

CLINTON COMMUNITY SCHOOL DISTRICT
Clinton, Iowa

FINANCIAL STATEMENTS
June 30, 2013

CLINTON COMMUNITY SCHOOL DISTRICT

TABLE OF CONTENTS

| | PAGE |
|---|-------------|
| OFFICIALS | 1 |
| INDEPENDENT AUDITOR'S REPORT | 2 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 4 |
| BASIC FINANCIAL STATEMENTS | 16 |

Exhibit

| | |
|--|------------|
| Government-wide Financial Statements: | |
| Statement of Net Position | A 17 |
| Statement of Activities | B 18 |
| Governmental Fund Financial Statements: | |
| Balance Sheet | C 20 |
| Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position | D 21 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) | E 22 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) - Governmental Funds to the Statement of Activities | F 24 |
| Proprietary Fund Financial Statements: | |
| Statement of Net Position | G 25 |
| Statement of Revenues, Expenses, and Changes in Net Position | H 26 |
| Statement of Cash Flows | I 28 |
| Fiduciary Fund Financial Statements: | |
| Statement of Fiduciary Net Position | J 30 |
| Statement of Changes in Fiduciary Net Position | K 31 |
| Notes to Financial Statements | 32 |

REQUIRED SUPPLEMENTARY INFORMATION 50

| | |
|--|----|
| Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds | 51 |
| Notes to Required Supplementary Information - Budgetary Reporting | 52 |
| Schedule of Funding Progress for the Retiree Health Plan | 53 |

SUPPLEMENTARY INFORMATION 54

Schedule

| | |
|---|------------|
| Nonmajor Special Revenue Funds: | |
| Combining Balance Sheet | 1 55 |
| Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances (Deficit) | 2 56 |

CLINTON COMMUNITY SCHOOL DISTRICT

TABLE OF CONTENTS

(Continued)

| | <u>Schedule</u> | PAGE |
|--|-----------------|-----------|
| Capital Project Accounts: | | |
| Combining Balance Sheet..... | 3 | 58 |
| Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances (Deficit)..... | 4 | 59 |
| Schedule of Changes in Special Revenue Fund, | | |
| Student Activity Accounts..... | 5 | 61 |
| Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund...6 | 6 | 65 |
| Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds..... | 7 | 66 |
| 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..... | | 67 |
| INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133..... | | 69 |
| Schedule of Expenditures of Federal Awards..... | | 71 |
| Schedule of Findings and Questioned Costs..... | | 72 |
| Summary Schedule of Prior Federal Audit Findings..... | | 81 |
| Corrective Action Plan for Federal Audit Findings..... | | 82 |

CLINTON COMMUNITY SCHOOL DISTRICT

OFFICIALS

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

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clinton Community School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Clinton Community School District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 15 and 51 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clinton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2012 (which are not presented herein). The financial statements for the years ended June 30, 2012 and June 30, 2009 expressed unqualified opinions, while the financial statements for the years ended June 30, 2011 and June 30, 2010 expressed qualified opinions. The financial statements for the five years ended June 30, 2008, presented in Schedule 7 on page 66 of this report, were audited by other auditors whose reports expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7 on pages 55 - 66 and the Schedule of Expenditures of Federal Awards on page 71, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2014 on our consideration of Clinton Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clinton Community School District's internal control over financial reporting and compliance.

Winkel, Parker & Foster, CPA PC

Clinton, Iowa
January 13, 2014

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

Clinton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$44,888,592 in fiscal year 2012 to \$45,094,227 in fiscal year 2013, while General Fund expenditures increased from \$44,299,858 in fiscal year 2012 to \$44,474,421 in fiscal year 2013. The District's General Fund balance increased from \$(245,733) at the end of fiscal year 2012 to \$366,909 at the end of fiscal year 2013.
- The fiscal year 2013 General Fund revenue increase was attributable to increases in property taxes and state aid. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits and an instructional improvement project.
- A decline in interest rates during the past three fiscal years has resulted in a decrease in interest earnings. Interest earnings in fiscal year 2013 totaled \$15,914 compared to \$42,526 in fiscal year 2012.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Clinton Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short-term as well as what remains for future spending. Fund financial statements report Clinton Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Clinton Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

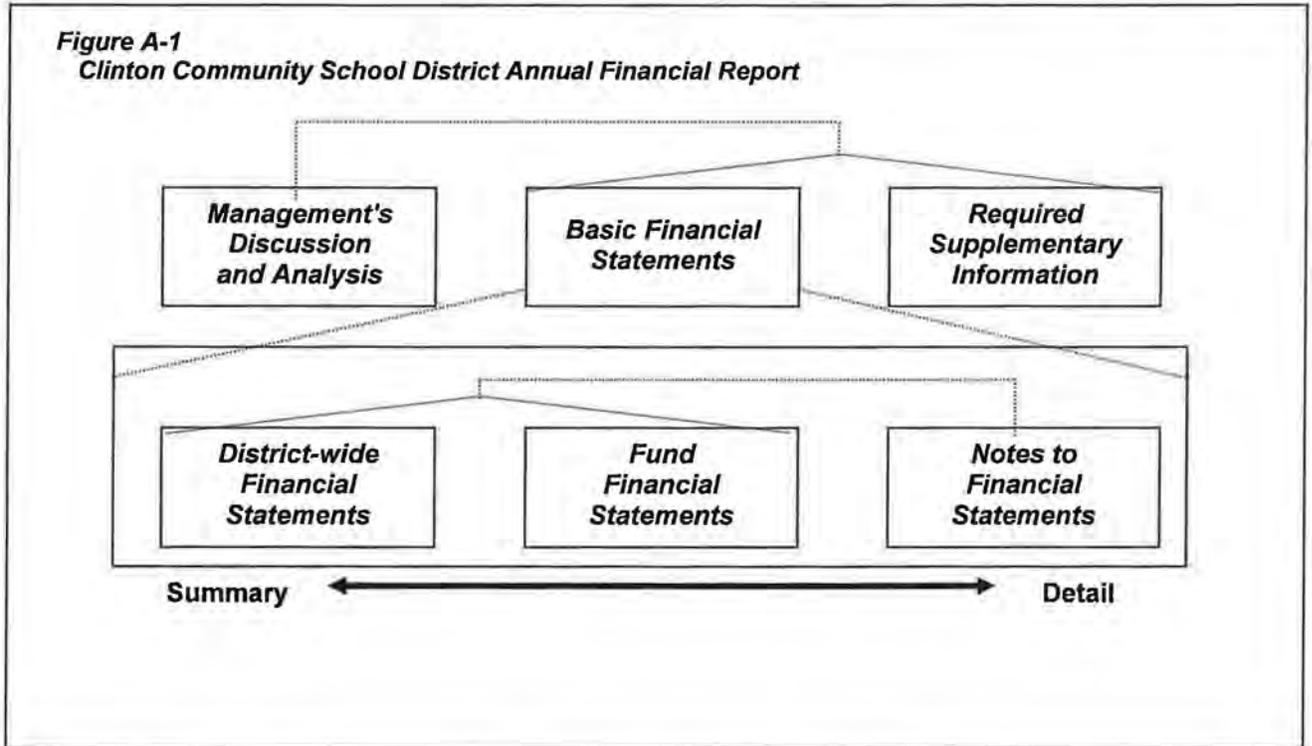
Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

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

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

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

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



**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

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

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

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Funds include the School Nutrition Fund and the Student Construction Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows.

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private - Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds - These are funds through which the District administers and accounts for certain federal and/or state grants as a fiscal agent.

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

The basic fiduciary fund financial statements can be found on pages 30-31 of this report.

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

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve, over time, as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$43,152,802 as of June 30, 2013.

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

The following table presents a summary of the District's net position for the fiscal year ended June 30, 2013 compared to June 30, 2012.

| | Governmental Activities | | Business-type Activities | | Total School District | |
|----------------------------------|----------------------------|----------------------|-----------------------------|---------------------|--------------------------|----------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Current and other assets | \$ 50,576,187 | \$ 43,229,633 | \$ 1,766,570 | \$ 1,757,081 | \$ 52,342,757 | \$ 44,986,714 |
| Capital assets | 52,351,793 | 48,567,943 | 427,592 | 430,334 | 52,779,385 | 48,998,277 |
| Total assets | <u>102,927,980</u> | <u>91,797,576</u> | <u>2,194,162</u> | <u>2,187,415</u> | <u>105,122,142</u> | <u>93,984,991</u> |
| Current and other liabilities | 22,795,427 | 20,030,763 | 47,148 | 14,442 | 22,842,575 | 20,045,205 |
| Long-term liabilities | 39,095,895 | 34,069,869 | 30,870 | 26,997 | 39,126,765 | 34,096,866 |
| Total liabilities | <u>61,891,322</u> | <u>54,100,632</u> | <u>78,018</u> | <u>41,439</u> | <u>61,969,340</u> | <u>54,142,071</u> |
| Net investment in capital assets | 31,267,563 | 31,260,269 | 427,592 | 430,334 | 31,695,155 | 31,690,603 |
| Restricted | 6,658,320 | 4,079,213 | - | - | 6,658,320 | 4,079,213 |
| Unrestricted | 3,110,775 | 2,357,462 | 1,688,552 | 1,715,642 | 4,799,327 | 4,073,104 |
| Total net position | <u>\$ 41,036,658</u> | <u>\$ 37,696,944</u> | <u>\$ 2,116,144</u> | <u>\$ 2,145,976</u> | <u>\$ 43,152,802</u> | <u>\$ 39,842,920</u> |

The District's total net position increased by 8.3%, or \$3,309,882, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position was \$6,658,320 at year end.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements was \$4,799,327 at year end.

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

Changes in net position. The District's total revenue for the fiscal year ended June 30, 2013 was \$53,568,792 compared to \$54,584,296 at June 30, 2012. The total cost of all programs and services for fiscal year 2013 was \$50,258,910 compared to \$49,613,210 in fiscal year 2012. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and 2012:

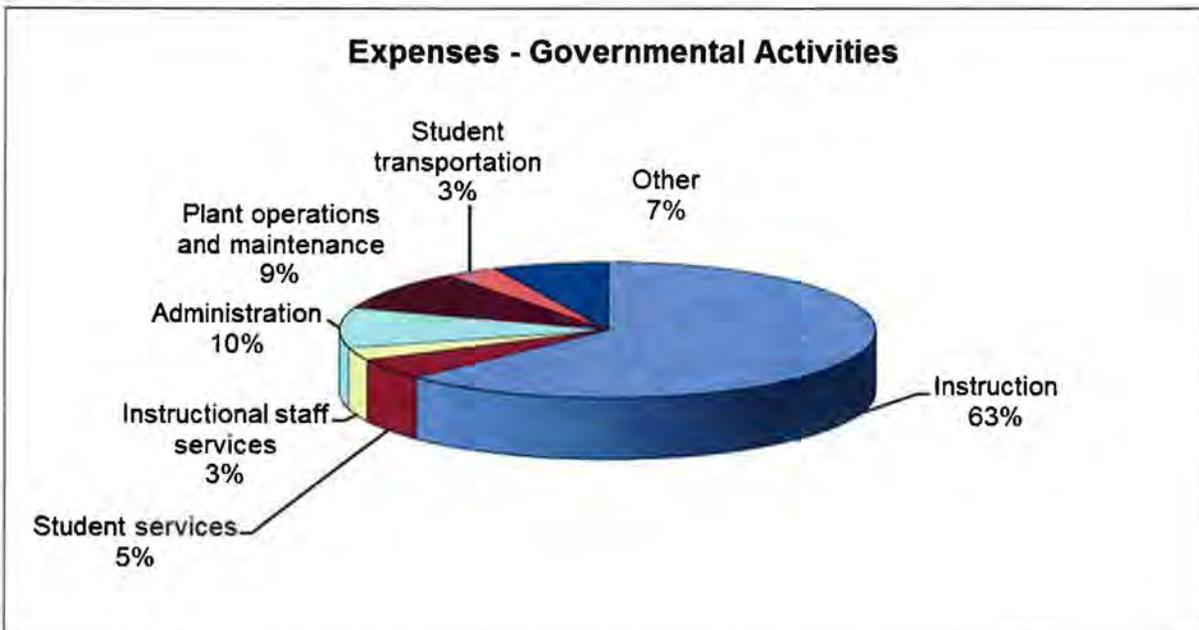
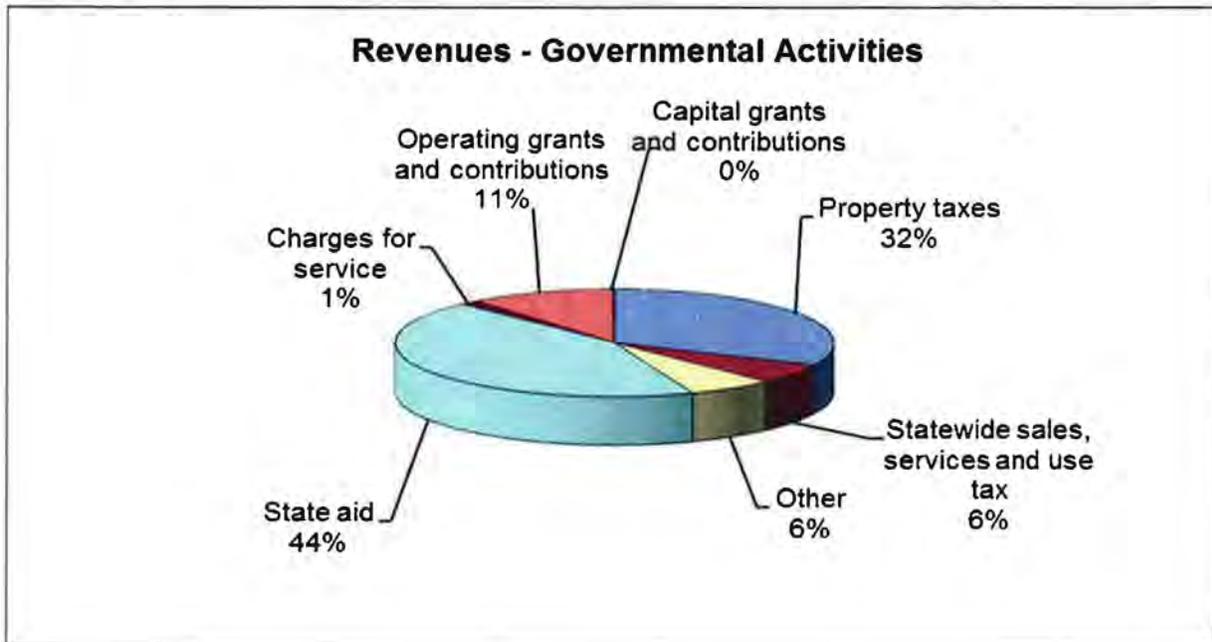
| | Governmental Activities | | Business-type Activities | | Total School District | |
|---|----------------------------|---------------------|-----------------------------|---------------------|--------------------------|---------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for service | \$ 763,492 | \$ 771,566 | \$ 576,136 | \$ 769,921 | \$ 1,339,628 | \$ 1,541,487 |
| Operating grants, contributions and restricted interest | 5,531,480 | 6,090,533 | 1,315,580 | 1,293,748 | 6,847,060 | 7,384,381 |
| Capital grants, contributions and restricted interest | 74,702 | - | - | - | 74,702 | - |
| General revenues | | | | | | |
| Property taxes | 16,425,037 | 17,727,760 | - | - | 16,425,037 | 17,727,760 |
| Statewide sales, services and use tax | 3,143,493 | 3,412,322 | - | - | 3,143,493 | 3,412,322 |
| Unrestricted state aid | 22,483,983 | 22,078,279 | - | - | 22,483,983 | 22,078,279 |
| AEA flowthrough | 1,625,523 | 1,625,970 | - | - | 1,625,523 | 1,625,970 |
| Unrestricted investment earnings | 15,914 | 42,526 | - | - | 15,914 | 42,526 |
| Miscellaneous | 1,606,254 | 801,132 | - | - | 1,606,254 | 801,132 |
| Gain/(loss) on disposal of capital assets | 7,198 | (29,561) | - | - | 7,198 | (29,561) |
| Total revenues | 51,677,076 | 52,520,627 | 1,891,716 | 2,063,669 | 53,568,792 | 54,584,296 |
| Program Expenses | | | | | | |
| Instruction | 30,294,213 | 29,908,311 | - | - | 30,294,213 | 29,908,311 |
| Support services | | | | | | |
| Student services | 2,418,569 | 2,495,439 | - | - | 2,418,569 | 2,495,439 |
| Instructional staff services | 1,439,119 | 1,238,451 | - | - | 1,439,119 | 1,238,451 |
| Administration services | 4,623,056 | 4,961,184 | - | - | 4,623,056 | 4,961,184 |
| Plant operation and maintenance | 4,621,785 | 4,261,691 | - | - | 4,621,785 | 4,261,691 |
| Student transportation | 1,562,480 | 1,558,727 | - | - | 1,562,480 | 1,558,727 |
| Non-instructional programs | 29,206 | 41,069 | 1,921,548 | 2,025,149 | 1,950,754 | 2,066,218 |
| Other expenditures | | | | | | |
| Facilities acquisition | 269,884 | 113,470 | - | - | 269,884 | 113,470 |
| Long-term debt interest | 1,453,527 | 1,383,749 | - | - | 1,453,527 | 1,383,749 |
| AEA flowthrough | 1,625,523 | 1,625,970 | - | - | 1,625,523 | 1,625,970 |
| Total expenses | 48,337,362 | 47,588,061 | 1,921,548 | 2,025,149 | 50,258,910 | 49,613,210 |
| Increase (decrease) in net position | 3,339,714 | 4,932,566 | (29,832) | 38,520 | 3,309,882 | 4,971,086 |
| Net position, beginning of year | 37,696,944 | 32,764,378 | 2,145,976 | 2,107,456 | 39,842,920 | 34,871,834 |
| Net position, end of year | \$41,036,658 | \$37,696,944 | \$ 2,116,144 | \$ 2,145,976 | \$43,152,802 | \$39,842,920 |

