

**CLINTON COMMUNITY SCHOOL DISTRICT**

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

**June 30, 2014**

**CLINTON COMMUNITY SCHOOL DISTRICT**

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**CLINTON COMMUNITY SCHOOL DISTRICT**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term</u>
<b>Board of Education</b>		
<b>(Before September 2013 Election)</b>		
Gregg Obren	President	September 2013
Missey Sullivan-Pope	Vice President	September 2013
James McGraw	Board Member	September 2015
Jack Wenzel	Board Member	September 2013
Devin Guillory	Board Member	September 2015
Jenny Green	Board Member	September 2015
Mercia Wolf	Board Member	September 2013
<b>(After September 2013 Election)</b>		
James McGraw	President	September 2015
Jack Wenzel	Vice President	September 2017
Jenny Green	Board Member	September 2015
Devin Guillory	Board Member	September 2015
Dana Evers	Board Member	September 2017
Eric Gettes	Board Member	September 2017
Gregg Obren	Board Member	September 2017
<b>School Officials</b>		
Deb Olson	Superintendent	Current
Cindy McAleer	District Secretary/Treasurer and Business Manager	Current



## **Independent Auditor's Report**

To the Board of Education  
Clinton Community School District

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clinton Community School District, as of and for the year ended June 30, 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Clinton Community School District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and the schedule of funding progress for the retiree health plan on pages 5 through 16 and 51 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clinton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2013 (which are not presented herein). The financial statements for the years ended June 30, 2013, June 30, 2012, and June 30, 2009 expressed unmodified opinions, while the financial statements for the years ended June 30, 2011 and June 30, 2010 expressed modified opinions. The financial statements for the four years ended June 30, 2008, presented in Schedule 7 on page 64 of this report, were audited by other auditors whose reports expressed unmodified opinions on those financial statements. The supplementary information included in schedules 1 through 8 on pages 55 - 65, including the schedule of expenditures of federal awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information included in schedules 1 through 8 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information included in schedules 1 through 8 are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2015 on our consideration of Clinton Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clinton Community School District's internal control over financial reporting and compliance.

*Winkel, Parker & Foster*

Clinton, Iowa  
January 12, 2015

**CLINTON COMMUNITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

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

**FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$45,094,227 in fiscal year 2013 to \$43,730,295 in fiscal year 2014, while General Fund expenditures decreased from \$44,474,421 in fiscal year 2013 to \$43,809,072 in fiscal year 2014. The District's General Fund balance decreased from \$366,909 at the end of fiscal year 2013 to \$291,332 at the end of fiscal year 2014.
- The fiscal year 2014 General Fund revenue decrease was attributable to a decrease in property taxes as part of an industrial property valuation appeal. The decrease in expenditures was due primarily to a reduction in staff.
- A rise in interest rates during the past three fiscal years has resulted in an increase in interest earnings. Interest earnings in fiscal year 2014 totaled \$17,958 compared to \$15,914 in fiscal year 2013.

**USING THIS ANNUAL REPORT**

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

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

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

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

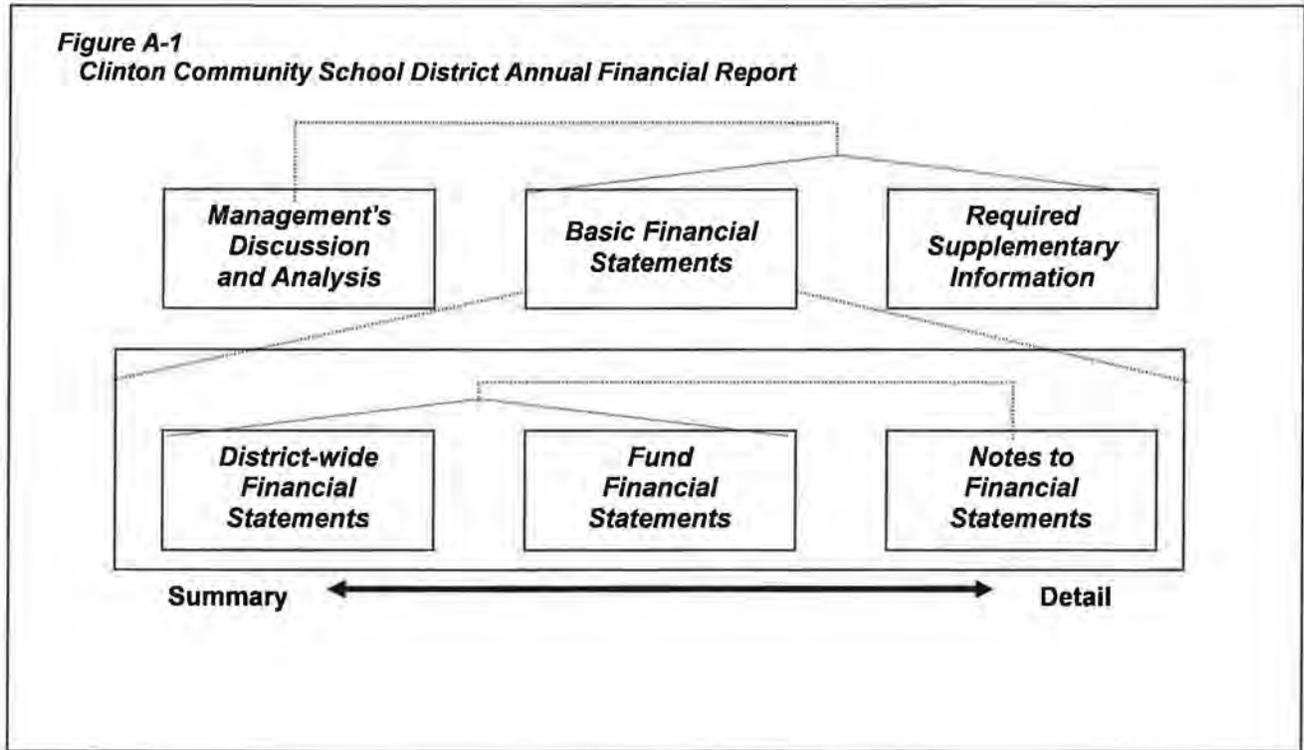
Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

