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

A. Reporting Entity

For financial reporting purposes, Clayton Ridge 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 Clayton Ridge Community School District has no component units that 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 Clayton County Assessor's Conference Board.

B. Basis of Presentation

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

Note 1 - Summary of Significant Accounting Policies: (Continued)

B. Basis of Presentation (Continued)

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 activities:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of a capital lease.

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.

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

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

The District reports the following major governmental funds:

The General fund is the general operating fund of the District. All general tax revenues and other 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 expenditures, including instructional, support and other costs.

Note 1 - Summary of Significant Accounting Policies: (Continued)

B. Basis of Presentation (Continued)

The Management Levy (Special Revenue) is used to account for health and retirement benefits for the employees of the district and general insurance costs of the District.

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

The District reports the following major proprietary fund:

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

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

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

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.

C. Measurement Focus and Basis of Accounting

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

Note 1 - Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments), pledges receivable, 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.

Note 1 - Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

D. Assets, Liabilities and Fund Equity

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

Cash and Cash Equivalents - The cash balances of most District funds are pooled and invested in money market accounts and certificates of deposit.

For purposes of the statements of cash flows, all short-term cash deposits that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than 365 days.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year 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.

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with 1-1/2% 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.

Pledges Receivable - The District uses the allowance method to determine uncollectible pledges receivable for the Athletic Complex. The allowance is based on management's analysis of specific promises made.

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

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.

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Land	All
Buildings	1,500
Improvements other than buildings	1,500
Furniture and equipment:	
School Nutrition Fund equipment	1,500
Other furniture and equipment	1,500

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

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

Compensated Absences - School District employees accumulate sick leave and vacation for subsequent use. These accumulations are not recognized as expenditures by the District until used. The District's policy prohibits payoff of accumulated benefits at termination of employment. Consequently, no liability at June 30, 2012 has been accrued.

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 collectible within the current period or 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, the succeeding year property tax receivable, income surtax, delinquent property tax receivable, pledges receivable, and other receivables not collected within sixty days after year-end.

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

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

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

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

Restricted - Amounts restricted to specific purposes when constraints place 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.

E. Budgets and Budgetary Accounting

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

Note 2 - Cash and Cash Equivalents:

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.

Note 3 - Capital Assets:

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 55,335	$ ---	$ ---	$ 55,335
Capital assets being depreciated:				
Buildings	$ 4,322,384	$ 110,800	$ ---	$ 4,433,184
Improvements other than buildings	1,671,204	29,302	---	1,700,506
Furniture and equipment	1,902,221	64,839	(227,065)*	1,739,995
Total capital assets being depreciated	$ 7,895,809	$ 204,941	$ (227,065)	$ 7,873,685
Less accumulated depreciation for:				
Buildings	$ 2,332,370	$ 131,600	$ ---	$ 2,463,970
Improvements other than buildings	377,175	50,461	---	427,636
Furniture	1,047,565	228,303	(210,057)	1,065,811
Total accumulated depreciation	$ 3,757,110	$ 410,364	$ (210,057)	$ 3,957,417
Total capital assets being depreciated, net	$ 4,138,699	$ (205,423)	$ (17,008)	$ 3,916,268
Total Governmental activities capital assets, net	$ 4,194,034	$ (205,423)	$ (17,008)	$ 3,971,603
Business-type activities:				
Furniture and equipment	$ 124,522	$ ---	$ ---	$ 124,522
Less accumulated depreciation	121,552	2,289	---	123,841
Business-type activities capital assets, net	$ 2,970	$ (2,289)	$ ---	$ 681

*Includes prior period adjustment of $14,642. See Note 17 for further information.

Note 3 - Capital Assets: (Continued)

Depreciation and amortization expense were charged to the following functions:

Governmental activities:	
Instruction:	
Regular instruction	$ 29,735
Support services:	
Instructional staff support services	145,422
Administration services	688
Operation and maintenance of plant services	12,180
Transportation services	30,201
Unallocated	192,138
Total - governmental activities	$ 410,364
Business type activities:	
Food services	$ 2,289

Note 4 - Long-Term Liabilities:

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental Activities:					
Early retirement	$ 538,116	$ 87,600	$ 157,884	$ 467,832	$ 113,783
Lease payable	538,840	---	177,668*	361,172	179,548
Net OPEB liability	55,875	25,658	---	81,533	---
Total	$ 1,132,831	$ 113,258	$ 335,552	$ 910,537	$ 293,331
Business Type Activities:					
Net OPEB liability	$ 3,133	$ 1,438	$ ---	$ 4,571	$ ---

*Reductions on lease payable include principal repayment of $163,026 and a prior period adjustment of $14,642. See Note 17 for more details.