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

Governmental Activities

Unrestricted state aid, property taxes, and operating grants and contributions are the primary sources of revenue for the District accounting for approximately 87% of total governmental revenues.

Instruction constitutes the largest portion of expenditures at \$30,294,213. The District offers a wide array of programs including general education, special education, vocational and college preparatory classes. The purely administrative activities of the District accounted for approximately 10% of total costs.



**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2013 compared to the year ended June 30, 2012.

| | Total Cost of Services | | | Net Cost of Services | | |
|----------------------------|------------------------|---------------------|---------------------|----------------------|---------------------|---------------------|
| | 2013 | 2012 | Change 2012-2013 | 2013 | 2012 | Change 2012-2013 |
| Instruction | \$30,294,213 | \$29,908,311 | 1.3% | \$25,161,940 | \$24,037,975 | 4.7% |
| Support services | 14,665,009 | 14,515,492 | 1.0% | 13,427,608 | 13,523,629 | -0.7% |
| Non-instructional programs | 29,206 | 41,069 | -28.9% | 29,206 | 41,069 | -28.9% |
| Other expenditures | 3,348,934 | 3,123,189 | 7.2% | 3,348,934 | 3,123,189 | 7.2% |
| Total expenses | \$48,337,362 | \$47,588,061 | 1.6% | \$41,967,688 | \$40,725,862 | 3.0% |

- The cost of all governmental activities this year was \$48,337,362.
- Federal and state governments and charges for services subsidized certain governmental activities with grants and contributions totaling \$6,369,674.
- The net cost of governmental activities of \$41,967,688 was financed by general revenues, which are made up of primarily property and statewide sales, services and use tax (\$19.6 million) and state aid (\$22.4 million). Investment earnings and miscellaneous sources accounted for \$3.3 million.

Business-type activities

Revenues for business-type activities during the year ended June 30, 2013 were \$1,891,716, representing an 8.3% decrease from the prior year, while expenses totaled \$1,921,548, a 5.1% decrease from the prior year. The District's business-type activities include the Student Construction Fund and School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, Clinton Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$17,477,429, well above last year's ending fund balances of \$14,455,665. However, the primary reason for the increase in combined fund balances at the end of fiscal year 2013 is due to approximately \$5.3 million of unexpended revenue bond proceeds received in fiscal year 2013.

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

Governmental Fund Highlights

- The General Fund is the principal operating fund of the District. The General Fund increased its fund balance by \$612,642 during fiscal year 2013. The increase in fund balance is due to the continuing levy of the cash reserve levy.
- The Debt Service Fund balance decreased from \$(49,661) at the end of fiscal year 2012 to \$(54,898) at the end of fiscal year 2013. The decrease is due to principal and interest payments in excess of property taxes received.
- The Capital Projects Fund balance increased due to the sale of \$5,310,000 of revenue bonds during fiscal year 2013. Fiscal year 2013 ended with a balance of \$17,187,620, a portion of which is related to unexpended bond proceeds which will be expended as the project is completed.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$1,877,524 at June 30, 2012 to \$1,847,615 at June 30, 2013, representing a decrease of 1.6%. The decrease in the funds net position is due to a decrease in food service sales.

BUDGETARY HIGHLIGHTS

Over the course of the year, Clinton Community School District amended its budget one time to reflect actual expenses related to support services and the middle school construction project.

The District's total revenues were \$6,820,890 less than total budgeted revenues, a variance of 11.5%. Even though local tax revenue increased in fiscal year 2013, a reduction in state resources caused the total amount received to be less than originally anticipated.

The District's total actual expenditures were approximately \$11.2 million less than the total budgeted expenditures, a variance of 20.4%.

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and other governmental funds are not presented in the budgetary comparison on page 51.

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District had invested \$52,779,385 in capital assets, including land, construction in progress, school buildings, athletic facilities, buses and other vehicles, computers, and other equipment. This amount represents a net increase of \$3,781,108 from last year. Total depreciation expense for the year was \$1,510,129. Additional information on the District's capital assets can be found in Note 5 on pages 39-40 of this report.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2013 compared to the fiscal year ended June 30, 2012.

Capital Assets

| | Governmental Activities | | Business-type Activities | | Total School District | |
|--------------------------|----------------------------|----------------------|-----------------------------|------------------|--------------------------|----------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Land | \$ 1,860,229 | \$ 1,860,229 | \$ - | \$ - | \$ 1,860,229 | \$ 1,860,229 |
| Construction in progress | 19,574,796 | 14,944,779 | - | - | 19,574,796 | 14,944,779 |
| Land improvements | 2,224,471 | 2,315,016 | - | - | 2,224,471 | 2,315,016 |
| Buildings | 27,086,159 | 27,998,934 | - | - | 27,086,159 | 27,998,934 |
| Furniture and equipment | 1,000,391 | 748,538 | 427,592 | 430,334 | 1,427,983 | 1,178,872 |
| Buses | 605,747 | 700,447 | - | - | 605,747 | 700,447 |
| Total assets | \$ 52,351,793 | \$ 48,567,943 | \$427,592 | \$430,334 | \$ 52,779,385 | \$ 48,998,277 |

Debt Administration. At year-end, the District had \$39,126,765 in general obligation bonds, revenue bonds and other long-term debt outstanding, of which \$2,365,260 is due within one year. The following table presents a summary of the District's outstanding long-term debt for the fiscal years ended June 30, 2013 and June 30, 2012, respectively.

| | Total Cost School District | | Total Change 2012-2013 |
|----------------------------|-------------------------------|----------------------|------------------------------|
| | 2013 | 2012 | |
| General obligation bonds * | \$ 2,654,042 | \$ 3,269,457 | -18.8% |
| Revenue bonds * | 34,778,675 | 29,623,244 | 17.4% |
| Notes/leases payable | 5,694 | 20,000 | -71.5% |
| Early retirement | 266,532 | - | 100.0% |
| Compensated absences | 326,822 | 345,991 | -5.5% |
| Net OPEB liability | 1,095,000 | 838,174 | 30.6% |
| | \$ 39,126,765 | \$ 34,096,866 | 14.8% |

* Net of premiums and discounts

State statutes currently limit the amount of general obligation debt a district may issue to 5 percent of its total assessed valuation. The current debt limitation for the District is \$69.0 million, which is more than the District's outstanding general obligation debt. Additional information on the District's long-term debt can be found in Note 6 on pages 41-43 of this report.

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013**

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- District enrollment decreased in fiscal year 2012-2013 by 90 students and another 106 students in 2013-2014. Under Iowa's school funding formula, District funding for the next year is highly dependent upon the District's enrollment on student count day in October. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- Due to a reduction in certified enrollment, an early retirement incentive was offered to all certified staff during the 2012-2013 fiscal year. Twenty-one individuals accepted the early retirement. In addition, the board approved budget reductions in the amount of \$677,000 for the 2013-2014 school year.
- Clinton Community School District's 4 year old pre-school program decreased from 272 students in 2011-2012 to 218 students participating in 2012-2013. This was a decrease of 54 students. However, for the 2013-2014 school year, enrollment increased by 27 students. The District and private preschools need to continue to promote the free program.
- The construction of a new combined 1,000 student middle school was started in April, 2013. Bids came in as expected. Funding for the new middle school continues to be tight due to a reduced revenue bond borrowing capacity.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2013

| | <u>Governmental</u> <u>Activities</u> | <u>Business-Type</u> <u>Activities</u> | <u>Total</u> |
|---|--|---|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 18,564,353 | \$ 1,623,943 | \$ 20,188,296 |
| Investments | 12,274,425 | - | 12,274,425 |
| Property taxes receivable | | | |
| Current year delinquent | 196,502 | - | 196,502 |
| Succeeding year | 15,241,453 | - | 15,241,453 |
| Other receivables | 700,439 | 17,055 | 717,494 |
| Due from other governments | 3,531,427 | 22,659 | 3,554,086 |
| Inventories | 67,588 | 102,913 | 170,501 |
| Capital assets, net of accumulated depreciation | <u>52,351,793</u> | <u>427,592</u> | <u>52,779,385</u> |
| Total assets | <u>102,927,980</u> | <u>2,194,162</u> | <u>105,122,142</u> |
| LIABILITIES | | | |
| Accounts payable | 4,338,441 | 26,507 | 4,364,948 |
| Accrued payroll and deductions | 4,214,587 | 7,517 | 4,222,104 |
| Accrued interest payable | 632,586 | - | 632,586 |
| Deferred revenue | 13,609,813 | 13,124 | 13,622,937 |
| Long-term liabilities | | | |
| Portion due within one year: | | | |
| Bonds and notes payable | 1,935,000 | - | 1,935,000 |
| Capital leases payable | 1,042 | - | 1,042 |
| Early retirement payable | 133,266 | - | 133,266 |
| Compensated absences payable | 295,952 | 30,870 | 326,822 |
| Portion due after one year: | | | |
| Bonds and notes payable, net of discount | 35,497,717 | - | 35,497,717 |
| Capital leases payable | 4,652 | - | 4,652 |
| Early retirement payable | 133,266 | - | 133,266 |
| Net OPEB liability | <u>1,095,000</u> | <u>-</u> | <u>1,095,000</u> |
| Total liabilities | <u>61,891,322</u> | <u>78,018</u> | <u>61,969,340</u> |
| NET POSITION | | | |
| Net investment in capital assets | 31,267,563 | 427,592 | 31,695,155 |
| Restricted for: | | | |
| Categorical funding | 1,256,038 | - | 1,256,038 |
| Management levy purposes | 605,867 | - | 605,867 |
| School infrastructure | 3,191,539 | - | 3,191,539 |
| Physical plant and equipment levy | 258,957 | - | 258,957 |
| Other purposes | 89,045 | - | 89,045 |
| Debt service | 1,256,874 | - | 1,256,874 |
| Unrestricted | <u>3,110,775</u> | <u>1,688,552</u> | <u>4,799,327</u> |
| Total net position | <u>\$ 41,036,658</u> | <u>\$ 2,116,144</u> | <u>\$ 43,152,802</u> |

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Charges for Service</u> | <u>Program Revenues</u> | |
|---------------------------------------|----------------------|----------------------------|---|---|
| | | | <u>Operating Grants, Contributions, and Restricted Interest</u> | <u>Capital Grants, Contributions, and Restricted Interest</u> |
| Governmental activities: | | | | |
| Instruction | | | | |
| Regular instruction | \$ 16,276,339 | \$ 283,794 | \$ 3,455,097 | \$ - |
| Special instruction | 8,766,660 | 55,849 | - | - |
| Other instruction | 5,251,214 | 397,666 | 939,867 | - |
| | <u>30,294,213</u> | <u>737,309</u> | <u>4,394,964</u> | <u>-</u> |
| Support services | | | | |
| Student services | 2,418,569 | - | 1,098,034 | - |
| Instructional staff services | 1,439,119 | 5,983 | 24,219 | - |
| General administration | 759,475 | - | - | - |
| Building administration | 2,442,463 | - | - | - |
| Business administration | 1,421,118 | - | - | - |
| Plant operations and maintenance | 4,621,785 | 6,617 | - | - |
| Student transportation | 1,562,480 | 13,583 | 14,263 | 74,702 |
| | <u>14,665,009</u> | <u>26,183</u> | <u>1,136,516</u> | <u>74,702</u> |
| Non-instructional programs | | | | |
| | <u>29,206</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other expenditures | | | | |
| Facilities acquisition | 269,884 | - | - | - |
| Long-term debt interest | 1,453,527 | - | - | - |
| AEA flowthrough | 1,625,523 | - | - | - |
| | <u>3,348,934</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total governmental activities | <u>48,337,362</u> | <u>763,492</u> | <u>5,531,480</u> | <u>74,702</u> |
| Business-type activities: | | | | |
| Non-instructional programs | | | | |
| Nutrition services | 1,921,548 | 576,059 | 1,315,580 | - |
| Student construction | - | 77 | - | - |
| Total business-type activities | <u>1,921,548</u> | <u>576,136</u> | <u>1,315,580</u> | <u>-</u> |
| Total | <u>\$ 50,258,910</u> | <u>\$ 1,339,628</u> | <u>\$ 6,847,060</u> | <u>\$ 74,702</u> |

General revenues:

| |
|---|
| Property taxes levied for: |
| General purposes |
| Debt service |
| Statewide sales, services and use tax |
| Unrestricted state grants |
| AEA flowthrough |
| Unrestricted investment earnings |
| Miscellaneous |
| Gain/(loss) on disposal of capital assets |
| Total general revenues |

CHANGE IN NET POSITION

NET POSITION, BEGINNING OF YEAR

NET POSITION, END OF YEAR

See notes to financial statements.