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

**CLINTON COMMUNITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

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

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



**CLINTON COMMUNITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

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

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

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

**CLINTON COMMUNITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### ***Government-wide Financial Statements***

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

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

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

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

### ***Fund Financial Statements***

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

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

The District has three kinds of funds:

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

**CLINTON COMMUNITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

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

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

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

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
- Private Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
  - Agency Funds - These are funds through which the District administers and accounts for certain federal and/or state grants as a fiscal agent.

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

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

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

**CLINTON COMMUNITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve, over time, as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities and deferred inflows of resources by \$40,595,538 as of June 30, 2014.

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

The following table presents a summary of the District's net position for the fiscal year ended June 30, 2014 compared to June 30, 2013.

	Governmental Activities		Business type Activities		Total School District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
Current and other assets	\$34,740,052	\$50,576,187	\$1,513,856	\$1,766,570	\$36,253,908	\$52,342,757	-30.7%
Capital assets	66,680,099	52,351,793	661,700	427,592	67,341,799	52,779,385	27.6%
<b>Total assets</b>	<u>101,420,151</u>	<u>102,927,980</u>	<u>2,175,556</u>	<u>2,194,162</u>	<u>103,595,707</u>	<u>105,122,142</u>	<u>-1.5%</u>
Long-term liabilities	37,186,970	39,095,895	23,177	30,870	37,210,147	39,126,765	-4.9%
Other liabilities	8,887,203	9,185,614	64,865	47,148	8,952,068	9,232,762	-3.0%
<b>Total liabilities</b>	<u>46,074,173</u>	<u>48,281,509</u>	<u>88,042</u>	<u>78,018</u>	<u>46,162,215</u>	<u>48,359,527</u>	<u>-4.5%</u>
Deferred inflows of resources	14,750,440	13,609,813	-	-	14,750,440	13,609,813	8.4%
Net position:							
Net investment in capital assets	32,950,447	31,267,563	661,700	427,592	33,612,147	31,695,155	6.0%
Restricted	5,119,304	6,658,320	-	-	5,119,304	6,658,320	-23.1%
Unrestricted	2,525,787	3,110,775	1,425,814	1,688,552	3,951,601	4,799,327	-17.7%
<b>Total net position</b>	<u>\$40,595,538</u>	<u>\$41,036,658</u>	<u>\$2,087,514</u>	<u>\$2,116,144</u>	<u>\$42,683,052</u>	<u>\$43,152,802</u>	<u>-1.1%</u>

The District's total net position decreased by 1.1%, or \$469,750, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings, equipment, buses and other pupil transportation), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position was \$5,119,304 at year end.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements was \$3,951,601 at year end.

**CLINTON COMMUNITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

**Changes in net position.** The District's total revenue for the fiscal year ended June 30, 2014 was \$49,950,548 compared to \$53,568,792 at June 30, 2013. The total cost of all programs and services for fiscal year 2014 was \$50,420,298 compared to \$50,258,910 in fiscal year 2013. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2014 and 2013:

