

**CLEAR LAKE COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

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Introductory Section

Board of Education and School District Officials

As of June 30, 2014

Name	Title	Term Expires
Board of Education		
(Before September, 2013 Election)		
Deb Betz	President	September, 2015
Mark Tesar	Vice President	September, 2013
Sandy Christ	Board Member	September, 2013
Chad Kuhlers	Board Member	September, 2015
Jill Wilhelm	Board Member	September, 2015
(After September, 2013 Election)		
Chad Kuhlers	President	September, 2015
Jill Wilhelm	Vices President	September, 2015
Deb Betz	Board Member (resigned August, 2014)	September, 2015
Chryl Bergvig	Board Member	September, 2017
Mark Tesar	Board Member	September, 2017
Officials		
Dr. Anita Micich	Superintendent	Indefinite
Lorna Leerar	District Secretary/Treasurer	Indefinite

Financial Section



Independent Auditor's Report

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

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 Clear Lake Community School District 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, 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. Except as described in the Basis for Disclaimer of Opinion on the Discretely Presented Component Unit paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. However, because of the matter described in the Basis for Disclaimer of Opinion on the Discretely Presented Component Unit paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the discretely presented component unit.

Basis for Disclaimer of Opinion on the Discretely Presented Component Unit

The financial statements of Clear Lake Community School Foundation (Foundation) have not been audited, and we were not engaged to audit the Foundation's financial statements as part of our audit of the District's basic financial statements. The Foundation's financial activities are included in the District's basic financial statements as a discretely presented component unit and represent 100% of the assets, net position, revenue and expenses of the District's discretely presented component units.

Disclaimer of Opinion on the Discretely Presented Component Unit

Because the Foundation's financial statements have not been audited as discussed in the Basis for Disclaimer of Opinion on the Discretely Presented Component Unit, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the discretely presented component unit of Clear Lake Community School District as of and for the year ended June 30, 2014.

Unmodified Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Clear Lake Community School District as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, 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, budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 5 through 14 and 40 and 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 Clear Lake 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 two years ended June 30, 2013 (which are not presented herein) and expressed a modified opinion on those financial statements. The financial statements for the seven years ended June 30, 2011 (which are not presented herein) were audited by other auditors in accordance with the standards

referred to in the third paragraph of this report who expressed unmodified opinions on those financial statements. The supplementary information included on pages 42 through 52, including the schedule of expenditures of federal awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 a report dated December 23, 2014 on our consideration of Clear Lake Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Clear Lake Community School District's internal control over financial reporting and compliance.

HOGAN - HANSEN

HOGAN - HANSEN

Clear Lake, Iowa
December 23, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clear Lake Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- General Fund revenue increased from \$13,945,239 in fiscal year 2013 to \$14,263,400 in fiscal year 2014, and General Fund expenditures decreased from \$13,388,562 in fiscal year 2013 to \$13,331,425 in fiscal year 2014. This resulted in an increase in the General Fund balance from \$2,351,903 in fiscal year 2013 to \$3,283,878 in fiscal year 2014.
- The increase in General Fund revenue of \$318,161 was primarily attributable to an increase in cash reserves from property tax revenue.

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 Clear Lake Community School District as a whole and present an overall view of the District's finances.

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

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

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

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

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

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

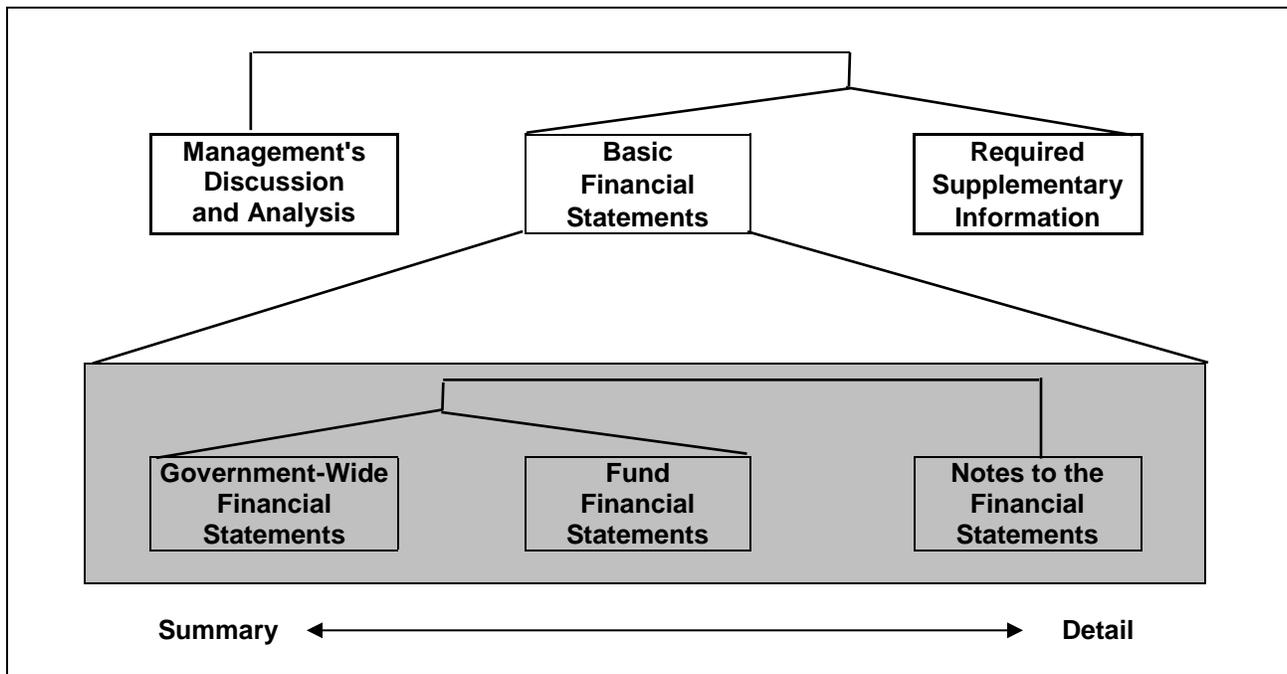


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

FIGURE A-2				
MAJOR FEATURES OF THE GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS				
	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses, such as food services and three-year-old preschool	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statements of revenue, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, 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 revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-Wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net 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 revenue and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position 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, respectively. To assess the District's overall health, you need to consider additional nonfinancial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

The required financial statements for fiduciary funds include a statement of fiduciary net position and a statement of changes in fiduciary net position.

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 as of 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, 2013-2014
	June 30,		June 30,		June 30,		
	2014	2013	2014	2013	2014	2013	
Current and other assets	\$ 18,792,697	\$ 18,213,037	\$ 149,840	\$ 162,565	\$ 18,942,537	\$ 18,375,602	3.1 %
Capital assets	18,538,123	18,844,981	151,316	178,006	18,689,439	19,022,987	(1.8)
Total Assets	<u>37,330,820</u>	<u>37,058,018</u>	<u>301,156</u>	<u>340,571</u>	<u>37,631,976</u>	<u>37,398,589</u>	<u>0.6</u>
Long-term liabilities	6,538,057	7,906,553	—	—	6,538,057	7,906,553	(17.3)
Other liabilities	1,786,025	1,687,873	48,479	58,435	1,834,504	1,746,308	5.1
Total Liabilities	<u>8,324,082</u>	<u>9,594,426</u>	<u>48,479</u>	<u>58,435</u>	<u>8,372,561</u>	<u>9,652,861</u>	<u>(13.3)</u>
Deferred Inflows of Resources	<u>7,006,658</u>	<u>7,852,392</u>	<u>—</u>	<u>—</u>	<u>7,006,658</u>	<u>7,852,392</u>	<u>(10.8)</u>
Net Position							
Net investment in capital assets	12,228,123	11,259,981	151,316	178,006	12,379,439	11,437,987	8.2
Restricted	6,144,787	5,931,057	—	—	6,144,787	5,931,057	3.6
Unrestricted	3,627,170	2,420,162	101,361	104,130	3,728,531	2,524,292	47.7
Total Net Position	<u>\$ 22,000,080</u>	<u>\$ 19,611,200</u>	<u>\$ 252,677</u>	<u>\$ 282,136</u>	<u>\$ 22,252,757</u>	<u>\$ 19,893,336</u>	<u>11.9 %</u>

The District's combined net position increased \$2,359,421 over 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 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 by \$213,730 over the prior period.

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 by \$1,204,239.

