

CLEARFIELD COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2014

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Clearfield Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2013 Election)		
Chris Knox	President	2015
Bob Cameron	Vice President	2015
Kristen Leonard	Board Member	2013
Becky Kerns	Board Member	2015
Patricia Parrish	Board Member	2013
(After September 2013 Election)		
Bob Cameron	President	2015
Lance Leonard	Vice President	2017
Chris Knox	Board Member	2015
Becky Kerns	Board Member	2015
Patricia Parrish	Board Member	2017
School Officials		
Joe Drake	Superintendent	2014
Pam Nickell	District Secretary/Treasurer	2014
Travis & Bonnett	Attorney	2014
Engel Law Firm	Attorney	2014

CLEARFIELD COMMUNITY SCHOOL DISTRICT

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Clearfield Community School District:

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 Clearfield Community School District, Clearfield, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 U.S. generally accepted accounting principles. 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 District'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 District'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 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, the business type activities, each major fund and the aggregate remaining fund information of Clearfield Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Residents of the Clearfield Community School District voted and passed a resolution for the dissolution of the District effective July 1, 2014. As described in Note 11 to the financial statements, the District dissolved its assets and liabilities into the Bedford, Diagonal, Lenox and Mount Ayr Community School Districts.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis and the Budgetary Comparison Information on pages 7 through 15 and 36 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the 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 Clearfield 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 nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is 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 U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 27, 2015 on our consideration of Clearfield 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 Clearfield Community School District's internal control over financial reporting and compliance.


NOLTE, CORNMAN & JOHNSON, P.C.

January 27, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clearfield 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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$1,173,128 in fiscal 2013 to \$1,431,433 in fiscal 2014, and General Fund expenditures decreased from \$1,287,324 in fiscal 2013 to \$1,254,580 in fiscal 2014. The District's General Fund balance increased from a deficit balance of \$229,020 at June 30, 2013 to a deficit balance of \$52,167 at June 30, 2014, an increase of 77.22% from the prior year.

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 Clearfield 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 Clearfield 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 Clearfield Community School District acts solely as an agent or custodian for the benefit of those outside of the School 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.

Supplementary Information provides detailed information about the non-major funds.