Note 4 - Long-Term Liabilities: (Continued)

Early Retirement:

The District offers a voluntary early retirement plan to its certified and non-certified employees. The employee is eligible to participate in the early retirement program if the following conditions are met at June 30, 2012.

1) The employee has reached a minimum age of 55.
2) The employee has completed at least 15 years of full service to the Clayton Ridge Community School District and/or the Garnavillo Community School District and/or the Guttenberg Community School District.

The eligible employee must submit an application of early retirement to the Board of Education. The Board has sole discretion over the approval of early retirement.

Early retirement benefits are equal to a one time payment of approximately 6% to 15% of the employee's contracted salary in effect during the last year of employment depending on whether the employee is a certified or non-certified employee. The employee shall also be eligible for an additional payment based on a percentage of unused sick leave at June 30, 2012. The District will continue to pay the employee's health insurance premium on a monthly basis for up to $400 per month for teachers and administrators for a maximum period of ten years.

Early retirement benefits paid during the year ended June 30, 2012 totaled $157,884.

Lease Payable:

The District entered into a lease agreement for laptop computers totaling $719,637. Accumulated amortization as of June 30, 2012 was $287,854. Future lease payments including interest at .94% are summarized as follows:

Year Ended June 30	
2013	$ 182,731
2014	182,731
	$ 365,462

Net OPEB Liability:

See Note 9 to the financial statements for additional details.

Note 5 - 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 that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were $329,666, $288,172, and $276,558 respectively, equal to the required contributions for each year.

Note 6 - Risk Management:

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

Note 7 - 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 $252,381 for the year ended June 30, 2012, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 8 - Operating Lease Commitment:

The District has entered into noncancellable operating leases for ten school buses.

Future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2012, are as follows:

Year Ending June 30	
2013	$ 113,738
2014	78,710
2015	39,416
Total	$ 231,864

Note 9 - 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 88 active and 25 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 Medical Associates. 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. Retirees pay the full cost of premiums for the medical/prescription drug benefit. 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.

Note 9 - Other Postemployment Benefits (OPEB): (Continued)

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	$	54,784
Interest on net OPEB obligation		1,475
Adjustment to annual required contribution		(2,682)
Annual OPEB cost	$	53,577
Contributions made		(26,482)
Increase in net OPEB obligation	$	27,095
Net OPEB obligation beginning of year		59,009
Net OPEB obligation end of year	$	86,104

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. 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.

For the year ended June 30, 2012, the District contributed $26,482 to the medical plan premiums. Plan members eligible for benefits contributed $54,694, or 100% of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	$ 51,700	37.40%	$ 32,360
June 30, 2011	51,159	47.90%	59,008
June 30, 2012	53,577	49.42%	86,104

Funded Status and Funding Process - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was $541,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $541,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately $3,470,000, and the ratio of the UAAL to covered payroll was 15.5%. As of June 30, 2012, there were no trust fund assets.

Note 9 - Other Postemployment Benefits (OPEB): (Continued)

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

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

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The UAAL is being amortized as a level dollar on a closed basis over 30 years.

Note 10 - Interfund Loan:

The detail of interfund loans at June 30, 2012 are as follows:

Loan to	Loan from	Amount
Capital Projects	Management	$ 370,000
Capital Projects	General	70,000

The loan from the management fund bears interest at 1.05% and has a maturity date of June 30, 2014. The Capital Projects fund made principal payments totaling $180,000 to the Management fund in 2012.

The loan from the General fund bears interest at 1.05% and has a maturity date of June 30, 2012.

Note 11 - 28E Agreement:

On March 12, 2008, the District entered into a 28E Agreement with Northeast Iowa Community College. The agreement is for the purpose of jointly administering an alternative high school.

Note 12 - Pledges Receivable - Athletic Complex:

Receivable in less than one year	$ 19,305
Receivable in one to five years	12,292
Gross Pledges Receivable	$ 31,597
Less: Allowance for uncollectible pledges	6,500
	$ 25,097

Note 13 - Categorical Funding:

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

Program	Amount
Gifted and Talented	$ 43,133
Preschool	35,656
Educator quality	19,042
Textbook aid for nonpublic students	1,336
	$ 99,167

Note 14 - Deficit Fund Balance:

At June 30, 2012, the Capital Projects fund had a deficit balance of $394,842.