**Net (Expense) Revenue
and Changes in Net Position**

| Governmental Activities | Business-Type Activities | Total |
|----------------------------|-----------------------------|----------------------|
| \$ (12,537,448) | \$ - | \$ (12,537,448) |
| (8,710,811) | - | (8,710,811) |
| (3,913,681) | - | (3,913,681) |
| <u>(25,161,940)</u> | <u>-</u> | <u>(25,161,940)</u> |
| (1,320,535) | - | (1,320,535) |
| (1,408,917) | - | (1,408,917) |
| (759,475) | - | (759,475) |
| (2,442,463) | - | (2,442,463) |
| (1,421,118) | - | (1,421,118) |
| (4,615,168) | - | (4,615,168) |
| (1,459,932) | - | (1,459,932) |
| <u>(13,427,608)</u> | <u>-</u> | <u>(13,427,608)</u> |
| (29,206) | - | (29,206) |
| (269,884) | - | (269,884) |
| (1,453,527) | - | (1,453,527) |
| (1,625,523) | - | (1,625,523) |
| <u>(3,348,934)</u> | <u>-</u> | <u>(3,348,934)</u> |
| (41,967,688) | - | (41,967,688) |
| - | (29,909) | (29,909) |
| - | 77 | 77 |
| - | (29,832) | (29,832) |
| <u>(41,967,688)</u> | <u>(29,832)</u> | <u>(41,997,520)</u> |
| 15,744,152 | - | 15,744,152 |
| 680,885 | - | 680,885 |
| 3,143,493 | - | 3,143,493 |
| 22,483,983 | - | 22,483,983 |
| 1,625,523 | - | 1,625,523 |
| 15,914 | - | 15,914 |
| 1,606,254 | - | 1,606,254 |
| 7,198 | - | 7,198 |
| <u>45,307,402</u> | <u>-</u> | <u>45,307,402</u> |
| 3,339,714 | (29,832) | 3,309,882 |
| <u>37,696,944</u> | <u>2,145,976</u> | <u>39,842,920</u> |
| <u>\$ 41,036,658</u> | <u>\$ 2,116,144</u> | <u>\$ 43,152,802</u> |

**CLINTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013**

EXHIBIT C

| | <u>General</u> | <u>Capital Projects</u> | <u>Debt Service</u> | <u>Nonmajor</u> | <u>Total</u> |
|---|----------------------|-------------------------|---------------------|---------------------|----------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 4,393,387 | \$ 6,238,099 | \$ - | \$ 635,975 | \$ 11,267,461 |
| Investments | 6,574 | 12,267,851 | - | - | 12,274,425 |
| Property taxes receivable | | | | | |
| Current year delinquent | 176,578 | 3,984 | 9,075 | 6,865 | 196,502 |
| Succeeding year | 13,604,935 | 315,631 | 691,069 | 629,818 | 15,241,453 |
| Other receivables | 3,740 | - | - | 1,933 | 5,673 |
| Due from other funds | - | 1,068,697 | - | - | 1,068,697 |
| Due from other governments | 2,370,862 | 1,160,565 | - | - | 3,531,427 |
| TOTAL ASSETS | \$ 20,556,076 | \$ 21,054,827 | \$ 700,144 | \$ 1,274,591 | \$ 43,585,638 |
| LIABILITIES AND FUND BALANCES (DEFICITS) | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 812,267 | \$ 2,756,796 | \$ - | \$ 25,750 | \$ 3,594,813 |
| Accrued payroll and deductions | 4,213,323 | - | - | 76 | 4,213,399 |
| Due to other funds | - | 164,920 | 63,973 | 641,149 | 870,042 |
| Deferred revenue | | | | | |
| Succeeding year property tax | 13,604,935 | 315,631 | 691,069 | 629,818 | 15,241,453 |
| Other | 1,558,642 | 629,860 | - | - | 2,188,502 |
| Total liabilities | 20,189,167 | 3,867,207 | 755,042 | 1,296,793 | 26,108,209 |
| Fund balances (deficits) | | | | | |
| Restricted for: | | | | | |
| Categorical funding | 1,256,038 | - | - | - | 1,256,038 |
| Management levy purposes | - | - | - | 591,134 | 591,134 |
| School infrastructure | - | 17,666,186 | - | - | 17,666,186 |
| Physical plant and equipment | - | 184,444 | - | - | 184,444 |
| Other purposes | - | - | - | 50,915 | 50,915 |
| Unassigned | (889,129) | (663,010) | (54,898) | (664,251) | (2,271,288) |
| Total fund balances (deficits) | 366,909 | 17,187,620 | (54,898) | (22,202) | 17,477,429 |
| TOTAL LIABILITIES AND FUND BALANCES (DEFICITS) | \$ 20,556,076 | \$ 21,054,827 | \$ 700,144 | \$ 1,274,591 | \$ 43,585,638 |

See notes to financial statements.

**CLINTON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2013**

Total fund balances (deficits) of governmental funds (page 20) **\$ 17,477,429**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 52,348,400

Receivables not collected within 60 days of year end are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds. 3,820,142

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (632,586)

The Internal Service Funds are used by management to charge the costs of self funding the District's health insurance benefit plan and print shop activities to individual funds.

The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.

| | | |
|----------------------------------|------------------|-----------|
| Capital assets | \$ 3,393 | |
| Remaining assets and liabilities | <u>7,115,775</u> | 7,119,168 |

Long-term liabilities, including bonds and notes payable, leases payable, compensated absences, and other post employment benefits payable are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds. (39,095,895)

Net position of governmental activities (page 17) **\$ 41,036,658**

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

| | <u>General</u> | <u>Capital Projects</u> | <u>Debt Service</u> | <u>Nonmajor</u> | <u>Total</u> |
|----------------------------------|-------------------|-------------------------|---------------------|------------------|-------------------|
| REVENUES | | | | | |
| Local sources | | | | | |
| Taxes | \$ 14,424,403 | \$ 3,442,032 | \$ 680,481 | \$ 496,943 | \$ 19,043,859 |
| Tuition | 251,548 | - | - | - | 251,548 |
| Other | 787,097 | 41,170 | - | 765,476 | 1,593,743 |
| State sources | 26,842,702 | 176 | 402 | 307 | 26,843,587 |
| Federal sources | 2,788,477 | 74,702 | - | - | 2,863,179 |
| Total revenues | <u>45,094,227</u> | <u>3,558,080</u> | <u>680,883</u> | <u>1,262,726</u> | <u>50,595,916</u> |
| EXPENDITURES | | | | | |
| Current operating: | | | | | |
| Instruction | | | | | |
| Regular instruction | 14,959,521 | 3,075 | - | 196,671 | 15,159,267 |
| Special instruction | 8,817,084 | - | - | - | 8,817,084 |
| Other instruction | 4,731,394 | 10,069 | - | 547,628 | 5,289,091 |
| Total instruction | <u>28,507,999</u> | <u>13,144</u> | <u>-</u> | <u>744,299</u> | <u>29,265,442</u> |
| Support services | | | | | |
| Student services | 2,426,044 | - | - | 2,671 | 2,428,715 |
| Instructional staff services | 1,385,534 | - | - | 54,933 | 1,440,467 |
| General administration | 640,130 | 20,759 | - | 45,170 | 706,059 |
| Building administration | 2,454,109 | - | - | 15 | 2,454,124 |
| Business administration | 1,650,962 | 28,142 | 400 | 19,375 | 1,698,879 |
| Plant operations and maintenance | 4,388,124 | 76,966 | - | 250,696 | 4,715,786 |
| Student transportation | 1,394,476 | - | - | 78,326 | 1,472,802 |
| Total support services | <u>14,339,379</u> | <u>125,867</u> | <u>400</u> | <u>451,186</u> | <u>14,916,832</u> |

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

| | General | Capital Projects | Debt Service | Nonmajor | Total |
|---|-------------------|----------------------|--------------------|--------------------|----------------------|
| Non-instructional programs | \$ 1,520 | \$ - | \$ - | \$ 3,671 | \$ 5,191 |
| Other expenditures | | | | | |
| Bond issuance cost | - | 109,051 | - | - | 109,051 |
| Facilities acquisition | - | 4,836,413 | - | - | 4,836,413 |
| Long-term debt | | | | | |
| Principal | - | - | 890,000 | - | 890,000 |
| Interest and finance charges | - | - | 1,342,267 | - | 1,342,267 |
| AEA flow through | 1,625,523 | - | - | - | 1,625,523 |
| Total other expenditures | 1,625,523 | 4,945,464 | 2,232,267 | - | 8,803,254 |
| Total expenditures | 44,474,421 | 5,084,475 | 2,232,667 | 1,199,156 | 52,990,719 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 619,806 | (1,526,395) | (1,551,784) | 63,570 | (2,394,803) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Revenue bonds issued | - | 5,310,000 | - | - | 5,310,000 |
| Premium on issuance | - | 93,269 | - | - | 93,269 |
| Proceeds of capital lease | 6,100 | - | - | - | 6,100 |
| Transfers in | - | - | 1,546,547 | - | 1,546,547 |
| Transfers out | (20,462) | (1,526,085) | - | - | (1,546,547) |
| Proceeds from sale of capital asset | 7,198 | - | - | - | 7,198 |
| Total other financing sources (uses) | (7,164) | 3,877,184 | 1,546,547 | - | 5,416,567 |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | 612,642 | 2,350,789 | (5,237) | 63,570 | 3,021,764 |
| FUND BALANCES (DEFICITS), BEGINNING OF YEAR | (245,733) | 14,836,831 | (49,661) | (85,772) | 14,455,665 |
| FUND BALANCES (DEFICITS), END OF YEAR | \$ 366,909 | \$ 17,187,620 | \$ (54,898) | \$ (22,202) | \$ 17,477,429 |

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (DEFICITS) - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Change in fund balances (deficits) - total governmental funds (page 23) \$ 3,021,764

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

| | | |
|---------------------------------|--------------------|-----------|
| Expenditures for capital assets | \$ 5,219,211 | |
| Depreciation expense | <u>(1,435,771)</u> | 3,783,440 |

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

| | | |
|---|--|----------------|
| Issued, plus bond premium | | (5,409,369) |
| Repaid | | 890,408 |
| Amortization of premiums, discounts and bond issuance costs | | <u>(6,747)</u> |

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

1,073,962

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

| | | |
|------------------------------------|--|-------|
| Change in accrued interest payable | | 4,132 |
|------------------------------------|--|-------|

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

| | | |
|--|------------------|-----------|
| Change in early retirement | (266,532) | |
| Change in compensated absences | 23,042 | |
| Change in other post employment benefits | <u>(256,826)</u> | (500,316) |

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

| | | |
|-----------------------------------|----------------|----------------|
| Depreciation expense | 441 | |
| Net revenue of remaining accounts | <u>482,001</u> | <u>482,442</u> |

Change In net position of governmental activities (page 19) \$ 3,339,714

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

| | <u>Enterprise Funds</u> | | | <u>Internal Service Funds</u> | | <u>Total Internal Service</u> |
|-----------------------------------|-----------------------------|--|-----------------------------|-------------------------------|-----------------------|---------------------------------------|
| | <u>School Nutrition</u> | <u>Nonmajor Student Construction</u> | <u>Total Enterprise</u> | <u>Insurance</u> | <u>Print Shop</u> | |
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 1,465,666 | \$ 158,277 | \$ 1,623,943 | \$ 7,284,352 | \$ 12,540 | \$ 7,296,892 |
| Other receivables | 17,055 | - | 17,055 | 694,766 | - | 694,766 |
| Due from other governments | 22,659 | - | 22,659 | - | - | - |
| Inventories | 102,913 | - | 102,913 | - | 67,588 | 67,588 |
| Total current assets | <u>1,608,293</u> | <u>158,277</u> | <u>1,766,570</u> | <u>7,979,118</u> | <u>80,128</u> | <u>8,059,246</u> |
| Noncurrent assets: | | | | | | |
| Land and construction in progress | - | 110,252 | 110,252 | - | - | - |
| Furniture and equipment | 930,370 | - | 930,370 | - | 52,090 | 52,090 |
| Less accumulated depreciation | <u>(613,030)</u> | <u>-</u> | <u>(613,030)</u> | <u>-</u> | <u>(48,697)</u> | <u>(48,697)</u> |
| Total noncurrent assets | <u>317,340</u> | <u>110,252</u> | <u>427,592</u> | <u>-</u> | <u>3,393</u> | <u>3,393</u> |
| Total assets | <u>1,925,633</u> | <u>268,529</u> | <u>2,194,162</u> | <u>7,979,118</u> | <u>83,521</u> | <u>8,062,639</u> |
| LIABILITIES | | | | | | |
| Accounts payable | 26,507 | - | 26,507 | 148,892 | 564 | 149,456 |
| Accrued payroll and deductions | 7,517 | - | 7,517 | - | 1,188 | 1,188 |
| Compensated absences payable | 30,870 | - | 30,870 | - | - | - |
| Claims payable | - | - | - | 594,172 | - | 594,172 |
| Due to other funds | - | - | - | - | 198,655 | 198,655 |
| Deferred revenue | 13,124 | - | 13,124 | - | - | - |
| Total liabilities | <u>78,018</u> | <u>-</u> | <u>78,018</u> | <u>743,064</u> | <u>200,407</u> | <u>943,471</u> |
| NET POSITION | | | | | | |
| Investment in capital assets | 317,340 | 110,252 | 427,592 | - | 3,393 | 3,393 |
| Unrestricted | <u>1,530,275</u> | <u>158,277</u> | <u>1,688,552</u> | <u>7,236,054</u> | <u>(120,279)</u> | <u>7,115,775</u> |
| Total net position | <u>\$ 1,847,615</u> | <u>\$ 268,529</u> | <u>\$ 2,116,144</u> | <u>\$ 7,236,054</u> | <u>\$ (116,886)</u> | <u>\$ 7,119,168</u> |