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

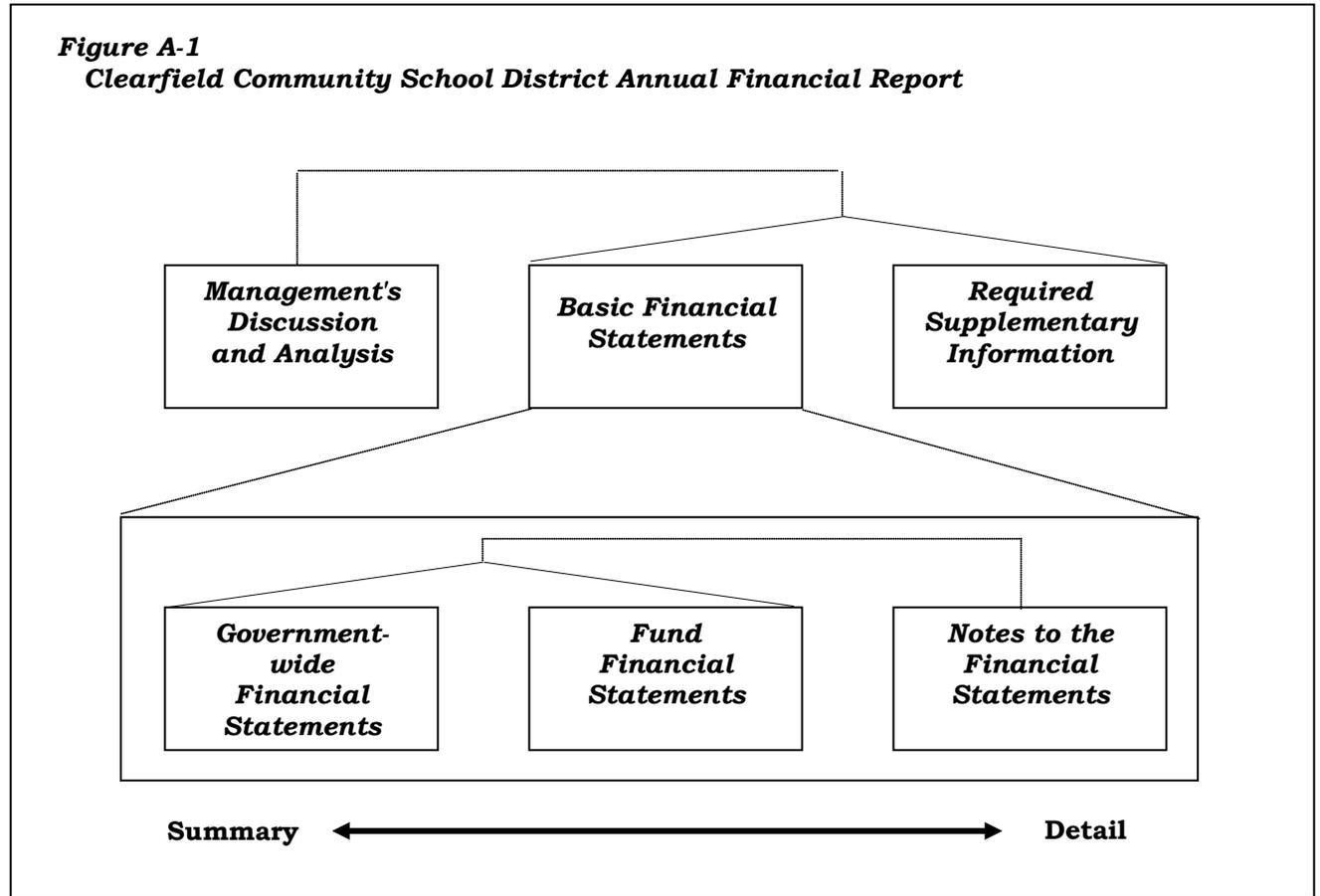


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary 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
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 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows
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
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, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. 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 is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has two 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, Capital Projects Funds and the Special Revenue, Management Levy Fund.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-3 Condensed Statement of Net Position								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2014	2013	2014	2013	2014	2013	2013-14	
Current and other assets	\$ 713,374	1,252,951	75	4,558	713,449	1,257,509	-43.26%	
Capital assets	-	119,981	-	-	-	119,981	-100.00%	
Total assets	<u>713,374</u>	<u>1,372,932</u>	<u>75</u>	<u>4,558</u>	<u>713,449</u>	<u>1,377,490</u>	<u>-48.21%</u>	
Long-term obligations	-	872	-	-	-	872	-100.00%	
Other liabilities	148,498	128,444	-	-	148,498	128,444	15.61%	
Total liabilities	<u>148,498</u>	<u>129,316</u>	<u>-</u>	<u>-</u>	<u>148,498</u>	<u>129,316</u>	<u>14.83%</u>	
Deferred inflows of resources	-	841,414	-	-	-	841,414	-100.00%	
Net position:								
Net investment in capital assets,	-	119,981	-	-	-	119,981	-100.00%	
Restricted	635,529	516,745	-	-	635,529	516,745	22.99%	
Unrestricted	(70,653)	(234,524)	75	4,558	(70,578)	(229,966)	69.31%	
Total net position	<u>\$ 564,876</u>	<u>402,202</u>	<u>75</u>	<u>4,558</u>	<u>564,951</u>	<u>406,760</u>	<u>38.89%</u>	

The District's combined net position increased by 38.89%, or \$158,191, from the prior year. The District's net position consists of only restricted and unrestricted net position due to the dissolution of the District and all assets owned by the District were auctioned or sold to the City of Clearfield.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased 22.99% or \$118,784 over the prior year. The increase in unrestricted net position is primarily a result of the increase in fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund.

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 - increased 69.31% or \$159,388. The increase in unrestricted net position is primarily a result of the increase in fund balance of the General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to June 30, 2013.

	Figure A-4						
	Changes in Net Position						
	Governmental		Business Type		Total		Total
	Activities		Activities		District		
2014	2013	2014	2013	2014	2013	2013-14	
Revenues:							
Program revenues:							
Charges for service	\$ 817	11,472	4,201	4,742	5,018	16,214	-69.05%
Operating grants, contributions and restricted interest	155,535	148,580	18,775	22,660	174,310	171,240	1.79%
General revenues:							
Property tax	840,974	636,438	-	-	840,974	636,438	32.14%
Income surtax	42,197	15,284	-	-	42,197	15,284	176.09%
Statewide sales, services and use tax	72,208	74,492	-	-	72,208	74,492	-3.07%
Unrestricted state grants	361,187	344,063	-	-	361,187	344,063	4.98%
Unrestricted investment earnings	803	557	-	-	803	557	44.17%
Other	28,412	3,859	147	112	28,559	3,971	619.19%
Total revenues	1,502,133	1,234,745	23,123	27,514	1,525,256	1,262,259	20.84%
Program expenses:							
Instructional	905,208	944,216	-	-	905,208	944,216	-4.13%
Support services	387,245	337,620	82	188	387,327	337,808	14.66%
Non-instructional programs	-	1,491	27,524	28,114	27,524	29,605	-7.03%
Other expenses	47,006	46,205	-	-	47,006	46,205	1.73%
Total expenses	1,339,459	1,329,532	27,606	28,302	1,367,065	1,357,834	0.68%
Change in net position	162,674	(94,787)	(4,483)	(788)	158,191	(95,575)	265.52%
Net position beginning of year	402,202	496,989	4,558	5,346	406,760	502,335	-19.03%
Net position end of year	\$ 564,876	402,202	75	4,558	564,951	406,760	38.89%