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

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

	Governmental Activities June 30,		Business- Type Activities June 30,		Total District June 30,		Total Change 2013-2014
	2014	2013	2014	2013	2014	2013	
Revenue							
Program Revenue							
Charges for service	\$ 1,732,838	\$ 1,635,326	\$ 447,401	\$ 430,699	\$ 2,180,239	\$ 2,066,025	5.5 %
Operating grants and contributions	2,160,851	1,943,112	299,185	294,785	2,460,036	2,237,897	9.9
General Revenue							
Property tax	7,849,686	7,132,673	—	—	7,849,686	7,132,673	10.1
Income surtax	601,557	488,676	—	—	601,557	488,676	23.1
Statewide sales, services and use tax	1,029,288	1,723,571	—	—	1,029,288	1,723,571	(40.3)
Unrestricted state grants	4,171,511	4,755,737	—	—	4,171,511	4,755,737	(12.3)
Unrestricted investment earnings	39,047	33,057	1,820	472	40,867	33,529	21.9
Total Revenue	<u>17,584,778</u>	<u>17,712,152</u>	<u>748,406</u>	<u>725,956</u>	<u>18,333,184</u>	<u>18,438,108</u>	<u>(0.6)</u>
Program Expenses							
Instruction	9,422,983	9,635,553	—	—	9,422,983	9,635,553	(2.2)
Support services	4,469,229	4,602,453	—	—	4,469,229	4,602,453	(2.9)
Noninstructional programs	—	—	777,865	791,484	777,865	791,484	(1.7)
Other expenses	1,303,686	1,218,678	—	—	1,303,686	1,218,678	7.0
Total Program Expenses	<u>15,195,898</u>	<u>15,456,684</u>	<u>777,865</u>	<u>791,484</u>	<u>15,973,763</u>	<u>16,248,168</u>	<u>(1.7)</u>
Change in Net Position	2,388,880	2,255,468	(29,459)	(65,528)	2,359,421	2,189,940	7.7
Net Position - Beginning of Year	<u>19,611,200</u>	<u>17,355,732</u>	<u>282,136</u>	<u>347,664</u>	<u>19,893,336</u>	<u>17,703,396</u>	<u>12.4</u>
Net Position - End of Year	<u>\$ 22,000,080</u>	<u>\$ 19,611,200</u>	<u>\$ 252,677</u>	<u>\$ 282,136</u>	<u>\$ 22,252,757</u>	<u>\$ 19,893,336</u>	<u>11.9 %</u>

In fiscal year 2014, property tax, income surtax and unrestricted state grants accounted for 71.8% of the District's governmental activities revenue while charges for service and operating grants and contributions accounted for 99.8% of business-type activities revenue. The District's expenses primarily relate to instruction and support services, which account for 91.4% of the governmental activities expenses.

As shown in Figure A-4, the District as a whole experienced a 0.6% decrease in revenue and a 1.7% decrease in expenses. The decrease in revenue is primarily due to a decrease in state grants and statewide sales, services and use tax revenue and the decrease in expenses can be primarily attributed to a decrease in operation and maintenance of plant expenses.

Governmental Activities

Revenue for governmental activities was \$17,584,778 and expenses were \$15,195,898 for the year ended June 30, 2014.

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

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

	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>		
	2014	2013	Total Change 2013-2014	2014	2013	Total Change 2013-2014
Instruction	\$ 9,422,983	\$ 9,635,553	(2.2)%	\$ 6,190,343	\$ 6,685,917	(7.4)%
Support services	4,469,229	4,602,453	(2.9)	4,335,492	4,486,411	(3.4)
Other expenses	<u>1,303,686</u>	<u>1,218,678</u>	<u>7.0</u>	<u>776,374</u>	<u>705,918</u>	<u>10.0</u>
Total	<u>\$ 15,195,898</u>	<u>\$ 15,456,684</u>	<u>(1.7)%</u>	<u>\$ 11,302,209</u>	<u>\$ 11,878,246</u>	<u>(4.8)%</u>

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$1,732,838.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,160,851.
- The net cost of governmental activities was financed with \$9,480,531 in property and other taxes and \$4,171,511 in unrestricted state grants.

Business-Type Activities

Revenue for business-type activities during the year ended June 30, 2014 was \$748,406, representing a 3.1% increase over the prior year, while expenses totaled \$777,865, a 1.7% decrease from the prior year. The District's business-type activities include the School Nutrition Fund and the Preschool Fund. Revenue from these activities was comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$9,593,530. Last year's ending fund balances were \$8,272,648. However, the primary reason for the increase in combined fund balances in fiscal year 2014 was due to an increase in property tax revenue.

Governmental Fund Highlights

- The General Fund reported an overall increase in its fund balance of \$931,975 in fiscal year 2014. This increase was due, in part, from an increase in property tax revenue.
- The Capital Projects Fund includes revenue from statewide sales, services and use tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting.
 - The Physical Plant and Equipment Levy (PEEL) account balance increased from \$609,293 in fiscal year 2013 to \$704,848 in fiscal year 2014 due to less expenditures.
 - The Statewide Sales, Services and Use Tax account balance increased due to revenue in excess of expenditures. Fiscal year 2014 ended with a balance of \$3,984,572 consisting primarily of unexpended statewide sales, services and use tax which will be expended as needed.

Proprietary Fund Highlights

The School Nutrition Fund balance decreased from \$281,666 as of June 30, 2013 to \$292,641 as of June 30, 2014. The decrease is due in part to increases in salaries and benefits.

BUDGETARY HIGHLIGHTS

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

Over the course of the year, Clear Lake Community School District did not amend its budget.

The District's total revenue was \$472,012 less than total budgeted revenue, a variance of less than 3%. The variance primarily resulted from the District over-budgeting statewide sales, services and use tax revenue.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2014, the District had invested \$18,689,439, 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 represents a net decrease of \$333,548 from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$732,792.

**FIGURE A-6
CAPITAL ASSETS, NET OF DEPRECIATION**

	Governmental Activities June 30,		Business-Type Activities June 30,		Total District June 30,		Total Change June 30, 2013-2014
	2014	2013	2014	2013	2014	2013	
Land	\$ 106,704	\$ 106,704	\$ —	\$ —	\$ 106,704	\$ 106,704	0.0 %
Construction in progress	68,946	—	—	—	68,946	—	100.0
Buildings	17,586,588	18,005,050	—	—	17,586,588	18,005,050	(2.3)
Improvements other than buildings	254,773	281,119	—	—	254,773	281,119	(9.4)
Furniture and equipment	521,112	452,108	151,316	178,006	672,428	630,114	6.7
Total	<u>\$ 18,538,123</u>	<u>\$ 18,844,981</u>	<u>\$ 151,316</u>	<u>\$ 178,006</u>	<u>\$ 18,689,439</u>	<u>\$ 19,022,987</u>	<u>(1.8)%</u>

Long-Term Debt

As of June 30, 2014, the District had a total of \$6,310,000 in general obligation and revenue bonds outstanding. This represents a decrease of \$1,275,000 from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The constitution of the State of Iowa limits the amount of debt school districts can issue to 5% of the assessed value of all taxable property within the District. The District's outstanding bonded indebtedness is significantly below its constitutional debt limit of approximately \$52 million.

**FIGURE A-7
OUTSTANDING LONG-TERM OBLIGATIONS**

	Total District June 30,		Total Change June 30, 2013-2014
	2014	2013	
General obligation bonds	\$ 1,035,000	\$ 1,540,000	(32.8)%
Revenue bonds	<u>5,275,000</u>	<u>6,045,000</u>	<u>(12.7)</u>
Total	<u>\$ 6,310,000</u>	<u>\$ 7,585,000</u>	<u>(16.8)%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

School financing is highly dependent upon student enrollment. The District's October, 2013 enrollment declined by four students. Projections show declining enrollment over the next several years.

The contract with the Clear Lake Education Teacher Association (CLEA) and other groups always have an impact on the District's financial health. The settlements were in excess of "new money" or allowable growth in state funding and will have an adverse effect on the District's future General Fund budget and related fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lorna Leerar, Business Manager/Board Secretary, Clear Lake Community School District, 1529 - 3rd Avenue, N, Clear Lake, IA 50428.

Basic Financial Statements

Statement of Net Position

As of June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Clear Lake Community School Foundation
Assets				
Cash, cash equivalents and pooled investments....	\$ 10,777,959	\$ 72,990	\$ 10,850,949	\$ 962,659
Receivables				
Property Tax, Net of Allowance				
Current year delinquent	67,076	—	67,076	—
Succeeding year	7,006,658	—	7,006,658	—
Accounts	240,821	996	241,817	—
Due from other governments	734,814	—	734,814	—
Internal balances	(34,631)	34,631	—	—
Inventories.....	—	41,223	41,223	—
Capital assets, net of accumulated depreciation	18,538,123	151,316	18,689,439	—
Total Assets	<u>\$ 37,330,820</u>	<u>\$ 301,156</u>	<u>\$ 37,631,976</u>	<u>\$ 962,659</u>
Liabilities, Deferred Inflows of Resources and Net Position				
Liabilities				
Accounts payable.....	\$ 448,011	\$ 960	\$ 448,971	\$ —
Salaries and benefits payable.....	1,264,530	47,519	1,312,049	—
Accrued interest payable	73,484	—	73,484	—
Long-Term Liabilities				
Portion Due Within One Year				
General obligation bonds.....	515,000	—	515,000	—
Revenue bonds.....	535,000	—	535,000	—
Early retirement.....	93,451	—	93,451	—
Compensated absences	36,887	—	36,887	—
Portion Due After One Year				
General obligation bonds.....	520,000	—	520,000	—
Revenue bonds.....	4,740,000	—	4,740,000	—
Early retirement.....	97,719	—	97,719	—
Total Liabilities	<u>8,324,082</u>	<u>48,479</u>	<u>8,372,561</u>	<u>—</u>
Deferred Inflows of Resources				
Unavailable property tax revenue	<u>7,006,658</u>	<u>—</u>	<u>7,006,658</u>	<u>—</u>
Net Position				
Net investment in capital assets	12,228,123	151,316	12,379,439	—
Restricted for				
Categorical funding	42,107	—	42,107	—
Capital improvements.....	57,682	—	57,682	—
Debt service.....	1,448,974	—	1,448,974	—
School infrastructure	3,304,072	—	3,304,072	—
Physical plant and equipment	704,848	—	704,848	—
Management levy purposes	286,828	—	286,828	—
Student activities	300,276	—	300,276	—
Unrestricted	3,627,170	101,361	3,728,531	962,659
Total Net Position	<u>22,000,080</u>	<u>252,677</u>	<u>22,252,757</u>	<u>962,659</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 37,330,820</u>	<u>\$ 301,156</u>	<u>\$ 37,631,976</u>	<u>\$ 962,659</u>

See accompanying notes to the financial statements.