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2013

| | <u>Enterprise Funds</u> | | <u>Total Enterprise</u> |
|--|-------------------------|--|-----------------------------|
| | <u>School Nutrition</u> | <u>Nonmajor Student Construction</u> | |
| OPERATING REVENUES | | | |
| Local sources | | | |
| Food service sales | \$ 562,334 | \$ - | \$ 562,334 |
| Charges to other funds | - | - | - |
| Other | 13,725 | 77 | 13,802 |
| Total operating revenues | <u>576,059</u> | <u>77</u> | <u>576,136</u> |
| OPERATING EXPENSES | | | |
| Non-instructional programs | | | |
| Food service operations | | | |
| Salaries | 671,396 | - | 671,396 |
| Employee benefits | 177,446 | - | 177,446 |
| Other purchased services | 37,428 | - | 37,428 |
| Supplies | 959,864 | - | 959,864 |
| Depreciation | 73,917 | - | 73,917 |
| Other operating costs | 1,497 | - | 1,497 |
| Total operating expenses | <u>1,921,548</u> | <u>-</u> | <u>1,921,548</u> |
| Operating income (loss) | <u>(1,345,489)</u> | <u>77</u> | <u>(1,345,412)</u> |
| NON-OPERATING REVENUES | | | |
| State sources | 17,497 | - | 17,497 |
| Federal sources | | | |
| Federal sources | 493 | - | 493 |
| Federal food commodities | 69,175 | - | 69,175 |
| Federal subsidy | 1,228,415 | - | 1,228,415 |
| Total non-operating revenues | <u>1,315,580</u> | <u>-</u> | <u>1,315,580</u> |
| INCREASE (DECREASE) IN NET POSITION | (29,909) | 77 | (29,832) |
| NET POSITION, BEGINNING OF YEAR | <u>1,877,524</u> | <u>268,452</u> | <u>2,145,976</u> |
| NET POSITION, END OF YEAR | <u>\$ 1,847,615</u> | <u>\$ 268,529</u> | <u>\$ 2,116,144</u> |

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2013

| | Internal Service Funds | | Total Internal Service |
|--|------------------------|---------------------|------------------------------|
| | Insurance | Print Shop | |
| OPERATING REVENUES | | | |
| Local sources | | | |
| Food service sales | \$ - | \$ - | \$ - |
| Charges to other funds | 5,793,182 | 114,556 | 5,907,738 |
| Other | 53,416 | - | 53,416 |
| Total operating revenues | <u>5,846,598</u> | <u>114,556</u> | <u>5,961,154</u> |
| OPERATING EXPENSES | | | |
| Non-instructional programs | | | |
| Food service operations | | | |
| Salaries | - | 14,204 | 14,204 |
| Employee benefits | - | 2,392 | 2,392 |
| Other purchased services | - | 44,444 | 44,444 |
| Supplies | - | 33,104 | 33,104 |
| Depreciation | - | 441 | 441 |
| Other operating costs | 5,384,127 | - | 5,384,127 |
| Total operating expenses | <u>5,384,127</u> | <u>94,585</u> | <u>5,478,712</u> |
| Operating income (loss) | <u>462,471</u> | <u>19,971</u> | <u>482,442</u> |
| NON-OPERATING REVENUES | | | |
| State sources | - | - | - |
| Federal sources | | | |
| Federal sources | - | - | - |
| Federal food commodities | - | - | - |
| Federal subsidy | - | - | - |
| Total non-operating revenues | <u>-</u> | <u>-</u> | <u>-</u> |
| INCREASE (DECREASE) IN NET POSITION | 462,471 | 19,971 | 482,442 |
| NET POSITION, BEGINNING OF YEAR | <u>6,773,583</u> | <u>(136,857)</u> | <u>6,636,726</u> |
| NET POSITION, END OF YEAR | <u>\$ 7,236,054</u> | <u>\$ (116,886)</u> | <u>\$ 7,119,168</u> |

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2013

| | Enterprise Funds | | | Internal Service Funds | | Total Internal Service |
|---|---------------------|-------------------------------------|---------------------|------------------------|------------------|------------------------------|
| | School Nutrition | Nonmajor Student Construction | Total Enterprise | Insurance | Print Shop | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Cash received from sale of lunches and breakfasts | \$ 556,880 | \$ - | \$ 556,880 | \$ - | \$ 13 | \$ 13 |
| Cash received from operating fund reimbursements | 13,725 | 77 | 13,802 | 5,751,457 | 114,556 | 5,866,013 |
| Cash payments to employees for services | (841,511) | - | (841,511) | - | (16,027) | (16,027) |
| Cash payments to suppliers for goods and services | (908,908) | - | (908,908) | (5,509,621) | (85,769) | (5,595,390) |
| Net cash provided by (used in) operating activities | <u>(1,179,814)</u> | <u>77</u> | <u>(1,179,737)</u> | <u>241,836</u> | <u>12,773</u> | <u>254,609</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | | | | |
| Interfund loans received | - | - | - | - | 618 | 618 |
| Operating grants received | 1,247,585 | - | 1,247,585 | - | - | - |
| Net cash provided by non-capital financing activities | <u>1,247,585</u> | <u>-</u> | <u>1,247,585</u> | <u>-</u> | <u>618</u> | <u>618</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Acquisition of capital assets | (3,521) | (67,654) | (71,175) | - | (851) | (851) |
| Net cash used in capital and related financing activities | <u>(3,521)</u> | <u>(67,654)</u> | <u>(71,175)</u> | <u>-</u> | <u>(851)</u> | <u>(851)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 64,250 | (67,577) | (3,327) | 241,836 | 12,540 | 254,376 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>1,401,416</u> | <u>225,854</u> | <u>1,627,270</u> | <u>7,042,516</u> | <u>-</u> | <u>7,042,516</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 1,465,666</u> | <u>\$ 158,277</u> | <u>\$ 1,623,943</u> | <u>\$ 7,284,352</u> | <u>\$ 12,540</u> | <u>\$ 7,296,892</u> |

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2013

| | Enterprise Funds | | | Internal Service Funds | | Total Internal Service |
|---|-----------------------|-------------------------------------|-----------------------|------------------------|------------------|------------------------------|
| | School Nutrition | Nonmajor Student Construction | Total Enterprise | Insurance | Print Shop | |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | | | | | |
| Operating income (loss) | \$ (1,345,489) | \$ 77 | \$ (1,345,412) | \$ 462,471 | \$ 19,971 | \$ 482,442 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | | | | |
| Commodities used | 69,082 | - | 69,082 | - | - | - |
| Depreciation | 73,917 | - | 73,917 | - | 441 | 441 |
| (Increase) decrease in other receivables | (13,903) | - | (13,903) | (95,141) | 13 | (95,128) |
| (Increase) in inventories | - | - | - | - | (6,839) | (6,839) |
| Increase (decrease) in accounts payable | 20,799 | - | 20,799 | (10,859) | (1,382) | (12,241) |
| Increase in accrued payroll and deductions | 3,458 | - | 3,458 | - | 569 | 569 |
| Increase in compensated absences payable | 3,873 | - | 3,873 | - | - | - |
| (Decrease) in claims payable | - | - | - | (114,635) | - | (114,635) |
| Increase in deferred revenues | 8,449 | - | 8,449 | - | - | - |
| Net cash provided by (used in) operating activities | <u>\$ (1,179,814)</u> | <u>\$ 77</u> | <u>\$ (1,179,737)</u> | <u>\$ 241,836</u> | <u>\$ 12,773</u> | <u>\$ 254,609</u> |

NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

During the year ended June 30, 2013, the District received \$69,175 of federal commodities.

See notes to financial statements.

**CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2013**

| | <u>Private Purpose Trust Scholarship</u> | <u>Agency Fund</u> |
|---------------------------|--|------------------------|
| ASSETS | | |
| Cash and cash equivalents | <u>\$ 373,201</u> | <u>\$ 6,672</u> |
| LIABILITIES | | |
| Accounts payable | <u>-</u> | <u>6,672</u> |
| NET POSITION | | |
| Reserved for scholarships | <u>\$ 373,201</u> | <u>\$ -</u> |

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2013

| | <u>Private Purpose Trust Scholarship</u> |
|--|--|
| ADDITIONS | |
| Local sources | |
| Interest | \$ 87 |
| Memorials/contributions | <u>373,114</u> |
| Total additions | <u>373,201</u> |
| DEDUCTIONS | |
| None | <u>-</u> |
| CHANGE IN NET POSITION | <u>373,201</u> |
| NET POSITION, BEGINNING OF YEAR | <u>-</u> |
| NET POSITION, END OF YEAR | <u>\$ 373,201</u> |

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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, Clinton Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

The Statement of Net Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

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

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

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

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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 that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

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

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

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

The District also reports fiduciary funds which focus on net position and changes in net position. 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.

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position 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.

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

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.

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2012.

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

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

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

| | |
|---------------------------------|----------|
| Land | \$ 5,000 |
| Land improvements | 5,000 |
| Buildings | 5,000 |
| Furniture and equipment: | |
| School Nutrition Fund equipment | 500 |
| Other furniture and equipment | 5,000 |

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

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

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

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

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

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

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

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

Unassigned - All amounts not included in the preceding classifications.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, expenditures did not exceed the amounts budgeted. In addition, the District did not exceed its General Fund unspent authorized budget.

F. Subsequent Events

Management has evaluated subsequent events through January 13, 2014, the date the financial statements were available to be issued.

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 2 - CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2013, the District had investments in the Iowa Schools Joint Investment Trust as follows:

| | Amortized Cost |
|-----------------------|---------------------------|
| Diversified Portfolio | \$12,274,425 |

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

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated AAAM by Standard & Poor's Financial Services.

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

NOTE 3 - DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables for the year ended June 30, 2013 is as follows:

| Receivable Fund | Payable Fund | Amount |
|---|-----------------------|---------------|
| Statewide Sales, Services and Use Tax Fund | | \$1,068,697 |
| | Student Activity Fund | 641,149 |
| | Debt Service Fund | 63,973 |
| | Other Revenue Fund | 164,920 |
| | Print Shop Fund | 198,655 |

The Student Activity Fund, Debt Service Fund, Other Revenue Fund and Print Shop Fund are repaying the Statewide Sales, Services and Use Tax Fund for amounts borrowed to cover negative cash balances at June 30, 2013. The balances are to be repaid by June 30, 2014.

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|-----------------------|---------------------|----------------------|
| General Fund | \$ - | \$ 20,462 |
| Capital Projects Fund | - | 1,526,085 |
| Debt Service Fund | <u>1,546,547</u> | <u>-</u> |
| Total | <u>\$ 1,546,547</u> | <u>\$ 1,546,547</u> |

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

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013 was as follows:

| | <u>Balance June 30, 2012</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2013</u> |
|--|--------------------------------------|---------------------|------------------|--------------------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,860,229 | \$ - | \$ - | \$ 1,860,229 |
| Construction in progress | <u>14,944,779</u> | <u>4,660,656</u> | <u>30,639</u> | <u>19,574,796</u> |
| Total capital assets not being depreciated | <u>16,805,008</u> | <u>4,660,656</u> | <u>30,639</u> | <u>21,435,025</u> |
| Capital assets being depreciated: | | | | |
| Land improvements | 3,479,380 | - | - | 3,479,380 |
| Buildings | 47,235,172 | 109,617 | - | 47,344,789 |
| Furniture and equipment | 7,430,939 | 406,226 | - | 7,837,165 |
| Buses and other pupil transportation equipment | <u>2,501,790</u> | <u>74,202</u> | <u>51,257</u> | <u>2,524,735</u> |
| Total capital assets being depreciated | <u>60,647,281</u> | <u>590,045</u> | <u>51,257</u> | <u>61,186,069</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | 1,164,364 | 90,545 | - | 1,254,909 |
| Buildings | 19,236,238 | 1,022,392 | - | 20,258,630 |
| Furniture and equipment | 6,682,401 | 154,373 | - | 6,836,774 |
| Buses and other pupil transportation equipment | <u>1,801,343</u> | <u>168,902</u> | <u>51,257</u> | <u>1,918,988</u> |
| Total accumulated depreciation | <u>28,884,346</u> | <u>1,436,212</u> | <u>51,257</u> | <u>30,269,301</u> |
| Total capital assets being depreciated, net | <u>31,762,935</u> | <u>(846,167)</u> | <u>-</u> | <u>30,916,768</u> |
| Governmental activities capital assets, net | <u>\$48,567,943</u> | <u>\$ 3,814,489</u> | <u>\$ 30,639</u> | <u>\$52,351,793</u> |