In fiscal 2014, property tax and unrestricted state grants account for 80.03% of the revenue from governmental activities while charges for services and operating grants and contributions account for nearly all of the revenue from business type activities.

The District's total revenues were \$1,525,256 of which \$1,502,133 was for governmental activities and \$23,123 was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 20.84% in revenues and a 0.68% increase in expenses. Property tax increased \$204,536 to help fund the increase in expenditures.

Governmental Activities

Revenues for governmental activities were \$1,502,133 and expenses were \$1,339,459. In a difficult budget year, the District was able to balance the budget.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional and other expenses for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 905,208	944,216	-4.13%	792,072	835,054	-5.15%
Support services	387,245	337,620	14.70%	381,309	323,209	17.98%
Non-instructional programs	-	1,491	-100.00%	-	1,491	-100.00%
Other expenses	47,006	46,205	1.73%	9,726	9,726	0.00%
Totals	<u>\$ 1,339,459</u>	<u>1,329,532</u>	<u>0.75%</u>	<u>1,183,107</u>	<u>1,169,480</u>	<u>1.17%</u>

- The cost financed by users of the District's programs was \$817.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$155,535.
- The net cost of governmental activities was financed with \$840,974 in property tax, \$42,197 of income surtax, \$72,208 in statewide sales, services and use tax, \$361,187 in unrestricted state grants, \$803 in interest income, and \$28,412 in other revenues.

Business Type Activities

Revenues of the District's business type activities were \$23,123 and expenses were \$27,606. The District's business type activities include the School Nutrition Fund. Revenues of these activities were mainly comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Clearfield 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 \$522,665 below last year's ending fund balance of \$252,668. The increase in combined fund balances is primarily a result of the increase in fund balance of the Capital Projects: Statewide Sales, Services and Use Tax Fund balance as compared to the previous year.

Governmental Fund Highlights

- The District's General Fund balance increased from a deficit \$229,020 at June 30, 2013 to a deficit \$52,167 at June 30, 2014. Revenues from local and federal sources increased over the prior year. Expenditures increased over the prior year largely as a result of an increase in support services expenditures functional area.
- The Management Fund balance increased from \$185,238 at June 30, 2013, to \$211,199 at June 30, 2014. The Management Fund balance has increased as a result of increased local revenues in fiscal 2014.

- The District's Capital Projects Fund balance increased from a balance of \$296,450 at June 30, 2013 to \$363,633 at June 30, 2014, primarily due to increased property tax revenues in the Capital Projects: Physical Plant and Equipment Levy Fund. During fiscal 2014, the Capital Projects: Statewide Sales, Services and Use Tax Fund balance increased 24.25% to \$312,868, and the Capital Projects: Physical Plant and Equipment Levy Fund balance increased 13.69% to \$50,765.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from \$4,558 at June 30, 2013 to \$75 at June 30, 2014, representing a decrease of approximately 98.35%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$44,501 less than budgeted revenues, a variance of 2.86%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

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

In spite of the District's budgetary practice, the District exceeded its General Fund unspent authorized budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$0 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 100% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$14,546.

During the year ended June 30, 2014, the District disposed of all the District's capital assets.

	Figure A-6		
	Capital Assets, Net of Depreciation		
	Total		Total
	District		Change
	June 30,		June 30,
	2014	2013	2013-14
Land	\$ -	2,392	-100.00%
Buildings	-	64,208	-100.00%
Land improvements	-	41,990	-100.00%
Machinery and equipment	-	11,391	-100.00%
Total	\$ -	119,981	-100.00%

Long-Term Debt

At June 30, 2014, the District had no long term liabilities. This represents an decrease of 100% from last year. More detailed information about the District's long term liabilities is presented in Note 4 to the financial statements.

Figure A-7			
Outstanding Long-Term Obligations			
Total		Total	
District		Change	
June 30,		June 30,	
2014	2013	2013-14	
Compensated absences	\$ -	872	-100.00%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- On September 17, 2013, voters of the Clearfield Community School District voted to dissolve the District at the end of the 2014 fiscal year. Property of the District will be divided between Bedford, Diagonal, Lenox, and Mount Ayr Community School Districts.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Janette Campbell, District Secretary/Treasurer, Mount Ayr Community School District, 1001 East Columbus Street, Mount Ayr, Iowa, 50854.