Note 15 - Interfund Transfers:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	$ 168,088
Activity	General	23,000

Transfers are used to (1) move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds.

Note 16 - Construction Commitment:

At June 30, 2012, the District had entered into contracts totaling $38,442 for asbestos removal ($33,980) at the elementary school and re-tiling the middle school gym ($4,462). As of June 30, 2012, the District had not incurred any costs against these contracts.

Note 17 - Prior Period Adjustment:

During fiscal 2012, the District realized that the balance previously reported for equipment and the corresponding capital lease at June 30, 2011 were overstated by $14,642. The effect on net assets at July 1, 2011 as a result of this adjustment was $0.

Note 18 - Subsequent Events:

Subsequent events have been evaluated by management through March 7, 2013, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

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, 2009	$ ---	$ 541,000	$ 541,000	0.0%	$ 3,639,000	14.86%
2011	July 1, 2009	---	541,000	541,000	0.0%	3,649,000	14.82%
2012	July 1, 2009	---	541,000	541,000	0.0%	3,470,000	15.50%

See Note 9 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.

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN BALANCES - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
Revenues:						
Local sources	$ 4,470,167	$ 201,858	$ 4,672,025	$ 4,571,501	$ 4,571,501	$ 100,524
State sources	3,250,791	3,061	3,253,852	3,306,267	3,306,267	(52,415)
Federal sources	276,956	167,525	444,481	300,000	300,000	144,481
Total Revenues	$ 7,997,914	$ 372,444	$ 8,370,358	$ 8,177,768	$ 8,177,768	$ 192,590
Expenditures:						
Instruction	$ 4,785,979	$ ---	$ 4,785,979	$ 5,155,000	$ 5,155,000	$ 369,021
Support services	2,358,008	---	2,358,008	2,738,000	2,738,000	379,992
Non-instructional programs	1,517	367,955	369,472	385,000	385,000	15,528
Other	882,662	---	882,662	526,103	800,000	(82,662)
Total Expenditures	$ 8,028,166	$ 367,955	$ 8,396,121	$ 8,804,103	$ 9,078,000	$ 681,879
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (30,252)	$ 4,489	$ (25,763)	$ (626,335)	$ (900,232)	$ 874,469
Other Financing Sources, net	2,043	---	2,043	---	---	2,043
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ (28,209)	$ 4,489	$ (23,720)	$ (626,335)	$ (900,232)	$ 876,512
Balances Beginning of Year	1,627,164	29,894	1,657,058	1,324,676	1,324,676	332,382
Balances End of Year	$ 1,598,955	$ 34,383	$ 1,633,338	$ 698,341	$ 424,444	$ 1,208,894

See accompanying independent auditor's report.

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2012

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on 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, noninstructional 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 adopted one budget amendment increasing budgeted expenditures by $273,897.

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

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE "1"

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue		Total Nonmajor Governmental Funds
	Student Activity	Debt Service	
Assets			
Cash and cash equivalents	$ 68,620	$ ---	$ 68,620
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ 9,220	$ ---	$ 9,220
Fund Balances:			
Restricted for:			
Student activities	$ 59,400	$ ---	$ 59,400
Total Liabilities and Equity	$ 68,620	$ ---	$ 68,620

See accompanying independent auditor's report.

SCHEDULE "2"

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2012

	Special Revenue		Total
	Student Activity	Debt Service	Nonmajor Governmental Funds
Revenues:			
Local Sources:			
Other	$ 272,012	$ ---	$ 272,012
Expenditures:			
Current:			
Instruction:			
Other	$ 280,573	$ ---	$ 280,573
Other Expenditures:			
Long-term debt:			
Principal	---	163,025	163,025
Interest and fiscal charges	---	5,063	5,063
Total Expenses	$ 280,573	$ 168,088	$ 448,661
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (8,561)	$ (168,088)	$ (176,649)
Other Financing Sources:			
Operating transfers in	$ 23,000	$ 168,088	$ 191,088
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Sources	$ 14,439	$ ---	$ 14,439
Fund Balances Beginning of Year	$ 44,961	$ ---	$ 44,961
Fund Balances End of Year	$ 59,400	$ ---	$ 59,400

See accompanying independent auditor's report.