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 5 - CAPITAL ASSETS (CONTINUED)

| | Balance June 30, 2012 | Additions | Deletions | Balance June 30, 2013 |
|---|--------------------------------------|-------------------|------------------|--------------------------------------|
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Construction in progress | \$ 42,598 | \$ 67,654 | \$ - | \$ 110,252 |
| Capital assets being depreciated: | | | | |
| Furniture and equipment | 926,849 | 3,521 | - | 930,370 |
| Less accumulated depreciation | <u>539,113</u> | <u>73,917</u> | <u>-</u> | <u>613,030</u> |
| Capital assets being depreciated, net: | <u>387,736</u> | <u>(70,396)</u> | <u>-</u> | <u>317,340</u> |
| Business-type activities capital assets, net | <u>\$ 430,334</u> | <u>\$ (2,742)</u> | <u>\$ -</u> | <u>\$ 427,592</u> |

Depreciation expense was charged by the District as follows:

 Governmental activities:

 Instruction:

 Regular

\$ 950,028

 Support services:

 General administration

57,324

 Plant operations and maintenance

51,134

 Student transportation

158,131

 Instructional staff services

504

 Non-instructional

24,456

 Facilities acquisition

194,635

Total depreciation expense - governmental activities

\$ 1,436,212

 Business-type activities:

 School nutrition:

 Food service operations

\$ 73,917

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 6 - LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

| | <u>Balance Beginning of Year</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance End of Year</u> | <u>Due Within One Year</u> |
|---------------------------|--|---------------------|---------------------|------------------------------------|------------------------------------|
| Governmental activities: | | | | | |
| General obligation bonds | \$ 3,210,000 | \$ - | \$ 600,000 | \$ 2,610,000 | \$ 620,000 |
| Revenue bonds | 30,000,000 | 5,310,000 | 270,000 | 35,040,000 | 1,315,000 |
| Notes and leases payable | 20,000 | 6,100 | 20,406 | 5,694 | 1,042 |
| Early retirement | - | 266,532 | - | 266,532 | 133,266 |
| Compensated absences | 318,994 | 334,298 | 357,340 | 295,952 | 295,952 |
| Net OPEB liability | 838,174 | 256,826 | - | 1,095,000 | - |
| Plus bond premium | 59,457 | 93,269 | 15,415 | 137,311 | - |
| Less bond discount | (376,756) | - | (22,162) | (354,594) | - |
| Total | <u>\$34,069,869</u> | <u>\$ 6,267,025</u> | <u>\$ 1,240,999</u> | <u>\$ 39,095,895</u> | <u>\$ 2,365,260</u> |
| Business-type activities: | | | | | |
| Compensated absences | <u>\$ 26,997</u> | <u>\$ 9,799</u> | <u>\$ 5,926</u> | <u>\$ 30,870</u> | <u>\$ 30,870</u> |

General Obligation Bonds

Details of the District's June 30, 2013 general obligation bonded indebtedness are as follows:

| Year Ending June 30, | Refunding Bond Issue of 2010 | | | |
|----------------------------|------------------------------|---------------------|-------------------|---------------------|
| | Interest Rates | Principal | Interest | Total |
| 2014 | 2.75 | \$ 620,000 | \$ - | \$ 620,000 |
| 2015 | 3.00 | 645,000 | 70,720 | 715,720 |
| 2016 | 2.40 | 665,000 | 53,670 | 718,670 |
| 2017 | 2.70 | 680,000 | 34,320 | 714,320 |
| 2018 | 2.70 | - | 18,360 | 18,360 |
| Total | | <u>\$ 2,610,000</u> | <u>\$ 177,070</u> | <u>\$ 2,787,070</u> |

On July 8, 2010, the District issued \$4,405,000 of general obligation refunding bonds, with interest rates ranging from 2.50% to 3.00%, for a current refunding of the general obligation bonds issued May 1, 2005. The District refunded the bonds to reduce its total debt service payments by approximately \$293,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$266,000.

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

Revenue Bonds

Details of the District's June 30, 2013 statewide sales, services and use tax revenue bonded indebtedness are as follows:

| Year Ending June 30, | Series 2010 Revenue Bond | | | Series 2013 Revenue Bond | | | Total | |
|----------------------------|--------------------------|----------------------|----------------------|--------------------------|---------------------|---------------------|---------------------|---------------------|
| | Interest Rates | Principal | Interest | Interest Rates | Principal | Interest | Principal | Interest |
| 2014 | 3.00 | \$ 1,315,000 | \$ 1,233,660 | 2.00 | \$ - | \$ 68,742 | \$ 1,315,000 | \$ 1,302,402 |
| 2015 | 3.00 | 1,315,000 | 1,194,210 | 2.00 | - | 133,767 | 1,315,000 | 1,327,977 |
| 2016 | 3.00 | 1,320,000 | 1,154,685 | 2.00 | 255,000 | 131,217 | 1,575,000 | 1,285,902 |
| 2017 | 3.00 | 1,335,000 | 1,114,860 | 2.00 | 285,000 | 125,817 | 1,620,000 | 1,240,677 |
| 2018 | 3.75 | 1,355,000 | 1,069,429 | 2.00 | 310,000 | 119,867 | 1,665,000 | 1,189,296 |
| 2019-2023 | 3.75-4.25 | 7,575,000 | 4,498,888 | 2.00-2.10 | 1,675,000 | 500,518 | 9,250,000 | 4,999,406 |
| 2024-2028 | 4.40-4.75 | 9,435,000 | 2,664,446 | 2.50-3.05 | 1,780,000 | 294,413 | 11,215,000 | 2,958,859 |
| 2029-2030 | 5.00 | 6,080,000 | 388,750 | 3.05-3.25 | 1,005,000 | 40,083 | 7,085,000 | 428,833 |
| | | <u>\$ 29,730,000</u> | <u>\$ 13,318,928</u> | | <u>\$ 5,310,000</u> | <u>\$ 1,414,424</u> | <u>\$35,040,000</u> | <u>\$14,733,352</u> |

The District has pledged future statewide sales, services and use tax revenues to repay the \$30,000,000 bonds issued during the June 30, 2010 fiscal year and the \$5,310,000 bonds issued during the June 30, 2013 fiscal year. The statewide sales, services and use tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limit of the district. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid is \$43,048,928 on the 2010 issue and \$6,724,424 on the 2012 issue. For the current year, total principal and interest paid was \$1,526,085 and total statewide sales, services and use tax revenues were \$3,143,493.

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

- a) The net bond proceeds shall be deposited in to a Project Fund for the purpose of aiding in the financing of the Project, and shall also be available for the payment of the principal of or interest on the Bonds at any time that other funds of the Project shall be insufficient for that purpose.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Fund.
- c) Monies in the Revenue Fund shall be disbursed to the Sinking Fund, Debt Service Reserve Fund and Surplus Revenue Fund in order of priority.
- d) The required amount to be deposited in the Sinking Fund in any month shall be the equal monthly amount necessary to pay in full the installment of interest coming due on the next interest payment date, plus the equal monthly amount necessary to pay in full the installment of principal coming due on the next succeeding principal payment date until the full amount of such installment is on hand. If for any reason the amount on hand in the Sinking Fund exceeds the required amount, the excess shall forthwith be withdrawn and paid into the Revenue Fund.

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

- e) Upon settlement, from proceeds of the Bonds, the Debt Service Reserve Fund will be funded to a balance equal to the Reserve Fund Requirement. Reserve funds are to be established for each of the revenue bonds issued. Moneys deposited in the Reserve Fund shall be used solely for the purpose of paying principal and interest on the Bonds or Parity Obligations.
- f) All money thereafter remaining in the Revenue Fund at the close of each month may be used to pay for other expenses of the Project, pay or redeem the Bonds or obligations, or for any lawful purpose.

NOTE 7 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments by fund as of June 30, 2013 are as follows:

| | General Fund |
|---|--------------------------------------|
| State appropriations | |
| Foster Care Claim/Juvenile Home Advance | \$ 7,256 |
| Community Partnership | 6,733 |
| Special Education Services | 2,809 |
| Transportation Aid | 14,262 |
| Vocational Aid | 1,099 |
| Total state appropriations | 32,159 |
| Federal appropriations | |
| 21 st Century | 128,153 |
| Every Student Counts | 206,714 |
| Gaining Early Awareness | 43,351 |
| Grants for State Assessments and Related Activities | 4,844 |
| Medical Assistance Program | 1,613 |
| Vocational Education - Basic Grants to States | 24,929 |
| Total federal appropriations | 409,604 |
| Miscellaneous | |
| Income Surtax Receivable | 1,540,007 |
| Other local sources | 389,092 |
| Total miscellaneous | 1,929,099 |
| Total due from other governments | \$ 2,370,862 |
| | Capital Projects Fund |
| Miscellaneous | |
| Statewide sales, services and use tax | \$ 530,704 |
| Other local sources | 629,861 |
| Total miscellaneous | \$ 1,160,565 |

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 7 - DUE FROM OTHER GOVERNMENTS (CONTINUED)

| | School Nutrition Fund |
|------------------------|--------------------------------------|
| Federal appropriations | |
| Summer food program | \$ 22,659 |

NOTE 8 - PENSION AND RETIREMENT BENEFITS

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

Plan members are required to contribute 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$2,090,528, \$2,086,665, and \$1,704,410, respectively, equal to the required contributions for each year.

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 529 active and 45 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

| | |
|--|---------------------|
| Annual required contribution | \$ 429,000 |
| Interest on net OPEB obligation | 38,000 |
| Adjustment to annual required contribution | <u>(32,000)</u> |
| Annual OPEB cost | 435,000 |
| Contributions made | <u>(178,000)</u> |
| Increase in net OPEB obligation | 257,000 |
| Net OPEB obligation beginning of year | <u>838,000</u> |
| Net OPEB obligation end of year | <u>\$ 1,095,000</u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. 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, 2013. For the year ended June 30, 2013, the District contributed \$178,000 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

| <u>Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|-----------------------|-----------------------------|---|------------------------------------|
| June 30, 2011 | \$ 287,000 | 59.9% | 723,174 |
| June 30, 2012 | 287,000 | 59.9% | 838,174 |
| June 30, 2013 | 435,000 | 40.9% | 1,095,000 |

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$3.523 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.523 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$20,767,000, and the ratio of the UAAL to covered payroll was 17.0%. As of June 30, 2013, there were no trust fund assets.

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

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

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP-2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2012 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2012.

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

NOTE 10 - EARLY RETIREMENT

In November 2012, the District approved a voluntary early retirement plan for employees. The plan was only offered to employees for one year. Eligible employees must have reached the age of fifty-five on or before June 30, 2013. The application for early retirement was subject to approval by the Board of Education.

Early retirement benefits are calculated as \$650 for every year of service, with a maximum retirement benefit of \$16,250. The policy requires early retirement benefits be paid in two equal installments beginning July 15, 2013. The second payment will be paid July 15, 2014.

At June 30, 2013, the District has obligations to twenty-one participants with a total liability of \$266,532. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$0.

NOTE 11 - CONTINGENT LIABILITIES

As of June 30, 2013, the District is contingently liable for the unvested portion of sick leave, which totals approximately \$12,003,786.

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 12 - RISK MANAGEMENT

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

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

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

| | 2012 |
|-----------------------------------|-------------------|
| Balance, beginning of year | \$ 708,807 |
| Incurred claims (including IBNRs) | 5,269,492 |
| Claim payments | 5,384,127 |
| Balance, end of year | \$ 594,172 |

NOTE 13 - LEASES

Operating

The District has various operating leases for equipment expiring on various dates through 2018 with various minimum annual rentals. Certain operating leases provide for renewal options at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases. The following is a schedule, by year, of the future minimum rentals due under these operating leases:

| Year Ended June 30, | | |
|-------------------------------------|-----------|----------------|
| 2014 | \$ | 48,207 |
| 2015 | | 45,200 |
| 2016 | | 29,001 |
| 2017 | | 19,403 |
| 2018 | | 1,901 |
| Total minimum lease payments | \$ | 143,712 |

Rental payments made during the year ended June 30, 2013 for all operating leases totaled approximately \$89,659.

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 13 - LEASES (CONTINUED)

Capital

The District is the lessee of equipment under a capital lease expiring in 2018. The assets and liabilities under the capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized (or depreciated) over the lower of their related lease terms or their estimated productive lives. Amortization (or depreciation) of assets under capital leases is included in depreciation expense for the year ended June 30, 2013.

The following is a schedule, by year, of the future minimum rentals due under the capital lease for each of the next five years:

| Year Ended June 30, | |
|--|------------------------|
| 2014 | \$ 1,536 |
| 2015 | 1,536 |
| 2016 | 1,536 |
| 2017 | 1,536 |
| 2018 | <u>896</u> |
| Total minimum lease payments | \$ 7,040 |
| Less amount representing interest | <u>(1,346)</u> |
| Present value of net minimum lease payments | <u>\$ 5,694</u> |

Amortization on assets under the capital lease charged to expense in 2013 was \$234.

The interest rate on the capitalized lease is 9.46% and is imputed based on the lower of District's incremental borrowing rate at the inception of the lease or the lessor's implicit rate of return.

NOTE 14 - AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,625,523 for the year ended June 30, 2013 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

NOTE 15 - CONSTRUCTION COMMITMENTS

The District has entered into contracts totaling \$34,466,519 for various construction projects. As of June 30, 2013, costs of \$18,532,201 had been incurred against the contracts. The balance of \$15,934,318 remaining at June 30, 2013 will be paid as work on the projects progress.

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 16 - FUND BALANCE DEFICIT

At June 30, 2013, the Debt Service Fund, Student Activity Fund, Other Revenue Fund and Print Shop Fund had fund balance deficits of \$54,898, \$664,251, \$663,010 and \$116,886, respectively, resulting from current and prior year expenses in excess of total revenues. It is expected that revenues for the next year will provide a positive fund balance.