CLEARFIELD COMMUNITY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

CLEARFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 535,054	75	535,129
Receivables:			
Property tax:			
Delinquent	15,233	-	15,233
Income surtax	42,211	-	42,211
Accounts	73,695	-	73,695
Due from other governments	47,181	-	47,181
Total assets	713,374	75	713,449
Liabilities			
Excess warrants over bank balance	67,829	-	67,829
Accounts payable	80,669	-	80,669
Total liabilities	148,498	-	148,498
Net Position			
Restricted for:			
Categorical funding	60,697	-	60,697
School infrastructure	312,868	-	312,868
Physical plant and equipment	50,765	-	50,765
Management levy purposes	211,199	-	211,199
Unrestricted	(70,653)	75	(70,578)
Total net position	\$ 564,876	75	564,951

SEE NOTES TO FINANCIAL STATEMENTS

CLEARFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities		
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 660,078	817	11,927	(647,334)	-	(647,334)
Special	133,550	-	3,876	(129,674)	-	(129,674)
Other	111,580	-	96,516	(15,064)	-	(15,064)
	<u>905,208</u>	<u>817</u>	<u>112,319</u>	<u>(792,072)</u>	<u>-</u>	<u>(792,072)</u>
Support services:						
Instructional staff	17,421	-	-	(17,421)	-	(17,421)
Administration	188,803	-	5,936	(182,867)	-	(182,867)
Operation and maintenance of plant	132,550	-	-	(132,550)	-	(132,550)
Transportation	48,471	-	-	(48,471)	-	(48,471)
	<u>387,245</u>	<u>-</u>	<u>5,936</u>	<u>(381,309)</u>	<u>-</u>	<u>(381,309)</u>
Other expenditures:						
AEA flowthrough	37,280	-	37,280	-	-	-
Depreciation(unallocated)*	9,726	-	-	(9,726)	-	(9,726)
	<u>47,006</u>	<u>-</u>	<u>37,280</u>	<u>(9,726)</u>	<u>-</u>	<u>(9,726)</u>
Total governmental activities	<u>1,339,459</u>	<u>817</u>	<u>155,535</u>	<u>(1,183,107)</u>	<u>-</u>	<u>(1,183,107)</u>
Business type activities:						
Support services:						
Operation and maintenance of plant	82	-	-	-	(82)	(82)
Non-instructional programs:						
Food service operations	27,524	4,201	18,775	-	(4,548)	(4,548)
Total business type activities	<u>27,606</u>	<u>4,201</u>	<u>18,775</u>	<u>-</u>	<u>(4,630)</u>	<u>(4,630)</u>
Total	<u>\$ 1,367,065</u>	<u>5,018</u>	<u>174,310</u>	<u>(1,183,107)</u>	<u>(4,630)</u>	<u>(1,187,737)</u>
General Revenues:						
Property tax levied for:						
General purposes			\$ 828,597	-	828,597	
Capital outlay			12,377	-	12,377	
Income surtax			42,197	-	42,197	
Statewide sales, services and use tax			72,208	-	72,208	
Unrestricted state grants			361,187	-	361,187	
Unrestricted investment earnings			803	-	803	
Other			28,412	147	28,559	
Total general revenues			<u>1,345,781</u>	<u>147</u>	<u>1,345,928</u>	
Changes in net position			162,674	(4,483)	158,191	
Net position beginning of year			402,202	4,558	406,760	
Net position end of year			<u>\$ 564,876</u>	<u>75</u>	<u>564,951</u>	

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

SEE NOTES TO FINANCIAL STATEMENTS

CLEARFIELD COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Management Levy	Capital Projects	Total
Assets				
Cash and pooled investments	\$ -	210,718	324,336	535,054
Receivables:				
Property tax:				
Delinquent	14,104	905	224	15,233
Income surtax	42,211	-	-	42,211
Accounts	73,695	-	-	73,695
Due from other governments	8,108	-	39,073	47,181
Total assets	\$ 138,118	211,623	363,633	713,374
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Excess warrants over bank balance	\$ 67,829	-	-	67,829
Accounts payable	80,245	424	-	80,669
Total liabilities	148,074	424	-	148,498
Deferred inflows of resources:				
Unavailable revenues:				
Income surtax	42,211	-	-	42,211
Fund balances:				
Restricted for:				
Categorical funding	60,697	-	-	60,697
School infrastructure	-	-	312,868	312,868
Physical plant and equipment	-	-	50,765	50,765
Management levy purposes	-	211,199	-	211,199
Unassigned	(112,864)	-	-	(112,864)
Total fund balances	(52,167)	211,199	363,633	522,665
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 138,118	211,199	363,633	713,374