Statement of Activities

Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenue		Net (Expense), Revenue and Changes in Net Position			Component Unit Clear Lake Community School Foundation
		Charges for Service	Operating Grants and Contributions	Governmental Activities	Primary Government Business- Type Activities	Total	
Governmental Activities							
Instruction							
Regular	\$ 6,764,406	\$ 799,826	\$ 1,619,345	\$ (4,345,235)	\$ —	\$ (4,345,235)	\$ —
Special	1,796,359	337,139	—	(1,459,220)	—	(1,459,220)	—
Other	862,218	473,794	2,536	(385,888)	—	(385,888)	—
Total Instruction	<u>9,422,983</u>	<u>1,610,759</u>	<u>1,621,881</u>	<u>(6,190,343)</u>	<u>—</u>	<u>(6,190,343)</u>	<u>—</u>
Support Services							
Student	252,483	—	—	(252,483)	—	(252,483)	—
Instructional staff	596,548	76,340	—	(520,208)	—	(520,208)	—
Administration	1,408,707	—	—	(1,408,707)	—	(1,408,707)	—
Operation and maintenance of plant	1,351,546	5,062	—	(1,346,484)	—	(1,346,484)	—
Transportation	859,945	40,677	11,658	(807,610)	—	(807,610)	—
Total Support Services	<u>4,469,229</u>	<u>122,079</u>	<u>11,658</u>	<u>(4,335,492)</u>	<u>—</u>	<u>(4,335,492)</u>	<u>—</u>
Other Expenditures							
Long-term debt interest and fiscal charges	215,818	—	—	(215,818)	—	(215,818)	—
AEA flowthrough	527,312	—	527,312	—	—	—	—
Depreciation - unallocated*	560,556	—	—	(560,556)	—	(560,556)	—
Total Other Expenditures	<u>1,303,686</u>	<u>—</u>	<u>527,312</u>	<u>(776,374)</u>	<u>—</u>	<u>(776,374)</u>	<u>—</u>
Total Governmental Activities	<u>15,195,898</u>	<u>1,732,838</u>	<u>2,160,851</u>	<u>(11,302,209)</u>	<u>—</u>	<u>(11,302,209)</u>	<u>—</u>
Business-Type Activities							
Noninstructional Programs							
Food service operations	758,683	430,170	299,185	—	(29,328)	(29,328)	—
Preschool	19,182	17,231	—	—	(1,951)	(1,951)	—
Total Business-Type Activities	<u>777,865</u>	<u>447,401</u>	<u>299,185</u>	<u>—</u>	<u>(31,279)</u>	<u>(31,279)</u>	<u>—</u>
Total Primary Government	<u>\$ 15,973,763</u>	<u>\$ 2,180,239</u>	<u>\$ 2,460,036</u>	<u>(11,302,209)</u>	<u>(31,279)</u>	<u>(11,333,488)</u>	<u>—</u>
Component Unit							
Clear Lake Community School Foundation	<u>\$ 47,631</u>	<u>\$ —</u>	<u>\$ 62,550</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>14,919</u>
General Revenue							
Property Tax Levied for							
General purposes				6,094,419	—	6,094,419	—
Capital outlay				664,828	—	664,828	—
Management levy				549,780	—	549,780	—
Debt service				540,659	—	540,659	—
Income surtax				601,557	—	601,557	—
Statewide sales, services and use tax				1,029,288	—	1,029,288	—
Unrestricted state grants				4,171,511	—	4,171,511	—
Unrestricted investment earnings				39,047	1,820	40,867	32,536
Total General Revenue				<u>13,691,089</u>	<u>1,820</u>	<u>13,692,909</u>	<u>32,536</u>
Change in Net Position				2,388,880	(29,459)	2,359,421	47,455
Net Position - Beginning of Year				19,611,200	282,136	19,893,336	915,204
Net Position - End of Year				<u>\$ 22,000,080</u>	<u>\$ 252,677</u>	<u>\$ 22,252,757</u>	<u>\$ 962,659</u>

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

Balance Sheet - Governmental Funds

As of June 30, 2014

	General	Capital Projects	Nonmajor	Total
Assets				
Cash, cash equivalents and pooled investments	\$ 4,546,331	\$ 4,566,690	\$ 1,664,938	\$ 10,777,959
Receivables				
Property Tax, Net of Allowance				
Current year delinquent	52,210	5,600	9,266	67,076
Succeeding year	5,128,838	686,436	1,191,384	7,006,658
Accounts	40,738	191,601	8,482	240,821
Due from other governments	734,814	—	—	734,814
Total Assets	<u>\$ 10,502,931</u>	<u>\$ 5,450,327</u>	<u>\$ 2,874,070</u>	<u>\$ 18,827,328</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 311,086	\$ 74,471	\$ 62,454	\$ 448,011
Salaries and benefits payable	1,264,530	—	—	1,264,530
Due to other funds	34,631	—	—	34,631
Total Liabilities	<u>1,610,247</u>	<u>74,471</u>	<u>62,454</u>	<u>1,747,172</u>
Deferred Inflows of Resources				
Unavailable Revenue				
Succeeding year property tax	5,128,838	686,436	1,191,384	7,006,658
Income surtax	479,968	—	—	479,968
Total Deferred Inflows of Resources	<u>5,608,806</u>	<u>686,436</u>	<u>1,191,384</u>	<u>7,486,626</u>
Fund Balances				
Restricted for				
Categorical funding	42,107	—	—	42,107
Capital improvements	57,682	—	—	57,682
Debt service	—	680,500	841,958	1,522,458
School infrastructure	—	3,304,072	—	3,304,072
Physical plant and equipment	—	704,848	—	704,848
Management levy purposes	—	—	477,998	477,998
Student activities	—	—	300,276	300,276
Unassigned	3,184,089	—	—	3,184,089
Total Fund Balances	<u>3,283,878</u>	<u>4,689,420</u>	<u>1,620,232</u>	<u>9,593,530</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 10,502,931</u>	<u>\$ 5,450,327</u>	<u>\$ 2,874,070</u>	<u>\$ 18,827,328</u>

See accompanying notes to the financial statements.

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

As of June 30, 2014

Total Fund Balances for Governmental Funds (Page 17)....		\$ 9,593,530
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.....		18,538,123
Income surtax receivables are not available to pay current year expenditures and, therefore, are deferred in the government funds		479,968
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.....		(73,484)
Long-term liabilities, including general obligation bonds, revenue bonds, early retirement and compensated absences, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.		
General obligation bonds	\$ (1,035,000)	
Revenue bonds.....	(5,275,000)	
Early retirement.....	(191,170)	
Compensated absences.....	<u>(36,887)</u>	<u>(6,538,057)</u>
 Net Position of Governmental Activities (Page 15)		 <u>\$ 22,000,080</u>

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

Year Ended June 30, 2014

	General	Capital Projects	Nonmajor	Total
Revenue				
Local Sources				
Local tax	\$ 6,654,491	\$ 664,828	\$ 1,090,439	\$ 8,409,758
Tuition	952,286	—	—	952,286
Other	369,841	15,904	478,788	864,533
State sources	5,956,231	1,029,531	403	6,986,165
Federal sources	330,551	—	—	330,551
Total Revenue	<u>14,263,400</u>	<u>1,710,263</u>	<u>1,569,630</u>	<u>17,543,293</u>
Expenditures				
Current				
Instruction				
Regular	6,660,213	—	150,994	6,811,207
Special	1,798,740	—	—	1,798,740
Other	381,526	—	480,399	861,925
Total Instruction	<u>8,840,479</u>	<u>—</u>	<u>631,393</u>	<u>9,471,872</u>
Support Services				
Student	198,876	—	—	198,876
Instructional staff	597,305	—	—	597,305
Administration	1,272,973	750	136,328	1,410,051
Operation and maintenance of plant	1,325,343	—	—	1,325,343
Transportation	569,137	199,510	—	768,647
Total Support Services	<u>3,963,634</u>	<u>200,260</u>	<u>136,328</u>	<u>4,300,222</u>
Other Expenditures				
Facilities acquisition	—	467,313	—	467,313
Long-Term Debt				
Principal	—	—	1,275,000	1,275,000
Interest and fiscal charges	—	—	180,692	180,692
AEA flowthrough	527,312	—	—	527,312
Total Other Expenditures	<u>527,312</u>	<u>467,313</u>	<u>1,455,692</u>	<u>2,450,317</u>
Total Expenditures	<u>13,331,425</u>	<u>667,573</u>	<u>2,223,413</u>	<u>16,222,411</u>
Revenue Over (Under) Expenditures	<u>931,975</u>	<u>1,042,690</u>	<u>(653,783)</u>	<u>1,320,882</u>
Other Financing Sources (Uses)				
Operating transfers in	—	—	673,288	673,288
Operating transfers out	—	(673,288)	—	(673,288)
Total Other Financing Sources (Uses)	<u>—</u>	<u>(673,288)</u>	<u>673,288</u>	<u>—</u>
Net Change in Fund Balances	931,975	369,402	19,505	1,320,882
Fund Balances - Beginning of Year	2,351,903	4,320,018	1,600,727	8,272,648
Fund Balances - End of Year	<u>\$ 3,283,878</u>	<u>\$ 4,689,420</u>	<u>\$ 1,620,232</u>	<u>\$ 9,593,530</u>

See accompanying notes to the financial statements.