NOTE 17 - CATEGORICAL FUNDING

The District's restricted fund balance for categorical funding at June 30, 2013 is comprised of the following programs:

| <u>Program</u> | <u>Amount</u> |
|--|--------------------|
| Beginning Teacher Mentoring and Induction | \$ 19,308 |
| Teacher Salary Supplement | 947,299 |
| Returning Dropouts and Dropout Prevention | 83,139 |
| Gifted and Talented | 48,250 |
| Market Factor Project | 30,982 |
| Beginning Administrator Mentoring and Induction | 1,275 |
| State Decategorization | 1,367 |
| Innovative Substance Abuse Prevention Grant | 2,092 |
| Community Coalition Grant | 4,562 |
| Professional Development for Model Core Curriculum | 79,492 |
| Professional Development | 38,272 |
| | <u>\$1,256,038</u> |

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

REQUIRED SUPPLEMENTARY INFORMATION

CLINTON COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2013

| | Governmental Funds Actual | Proprietary Funds Actual | Total Actual | Budgeted Amounts | | Final to Actual Variance - Positive - (Negative) |
|---|---------------------------------|--------------------------------|----------------------|---------------------|---------------------|--|
| | | | | Original | Final | |
| REVENUES | | | | | | |
| Local sources | \$ 20,889,150 | \$ 576,136 | \$ 21,465,286 | \$ 26,015,275 | \$ 26,015,275 | \$ (4,549,989) |
| Intermediate sources | - | - | - | 2,000 | 2,000 | (2,000) |
| State sources | 26,843,587 | 17,497 | 26,861,084 | 29,066,247 | 29,066,247 | (2,205,163) |
| Federal sources | 2,863,179 | 1,298,083 | 4,161,262 | 4,225,000 | 4,225,000 | (83,738) |
| Total revenues | <u>50,595,916</u> | <u>1,891,716</u> | <u>52,487,632</u> | <u>59,308,522</u> | <u>59,308,522</u> | <u>(6,820,890)</u> |
| EXPENDITURES/EXPENSES | | | | | | |
| Instruction | 29,265,442 | - | 29,265,442 | 30,108,245 | 30,108,245 | 842,803 |
| Support services | 14,916,832 | - | 14,916,832 | 16,409,984 | 19,000,000 | 4,083,168 |
| Non-instructional programs | 5,191 | 1,921,548 | 1,926,739 | 2,007,450 | 2,007,450 | 80,711 |
| Other expenditures | 8,803,254 | - | 8,803,254 | 13,522,618 | 15,000,000 | 6,196,746 |
| Total expenditures/expenses | <u>52,990,719</u> | <u>1,921,548</u> | <u>54,912,267</u> | <u>62,048,297</u> | <u>66,115,695</u> | <u>11,203,428</u> |
| DEFICIENCY OF REVENUES UNDER EXPENDITURES/EXPENSES | (2,394,803) | (29,832) | (2,424,635) | (2,739,775) | (6,807,173) | 4,382,538 |
| OTHER FINANCING SOURCES (USES), NET | 5,416,567 | - | 5,416,567 | 5,000 | 5,000 | 5,411,567 |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES/ EXPENSES AND OTHER FINANCING USES | 3,021,764 | (29,832) | 2,991,932 | (2,734,775) | (6,802,173) | 9,794,105 |
| BALANCES, BEGINNING OF YEAR | 14,455,665 | 2,145,976 | 16,601,641 | 12,314,889 | 12,314,889 | 4,286,752 |
| BALANCES, END OF YEAR | <u>\$ 17,477,429</u> | <u>\$ 2,116,144</u> | <u>\$ 19,593,573</u> | <u>\$ 9,580,114</u> | <u>\$ 5,512,716</u> | <u>\$ 14,080,857</u> |

See accompanying independent auditor's report.

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
Year ended June 30, 2013

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs, and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District had one budget amendment, increasing budgeted expenditures by \$4,067,398.

During the year ended June 30, 2013, the District did not exceed budgeted expenditures or its General fund unspent authorized budget.

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

| <u>Year Ended June 30,</u> | <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Accrued Liability (AAL) (b)</u> | <u>Unfunded AAL (UAAL) (b-a)</u> | <u>Funded Ratio (a/b)</u> | <u>Covered Payroll (c)</u> | <u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u> |
|----------------------------|---------------------------------|--------------------------------------|--|----------------------------------|---------------------------|----------------------------|--|
| 2010 | July 1, 2008 | - | \$ 2,662 | \$ 2,662 | 0.00% | \$ 20,500 | 13.0% |
| 2011 | July 1, 2010 | - | 2,526 | 2,526 | 0.00% | 20,488 | 12.3% |
| 2012 | July 1, 2010 | - | 2,526 | 2,526 | 0.00% | 21,660 | 11.7% |
| 2013 | July 1, 2012 | - | 3,523 | 3,523 | 0.00% | 20,767 | 17.0% |

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.

SUPPLEMENTARY INFORMATION

CLINTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2013

| | Student Activity | Management Levy | Helen O. Stoddard Bequest | Margaret N. Kracht Gift | Total |
|--|---------------------|---------------------|---------------------------------|-------------------------------|---------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 791 | \$ 584,269 | \$ 50,832 | \$ 83 | \$ 635,975 |
| Property taxes receivable | | | | | |
| Current year delinquent | - | 6,865 | - | - | 6,865 |
| Succeeding year | - | 629,818 | - | - | 629,818 |
| Other receivables | 1,933 | - | - | - | 1,933 |
| TOTAL ASSETS | \$ 2,724 | \$ 1,220,952 | \$ 50,832 | \$ 83 | \$ 1,274,591 |
| LIABILITIES AND FUND BALANCES (DEFICIT) | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 25,750 | \$ - | \$ - | \$ - | \$ 25,750 |
| Accrued payroll and deductions | 76 | - | - | - | 76 |
| Due to other funds | 641,149 | - | - | - | 641,149 |
| Deferred revenue | | | | | |
| Succeeding year property tax | - | 629,818 | - | - | 629,818 |
| Other | - | - | - | - | - |
| Total liabilities | 666,975 | 629,818 | - | - | 1,296,793 |
| Fund balances (deficit) | | | | | |
| Restricted for: | | | | | |
| Management levy purposes | - | 591,134 | - | - | 591,134 |
| Other purposes | - | - | 50,832 | 83 | 50,915 |
| Unassigned | (664,251) | - | - | - | (664,251) |
| Total fund balances (deficit) | (664,251) | 591,134 | 50,832 | 83 | (22,202) |
| TOTAL LIABILITIES AND FUND BALANCES (DEFICIT) | \$ 2,724 | \$ 1,220,952 | \$ 50,832 | \$ 83 | \$ 1,274,591 |

See accompanying independent auditor's report.

**CLINTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES (DEFICIT) - NONMAJOR SPECIAL REVENUE FUNDS
 Year Ended June 30, 2013**

| | <u>Student Activity</u> | <u>Management Levy</u> | <u>Helen O. Stoddard Bequest</u> | <u>Margaret N. Kracht Gift</u> | <u>Total</u> |
|----------------------------------|-----------------------------|----------------------------|--|--|------------------|
| REVENUES | | | | | |
| Local sources | | | | | |
| Taxes | \$ - | \$ 496,943 | \$ - | \$ - | \$ 496,943 |
| Other | 628,446 | 136,745 | 285 | - | 765,476 |
| State sources | - | 307 | - | - | 307 |
| Total revenues | <u>628,446</u> | <u>633,995</u> | <u>285</u> | <u>-</u> | <u>1,262,726</u> |
| EXPENDITURES | | | | | |
| Current operating: | | | | | |
| Instruction | | | | | |
| Regular instruction | - | 190,238 | 6,433 | - | 196,671 |
| Other instruction | 547,628 | - | - | - | 547,628 |
| Total instruction | <u>547,628</u> | <u>190,238</u> | <u>6,433</u> | <u>-</u> | <u>744,299</u> |
| Support services | | | | | |
| Student services | - | 2,671 | - | - | 2,671 |
| Instructional staff services | 54,933 | - | - | - | 54,933 |
| General administration | - | 45,170 | - | - | 45,170 |
| Building administration | 15 | - | - | - | 15 |
| Business administration | 19,375 | - | - | - | 19,375 |
| Plant operations and maintenance | 1,185 | 249,511 | - | - | 250,696 |
| Student transportation | 20,371 | 57,955 | - | - | 78,326 |
| Total support services | <u>95,879</u> | <u>355,307</u> | <u>-</u> | <u>-</u> | <u>451,186</u> |

CLINTON COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (DEFICIT) - NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2013

| | <u>Student Activity</u> | <u>Management Levy</u> | <u>Helen O. Stoddard Bequest</u> | <u>Margaret N. Kracht Gift</u> | <u>Total</u> |
|--|-----------------------------|----------------------------|--|--|--------------------|
| Non-instructional programs | \$ - | \$ 3,671 | \$ - | \$ - | \$ 3,671 |
| Total expenditures | <u>643,507</u> | <u>549,216</u> | <u>6,433</u> | <u>-</u> | <u>1,199,156</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (15,061) | 84,779 | (6,148) | - | 63,570 |
| FUND BALANCES (DEFICIT), BEGINNING OF YEAR | <u>(649,190)</u> | <u>506,355</u> | <u>56,980</u> | <u>83</u> | <u>(85,772)</u> |
| FUND BALANCES (DEFICIT), END OF YEAR | <u>\$ (664,251)</u> | <u>\$ 591,134</u> | <u>\$ 50,832</u> | <u>\$ 83</u> | <u>\$ (22,202)</u> |

See accompanying independent auditor's report.

**CLINTON COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
CAPITAL PROJECT ACCOUNTS
June 30, 2013**

| | <u>Statewide Sales, Services and Use Tax</u> | <u>Physical Plant and Equipment Levy</u> | <u>Other Revenue</u> | <u>Total</u> |
|--|--|--|--------------------------|----------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 6,033,906 | \$ 204,193 | \$ - | \$ 6,238,099 |
| Investments | 12,267,851 | - | - | 12,267,851 |
| Property taxes receivable | | | | |
| Current year delinquent | - | 3,984 | - | 3,984 |
| Succeeding year | - | 315,631 | - | 315,631 |
| Due from other funds | 1,068,697 | - | - | 1,068,697 |
| Due from other governments | 530,705 | - | 629,860 | 1,160,565 |
| TOTAL ASSETS | \$ 19,901,159 | \$ 523,808 | \$ 629,860 | \$ 21,054,827 |
| LIABILITIES AND FUND BALANCES (DEFICIT) | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 2,234,973 | \$ 23,733 | \$ 498,090 | \$ 2,756,796 |
| Due to other funds | - | - | 164,920 | 164,920 |
| Deferred revenue | | | | |
| Succeeding year property tax | - | 315,631 | - | 315,631 |
| Other | - | - | 629,860 | 629,860 |
| Total liabilities | 2,234,973 | 339,364 | 1,292,870 | 3,867,207 |
| Fund balances (deficit) | | | | |
| Restricted for: | | | | |
| School infrastructure | 17,666,186 | - | - | 17,666,186 |
| Physical plant and equipment | - | 184,444 | - | 184,444 |
| Unassigned | - | - | (663,010) | (663,010) |
| Total fund balances (deficit) | 17,666,186 | 184,444 | (663,010) | 17,187,620 |
| TOTAL LIABILITIES AND FUND BALANCES (DEFICIT) | \$ 19,901,159 | \$ 523,808 | \$ 629,860 | \$ 21,054,827 |

See accompanying independent auditor's report.

**CLINTON COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (DEFICIT) - CAPITAL PROJECT ACCOUNTS
Year Ended June 30, 2013**

| | <u>Statewide Sales, Services and Use Tax</u> | <u>Physical Plant and Equipment Levy</u> | <u>Other Revenue</u> | <u>Total</u> |
|----------------------------------|--|--|--------------------------|------------------|
| REVENUES | | | | |
| Local sources | | | | |
| Taxes | \$ 3,143,493 | \$ 298,539 | \$ - | \$ 3,442,032 |
| Other | 19,270 | 21,900 | - | 41,170 |
| State sources | - | 176 | - | 176 |
| Federal sources | 74,702 | - | - | 74,702 |
| Total revenues | <u>3,237,465</u> | <u>320,615</u> | <u>-</u> | <u>3,558,080</u> |
| EXPENDITURES | | | | |
| Current operating: | | | | |
| Instruction | | | | |
| Regular instruction | 3,075 | - | - | 3,075 |
| Other instruction | 10,069 | - | - | 10,069 |
| Total instruction | <u>13,144</u> | <u>-</u> | <u>-</u> | <u>13,144</u> |
| Support services | | | | |
| General administration | 20,759 | - | - | 20,759 |
| Business administration | 28,032 | 110 | - | 28,142 |
| Plant operations and maintenance | 4,294 | 72,672 | - | 76,966 |
| Total support services | <u>53,085</u> | <u>72,782</u> | <u>-</u> | <u>125,867</u> |

**SCHEDULE 4
(CONTINUED)**

**CLINTON COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (DEFICIT) - CAPITAL PROJECT ACCOUNTS
Year Ended June 30, 2013**

| | <u>Statewide Sales, Services and Use Tax</u> | <u>Physical Plant and Equipment Levy</u> | <u>Other Revenue</u> | <u>Total</u> |
|---|--|--|--------------------------|----------------------|
| Other expenditures | | | | |
| Bond issuance costs | \$ 109,051 | \$ - | \$ - | \$ 109,051 |
| Facilities acquisition | 3,977,732 | 195,671 | 663,010 | 4,836,413 |
| Total other expenditures | <u>4,086,783</u> | <u>195,671</u> | <u>663,010</u> | <u>4,945,464</u> |
| Total expenditures | <u>4,153,012</u> | <u>268,453</u> | <u>663,010</u> | <u>5,084,475</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(915,547)</u> | <u>52,162</u> | <u>(663,010)</u> | <u>(1,526,395)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Revenue bonds issued | 5,310,000 | - | - | 5,310,000 |
| Premium on issuance | 93,269 | - | - | 93,269 |
| Transfers out | (1,526,085) | - | - | (1,526,085) |
| Total other financing sources (uses) | <u>3,877,184</u> | <u>-</u> | <u>-</u> | <u>3,877,184</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | 2,961,637 | 52,162 | (663,010) | 2,350,789 |
| FUND BALANCES, BEGINNING OF YEAR | <u>14,704,549</u> | <u>132,282</u> | <u>-</u> | <u>14,836,831</u> |
| FUND BALANCES (DEFICIT), END OF YEAR | <u>\$ 17,666,186</u> | <u>\$ 184,444</u> | <u>\$ (663,010)</u> | <u>\$ 17,187,620</u> |

See accompanying independent auditor's report.

CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2013

| <u>Account</u> | <u>Balance, Beginning of Year</u> | <u>Revenues and Interfund Transfers</u> | <u>Expenditures</u> | <u>Balance, End of Year</u> |
|----------------------------------|---|---|---------------------|-------------------------------------|
| Clinton High School | | | | |
| 10th grade | \$ 6,093 | \$ - | \$ - | \$ 6,093 |
| 11th grade | 5,085 | - | - | 5,085 |
| Activity tickets | 38,020 | 135 | 3,560 | 34,595 |
| Amnesty international | 177 | - | - | 177 |
| Archery club | 1,814 | 300 | - | 2,114 |
| Art club | 549 | 350 | - | 899 |
| Art of film | 105 | - | - | 105 |
| Biology club | 1,559 | - | - | 1,559 |
| Camp courageous | 782 | 1,129 | 735 | 1,176 |
| Chess club | 4 | - | - | 4 |
| Class of 2013 | 3,762 | - | 1,637 | 2,125 |
| Class of 2014 | 632 | 13,925 | 8,978 | 5,579 |
| Class of 2015 | 201 | 1,011 | 889 | 323 |
| Class of 2016 | - | 1,562 | 1,357 | 205 |
| Color guard | 346 | - | - | 346 |
| Culinary class | 7,089 | 2,938 | 1,606 | 8,421 |
| Dance | 398 | - | - | 398 |
| Debate | 1,256 | - | 134 | 1,122 |
| Drama | 1,134 | 9,003 | 10,847 | (710) |
| FBLA | (83) | 5,299 | 5,412 | (196) |
| FCS Fundraiser | - | 33 | - | 33 |
| Friends of Rachael | (283) | 197 | - | (86) |
| General activity | (75) | - | 835 | (910) |
| Get a grip | 1,063 | - | - | 1,063 |
| Historical guild | 849 | 244 | 275 | 818 |
| Instrumental music | 22,556 | 33,789 | 41,953 | 14,392 |
| Instrumental music-special | 2,753 | - | - | 2,753 |
| Landscaping | 3,128 | 3,720 | 1,758 | 5,090 |
| Language arts | 62 | - | - | 62 |
| Lettermans club | 914 | - | - | 914 |
| Literacy club | 645 | 228 | 507 | 366 |
| Little theater | (240) | 240 | - | - |
| Math club | 92 | - | - | 92 |
| Medical careers | 175 | - | - | 175 |
| NHS | (538) | 7,448 | 5,632 | 1,278 |
| Orchestra | 3,762 | 1,434 | 425 | 4,771 |
| Orchestra - Special | - | 11,847 | 11,225 | 622 |
| Pep club | (464) | - | - | (464) |
| SADD | (1,651) | 461 | 364 | (1,554) |
| Science club | 137 | 413 | 306 | 244 |
| Spanish class | 377 | 1,275 | 1,103 | 549 |
| Special Ed | - | 6 | - | 6 |
| Speech | 4,702 | - | 2,474 | 2,228 |
| Student council | 1,096 | 6,872 | 5,584 | 2,384 |
| Student venture | 1,149 | 400 | 529 | 1,020 |
| Trapshooting | 660 | - | - | 660 |
| Vocal music | 27,566 | 11,757 | 12,250 | 27,073 |
| Vocal music-special | 54,996 | 71,244 | 97,493 | 28,747 |
| World language club | 2,331 | 4,125 | 7,923 | (1,467) |
| Yearbook | 26,208 | 22,320 | 19,832 | 28,696 |
| Total Clinton High School | 220,893 | 213,705 | 245,623 | 188,975 |

CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2013

| <u>Account</u> | <u>Balance, Beginning of Year</u> | <u>Revenues and Interfund Transfers</u> | <u>Expenditures</u> | <u>Balance, End of Year</u> |
|--|---|---|---------------------|-------------------------------------|
| Clinton High School Athletics | | | | |
| Athletic concessions | \$ 30,783 | \$ - | \$ - | \$ 30,783 |
| Athletic promotions | (24,340) | 1,455 | 1,450 | (24,335) |
| Athletic resale | 210 | - | - | 210 |
| Athletic support | (6,202) | - | - | (6,202) |
| Baseball | (114,981) | 8,271 | 16,160 | (122,870) |
| Baseball fundraisers | 1,083 | 6,850 | 10,063 | (2,130) |
| Bowling | (395) | 186 | 392 | (601) |
| Bowling fundraisers | (86) | - | - | (86) |
| Boys basketball | 51,733 | 9,339 | 5,962 | 55,110 |
| Boys basketball fundraisers | 1,231 | 6,739 | 6,189 | 1,781 |
| Boys cross country | (7,932) | 874 | 2,106 | (9,164) |
| Boys cross country fundraisers | 738 | - | 334 | 404 |
| Boys tennis | (25,087) | 454 | 1,378 | (26,011) |
| Boys tennis fundraisers | 107 | - | - | 107 |
| Boys track | (85,308) | 3,892 | 12,248 | (93,664) |
| Boys track fundraisers | 1,033 | 840 | 542 | 1,331 |
| Cheerleading | 215 | 9,469 | 12,262 | (2,578) |
| Football | 110,520 | 35,794 | 24,202 | 122,112 |
| Football fundraisers | 3,614 | 21,851 | 18,733 | 6,732 |
| General athletics | (223,784) | 18,876 | 24,914 | (229,822) |
| Girls basketball | (26,556) | 7,983 | 7,935 | (26,508) |
| Girls basketball fundraisers | (3,289) | 13,500 | 13,819 | (3,608) |
| Girls bowling | (575) | 215 | 392 | (752) |
| Girls cross country | (6,497) | 675 | 1,134 | (6,956) |
| Girls cross country fundraisers | 738 | 1,010 | 334 | 1,414 |
| Girls golf | (26,696) | 489 | 2,622 | (28,829) |
| Girls golf fundraisers | (797) | - | - | (797) |
| Girls soccer | (36,847) | 1,973 | 2,251 | (37,125) |
| Girls soccer fundraisers | 1,705 | 14,378 | 12,841 | 3,242 |
| Girls swimming | (28,408) | 2,091 | 3,581 | (29,898) |
| Girls swimming fundraisers | (1,881) | 2,465 | 1,537 | (953) |
| Girls tennis | (30,641) | 885 | 3,445 | (33,201) |
| Girls tennis fundraisers | 730 | 335 | 300 | 765 |
| Girls track | (82,678) | 3,936 | 6,386 | (85,128) |
| Girls track fundraisers | (4,025) | 895 | 1,297 | (4,427) |
| Golf | (35,278) | 847 | 3,201 | (37,632) |
| Soccer | (45,460) | 4,285 | 5,094 | (46,269) |
| Soccer fundraisers | 4,792 | 10,734 | 9,656 | 5,870 |
| Softball | (88,097) | 4,683 | 6,360 | (89,774) |
| Softball fundraisers | 761 | 2,115 | 1,945 | 931 |
| Strength & Conditioning fundraisers | - | 40,641 | 6,638 | 34,003 |
| Swimming | (16,674) | 3,627 | 4,857 | (17,904) |
| Swimming fundraisers | 394 | 3,412 | 4,720 | (914) |
| Volleyball | (44,010) | 5,388 | 6,124 | (44,746) |
| Volleyball fundraisers | 2,521 | 2,811 | 3,717 | 1,615 |
| Wrestling | (90,762) | 12,774 | 19,394 | (97,382) |
| Wrestling fundraiser | (6,314) | 4,782 | 6,713 | (8,245) |
| Total Clinton High School Athletics | (850,692) | 271,819 | 273,228 | (852,101) |

CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2013

| <u>Account</u> | <u>Balance, Beginning of Year</u> | <u>Revenues and Interfund Transfers</u> | <u>Expenditures</u> | <u>Balance, End of Year</u> |
|---------------------------------|---|---|---------------------|-------------------------------------|
| Lincoln High School | | | | |
| Athletic concessions | \$ (58) | \$ - | \$ - | \$ (58) |
| Athletic promotions | (19) | - | - | (19) |
| Total Lincoln Hgh School | <u>(77)</u> | <u>-</u> | <u>-</u> | <u>(77)</u> |
| Lyons Middle School | | | | |
| 6th grade | 1,921 | 5,073 | 5,787 | 1,207 |
| 7th grade | 9,725 | 1,267 | 4,070 | 6,922 |
| 8th grade | 2,893 | 443 | 2,436 | 900 |
| Activity tickets | 3,888 | 3,879 | 2,790 | 4,977 |
| Boys basketball | 8,376 | 688 | 1,100 | 7,964 |
| Boys track | 1,720 | 1,135 | 3,143 | (288) |
| Football | (3,068) | 811 | 973 | (3,230) |
| General | (1,032) | - | - | (1,032) |
| General athletics | (17,942) | 3,160 | 766 | (15,548) |
| Girls basketball | 264 | 577 | 915 | (74) |
| Landscaping | 355 | - | - | 355 |
| Publications | (774) | - | - | (774) |
| Ski trip | 3,792 | 10,440 | 9,361 | 4,871 |
| Special education | (1,954) | 1,883 | - | (71) |
| Student council | 1,236 | 1,429 | 1,419 | 1,246 |
| Vocal music | 6,653 | 16,637 | 15,592 | 7,698 |
| Volleyball | 1,654 | 1,252 | 681 | 2,225 |
| Wrestling | 980 | 338 | 426 | 892 |
| Yearbook | 6,020 | 2,966 | 539 | 8,447 |
| Total Lyons Middle School | <u>24,707</u> | <u>51,978</u> | <u>49,998</u> | <u>26,687</u> |
| Washington Middle School | | | | |
| 6th grade | 275 | 3,566 | 1,841 | 2,000 |
| 6th grade drama | (2,207) | - | - | (2,207) |
| 7th grade | 134 | 6,173 | 5,862 | 445 |
| 7th-8th grade | (47) | 5,967 | 5,799 | 121 |
| 8th grade | 572 | 4,132 | 2,919 | 1,785 |
| Activity tickets | 1,441 | - | - | 1,441 |
| Archery club | (340) | - | - | (340) |
| Art club | (374) | - | - | (374) |
| AV club | 817 | - | - | 817 |
| Boys basketball | (2,735) | - | 590 | (3,325) |
| Boys track | 119 | - | 2,975 | (2,856) |
| Co-ed athletics | (28,685) | 4,397 | 1,565 | (25,853) |
| Drama | (160) | 15,668 | 13,984 | 1,524 |
| Football | (7,518) | 839 | 1,676 | (8,355) |
| General | (1,451) | 3,973 | 1,335 | 1,187 |
| Girls basketball | (6,914) | - | 1,100 | (8,014) |

CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2013

| <u>Account</u> | <u>Balance, Beginning of Year</u> | <u>Revenues and Interfund Transfers</u> | <u>Expenditures</u> | <u>Balance, End of Year</u> |
|---|---|---|---------------------|-------------------------------------|
| Washington Middle School (continued) | | | | |
| Girls track | \$ (988) | \$ 1,410 | - | \$ 422 |
| Instrumental music | 1,077 | 28,779 | 23,337 | 6,519 |
| Orchestra | 5,742 | - | - | 5,742 |
| Pep club | (340) | - | - | (340) |
| Press club | 10 | - | - | 10 |
| Pride club | 65 | - | - | 65 |
| Spanish class | (340) | - | - | (340) |
| Student government | 1,834 | 2,792 | 1,540 | 3,086 |
| Tennis club | (340) | - | - | (340) |
| Vocal music | (1,668) | 6,074 | 1,773 | 2,633 |
| Volleyball | (58) | 613 | 581 | (26) |
| Wrestling | (2,073) | - | 359 | (2,432) |
| Yearbook | (401) | 1,340 | 2,600 | (1,661) |
| Total Washington Middle School | <u>(44,553)</u> | <u>85,723</u> | <u>69,836</u> | <u>(28,666)</u> |
| Eagle Heights Elementary School | | | | |
| Student council | 80 | - | - | 80 |
| Total Eagle Heights Elementary School | <u>80</u> | <u>-</u> | <u>-</u> | <u>80</u> |
| Jefferson Elementary School | | | | |
| Student council | 2,006 | 1,666 | 729 | 2,943 |
| Total Jefferson Elementary School | <u>2,006</u> | <u>1,666</u> | <u>729</u> | <u>2,943</u> |
| Whittier Elementary School | | | | |
| Student council | (465) | 418 | 473 | (520) |
| Total Whittier Elementary School | <u>(465)</u> | <u>418</u> | <u>473</u> | <u>(520)</u> |
| All Middle Schools | | | | |
| Swimming | - | 3,067 | 3,552 | (485) |
| Total All Middle School | <u>-</u> | <u>3,067</u> | <u>3,552</u> | <u>(485)</u> |
| District-Wide | | | | |
| General | (3,089) | 70 | - | (3,019) |
| Wall of fame donations | 2,000 | - | 68 | 1,932 |
| Total District-Wide | <u>(1,089)</u> | <u>70</u> | <u>68</u> | <u>(1,087)</u> |
| TOTAL | <u>\$ (649,190)</u> | <u>\$ 628,446</u> | <u>\$ 643,507</u> | <u>\$ (664,251)</u> |

See accompanying independent auditor's report.