SEE NOTES TO FINANCIAL STATEMENTS

CLEARFIELD COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total fund balances of governmental funds(page 20) \$ 522,665

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

Other long-term assets are not available to pay current year expenditures and,
therefore, are recognized as deferred inflows of resources in the governmental funds. 42,211

Net position of governmental activities(page 18) \$ 564,876

CLEARFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General	Management Levy	Capital Projects	Total
Revenues:				
Local sources:				
Local tax	\$ 809,019	49,989	12,377	871,385
Tuition	707	-	-	707
Other	26,865	2,136	324	29,325
State sources	435,635	-	72,208	507,843
Federal sources	81,087	-	-	81,087
Total revenues	<u>1,353,313</u>	<u>52,125</u>	<u>84,909</u>	<u>1,490,347</u>
Expenditures:				
Current:				
Instruction:				
Regular	647,979	4,008	-	651,987
Special	133,550	-	-	133,550
Other	111,580	-	-	111,580
	<u>893,109</u>	<u>4,008</u>	<u>-</u>	<u>897,117</u>
Support services:				
Student	316	-	-	316
Instructional staff	17,421	-	-	17,421
Administration	180,050	8,753	-	188,803
Operation and maintenance of plant	90,137	9,413	-	99,550
Transportation	36,267	3,990	-	40,257
	<u>324,191</u>	<u>22,156</u>	<u>-</u>	<u>346,347</u>
Capital outlay	-	-	17,727	17,727
Other expenditures:				
AEA flowthrough	37,280	-	-	37,280
Total expenditures	<u>1,254,580</u>	<u>26,164</u>	<u>17,727</u>	<u>1,298,471</u>
Excess of revenues over expenditures	98,733	25,961	67,182	191,876
Other financing uses:				
Sale of equipment	78,120	-	-	78,120
Disposal of property	-	-	1	1
Total other financing uses	<u>78,120</u>	<u>-</u>	<u>1</u>	<u>78,121</u>
Change in fund balances	176,853	25,961	67,183	269,997
Fund balances beginning of year	<u>(229,020)</u>	<u>185,238</u>	<u>296,450</u>	<u>252,668</u>
Fund balances end of year	<u>\$ (52,167)</u>	<u>211,199</u>	<u>363,633</u>	<u>522,665</u>

SEE NOTES TO FINANCIAL STATEMENTS

CLEARFIELD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds(page 22) \$ 269,997

*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 Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and loss on asset disposal in the current year are as follows:

Depreciation expense	\$ (14,546)	
Loss on asset disposal	<u>(105,435)</u>	(119,981)

Income surtax account receivable is not available to finance expenditures of the current year period and is recognized as deferred inflows of resources in the governmental funds.	11,786
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in the governmental funds, as follows:

Compensated absences	<u>872</u>
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Changes in net position of governmental activities(page 19) \$ 162,674

CLEARFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	<u>School Nutrition</u>
Assets	
Current assets:	
Cash and pooled investments	<u>\$ 75</u>
Liabilities	<u>-</u>
Net Position	
Unrestricted	75
Total net position	<u><u>\$ 75</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

CLEARFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 4,201
Miscellaneous	147
Total operating revenues	4,348
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Services	82
Non-instructional programs:	
Food service operations:	
Salaries	8,607
Benefits	1,427
Services	34
Supplies	17,456
	27,524
Total operating expenses	27,606
Operating loss	(23,258)
Non-operating revenues:	
State sources	208
Federal sources	18,567
Total non-operating revenues	18,775
Change in net position	(4,483)
Net position beginning of year	4,558
Net position end of year	\$ 75

SEE NOTES TO FINANCIAL STATEMENTS

CLEARFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 4,219
Cash received from miscellaneous operating activities	147
Cash payments to employees for services	(10,034)
Cash payments to suppliers for goods or services	(14,771)
Net cash used in operating activities	(20,439)
Cash flows from non-capital financing activities:	
State grants received	208
Federal grants received	17,119
Net cash provided by non-capital financing activities	17,327
Net decrease in cash and cash equivalents	(3,112)
Cash and cash equivalents beginning of year	3,187
Cash and cash equivalents end of year	\$ 75
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (23,258)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities consumed	1,448
Decrease in inventories	1,353
Decrease in accounts receivable	18
Net cash used in operating activities	\$ (20,439)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2014, the District received \$1,448 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS

CLEARFIELD COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies

The Clearfield Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through sixth and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Clearfield, Iowa, and the predominate agricultural territory in Ringgold and Taylor Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund 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 support.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three 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 that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use is either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position that does not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

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

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

The District reports the following major governmental funds:

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

The Special Revenue, Management Levy Fund is utilized to account for the payment of property insurance and unemployment benefits.