SCHEDULE "3"

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

COMBINING BALANCE SHEET
CAPITAL PROJECT ACCOUNTS
JUNE 30, 2012

	Physical Plant and Equipment Levy	Statewide Sales, Services and Use Tax	Athletic Complex	Total
Assets				
Cash and pooled investments	$ 2,741	$ 3,022	$ 1,591	$ 7,354
Receivables:				
Property tax:				
Succeeding year	270,645	---	---	270,645
Pledges receivable net of allowance of $6,500	---	---	25,097	25,097
Due from other governments	3,403	130,369	---	133,772
Total Assets	$ 276,789	$ 133,391	$ 26,688	$ 436,868
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	$ 8,436	$ 81,032	$ ---	$ 89,468
Due to other funds	---	70,000	370,000	440,000
Deferred revenue:				
Succeeding year property tax	270,645	---	---	270,645
Pledges receivable	---	---	31,597	31,597
Total Liabilities	$ 279,081	$ 151,032	$ 401,597	$ 831,710
Fund balances:				
Unassigned	(2,292)	(17,641)	(374,909)	(394,842)
Total Liabilities and Fund Equity	$ 276,789	$ 133,391	$ 26,688	$ 436,868

See accompanying independent auditor's report.

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES CAPITAL PROJECT ACCOUNTS YEAR ENDED JUNE 30, 2012

	Physical Plant and Equipment Levy	Statewide Sales, Services and Use Tax	Athletic Complex	Total
Revenues:				
Local sources:				
Local tax	$ 264,964	$ 483,099	$ ---	$ 748,063
Other	649	247	8,636	9,532
Federal sources	25,000	---	---	25,000
Total Revenues	$ 290,613	$ 483,346	$ 8,636	$ 782,595
Expenditures:				
Support services:				
Instructional staff services	$ 21,268	$ 4,293	$ ---	$ 25,561
Administration services	36	69	5,778	5,883
Transportation services	111,197	23,868	---	135,065
	$ 132,501	$ 28,230	$ 5,778	$ 166,509
Other Expenditures:				
Facilities acquisition	$ 153,451	$ 308,742	$ ---	$ 462,193
Total Expenditures	$ 285,952	$ 336,972	$ 5,778	$ 628,702
Excess of Revenues Over Expenditures	$ 4,661	$ 146,374	$ 2,858	$ 153,893
Other Financing Sources (Uses):				
Intrafund transfers, net	$ ---	$ (175,000)	$ 175,000	$ ---
Operating transfers out	(56,029)	(112,059)	---	(168,088)
Total Other Financing Sources (Uses)	$ (56,029)	$ (287,059)	$ 175,000	$ $168,088
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	$ (51,368)	$ (140,685)	$ 177,858	$ (14,195)
Fund Balances Beginning of Year	$ 49,076	$ 123,044	$ (552,767)	$ (380,647)
Fund Balances End of Year	$ (2,292)	$ (17,641)	$ (374,909)	$ (394,842)

See accompanying independent auditor's report.