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

Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds (Page 19) \$ 1,320,882

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

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

Capital outlays.....	\$ 399,244	
Depreciation expense.....	<u>(706,102)</u>	(306,858)

Income surtax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.		41,485
---	--	--------

Bond issue costs are expensed when incurred in governmental funds, but were capitalized in previous years and expensed in the current year in the statement of activities		(41,386)
---	--	----------

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due		6,261
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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:

Early retirement.....	\$ 78,378	
Compensated absences.....	<u>15,118</u>	93,496

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position		<u>1,275,000</u>
--	--	------------------

Change in Net Position of Governmental Activities (Page 16) \$ 2,388,880

Statement of Net Position - Proprietary Funds

As of June 30, 2014

	Nonmajor Enterprise
Assets	
Current Assets	
Cash, cash equivalents and pooled investments	\$ 72,990
Receivables	
Accounts	996
Due from other funds.....	34,631
Inventories.....	41,223
Total Current Assets	<u>149,840</u>
Capital Assets, Net of Accumulated Depreciation	<u>151,316</u>
Total Assets	<u>\$ 301,156</u>
 Liabilities and Net Position	
Current Liabilities	
Accounts payable	\$ 960
Salaries and benefits payable.....	47,519
Total Current Liabilities	<u>48,479</u>
 Net Position	
Net investment in capital assets	151,316
Unrestricted.....	101,361
Total Net Position	<u>252,677</u>
Total Liabilities and Net Position	<u>\$ 301,156</u>

Statement of Revenue, Expenses and Changes in Net Position - Proprietary Funds

Year Ended June 30, 2014

	Nonmajor Enterprise
Operating Revenue	
Local Sources	
Charges for service	\$ 443,995
Other receipts	<u>3,406</u>
Total Operating Revenue	<u>447,401</u>
Operating Expenses	
Noninstructional Programs	
Salaries and benefits.....	402,711
Purchased services.....	3,625
Supplies and other	344,839
Depreciation.....	<u>26,690</u>
Total Operating Expenses	<u>777,865</u>
Loss From Operations	<u>(330,464)</u>
Nonoperating Revenue	
State sources	6,105
Federal sources.....	293,080
Interest on investments	<u>1,820</u>
Total Nonoperating Revenue.....	<u>301,005</u>
Change in Net Position	(29,459)
Net Position - Beginning of Year.....	<u>282,136</u>
Net Position - End of Year.....	<u>\$ 252,677</u>

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2014

	Nonmajor Enterprise
Cash Flows From Operating Activities	
Cash received from sale of lunches, breakfasts and other services.....	\$ 442,938
Cash received from other	3,406
Cash received from preschool services	19,339
Cash payments to employees for services	(399,871)
Cash payments to suppliers for goods and services.....	<u>(305,270)</u>
Net Cash Used in Operating Activities.....	<u>(239,458)</u>
Cash Flows From Noncapital Financing Activities	
State grants received.....	6,105
Federal grants received.....	243,718
Loans to other funds.....	<u>(34,631)</u>
Net Cash Provided by Noncapital Financing Activities	<u>215,192</u>
Cash Flows From Investing Activities	
Interest on investments	<u>1,820</u>
Net Decrease in Cash, Cash Equivalents and Pooled Investments	(22,446)
Cash, Cash Equivalents and Pooled Investments - Beginning of Year	<u>95,436</u>
Cash, Cash Equivalents and Pooled Investments - End of Year.....	<u>\$ 72,990</u>
Reconciliation of Loss From Operations to Net Cash Used in Operating Activities	
Loss from operations.....	\$ (330,464)
Adjustments to Reconcile Loss From Operations to Net Cash Used in Operating Activities	
Commodities used	43,183
Depreciation.....	26,690
Changes in Assets and Liabilities	
Decrease in receivables	30,283
Decrease in inventories	806
Increase in accounts payable	165
Increase in salaries and benefits payable	1,880
Decrease in unearned revenue.....	<u>(12,001)</u>
Net Cash Used in Operating Activities.....	<u>\$ (239,458)</u>

Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2014, the District received \$49,362 of federal commodities.

Statement of Fiduciary Net Position - Fiduciary Fund ---

As of June 30, 2014

	<u>Private Purpose Trust Scholarships</u>
Assets	
Cash, cash equivalents and pooled investments	<u>\$ 1,158,902</u>
Net Position	
Reserved for scholarships	<u>\$ 1,158,902</u>

Statement of Changes in Fiduciary Net Position - Fiduciary Fund —————

Year Ended June 30, 2014

	Private Purpose Trust <hr/> Scholarships
Additions	
Local Sources	
Interest income	\$ 46,223
Contributions.....	<u>4,100</u>
Total Additions	<u>50,323</u>
Deductions	
Instruction	
Regular	
Scholarships.....	49,900
Investment fees.....	10,567
Decrease in fair value of investments	<u>19,629</u>
Total Deductions	<u>80,096</u>
Change in Net Position	(29,773)
Net Position - Beginning of Year.....	<u>1,188,675</u>
Net Position - End of Year	<u>\$ 1,158,902</u>

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Clear Lake Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Clear Lake, Iowa, and the predominate agricultural territory in a portion of Cerro Gordo County. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

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

Reporting Entity

For financial reporting purposes, Clear Lake Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. The component unit discussed below has been included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Discretely Presented Component Unit

Clear Lake Community School Foundation (Foundation) is a legally separate entity, organized as a charitable organization under Chapter 501(c)(3) of the Internal Revenue Code. The Foundation was established to further develop, increase and extend the facilities and services of Clear Lake Community School District by providing broader educational opportunities to its students, staff, faculty and the residents of the geographical area which it serves. The Foundation is governed by a four-member Board of Directors. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The Foundation's fiscal year end is April 30, 2014. The financial information presented is as of and for the year ended April 30, 2014.

Jointly Governed Organizations

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

Basis of Presentation

Government-Wide Financial Statements

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The statement of net 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 attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net asset use are 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 not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management, but can be removed or modified.

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

Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund is the *Private Purpose Trust Fund* which is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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

Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

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

Cash, Cash Equivalents 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.

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

Property 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 represent unpaid taxes for the current and prior years. The succeeding year property tax receivable represent taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property 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 1-1/2% monthly 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 revenue, grants and reimbursements from other governments.

Inventories

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Capital Assets

Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The District did not have any intangible assets as of June 30, 2014. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land.....	\$ —
Buildings	5,000
Improvements other than buildings	5,000
Furniture and Equipment	
School Nutrition Fund equipment	500
Other furniture and equipment.....	5,000
Intangible assets	100,000

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

Buildings	20 - 50 Years
Improvements other than buildings	15 Years
Furniture and equipment	5 - 12 Years
Intangible assets	3 - 10 Years

Salaries and Benefits Payable

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

Deferred Inflows of Resources

Although certain revenue is measurable, it is not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of property tax receivable and income surtax receivable not collected within 60 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.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Compensated Absences

District employees accumulate a limited amount of earned but unused paid time off for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect as of June 30, 2014. 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:

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

Unassigned - All amounts not included in the preceding classification.

Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

Estimates and Assumptions

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

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks as of 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 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.

Notes to the Financial Statements

(2) Cash, Cash Equivalents and Pooled Investments

As of June 30, 2014, the District had the following investments:

	Maturity Date	Fair Value
Municipal Bonds		
South Dakota District Revenue Bond	August, 2030	\$ 57,386
Tax-Exempt Bonds		
Grandview College	October, 2036	20,016
University of Iowa	July, 2016	52,362
U.S. Government Agency Obligations		
Federal Home Loan Bank	November, 2023	49,904
FFCB	February, 2017	111,563
FFCB	April, 2022	58,504
FHLB	June, 2019	49,807
FHLB	September, 2018	49,741
FHLB	December, 2014	50,582
FHLB	December, 2016	53,300
FNMA	March, 2014	49,822

As of June 30, 2014, the District also had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at amortized cost of \$265,209 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest Rate Risk

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

Credit Risk

The investments in the Iowa Schools Joint Investment Trust was rated AAAM by Standard and Poor's Financial Services. The South Dakota District Revenue Bond was rated Aaa by Moody's Investor Service. The Grandview College bond was not rated. The University of Iowa bond was rated Aa2 by Moody's Investor Service.

(3) Due From and Due To Other Funds

The detail of interfund receivables and payables as of June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
Enterprise		
School Nutrition	General	<u>\$ 34,631</u>

The General Fund is repaying the Enterprise, School Nutrition Fund for various receipts deposited into the General Fund not transferred to the Nutrition Fund until after June 30, 2014. The balance is to be repaid by June 30, 2015.