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

The District reports the following non major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Balances

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

Cash and Pooled Investments - 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, they have a maturity date no longer than three months.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current 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 become 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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

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

Capital Assets - Capital assets, which include property, machinery and equipment and intangibles, 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.

Asset Class	Amount
Land	\$ 3,000
Buildings	3,000
Land improvements	3,000
Intangibles	25,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	3,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Machinery and equipment	5-12 years

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

Deferred inflows of resources 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.

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.

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 the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, the District exceeded its General Fund unspent authorized budget.

Note 2. Cash and Pooled Investments

The District's deposits at June 30, 2014 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 of 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, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Obligations Portfolio which are valued at an amortized cost of \$35,230 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard & Poor's Financial Services.

Note 3. Iowa School Cash Anticipation Program (ISCAP)

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

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The Series 2013-2014 ONE included taxable warrants only. The interest rates on the Series 2013-2014 ONE warrants are variable rates, calculated daily, based on the one-month LIBOR rate plus 105 basis points. The LIBOR rate at June 30, 2014 was 0.1524%. A summary of the District's ISCAP activity for the year ended June 30, 2014 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year	Interest Paid
2013-14 ONE	6/26/13	12/1/14	\$ -	150,000	150,000	-	\$ 1998

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,392	-	2,392	-
Capital assets being depreciated:				
Buildings	235,998	-	235,998	-
Land improvements	79,851	-	79,851	-
Machinery and equipment	212,358	-	212,358	-
Total capital assets being depreciated	528,207	-	530,599	-
Less accumulated depreciation for:				
Buildings	171,790	5,733	177,523	-
Land improvements	37,861	3,993	41,854	-
Machinery and equipment	200,967	4,820	205,787	-
Total accumulated depreciation	410,618	14,546	425,164	-
Governmental activities capital assets, net	\$ 119,981	(14,546)	105,435	-
Business type activities:				
Machinery and equipment	\$ 8,215	-	8,215	-
Less accumulated depreciation	8,215	-	8,215	-
Business type activities capital assets, net	\$ -	-	-	-

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 3,177
Support services:		
Transportation		1,643
		4,820
Unallocated depreciation		9,726
Total governmental activities depreciation expense		\$ 14,546

Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Compensated absences	\$ 872	-	872	-	-

Note 6. Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual salary and the District is required to contribute 8.93% of annual salary. Contribution requirements are established by State statute. The District’s contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$48,212, \$47,678, and \$43,164, respectively, equal to the required contributions for each year.

Note 7. Risk Management

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

Note 8. 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 \$37,280 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9. Categorical Funding

The District’s ending restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

Program	Amount
Weighted At-Risk Programs	\$ 22,035
Gifted and Talented Programs	18,877
Beginning Teacher Mentoring and Induction Program	574
Successful Progression for Early Readers	12,249
Professional Development for Model Core Curriculum	979
Professional Development	679
Teacher Leadership Grants	5,304
Total	\$ 60,697

Note 10. Asset Disposal Due to District Dissolution

Due to the dissolution of the District effective July 1, 2014, the District sold the school building land and building to the City of Clearfield for \$1.

The District has disposed of its remaining capital assets at auction and therefore has removed them from the District’s Statement of Net Position as of June 30, 2014.

Note 11. Subsequent Event

On September 17, 2013, voters of the Clearfield Community School District voted to dissolve the District effective July 1, 2014. Fund balances of the District will be divided between Bedford, Diagonal, Lenox, and Mount Ayr Community School Districts.

The allocation of Clearfield Community School District's June 30, 2014 fund balances by fund to the other districts per the recommendation of the Iowa Department of Management are as follows:

School District	Percentage	General Fund	Management Levy	Statewide Sales, Services and Use Tax	Property Plant and Equipment Levy	Nutrition Fund	Total Received
	Allocation Per DOM						
Bedford	5.00%	\$ (2,608.35)	10,559.95	15,643.40	2,538.25	3.75	26,137.00
Diagonal	15.00%	(7,825.05)	31,679.85	46,930.20	7,614.75	11.25	78,411.00
Lenox	50.00%	(26,083.50)	105,599.50	156,434.00	25,382.50	37.50	261,370.00
Mount Ayr	30.00%	(15,650.10)	63,359.70	93,860.40	15,229.50	22.50	156,822.00
Total		<u>\$ (52,167.00)</u>	<u>211,199.00</u>	<u>312,868.00</u>	<u>50,765.00</u>	<u>75.00</u>	<u>522,740.00</u>

Note 12. Deficit Unassigned Fund Balance/Unrestricted Net Position

At June 30, 2014, The General Fund had a deficit unassigned fund balance of \$112,864 and a deficit fund balance of \$52,167. The District also had a deficit net position balance of \$70,653 in the governmental activities.