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Transfers	Balance End of Year
Athletics	$ (6,749)	$ 43,575	$ 59,126	$ 18,000	$ (4,300)
Baseball	(294)	841	771	---	(224)
Boys Basketball	562	2,710	2,946	---	326
Chamber Choir	(935)	3,700	4,192	---	(1,427)
Cheerleading	940	1,282	1,225	---	997
Class of 2012	5,318	23,766	29,293	---	(209)
Class of 2013	3,656	11,260	5,212	---	9,704
Class of 2014	1,675	6,303	4,097	---	3,881
Class of 2015	688	6,307	3,008	---	3,987
Class of 2016	(788)	9,681	6,976	---	1,917
Club Volleyball	---	1,025	1,013	---	12
Cross Country	---	200	427	---	(227)
District Four Football	933	---	933	---	---
Drama	7,559	4,913	8,355	---	4,117
Drill Team	4,138	31,386	33,651	---	1,873
Elementary Assemblies	6,447	4,727	5,894	---	5,280
FCCLA	2,491	2,059	3,168	---	1,382
FFA Memorial	7,440	1,042	3,810	---	4,672
FFA Project	1,009	3	---	---	1,012
FFA Trip	(1,974)	12,596	10,621	---	1
Fine Arts	379	---	---	---	379
Football	803	1,798	2,617	---	(16)
Girls Basketball	1,938	1,169	1,655	---	1,452
High School Assemblies	384	3,043	3,628	---	(201)
High School National Honor Society	(44)	--	---	---	(44)
Junior High Student Council	4,203	13,034	15,412	---	1,825
Little Eagles Wrestling	1,757	1,994	1,787	---	1,964
Middle School Library Reading	96	---	95	---	1
Middle School Assemblies	2,857	3,476	3,627	---	2,706
Middle School Food and Fitness	---	2,979	2,135	---	844
Music Trips	4,588	9,493	5,705	---	8,376
Parent Advisory Committee	391	5,540	5,770	---	161
Philanthropist Club	1,219	219	1,662	---	(224)
Random Acts of Kindness Club	(74)	---	60	---	(134)
Reading Month	5,158	381	200	---	5,339
Softball	1,304	3,067	3,498	---	873
Spanish Club	1,854	5,113	1,238	---	5,729
Student Senate	(769)	13,757	10,238	---	2,750
Track	(475)	1,311	1,772	---	(936)
Tri-Star FFA	(4,835)	23,979	19,490	---	(346)
Volleyball	3,265	1,396	1,017	---	3,644
Wrestling	(44)	1,695	1,681	---	(30)
Yearbook	(11,110)	11,192	12,568	5,000	(7,486)
Total	$ 44,961	$ 272,012	$ 280,573	$ 23,000	$ 59,400

See accompanying independent auditor's report.

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND
YEAR ENDED JUNE 30, 2012

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets:				
Cash and deposits	$ 2,505	$ 94	$ 100	$ 2,499
Liabilities:				
Payable to others	$ 2,505	$ 94	$ 100	$ 2,499

See accompanying independent auditor's report.

SCHEDULE "7"

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST SEVEN YEARS

	Modified Accrual Basis						
	2012	2011	2010	2009	2008	2007	2006
Revenues:							
Local Sources:							
Local tax	$ 3,742,828	$ 3,580,360	$ 3,165,517	$ 3,079,650	$ 3,355,563	$ 3,387,397	$ 3,346,260
Tuition	197,997	195,097	205,635	242,776	256,131	198,191	236,340
Other	529,342	456,570	966,499	1,003,784	844,453	681,536	542,231
State Sources	3,250,791	3,009,240	2,660,081	3,167,527	3,171,817	2,994,560	2,975,595
Federal Sources	276,956	485,109	564,887	180,950	190,803	242,006	287,147
Total	$ 7,991,414	$ 7,726,376	$ 7,562,619	$ 7,674,687	$ 7,818,767	$ 7,503,690	$ 7,387,573
Expenditures:							
Instruction:							
Regular	$ 2,789,396	$ 2,787,347	$ 2,665,032	$ 2,595,541	$ 2,662,212	$ 2,569,187	$ 2,684,680
Special	1,063,039	1,023,073	1,091,552	1,169,069	1,086,130	940,752	963,683
Other	933,544	963,958	1,064,236	1,003,802	861,654	934,943	826,543
Support Services:							
Student	304,189	268,374	282,278	289,585	190,099	189,724	176,484
Instructional staff	329,789	390,910	1,061,645	293,706	247,233	238,527	288,959
Administration	648,929	628,657	604,122	649,504	746,978	639,215	615,579
Operation and maintenance of plant	519,663	475,192	435,261	451,693	423,949	458,916	418,972
Transportation	555,438	540,416	486,768	521,284	524,821	433,775	467,061
Non-Instruction Programs	1,517	1,330	1,808	6,907	3,483	1,439	1,893
Other Expenditures:							
Facilities acquisition	462,193	156,850	637,000	1,987,484	661,963	400,478	151,715
AEA flowthrough	252,381	284,616	283,455	257,820	251,822	244,114	236,183
Long term debt:							
Principal	163,025	180,797	---	---	---	---	---
Interest and fiscal charges	5,063	1,934	---	---	---	---	---
Total	$ 8,028,166	$ 7,703,454	$ 8,613,157	$ 9,226,395	$ 7,660,344	$ 7,051,070	$ 6,831,752

See accompanying independent auditor's report.