Notes to the Financial Statements

(4) Interfund Transfers

The detail of the interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer From	Amount
Debt Service	Capital Projects	<u>\$ 673,288</u>

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

(5) Capital Assets

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

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated				
Land.....	\$ 106,704	\$ —	\$ —	\$ 106,704
Construction in progress	<u>—</u>	<u>68,946</u>	<u>—</u>	<u>68,946</u>
Total Capital Assets Not Being Depreciated.....	<u>106,704</u>	<u>68,946</u>	<u>—</u>	<u>175,650</u>
Capital Assets Being Depreciated				
Buildings	23,541,320	87,529	—	23,628,849
Improvements other than buildings	835,723	6,375	—	842,098
Furniture and equipment	<u>2,719,929</u>	<u>236,394</u>	<u>—</u>	<u>2,956,323</u>
Total Capital Assets Being Depreciated.....	<u>27,096,972</u>	<u>330,298</u>	<u>—</u>	<u>27,427,270</u>
Less Accumulated Depreciation for				
Buildings	5,536,270	505,991	—	6,042,261
Improvements other than buildings	554,604	32,721	—	587,325
Furniture and equipment	<u>2,267,821</u>	<u>167,390</u>	<u>—</u>	<u>2,435,211</u>
Total Accumulated Depreciation.....	<u>8,358,695</u>	<u>706,102</u>	<u>—</u>	<u>9,064,797</u>
Net Total Capital Assets Being Depreciated.....	<u>18,738,277</u>	<u>(375,804)</u>	<u>—</u>	<u>18,362,473</u>
Net Governmental Activities				
Capital Assets.....	<u>\$ 18,844,981</u>	<u>\$ (306,858)</u>	<u>\$ —</u>	<u>\$ 18,538,123</u>
Business-Type Activities				
Furniture and equipment	\$ 385,925	\$ —	\$ —	\$ 385,925
Less accumulated depreciation	<u>207,919</u>	<u>26,690</u>	<u>—</u>	<u>234,609</u>
Net Business-Type Activities Capital Assets	<u>\$ 178,006</u>	<u>\$ (26,690)</u>	<u>\$ —</u>	<u>\$ 151,316</u>

Notes to the Financial Statements

(5) Capital Assets

Depreciation expense was charged as follows:

Governmental Activities

Instruction	
Regular	\$ 39,834
Other	905
Support Services	
Operation and maintenance of plant.....	12,940
Transportation	<u>91,867</u>
Subtotal	145,546
Unallocated	<u>560,556</u>
Total Governmental Activities Depreciation Expense	<u>\$ 706,102</u>

Business-Type Activities

School Nutrition.....	<u>\$ 26,690</u>
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(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
Governmental Activities					
General obligation bonds...	\$ 1,540,000	\$ —	\$ 505,000	\$ 1,035,000	\$ 515,000
Revenue bonds	6,045,000	—	770,000	5,275,000	535,000
Early retirement	269,548	72,616	150,994	191,170	93,451
Compensated absences....	<u>52,005</u>	<u>36,887</u>	<u>52,005</u>	<u>36,887</u>	<u>36,887</u>
Total	<u>\$ 7,906,553</u>	<u>\$ 109,503</u>	<u>\$ 1,477,999</u>	<u>\$ 6,538,057</u>	<u>\$ 1,180,338</u>

General Obligation Bonds

Details of the District's June 30, 2014 general obligation bond indebtedness was as follows:

Year Ending June 30,	Bonds Issued April, 2010			Total
	Interest Rates	Principal	Interest	
2015	2.30%	\$ 515,000	\$ 25,885	\$ 540,885
2016	2.70	<u>520,000</u>	<u>14,040</u>	<u>534,040</u>
Total		<u>\$ 1,035,000</u>	<u>\$ 39,925</u>	<u>\$ 1,074,925</u>

Notes to the Financial Statements

(6) Long-Term Liabilities

Revenue Bonds

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bonds Issued June, 2011			
	Interest Rates	Principal	Interest	Total
2015	1.40%	\$ 535,000	\$ 134,595	\$ 669,595
2016	1.70	475,000	126,813	601,813
2017	2.00	485,000	117,925	602,925
2018	2.25	495,000	107,506	602,506
2019	2.50	510,000	95,563	605,563
2020-2024	2.75 - 4.00	<u>2,775,000</u>	<u>240,538</u>	<u>3,015,538</u>
		<u>\$ 5,275,000</u>	<u>\$ 822,940</u>	<u>\$ 6,097,940</u>

The District has pledged future statewide sales, services and use tax revenue to repay the bonds issued in June, 2011. The bonds were issued to finance school renovations and to refund the 2007 bonds which were issued for the purpose of financing a school building addition. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 40% of the statewide sales, services and use tax revenue. The total principal and interest remaining to be paid on the bonds is \$6,097,940. For the current year, principal and interest of \$770,000 and \$142,960, respectively, was paid on the bonds and total statewide sales, services and use tax revenue was \$1,029,288.

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

- (a) \$680,500 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account.
- (b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- (c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- (d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District was in compliance with all of the provisions for the year ended June 30, 2014.

Notes to the Financial Statements

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$686,328, \$657,886 and \$607,553, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description

The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 111 active and 23 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Asset

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

The following table shows the components of the District's annual OPEB cost for June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB asset:

Annual required contribution	\$ 128,000
Interest on net OPEB asset	(3,000)
Adjustment to annual required contribution	<u>2,800</u>
Annual OPEB Cost	127,800
Contributions made	<u>(192,300)</u>
Increase in Net OPEB Asset	(64,500)
Net OPEB Asset - Beginning of Year	(58,000)
Net OPEB Asset - End of Year	<u><u>\$ (122,500)</u></u>

Notes to the Financial Statements

(8) Other Postemployment Benefits (OPEB)

For calculation of the net OPEB asset, the actuary has set the transition day as July 1, 2008. The end-of-year net OPEB asset was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014. The net OPEB asset was deemed immaterial and not recorded to the government-wide financial statements.

For the year ended June 30, 2014, the District contributed \$192,300 to the medical plan. Plan members eligible for benefits contributed approximately \$57,000, or 30.8%, of the premiums cost.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
June 30, 2012	\$ 142,000	133.1%	\$ (34,000)
June 30, 2013	141,000	117.0	(58,000)
June 30, 2014	127,800	150.5	(122,500)

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date for the period of July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$1,671,631 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,671,631. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,802,000 and the ratio of the UAAL to covered payroll was 34.8%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions

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

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

Notes to the Financial Statements

(8) Other Postemployment Benefits (OPEB)

As of the July 1, 2012 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District funding policy. The projected annual medical trend rate is 9.5%. The ultimate medical trend rate is 5%. The medical trend rate is reduced by 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP-2000 Combined Healthy Generational Mortality Table with Projection Scale, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of July 1, 2012 and applying the termination factors used in IPERS Actuarial Report as of July 1, 2012.

Projected claim costs of the medical plan are \$941 per month for retirees age 60. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Early Retirement Plan

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

Under the plan, the District will pay the cost of health insurance for up to four years. The District will also make a payment to the employee's 403(b) account for an amount calculated as 100% of the difference between the employee's current salary less the BA Step One base salary.

As of June 30, 2014, the District had obligations to 15 participants with a total liability of \$191,170. Early retirement benefits expense for the year ended June 30, 2014 totaled \$150,994.

(10) Risk Management

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

(11) Area Education Agency Support

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$527,312 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.

Notes to the Financial Statements

(12) Lease Commitments

Operating Lease

The District leases several office copy machines and laptop computers under operating leases expiring in 2019 and 2015, respectively.

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

Year Ended June 30,	Lease Payment
2015	\$ 100,255
2016	46,368
2017	46,368
2018	46,368
2019	19,320
Total Minimum Payments Required	<u>\$ 258,679</u>

Rental expense for all operating leases was \$96,014 for the year ended June 30, 2014.

(13) Construction Commitment

The District entered into contracts for a football field building project totaling \$514,400 and an elementary school roof project totaling \$66,868. As of June 30, 2014, costs of \$14,000 had been incurred on the building project and no costs had been incurred on the roof project. The remaining balance as of June 30, 2014 of \$500,400 and \$66,868, respectively, will be paid as work progresses on the projects.

(14) Subsequent Event

Management has evaluated subsequent events through December 23, 2014, the date the financial statements were available to be issued.

In July, 2014, the District entered into a contract for \$512,712 for a safety and security project. The project will be funded with property tax out of the Capital Projects Fund - Physical Plant and Equipment Levy.

(15) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27*. This statement will be implemented during the year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the statement of net position may include a significant liability for the District's proportionate share of the IPERS employee pension plan unfunded pension liability.

Required Supplementary Information

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

Year Ended June 30, 2014

	Actual			Budget Amount Original and Final	Over (Under) Budget
	Governmental Fund Types	Proprietary Fund Type	Total		
Revenue					
Local sources	\$ 10,226,577	\$ 449,221	\$ 10,675,798	\$ 12,350,511	\$ (1,674,713)
Intermediate sources.....	—	—	—	17,000	(17,000)
State sources	6,986,165	6,105	6,992,270	5,706,200	1,286,070
Federal sources	330,551	293,080	623,631	690,000	(66,369)
Total Revenue.....	<u>17,543,293</u>	<u>748,406</u>	<u>18,291,699</u>	<u>18,763,711</u>	<u>(472,012)</u>
Expenditures/Expenses					
Instruction.....	9,471,872	—	9,471,872	10,617,000	(1,145,128)
Support services	4,300,222	—	4,300,222	5,760,000	(1,459,778)
Noninstructional programs	—	777,865	777,865	970,000	(192,135)
Other expenditures.....	2,450,317	—	2,450,317	6,786,856	(4,336,539)
Total Expenditures/ Expenses	<u>16,222,411</u>	<u>777,865</u>	<u>17,000,276</u>	<u>24,133,856</u>	<u>(7,133,580)</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures/Expenses....	1,320,882	(29,459)	1,291,423	(5,370,145)	6,661,568
Balance - Beginning of Year ...	8,272,648	282,136	8,554,784	9,120,860	(566,076)
Balance - End of Year	<u>\$ 9,593,530</u>	<u>\$ 252,677</u>	<u>\$ 9,846,207</u>	<u>\$ 3,750,715</u>	<u>\$ 6,095,492</u>

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, noninstructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2014, the District did not amend the budget.