Note 13. Budget Overexpenditure

During the year ended June 30, 2014, the District exceeded its General Fund unspent authorized budget.

REQUIRED SUPPLEMENTARY INFORMATION

CLEARFIELD COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2014

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to
	Funds	Fund		Original	Final	Actual
	Actual	Actual				Variance
Revenues:						
Local sources	\$ 901,417	4,348	905,765	1,001,203	1,001,203	(95,438)
State sources	507,843	208	508,051	445,768	445,768	62,283
Federal sources	81,087	18,567	99,654	111,000	111,000	(11,346)
Total revenues	1,490,347	23,123	1,513,470	1,557,971	1,557,971	(44,501)
Expenditures/Expenses:						
Instruction	897,117	-	897,117	1,049,367	1,049,367	152,250
Support services	346,347	82	346,429	410,900	410,900	64,471
Non-instructional programs	-	27,524	27,524	55,616	55,616	28,092
Other expenditures	55,007	-	55,007	213,676	213,676	158,669
Total expenditures/expenses	1,298,471	27,606	1,326,077	1,729,559	1,729,559	403,482
Excess(Deficiency) of revenues over(under) expenditures/expenses	191,876	(4,483)	187,393	(171,588)	(171,588)	358,981
Other financing sources, net	78,121	-	78,121	-	-	(78,121)
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses and other financing sources	269,997	(4,483)	265,514	(171,588)	(171,588)	280,860
Balances beginning of year	252,668	4,558	257,226	171,588	171,588	85,638
Balances end of year	\$ 522,665	75	522,740	-	-	366,498

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CLEARFIELD COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. 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 ended June 30, 2014, the District exceeded its General Fund unspent authorized budget.

CLEARFIELD COMMUNITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

CLEARFIELD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 273,795	50,541	324,336
Receivables:			
Property tax:			
Delinquent	-	224	224
Due from other governments	39,073	-	39,073
Total assets	\$ 312,868	50,765	363,633
Liabilities and Fund Balances			
Liabilities	\$ -	-	-
Fund balances:			
Restricted for:			
School infrastructure	312,868	-	312,868
Physical plant and equipment	-	50,765	50,765
Total fund balances	312,868	50,765	363,633
Total Liabilities and Fund Balances	\$ 312,868	50,765	363,633

Note: There are no deferred inflows of resources shown on this schedule for succeeding year property tax due to the dissolution of the District effective as of June 30, 2014.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLEARFIELD COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	12,377	12,377
Other	324	-	324
State sources	72,208	-	72,208
Total revenues	72,532	12,377	84,909
Expenditures:			
Current:			
Capital outlay	11,461	6,266	17,727
Excess of revenues over expenditures	61,071	6,111	67,182
Other financing sources:			
Disposal of real property	-	1	1
Change in fund balances	61,071	6,112	67,183
Fund balance beginning of year	251,797	44,653	296,450
Fund balance end of year	\$ 312,868	50,765	363,633

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLEARFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 871,385	740,377	697,178	548,028	517,452	620,600	492,896	545,696	520,504	513,386
Tuition	707	11,172	28,115	34,006	22,173	31,667	2,564	14,793	18,964	13,944
Other	29,325	6,250	8,867	11,135	7,341	17,026	87,503	61,019	45,685	34,398
State sources	507,843	411,637	467,980	368,363	372,601	457,396	544,364	471,655	477,752	387,081
Federal sources	81,087	79,472	74,276	153,018	158,769	90,678	158,411	213,886	257,391	255,501
Total	\$ 1,490,347	1,248,908	1,276,416	1,114,550	1,078,336	1,217,367	1,285,738	1,307,049	1,320,296	1,204,310
Expenditures:										
Instruction:										
Regular	\$ 651,987	663,295	632,890	594,130	555,380	532,695	491,876	527,744	603,571	687,629
Special	133,550	181,693	132,647	129,285	128,844	188,983	181,545	161,573	161,014	291,320
Other	111,580	97,869	86,215	114,123	115,126	105,994	114,020	111,850	101,859	552
Support services:										
Student	316	319	308	2,066	4,344	7,193	317	988	1,000	11,500
Instructional staff	17,421	13,538	19,940	16,479	38,672	21,783	9,214	13,479	36,623	8,300
Administration	188,803	183,147	183,730	171,042	172,661	184,038	177,638	177,791	180,102	149,129
Operation and maintenance of plant	99,550	81,411	77,623	77,480	81,930	74,710	84,163	82,313	95,620	79,986
Transportation	40,257	50,514	65,816	45,590	31,669	38,472	66,064	59,389	43,365	95,581
Capital outlay	17,727	1,350	23,044	29,822	13,253	76,535	32,331	46,223	69,462	1,325
Non-instructional:										
Food service operations	-	1,491	-	-	1,074	110	-	-	225	4,196
Other expenditures:										
AEA flow-through	37,280	36,479	36,402	40,534	41,481	37,957	37,766	35,972	34,830	34,918
Total	\$ 1,298,471	1,311,106	1,258,615	1,220,551	1,184,434	1,268,470	1,194,934	1,217,322	1,327,671	1,364,436