O'CONNOR, BROOKS & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

W.H. LEGLAR, CPA
S.J. DOMEYER, CPA
M.A. KUEPERS, CPA
J.W. HANNAN, CPA
M.P. RUGGEBERG, CPA
P.C. McCARTHY, CPA
E.A. SCHILLING, CPA
S.H. ROBERTS, CPA
J.L. WOOLF, CPA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education of the
Clayton Ridge Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Clayton Ridge Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 7, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. In addition, our report includes a disclaimer of opinion on the required supplementary information.

Internal Control Over Financial Reporting

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

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

1415 LOCUST STREET
P.O. BOX 743
DUBUQUE, IOWA 52004-0743
PHONE (563) 582-7224
FAX (563) 582-6118

MEMBERS OF:
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
IOWA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

www.oconnorbrooks.com

901 SPRING STREET
P.O. BOX 294
GALENA, ILLINOIS 61036
PHONE (815) 777-1880
FAX (815) 777-3092

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that 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 in internal control described in Part I of the accompanying Schedule of Findings at items I-A-12 and I-B-12 to be material weaknesses. These items were noted in the prior year audit.

Compliance and Other Matters

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

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

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Clayton Ridge 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.

O'CONNOR, BROOKS & CO., P.C.

O'Connor, Brooks & Co., P.C.

Dubuque, Iowa
March 7, 2013

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements:

MATERIAL WEAKNESSES:

I-A-12 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling incompatible duties. One example of incompatible duties is that one individual posts cash receipts, makes bank deposits, and reconciles bank accounts.

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

Response - The District will implement procedures over areas where incompatible duties exist to maximize internal controls with current staff.

Conclusion - Response acknowledged.

I-B-12 Adjusting Journal Entries - Material adjustments were made to represent a fair presentation of the District's financial statements at June 30, 2012. Journal entries suggested were recording of expenses that occurred close to the District's fiscal year end to the proper period.

Recommendation - The business manager should review subsidiaries at the end of the fiscal year to assure all account activity is included and reflected in the correct period.

Response - The District will review subsidiaries and reconciliations to assure that activity is reflected in the proper period.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 Certified Budget - Expenditures for the year ended June 30, 2012 exceeded the certified budget in the other expenditures program function. The District did not exceed its General fund unspent authorized budget.

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 in the other expenditures program function.

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

Conclusion - Response accepted.

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

II-C-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.

II-D-12 Business Transactions - Business transactions between the District and District officials or employees were detailed as follows:

Name, Title, Business Connection	Description	Amount
Ihdes Phillips 66 Spouse of board member	Maintenance	$ 668
Family Medicine Board member is part owner	Physicals	2,183

The transactions do not appear to represent a conflict of interest in accordance with Chapter 279.7A of the Code of Iowa since the cumulative transaction total for each official did not exceed $2,500.

Part II: Other Findings Related to Statutory Reporting: (Continued)

II-E-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 insure that the coverage is adequate for current operations.

II-F-12 Board Minutes - We did not note any transaction requiring board approval which had not been approved by the board.

II-G-12 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-12 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-I-12 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education, however, we noted the total liabilities in the other capital projects fund are overstated by $6,500 and balances reported for fixed assets are understated by $41,147 due to adjustments made to the financial statements after the Certified Annual Report was filed.

Recommendation – The District should record adjustments as necessary when filing their fy2013 Certified Annual Report.

Response – We will record the necessary adjustments.

Conclusion – Response accepted.

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

II-K-12 Deficit Balances - The Student Activity fund had fourteen accounts with deficit balances at June 30, 2012.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate these deficits.

Response - We will continue to monitor these accounts.

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting: (Continued)

II-L-12 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance	$	123,044
Income:		
Statewide sales and services tax revenue		483,099
Interest income		247
Miscellaneous		
Expenditures:		
Buildings & equipment		336,972
Other financing sources (uses):		
Transfer to debt service fund		(112,059)
Transfer to Athletic Complex account		(175,000)
Ending balance	$	(17,641)

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.

II-M-12 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education was noted.

Part II: Other Findings Related to Statutory Reporting: (Continued)

II-N-12 Financial Condition - The Capital Projects fund had a deficit balance of $394,842 at June 30, 2012.

Recommendation - The District should investigate alternatives to eliminate the deficit in order to return the fund to a sound financial position.

Response - The Capital Projects fund shows a deficit due to an interfund loan from the Management fund for financing of the Stephen D Shannon Athletic Complex. The loan will be paid off with future statewide sales, services, and use tax receipts. The District expects the deficit to be eliminated in fiscal 2014.

Conclusion - Response accepted.