During the year ended June 30, 2014, expenditures did not exceed budgeted amounts and the District did not exceed its General Fund unspent authorized budget.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2009	7-1-08	\$ —	\$ 879,000	\$ 879,000	0%	\$ 5,576,000	15.8%
2010	7-1-08	—	879,000	879,000	0	5,063,000	17.4
2011	7-1-10	—	1,640,000	1,640,000	0	5,481,000	29.9
2012	7-1-10	—	1,640,000	1,640,000	0	5,047,000	32.5
2013	7-1-10	—	1,640,000	1,640,000	0	4,915,000	33.4
2014	7-1-12	—	1,671,631	1,671,631	0	4,802,000	34.8

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

Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds

As of June 30, 2014

	<u>Special Revenue</u>		Debt Service	Total
	Management Levy	Student Activity		
Assets				
Cash, cash equivalents and pooled investments.....	\$ 517,082	\$ 310,452	\$ 837,404	\$ 1,664,938
Receivables				
Property Tax, Net of Allowance				
Current year delinquent.....	4,712	—	4,554	9,266
Succeeding year	649,999	—	541,385	1,191,384
Accounts	—	8,482	—	8,482
Total Assets	<u>\$ 1,171,793</u>	<u>\$ 318,934</u>	<u>\$ 1,383,343</u>	<u>\$ 2,874,070</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	<u>\$ 43,796</u>	<u>\$ 18,658</u>	<u>\$ —</u>	<u>\$ 62,454</u>
Deferred Inflows of Resources				
Unavailable Revenue				
Succeeding year property tax.....	<u>649,999</u>	<u>—</u>	<u>541,385</u>	<u>1,191,384</u>
Fund Balances				
Restricted for				
Debt service	—	—	841,958	841,958
Management levy purposes	477,998	—	—	477,998
Student activities	—	300,276	—	300,276
Total Fund Balances	<u>477,998</u>	<u>300,276</u>	<u>841,958</u>	<u>1,620,232</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,171,793</u>	<u>\$ 318,934</u>	<u>\$ 1,383,343</u>	<u>\$ 2,874,070</u>

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

Year Ended June 30, 2014

	Special Revenue			
	Management Levy	Student Activity	Debt Service	Total
Revenue				
Local Sources				
Local tax	\$ 549,780	\$ —	\$ 540,659	\$ 1,090,439
Other	1,623	475,519	1,646	478,788
State sources	205	—	198	403
Total Revenue	551,608	475,519	542,503	1,569,630
Expenditures				
Current				
Instruction				
Regular	150,994	—	—	150,994
Other	—	480,399	—	480,399
Total Instruction	150,994	480,399	—	631,393
Support Services				
Administration	135,178	—	1,150	136,328
Other Expenditures				
Long-Term Debt				
Principal	—	—	1,275,000	1,275,000
Interest and fiscal charges	—	—	180,692	180,692
Total Other Expenditures	—	—	1,455,692	1,455,692
Total Expenditures	286,172	480,399	1,456,842	2,223,413
Revenue Over (Under) Expenditures	265,436	(4,880)	(914,339)	(653,783)
Other Financing Sources				
Operating transfers in	—	—	673,288	673,288
Net Change in Fund Balances	265,436	(4,880)	(241,051)	19,505
Fund Balances - Beginning of Year	212,562	305,156	1,083,009	1,600,727
Fund Balances - End of Year	\$ 477,998	\$ 300,276	\$ 841,958	\$ 1,620,232

Combining Schedule of Net Position - Nonmajor Proprietary Funds

As of June 30, 2014

	Enterprise		
	School Nutrition	Preschool	Total
Assets			
Current Assets			
Cash, cash equivalents and pooled investments	\$ 72,990	\$ —	\$ 72,990
Receivables			
Accounts.....	—	996	996
Due from other funds.....	34,631	—	34,631
Inventories.....	41,223	—	41,223
Total Current Assets	<u>148,844</u>	<u>996</u>	<u>149,840</u>
Capital Assets, Net of Accumulated Depreciation			
Depreciation.....	<u>151,316</u>	<u>—</u>	<u>151,316</u>
Total Assets	<u>\$ 300,160</u>	<u>\$ 996</u>	<u>\$ 301,156</u>
Liabilities and Net Position			
Current Liabilities			
Accounts payable	\$ —	\$ 960	\$ 960
Salaries and benefits payable.....	47,519	—	47,519
Total Current Liabilities	<u>47,519</u>	<u>960</u>	<u>48,479</u>
Net Position			
Net investment in capital assets	151,316	—	151,316
Unrestricted	101,325	36	101,361
Total Net Position	<u>252,641</u>	<u>36</u>	<u>252,677</u>
Total Liabilities and Net Position	<u>\$ 300,160</u>	<u>\$ 996</u>	<u>\$ 301,156</u>

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

Year Ended June 30, 2014

	Enterprise		
	School Nutrition	Preschool	Total
Operating Revenue			
Local Sources			
Charges for service	\$ 426,764	\$ 17,231	\$ 443,995
Other receipts	3,406	—	3,406
Total Operating Revenue	<u>430,170</u>	<u>17,231</u>	<u>447,401</u>
Operating Expenses			
Noninstructional Programs			
Salaries and benefits	383,529	19,182	402,711
Purchased services	3,625	—	3,625
Supplies and other	344,839	—	344,839
Depreciation	26,690	—	26,690
Total Operating Expenses	<u>758,683</u>	<u>19,182</u>	<u>777,865</u>
Loss From Operations	<u>(328,513)</u>	<u>(1,951)</u>	<u>(330,464)</u>
Nonoperating Revenue			
State sources	6,105	—	6,105
Federal sources	293,080	—	293,080
Interest on investments	303	1,517	1,820
Total Nonoperating Revenue	<u>299,488</u>	<u>1,517</u>	<u>301,005</u>
Change in Net Position	(29,025)	(434)	(29,459)
Net Position - Beginning of Year	<u>281,666</u>	<u>470</u>	<u>282,136</u>
Net Position - End of Year	<u>\$ 252,641</u>	<u>\$ 36</u>	<u>\$ 252,677</u>

Combining Schedule of Cash Flows - Nonmajor Proprietary Funds

Year Ended June 30, 2014

	Enterprise		
	School Nutrition	Preschool	Total
Cash Flows From Operating Activities			
Cash received from sale of lunches, breakfasts and other services	\$ 442,938	\$ —	\$ 442,938
Cash received from other	3,406	—	3,406
Cash received from preschool services	—	19,339	19,339
Cash payments to employees for services	(378,440)	(21,431)	(399,871)
Cash payments to suppliers for goods and services ...	<u>(305,270)</u>	<u>—</u>	<u>(305,270)</u>
Net Cash Used in Operating Activities.....	<u>(237,366)</u>	<u>(2,092)</u>	<u>(239,458)</u>
Cash Flows From Noncapital Financing Activities			
State grants received.....	6,105	—	6,105
Federal grants received.....	243,718	—	243,718
Loans to other funds.....	<u>(34,631)</u>	<u>—</u>	<u>(34,631)</u>
Net Cash Provided by Noncapital Financing Activities	<u>215,192</u>	<u>—</u>	<u>215,192</u>
Cash Flows From Investing Activities			
Interest on investments	<u>303</u>	<u>1,517</u>	<u>1,820</u>
Net Decrease in Cash, Cash Equivalents and Pooled Investments.....	(21,871)	(575)	(22,446)
Cash, Cash Equivalents and Pooled Investments - Beginning of Year	<u>94,861</u>	<u>575</u>	<u>95,436</u>
Cash, Cash Equivalents and Pooled Investments - End of Year	<u>\$ 72,990</u>	<u>\$ —</u>	<u>\$ 72,990</u>
Reconciliation of Loss From Operations to Net Cash Used in Operating Activities			
Loss from operations	\$ (328,513)	\$ (1,951)	\$ (330,464)
Adjustments to Reconcile Loss From Operations to Net Cash Used in Operating Activities			
Commodities used	43,183	—	43,183
Depreciation	26,690	—	26,690
Changes in Assets and Liabilities			
Decrease in receivables.....	28,175	2,108	30,283
Decrease in inventories.....	806	—	806
Increase (decrease) in accounts payable	(795)	960	165
Increase (decrease) in salaries and benefits payable.....	5,089	(3,209)	1,880
Decrease in unearned revenue	<u>(12,001)</u>	<u>—</u>	<u>(12,001)</u>
Net Cash Used in Operating Activities.....	<u>\$ (237,366)</u>	<u>\$ (2,092)</u>	<u>\$ (239,458)</u>

Combining Balance Sheet - Capital Projects Accounts

As of June 30, 2014

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equip- ment Levy	
Assets			
Cash, cash equivalents and pooled investments	\$ 3,879,396	\$ 687,294	\$ 4,566,690
Receivables			
Property Tax, Net of Allowance			
Current year delinquent	—	5,600	5,600
Succeeding year	—	686,436	686,436
Accounts	<u>173,781</u>	<u>17,820</u>	<u>191,601</u>
Total Assets	<u>\$ 4,053,177</u>	<u>\$ 1,397,150</u>	<u>\$ 5,450,327</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	<u>\$ 68,605</u>	<u>\$ 5,866</u>	<u>\$ 74,471</u>
Deferred Inflows of Resources			
Unavailable Revenue			
Succeeding year property tax	<u>—</u>	<u>686,436</u>	<u>686,436</u>
Fund Balances			
Restricted for			
Debt service	680,500	—	680,500
School infrastructure	3,304,072	—	3,304,072
Physical plant and equipment	<u>—</u>	<u>704,848</u>	<u>704,848</u>
Total Fund Balances	<u>3,984,572</u>	<u>704,848</u>	<u>4,689,420</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,053,177</u>	<u>\$ 1,397,150</u>	<u>\$ 5,450,327</u>