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
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Telephone (641) 792-1910

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

To the Board of Education of the Clearfield Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental 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 Clearfield Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clearfield Community School District's internal control over financial reporting to determine the audit procedures 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 Clearfield Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Clearfield 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, we identified a deficiencies in internal control we consider to be a material weakness and a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified no deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clearfield Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 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.

Clearfield Community School District's Responses to Findings

Clearfield Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Clearfield 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 result of that testing, and not to provide an opinion on the effectiveness of the District'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 District'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 Clearfield 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.


NOLTE, CORNMAN & JOHNSON, P.C.

January 27, 2015
Newton, Iowa

CLEARFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

I-A-14 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas for the District:

- 1) Cash - initiating cash receipt and disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Inventories - ordering, receiving, issuing and storing.
- 6) Capital assets - purchasing, recording and reconciling.
- 7) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 8) Financial reporting - preparing, reconciling and approving.

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

Response - Due to the dissolution of the District this will no longer be an issue.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - District disbursements for the year ended June 30, 2014 did not exceed the amount budgeted. However, during the year ended June 30, 2014, the District exceeded its General Fund unspent authorized budget.

Recommendation - The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the over expenditure of the General Fund unspent balance.

Response - Due to the dissolution of the District this will no longer be an issue.

Conclusion - Response accepted.

II-B-14 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-14 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Patty Parrish, Board Member	Purchased iPad	\$ 150
Becky Kerns, Board Member	Purchased iPads	300
Jackie Hopkins, Principal	Purchased computer and iPad	600
Nancy Brown, Teacher	Purchased computer and iPad	500
Diana Bolinger, Teacher	Purchased computer	450
Pam Nickel, Business Manager	Purchased computer	325
Martha Larson, Teacher	Purchased computer	250
Julia Mullin, Teacher	Purchased computer	250
Jacque Bennett, Teachers Aide	Purchased computer	250
SuAnn Cook, Teacher	Purchased computer	250
Diana Larson, Teacher	Purchased iPad	150
Vera Bradley, Teacher	Purchased iPad	150
Mandy Marshall, Teacher	Purchased iPad	150
LuElla Nally, Teachers Aide	Purchased computer	100
Bev Inloes, Preschool Teacher	Purchased computer	100

In accordance with Chapter 279.7A of the Code of Iowa, the above transactions with the Board Members do not appear to represent a conflict of interest.

In accordance with the Attorney's General opinion dated July 2, 1990, the above transaction with the District employee does not appear to represent a conflict of interest.

- II-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-14 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-14 Supplementary Weighting - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-I-14 Deposits and Investments - We noted 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.
- II-J-14 Certified Annual Report - The Certified Annual Report was not filed with the Department of Education timely. However, we noted no significant deficiencies in the amounts reported.

Recommendation - The District should develop procedures to ensure that the Certified Annual Report is filed timely in the future.

Response - Due to the dissolution of the District this will no longer be an issue.

Conclusion - Response accepted.

- II-K-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal 2014 audit:

Beginning Balance		\$ 251,797
Revenues:		
Sales tax revenues	\$ 72,208	
Other local revenues	324	72,532
		324,329
Expenditures:		
Other		11,461
		11,461
Ending balance		\$ 312,868

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

II-M-14 Financial Condition - At June 30, 2014, the General Fund had a deficit unassigned fund balance of \$112,864 and a deficit fund balance of \$52,167. The District also had a deficit net position balance of \$70,653 in the governmental activities.

Recommendation - The District should investigate alternatives to eliminate the deficits.

Response - Due to the dissolution of the District this will no longer be an issue.

Conclusion - Response accepted.