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUND
Year Ended June 30, 2013**

| | <u>Balance, June 30, 2012</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance, June 30, 2013</u> |
|---------------------------|-----------------------------------|------------------|-------------------|-----------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 4,085 | \$ 7,471 | \$ 4,884 | \$ 6,672 |
| Other accounts receivable | <u>56</u> | <u>-</u> | <u>56</u> | <u>-</u> |
| TOTAL ASSETS | <u>\$ 4,141</u> | <u>\$ 7,471</u> | <u>\$ 4,940</u> | <u>\$ 6,672</u> |
| LIABILITIES | | | | |
| Accounts payable | <u>\$ 4,141</u> | <u>\$ 7,471</u> | <u>\$ 4,940</u> | <u>\$ 6,672</u> |

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

| | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>Modified Accrual Basis</u> | | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|-------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | | | | | <u>2009</u> | <u>2008</u> | | | | |
| REVENUES | | | | | | | | | | |
| Local sources | \$ 20,889,150 | \$ 20,945,368 | \$ 20,741,061 | \$ 19,678,824 | \$ 15,819,106 | \$ 15,103,876 | \$ 14,697,134 | \$ 13,662,495 | \$ 12,518,893 | \$ 12,722,834 |
| Intermediate sources | - | 3,036 | - | 55,000 | 1,084,316 | 1,353,835 | 2,345,250 | 2,035,721 | 1,905,217 | 1,730,164 |
| State sources | 26,843,587 | 26,269,872 | 26,649,863 | 23,652,940 | 26,903,191 | 25,688,335 | 23,994,622 | 22,411,152 | 21,919,637 | 20,601,507 |
| Federal sources | 2,863,179 | 3,317,330 | 3,504,938 | 6,173,564 | 2,522,040 | 2,231,413 | 2,684,375 | 2,840,567 | 3,141,686 | 1,875,296 |
| TOTAL REVENUES | <u>\$ 50,595,916</u> | <u>\$ 50,535,606</u> | <u>\$ 50,895,862</u> | <u>\$ 49,560,328</u> | <u>\$ 46,328,653</u> | <u>\$ 44,377,459</u> | <u>\$ 43,721,381</u> | <u>\$ 40,949,935</u> | <u>\$ 39,485,433</u> | <u>\$ 36,929,801</u> |
| EXPENDITURES | | | | | | | | | | |
| Instruction | \$ 29,265,442 | \$ 29,337,257 | \$ 29,184,412 | \$ 30,157,474 | \$ 28,095,451 | \$ 26,072,867 | \$ 25,120,818 | \$ 23,924,938 | \$ 24,073,051 | \$ 23,259,448 |
| Support services | | | | | | | | | | |
| Student services | 2,428,715 | 2,509,047 | 2,233,621 | 2,286,580 | 2,237,361 | 2,372,567 | 2,455,271 | 2,566,531 | 1,483,900 | 1,029,640 |
| Instructional staff services | 1,440,467 | 1,248,053 | 1,356,898 | 1,445,502 | 1,140,229 | 1,220,633 | 1,162,756 | 1,242,624 | 1,171,251 | 1,063,808 |
| General administration | 706,059 | 708,326 | 727,422 | 869,920 | 532,196 | 675,091 | 550,268 | 511,883 | 424,403 | 317,858 |
| Building administration | 2,454,124 | 2,650,850 | 2,252,313 | 2,356,980 | 2,188,122 | 1,999,990 | 2,012,362 | 1,892,744 | 1,589,125 | 1,476,661 |
| Business administration | 1,698,879 | 1,765,371 | 1,354,713 | 1,415,376 | 1,510,298 | 1,765,364 | 1,515,714 | 1,665,013 | 396,758 | 434,251 |
| Plant operations and maintenance | 4,715,786 | 4,325,841 | 4,135,325 | 3,984,723 | 4,035,938 | 3,917,586 | 3,760,269 | 3,817,687 | 3,965,345 | 3,604,006 |
| Student transportation | 1,472,802 | 1,535,660 | 1,439,233 | 1,881,958 | 1,694,934 | 1,455,990 | 917,280 | 1,249,182 | 1,501,224 | 1,230,300 |
| Central support services | - | - | - | - | - | - | - | - | 794,977 | 686,826 |
| Non-instructional programs | 5,191 | 17,054 | 3,181 | 3,708 | 5,412 | 4,024 | 2,786 | 11,419 | 119,332 | 332,125 |
| Other expenditures | 8,803,254 | 11,689,493 | 15,438,546 | 10,000,394 | 6,155,500 | 8,554,663 | 20,509,803 | 6,650,066 | 11,102,858 | 2,942,719 |
| TOTAL EXPENDITURES | <u>\$ 52,990,719</u> | <u>\$ 55,786,952</u> | <u>\$ 58,125,664</u> | <u>\$ 54,402,615</u> | <u>\$ 47,595,441</u> | <u>\$ 48,038,775</u> | <u>\$ 58,007,327</u> | <u>\$ 43,532,087</u> | <u>\$ 46,622,224</u> | <u>\$ 36,377,642</u> |

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clinton Community School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Clinton Community School District's basic financial statements and have issued our report thereon dated January 13, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clinton Community School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clinton Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Clinton Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-13 to II-D-13 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clinton Community School District's financial statements are free from 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-E-13.

We also noted an immaterial instance of non-compliance which is described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Clinton Community School District's Responses to Findings

Clinton Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Clinton Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Winkel, Parker & Foster, CPA PC

Clinton, Iowa
January 13, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Clinton Community School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of Clinton Community School District's major federal programs for the year ended June 30, 2013. Clinton Community School District's major federal programs are identified in Part I of the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Clinton Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clinton Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Clinton Community School District's compliance.

Qualified Opinion on ARRA - Education Jobs Fund

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Clinton Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on ARRA - Education Jobs Fund for the year ended June 30, 2013.

Basis for Qualified Opinion on ARRA - Education Jobs Fund

As described in the accompanying Schedule of Findings and Questioned Costs, Clinton Community School District did not comply with requirements regarding CFDA 84.410, ARRA - Education Jobs Fund.

The non-compliance noted is described in finding number III-A-13 related to period of availability and reporting requirements. Compliance with such requirements is necessary, in our opinion, for Clinton Community School District to comply with the requirements applicable to that program.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Clinton Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-13 to be a material weakness.

Clinton Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Clinton Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Winkel, Parker & Foster, CPA PC

Clinton, Iowa
January 13, 2014

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013**

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>CFDA Number</u> | <u>Grant Number</u> | <u>Expenditures</u> |
|--|------------------------|-------------------------|-------------------------|
| Direct: | | | |
| U.S. Department of Justice: | | | |
| Juvenile Justice and Delinquency Prevention_Allocation to States | 16.540 | FY13 | \$ 118,539 |
| Juvenile Mentoring Program | 16.726 | FY13 | 70,291 |
| Total U.S. Department of Justice | | | <u>188,830</u> |
| Indirect: | | | |
| U.S. Department of Agriculture: | | | |
| Iowa Department of Education: | | | |
| Child Nutrition Cluster: | | | |
| School Breakfast Program | 10.553 | FY13 | 245,945 |
| National School Lunch Program | 10.555 | FY13 | 1,062,512 * |
| Summer Food Service Program for Children | 10.559 | FY13 | 40,478 |
| Total Child Nutrition Cluster | | | <u>1,348,935</u> |
| Team Nutrition Grants | 10.574 | FY13 | 493 |
| Fresh Fruit and Vegetable Program | 10.582 | FY13 | 21,730 |
| | | | <u>22,223</u> |
| Total U.S. Department of Agriculture | | | <u>1,371,158</u> |
| U.S. Department of Education: | | | |
| Iowa Department of Education: | | | |
| Title I, Part A Cluster: | | | |
| Title I Grants to Local Educational Agencies | 84.010 | FY13 | 933,379 |
| Career and Technical Education -- Basic Grants to States | 84.048 | FY13 | 56,682 |
| Special Education_Grants to States | 84.027 | FY13 | 231,297 |
| Fund for the Improvement of Education | 84.215 | FY13 | 74,702 |
| Twenty-First Century Community Learning Centers | 84.287 | FY13 | 466,190 |
| Gaining Early Awareness and Readiness for Undergraduate Programs | 84.334 | FY13 | 55,009 |
| Improving Teacher Quality State Grants | 84.367 | FY13 | 206,714 |
| Grants for State Assessments and Related Activities | 84.369 | FY13 | 29,143 |
| ARRA - Education Jobs Fund | 84.410 | FY13 | 162,574 |
| Total U.S. Department of Education | | | <u>2,215,690</u> |
| Total | | | <u>\$ 3,775,678</u> |

* - Includes \$142,250 of non-cash awards.

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

See accompanying independent auditor's report.

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013**

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-13 Bank Reconciliations

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

Condition - During the audit, we noted that bank reconciliations were not performed in a timely manner throughout the year under audit.

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

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

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

Response - The bank reconciliations have been made current as of 6/30/13 and will be done on a monthly basis moving forward.

Conclusion - Response accepted.

II-B-13 Financial Reporting

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

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

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

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

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

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

Conclusion - Response accepted.

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013**

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

INTERNAL CONTROL DEFICIENCIES: (CONTINUED)

II-C-13 Segregation of Duties

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

Condition - The Business Director has the ability to initiate, authorize and record transactions (including bank transfers and journal entries) with no review process in place. It was also noted that the individual preparing accounts receivable invoices also has access to payments received on the invoices.

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

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

Recommendation - The District should implement procedures to ensure that all bank transfers and journal entries are reviewed, along with supporting documentation, and sign off as approved by someone other than the preparer. In addition, the Business Office should review current procedures in place to ensure that the individual preparing accounts receivable invoices does not have access to payments received on those invoices.

Response - Effective immediately after the audit, all bank transfers and journal entries prepared by the Business Director are being reviewed and signed off on by the Accounts Payable Supervisor. Likewise, the Accounts Receivable Clerk no longer has access to record payments or to cancel invoices.

Conclusion - Response accepted.

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013**

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

INTERNAL CONTROL DEFICIENCIES: (CONTINUED)

II-D-13 Financial Statement Preparation

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

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

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

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

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

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

Conclusion - Response accepted.

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013**

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

INSTANCES OF NON-COMPLIANCE:

II-E-13 Deficit Balances

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

Condition - The Debt Service Fund, Student Activity Fund, Other Revenue Fund and Print Shop Fund had deficit fund balances at June 30, 2013.

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

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

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

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

Conclusion - Response accepted.

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013**

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE AND INTERNAL CONTROL DEFICIENCIES:

CFDA Number 84.410: ARRA - Education Jobs Fund
Federal Award Year: 2013
Department of Education
Passed through the Iowa Department of Education

III-A-13 Noncompliance with Period of Availability and Reporting Requirements

Criteria - The period of availability for Education Jobs funding was established by Public Law 111-226 of the 111th Congress. In addition, federal guidance indicates that financial reports submitted should be accurate and supported by accounting records.

Condition - Education Jobs Funding was available for the period of August 10, 2010 through September 30, 2012. The District did not spend the amount received during the grant period of availability. In addition, the expenditure report submitted for the cumulative grant award period ending September 30, 2012 was overstated due to it including fiscal year 2013 Education Jobs Fund expenditures that had not actually been incurred as of the report date.

Effect - The District is not in compliance with period of availability and reporting compliance requirements.

Cause - Although the District selected individual employees to be paid with Education Jobs Fund monies, the period for which the District planned to incur expenditures did not coincide with the grant period of availability requirements. The inaccuracy of the final expenditure report submitted was due to a lack of understanding of reporting compliance requirements.

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

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

Conclusion - Response accepted.

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013**

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-13 Certified Budget - Expenditures during the year ended June 30, 2013 did not exceed the amount budgeted.
- IV-B-13 Questionable Expenditures - No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-13 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-13 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

| <u>Name, Title, and Business Connection</u> | <u>Transaction Description</u> | <u>Amount</u> |
|--|------------------------------------|---------------|
| James McGraw, Board Member, Owner of Happy Joe's Pizza | Food | \$ 1,829 |
| Gregg Obren, Board President, Game Official | Officiating Athletic Events | 820 |
| Reggie Hall, Teacher Owner of Pyramids Disc Jockey Service | DJ Services | 625 |
| Laura Rose, Teacher Owner of J&L Trucking | Mowing | 2,800 |

The transactions with the Board Member, Board President and Game Official, and the Teacher and owner of Pyramids Disc Jockey Service do not appear to represent a conflict of interest since total transactions were less than \$2,500 during the fiscal year. Per discussion with District personnel, the transactions with J&L Trucking, were entered into based upon them being the lowest bidder, however, according to the District's purchasing policy, the Superintendent may approve purchases without competitive bids for goods and services costing under \$10,000 without prior board approval.

- IV-E-13 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- IV-F-13 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013**

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

IV-G-13 Certified Enrollment - Variances in the basic enrollment data certified to the Department of Education were noted.

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

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

Conclusion - Response accepted.

IV-H-13 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-13 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-13 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

IV-K-13 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-13 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education.

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013**

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

IV-L-13 Statewide Sales, Services and Use Tax (continued)

For the year ended June 30, 2013, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2013 audit:

| | | |
|---------------------------------------|------------------|----------------------|
| Beginning Balance | | \$ 14,704,549 |
| Statewide sales, services and use tax | \$ 3,143,493 | |
| Other local revenues | 19,270 | |
| Federal sources | 74,702 | |
| Sale of long-term debt | <u>5,403,269</u> | <u>8,640,734</u> |
| Expenditures/transfers out: | | |
| School infrastructure construction | 3,847,993 | |
| Building purchased | 55,000 | |
| Equipment | 61,162 | |
| Other | 188,857 | |
| Transfers to other funds: | | |
| Debt service fund | <u>1,526,085</u> | <u>5,679,097</u> |
| Ending Balance | | \$ <u>17,666,186</u> |

For the year ended June 30, 2013, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

**CLINTON COMMUNITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
Year Ended June 30, 2013**

| <u>Comment Reference</u> | <u>Comment Title</u> | <u>Status</u> | <u>If not corrected, please provide planned corrective action or other explanation</u> |
|---------------------------------|---|----------------------|--|
| III-A-12 | Noncompliance with Time and Effort Reporting Requirements | Partially Resolved | The District certified time and effort on April 1, 2013, however, the certification is required to be performed semi-annually. |
| III-B-12 | Noncompliance with Reporting requirements | Resolved | N/A |

**CLINTON COMMUNITY SCHOOL DISTRICT
CORRECTIVE ACTION PLAN FOR FEDERAL AUDIT FINDINGS
Year Ended June 30, 2013**

Finding III-A-13

Condition:

Education Jobs Funding was available for the period of August 10, 2010 through September 30, 2012. The District did not spend the amount received during the grant period of availability. In addition, the expenditure report submitted for the cumulative grant award period ending September 30, 2012 was overstated due to it including fiscal year 2013 Education Jobs Fund expenditures that had not actually been incurred as of the report date.

Corrective Action Plan:

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

Anticipated Completion Date:

Immediately

Contact Person Responsible for Corrective Action:

Cindy McAleer, CFO

January 13, 2014

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

We have completed our audit of the Clinton Community School District's financial statements as of and for the year ended June 30, 2013, and have issued our report dated January 13, 2014. In connection with our audit engagement, we noted the following matters which we would like to bring to your attention.

Credit Card Usage and Employee Travel Reimbursements

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

It was also noted that employee reimbursement requests for travel, when credit cards were not used, did not always have proper supporting documentation with the request.

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

Noncompliance with Time and Effort Reporting Requirements

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

Although the District certified time and effort for Title I employees on April 1, 2013 for fiscal year 2013, the certification procedure was not performed semi-annually. Therefore, the District is not in compliance with the Allowable Costs/Cost Principles section of OMB Circular A-133 or the Cost Principles of OMB Circular A-87 for compensation for personnel services, which could result in federal funds being expended for unallowable purposes.

We recommend that the District continue to certify time and effort for employees working under federal grant programs ensuring that the procedure is performed semi-annually.

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

Winkel, Parker & Foster, CPA PC

Clinton, Iowa
January 13, 2014