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

Year Ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equip- ment Levy	Total
Revenue			
Local Sources			
Local tax.....	\$ —	\$ 664,828	\$ 664,828
Other	12,929	2,975	15,904
State sources	<u>1,029,288</u>	<u>243</u>	<u>1,029,531</u>
Total Revenue	<u>1,042,217</u>	<u>668,046</u>	<u>1,710,263</u>
Expenditures			
Current			
Support Services			
Administration.....	750	—	750
Transportation	<u>—</u>	<u>199,510</u>	<u>199,510</u>
Total Support Services.....	<u>750</u>	<u>199,510</u>	<u>200,260</u>
Other Expenditures			
Facilities acquisition.....	<u>94,332</u>	<u>372,981</u>	<u>467,313</u>
Total Expenditures.....	<u>95,082</u>	<u>572,491</u>	<u>667,573</u>
Revenue Over Expenditures	947,135	95,555	1,042,690
Other Financing Uses			
Operating transfers out.....	<u>(673,288)</u>	<u>—</u>	<u>(673,288)</u>
Net Change in Fund Balances	273,847	95,555	369,402
Fund Balances - Beginning of Year	<u>3,710,725</u>	<u>609,293</u>	<u>4,320,018</u>
Fund Balances - End of Year	<u>\$ 3,984,572</u>	<u>\$ 704,848</u>	<u>\$ 4,689,420</u>

Schedule of Changes in Special Revenue Fund - Student Activity Accounts

Year Ended June 30, 2014

	Balance - Beginning of Year	Revenue	Expendi- tures	Intrafund Transfers	Balance - End of Year
Drama	\$ —	\$ 1,536	\$ 1,616	\$ 80	\$ —
Speech	—	929	1,843	914	—
Vocal Music	—	2,152	2,748	596	—
Vocal Music Trip	456	275	—	—	731
HS Band	—	2,431	3,545	1,114	—
MS Support	—	2,482	1,392	(1,089)	1
Band Trip	1,375	9,251	5,734	—	4,892
Band Uniforms	4,341	3,861	4,903	—	3,299
Muse Norris	1,179	1,391	—	—	2,570
General Athletics	162,734	16,958	17,371	8,609	170,930
Cross Country	—	1,128	1,075	(53)	—
Cross Country Camp	1,044	1,107	1,356	—	795
Athletic Concessions	—	20,155	13,396	(6,759)	—
MS Student Council	—	2,521	612	—	1,909
MS Athletics	—	197	12,727	12,530	—
Boys Basketball	13	7,097	6,882	(228)	—
Boys Basketball Camp	—	4,683	2,715	(644)	1,324
Football	—	31,668	24,994	(6,674)	—
Football Camp	5,665	19,067	18,332	—	6,400
Baseball	2,516	10,021	13,257	1,102	382
Baseball Camp	596	8,493	6,953	1,931	4,067
Boys Track	—	3,970	4,868	898	—
Boys Track Camp	2,025	5,068	5,397	—	1,696
Boys Tennis	—	409	597	188	—
Boys Tennis Camp	304	885	997	—	192
Boys Golf	—	456	2,045	1,589	—
Boys Golf Camp	1,050	6,371	5,304	—	2,117
Wrestling	—	9,632	7,694	(1,938)	—
Wrestling Camp	2,236	6,574	8,300	—	510
Girls Basketball	—	7,550	5,061	(2,489)	—
Girls Basketball Camp	2,101	7,532	7,218	—	2,415
Dance Team	12,179	33,469	39,875	1,000	6,773
Volleyball	1,037	3,987	3,362	(1,662)	—
Volleyball Camp	919	8,323	6,326	1,037	3,953
Soccer	—	4,082	6,635	2,553	—
Girls Soccer	—	1,553	1,621	68	—
Girls Soccer Camp	1,284	1,984	2,003	—	1,265
Boys Soccer Camp	1,753	2,367	3,136	—	984
Softball	180	3,274	5,258	1,804	—
Softball Resale	—	3,984	1,812	(1,744)	428
Softball Camp	4,063	11,578	9,046	872	7,467

Schedule of Changes in Special Revenue Fund - Student Activity Accounts

Year Ended June 30, 2014

	Balance - Beginning of Year	Revenue	Expendi- tures	Intrafund Transfers	Balance - End of Year
Girls Track.....	\$ —	\$ 3,276	\$ 1,326	\$ (1,950)	\$ —
Girls Track Camp	944	905	1,081	—	768
Girls Tennis	—	—	44	44	—
Girls Tennis Camp.....	—	1,127	958	(100)	69
Girls Golf	—	305	1,600	1,295	—
Girls Golf Camp.....	2,886	2,016	2,446	—	2,456
Backpack Fund.....	4,065	3,990	3,951	—	4,104
Outdoor Classroom	2,407	—	116	—	2,291
Student Model Legislature	—	1,900	2,530	630	—
National Honor Society.....	—	285	422	137	—
Student Council	8,661	6,734	12,143	—	3,252
Activity Tickets.....	—	15,230	—	(15,230)	—
Model United Nations	1,941	26,927	27,825	—	1,043
Yearbook.....	9,892	15,623	24,920	—	595
Prom	15,790	3,216	7,367	—	11,639
Values for Youth Today	897	—	—	—	897
Excel	1,157	588	65	—	1,680
Magazine Campaign.....	7,398	5,891	4,176	1,089	10,202
Gay-Straight Alliance.....	—	51	—	—	51
MS Art Club.....	179	—	—	—	179
Clear Creek Vocal Music	82	750	1,028	196	—
Jump Rope For Heart.....	736	—	—	—	736
Central Book Fair	1,473	3,390	2,550	—	2,313
American Field Service.....	879	—	—	—	879
French Camp.....	50	—	—	—	50
Washington, D.C. Trip	10	66,892	66,543	—	359
Hall of Pride.....	567	—	—	—	567
Cheerleading	—	—	1,433	1,433	—
Cheerleading Camp.....	7,567	22,267	31,474	1,640	—
Athletic Towel	—	1,374	473	(901)	—
Tim Tjaden Grant	150	—	—	—	150
HS Student Activity/Support	—	4,425	3,290	—	1,135
MS Student Activity/Support....	6,408	1,363	755	—	7,016
Clear Creek Student Activity/ Support	20,179	10,198	10,418	(196)	19,763
Surplus Fund	—	—	33	33	—
HS Academic Excellence.....	1,559	4,620	3,426	—	2,753
Miscellaneous.....	—	1,725	—	(1,725)	—
Tour of Homes.....	229	—	—	—	229
Total	\$ 305,156	\$ 475,519	\$ 480,399	\$ —	\$ 300,276

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

For the Last Ten Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenue										
Local Sources										
Local tax	\$ 8,409,758	\$ 9,336,303	\$ 9,057,055	\$ 8,226,582	\$ 7,946,850	\$ 7,803,193	\$ 7,694,208	\$ 7,378,752	\$ 7,085,360	\$ 7,102,629
Tuition	952,286	1,040,157	931,284	911,346	953,917	917,792	899,344	777,788	653,066	551,059
Other	864,533	682,152	845,744	619,268	684,091	719,205	1,074,227	774,109	656,568	538,311
Intermediate sources	—	—	—	—	—	—	—	38	—	—
State sources	6,986,165	6,337,017	6,256,062	5,825,368	5,125,710	5,943,499	5,927,369	5,587,891	5,648,453	5,497,907
Federal sources	<u>330,551</u>	<u>307,906</u>	<u>412,829</u>	<u>644,890</u>	<u>1,044,094</u>	<u>370,025</u>	<u>251,805</u>	<u>278,400</u>	<u>342,766</u>	<u>430,622</u>
Total	<u>\$ 17,543,293</u>	<u>\$ 17,703,535</u>	<u>\$ 17,502,974</u>	<u>\$ 16,227,454</u>	<u>\$ 15,754,662</u>	<u>\$ 15,753,714</u>	<u>\$ 15,846,953</u>	<u>\$ 14,796,978</u>	<u>\$ 14,386,213</u>	<u>\$ 14,120,528</u>
Expenditures										
Instruction										
Regular	\$ 6,811,207	\$ 7,092,507	\$ 6,975,264	\$ 5,842,983	\$ 5,640,992	\$ 5,755,896	\$ 5,405,018	\$ 5,181,318	\$ 5,080,574	\$ 5,350,921
Special	1,798,740	1,773,523	1,837,226	1,701,840	1,674,586	1,701,711	1,799,576	1,666,542	1,629,080	1,606,248
Other	861,925	766,816	1,003,226	1,925,301	1,635,168	1,186,040	1,138,333	1,062,331	1,126,853	767,184
Support Services										
Student	198,876	180,644	87,299	116,018	191,203	269,037	270,689	302,002	296,249	350,707
Instructional staff	597,305	592,674	563,217	531,809	533,631	463,790	456,067	431,875	430,435	408,423
Administration	1,410,051	1,297,334	1,259,085	1,275,096	1,376,261	1,338,533	1,565,650	1,303,975	1,313,135	1,185,912
Operations and maintenance of plant	1,325,343	1,270,288	1,182,817	1,311,305	1,332,685	1,415,805	1,291,820	1,273,033	1,275,457	1,209,981
Transportation	768,647	604,120	550,946	458,162	483,599	575,635	572,557	581,832	412,492	481,040
Noninstructional programs	—	—	—	—	10,821	—	—	—	—	—
Other Expenditures										
Facilities acquisition	467,313	1,239,387	3,703,515	1,393,945	582,086	1,842,399	4,174,670	1,754,063	769,713	876,919
Long-Term Debt										
Principal	1,275,000	1,260,000	3,670,000	1,470,000	4,345,000	1,295,000	375,000	355,000	810,000	995,000
Interest and fiscal charges	180,692	196,862	194,148	239,376	355,998	410,285	329,479	230,430	250,854	282,548
AEA flowthrough	<u>527,312</u>	<u>512,760</u>	<u>523,188</u>	<u>583,614</u>	<u>585,313</u>	<u>489,800</u>	<u>470,073</u>	<u>446,342</u>	<u>429,501</u>	<u>426,920</u>
Total	<u>\$ 16,222,411</u>	<u>\$ 16,786,915</u>	<u>\$ 21,549,931</u>	<u>\$ 16,849,449</u>	<u>\$ 18,747,343</u>	<u>\$ 16,743,931</u>	<u>\$ 17,848,932</u>	<u>\$ 14,588,743</u>	<u>\$ 13,824,343</u>	<u>\$ 13,941,803</u>

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture - Indirect			
Pass-Through From Iowa Department of Education			
Child Nutrition Cluster			
School Breakfast Program.....	10.553	FY 2014	\$ 31,137
National School Lunch Program	10.555	FY 2014	<u>261,943*</u>
Total U.S. Department of Agriculture.....			<u>293,080</u>
U.S. Department of Education - Indirect			
Pass-Through From Area Education Agency 267			
Special Education - Grants to States.....	84.027	FY 2014	<u>59,122**</u>
Pass-Through From Iowa Department of Education			
Title I Grants to Local Educational Agencies	84.010	FY 2014	<u>126,851</u>
Special Education - Grants to States.....	84.027	FY 2014	<u>1,000**</u>
Improving Teacher Quality State Grants	84.367	FY 2014	<u>42,912</u>
Grants for State Assessments and Related Activities	84.369	FY 2014	<u>8,554</u>
Total Pass-Through From Iowa Department of Education			<u>179,317</u>
Pass-Through From Mason City Community School District			
Career and Technical Education - Basic Grants to States	84.048	FY 2014	<u>11,442</u>
Total U.S. Department of Education			<u>249,881</u>
U.S. Department of Health and Human Services - Indirect			
Pass-Through From Iowa Department of Education			
Development Disabilities Projects of National Significance	93.631	FY 2014	<u>25,334</u>
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems.....	93.938	FY 2014	<u>85</u>
Total U.S. Department of Health and Human Services.....			<u>25,419</u>
Total			<u>\$ 568,380</u>

* Includes \$49,362 of noncash awards

** Total for CFDA Number 84.027 is \$60,122.

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Clear Lake Community School District and is presented on the 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 Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Subrecipients

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

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

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

We have audited, 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, except as discussed in the independent auditor's report, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Clear Lake Community School District as of and for the year ended June 30, 2014, and the related notes to the financial statements. Those statements along with the unaudited financial statements of the discretely presented component unit as of and for the year ended April 30, 2014, collectively comprise the District's basic financial statements, as listed in the table of contents, and we have issued our report thereon dated December 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clear Lake 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 Clear Lake Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Clear Lake 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 significant deficiencies or material weaknesses 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 and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying schedule of findings and questioned costs as items 14-II-R-1 and 14-II-R-2 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying schedule of findings and questioned costs as item 14-II-R-3 to be a significant deficiency.

Compliance and Other Matters

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

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

Clear Lake Community School District's Responses to Findings

Clear Lake Community School District's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Clear Lake 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 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.

HOGAN - HANSEN

HOGAN - HANSEN

Clear Lake, Iowa
December 23, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited Clear Lake Community School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Clear Lake Community School District's major federal programs for the year ended June 30, 2014. Clear Lake Community School District's major federal programs are identified in Part I 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 Clear Lake 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 Clear Lake Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Clear Lake Community School District's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Clear Lake Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of Clear Lake 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 Clear Lake Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our 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 Clear Lake Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be 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 the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 14-III-R-1 to be a material weakness.

Clear Lake 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. Clear Lake 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.

HOGAN - HANSEN

HOGAN - HANSEN

Clear Lake, Iowa
December 23, 2014

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Part I: Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified and Disclaimer

Internal control over financial reporting:

Material weakness identified?

yes no

Significant deficiency identified not considered to be material weaknesses?

yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

Material weakness identified?

yes no

Significant deficiency identified not considered to be material weakness?

yes none reported

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

Unmodified

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

yes no

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

Child Nutrition Cluster

10.553

10.555

School Breakfast Program

National School Lunch Program

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

\$300,000

Auditee qualified as low-risk auditee?

yes no

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Part II: Findings Related to the Financial Statements

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

14-II-R-1 Segregation of Duties

Prior Year Finding and Recommendation - The limited number of personnel employed by the District in its accounting department makes it difficult to achieve adequate control procedures through the segregation of employee duties. The concentration of closely related duties and responsibilities, such as recording and preparing cash receipts, preparing and recording checks and preparation of journals and general financial information for posting makes it impossible to establish an adequate system of automatic internal checks on accounting record accuracy and reliability. The potential effect of this material weakness is an error occurring or fraudulent activity being committed and not being detected by employees or management.

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

Current Year Finding - We found that the same condition still exists.

Auditor's Recommendation - We reiterate our prior year recommendation.

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

Auditor's Conclusion - Response accepted.

14-II-R-2 Financial Statement Preparation

Prior Year Finding and Recommendation - The District does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with accounting principles generally accepted in the United States of America. As is inherent in many entities of this size, the District has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully prepare financial statements and the related disclosures. The potential effect of this material weakness is that there could be material errors in the financial statements which would not be discovered by management.

We recommend obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses.

Current Year Finding - We found that the same condition still exists.

Auditor's Recommendation - We reiterate our prior year recommendation.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

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

Auditor's Conclusion - Response accepted.

14-II-R-3 Purchase Orders

Prior Year Finding and Recommendation - During our audit, we noted several disbursements which were not supported by a purchase order as required by Board policy. We also noted several purchase orders which did not indicate that they had been approved by an authorized staff member as required by Board policy. The potential effect of this significant deficiency is that the District could be purchasing items that were not properly approved.

We recommend that properly approved purchase orders be used for disbursements as required by Board policy.

Current Year Finding - We found that the same condition still exists and also noted purchase orders were being paid, as well as related invoices, on three occasions resulting in overpayment.

Auditor's Recommendation - We reiterate our prior year recommendation.

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

Auditor's Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

All Programs Displayed on the Schedule of Expenditures of Federal Awards

14-III-R-1 Segregation of Duties (2014-001)

Prior Year Finding and Recommendation - Adequate control procedures through the segregation of employee duties is difficult to achieve due to the limited number of staff administering grants and performing accounting functions. See finding 14-II-R-1 for additional information.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Part IV: Other Findings Related to Statutory Reporting

14-IV-A Certified Budget - Expenditures for the year ended June 30, 2014 did not exceed the budgeted amounts.

14-IV-B Questionable Expenditures - We noted certain expenditures which did not appear to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979. Those expenditures are discussed below and also in finding 14-IV-C.

Finding - During our testing, we noted the District paid late fees on the copier lease payment and also paid small amounts of sales tax on several purchases. These expenditures do not appear to meet the requirements of public purpose as outlined in an Attorney General's Opinion dated April 25, 1979.

Auditor's Recommendation - The District should make payments in a timely manner to ensure no late fees are assessed and deduct sales tax from invoices prior to payment.

District's Response - We will review our procedures and make sure that payments are made in a timely manner to ensure no late fees are assessed and deduct sales tax from invoices prior to payment.

Auditor's Conclusion - Response accepted.

14-IV-C Travel Expense

Finding - The District is giving travel advances to employees and meal advances to students. No instances of spousal travel were noted.

Auditor's Recommendation - The District should reimburse travel and meal expenditures after proper documentation has been provided for the expenditure.

District's Response - We will request all expenditures have proper documentation and we will not provide advances to students or employees.

Auditor's Conclusion - Response accepted.

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

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

14-IV-F Board Minutes - No business transactions were noted that we believe should have been approved in the Board minutes but were not.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

14-IV-G Certified Enrollment

Finding - The number of basic resident students reported to the Iowa Department of Education on the Certified Enrollment Form for October, 2013 was overstated by 1.87 students.

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

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

Auditor's Conclusion - Response accepted.

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

14-IV-I Deposits and Investments

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

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

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

Auditor's Conclusion - Response accepted.

14-IV-J Certified Annual Report

Finding - The Certified Annual Report was certified timely to the Iowa Department of Education; however, due to material adjusting journal entries made as a result of audit procedures, the ending audited fund balance in the School Nutrition Fund, Student Activity Fund, General Fund, Debt Service Fund and Capital Projects Fund - Physical Plant and Equipment Levy did not agree to the Certified Annual Report. These adjustments were made after the District certified the Certified Annual Report.

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

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

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

- 14-IV-K Categorical Funding** - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 14-IV-L Statewide Sales, Services and Use Tax** - No instances of noncompliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance.....		\$ 3,710,725
Revenue		
Sales tax revenue	\$ 1,029,288	
Other local revenue	<u>12,929</u>	1,042,217
Expenditures/Transfers Out		
School infrastructure construction.....	\$ 94,332	
Purchased services	750	
Transfer to Other Fund		
Debt Service Fund	<u>673,288</u>	<u>768,370</u>
Ending Balance		<u>\$ 3,984,572</u>

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