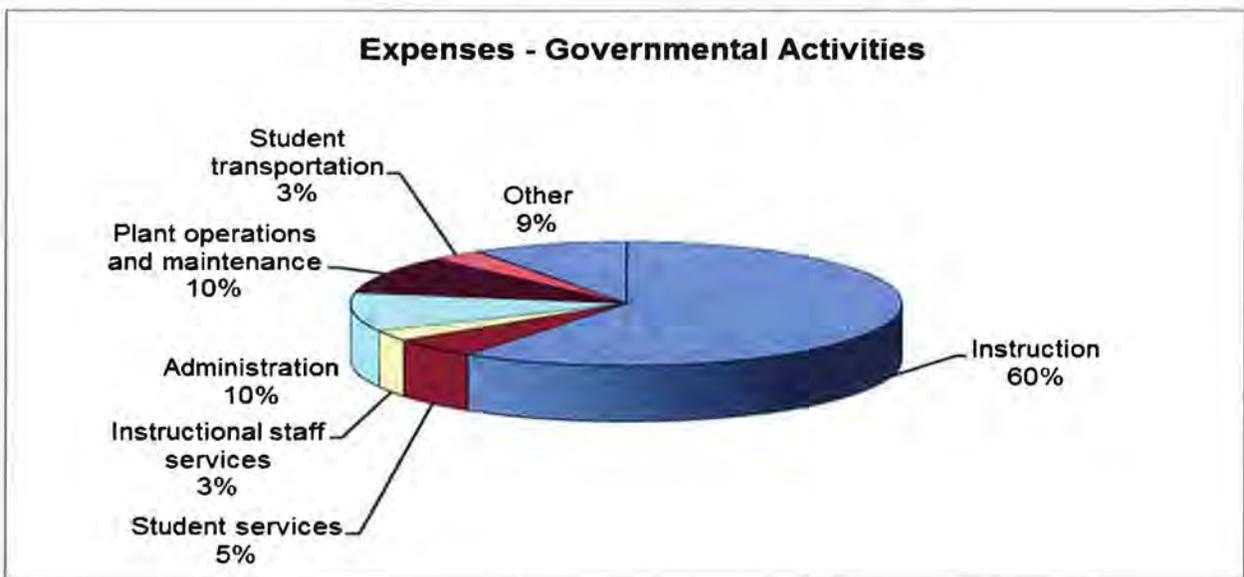
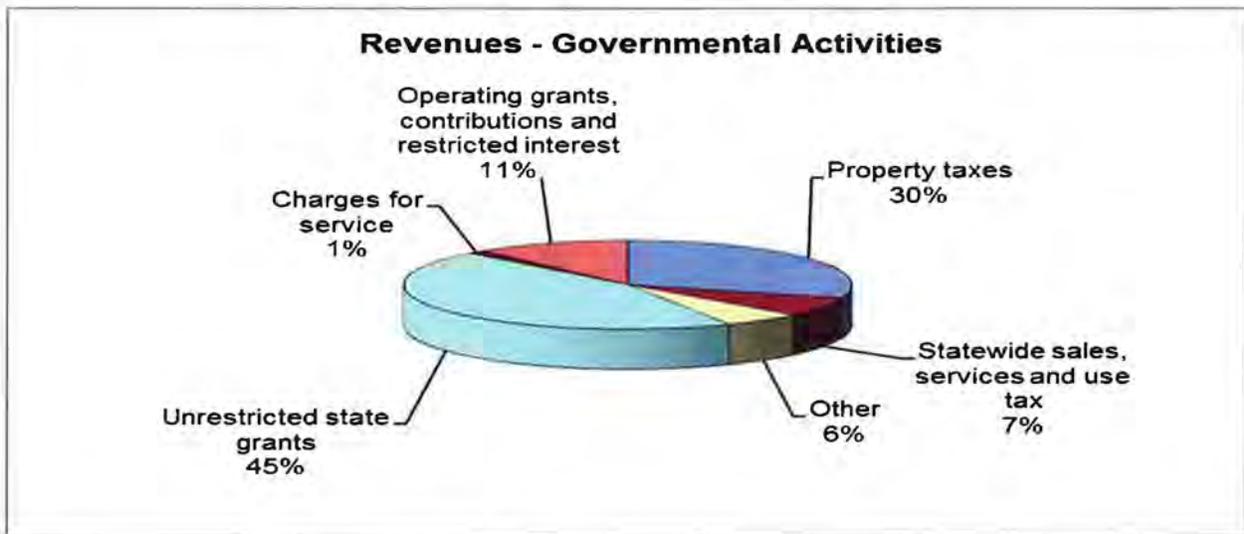
	Governmental Activities		Business type Activities		Total School District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
<b>Revenues:</b>							
<b>Program revenues:</b>							
Charges for service	\$ 857,680	\$ 783,492	\$ 542,875	\$ 576,136	\$ 1,200,555	\$ 1,339,628	-10.4%
Operating grants, contributions and restricted interest	5,344,437	5,531,480	1,308,957	1,315,580	6,651,394	6,847,060	-2.9%
Capital grants, contributions and restricted interest	-	74,702	-	-	-	74,702	-100.0%
<b>General revenues:</b>							
Property tax	14,351,515	16,425,037	-	-	14,351,515	16,425,037	-12.6%
Statewide sales, services and use tax	3,401,275	3,143,493	-	-	3,401,275	3,143,493	8.2%
Unrestricted state grants	21,621,648	22,483,983	-	-	21,621,648	22,483,983	-3.8%
AEA flowthrough	1,672,859	1,625,523	-	-	1,672,859	1,625,523	2.9%
Unrestricted investment earnings	17,958	15,914	-	-	17,958	15,914	12.8%
Miscellaneous	1,030,144	1,606,254	-	-	1,030,144	1,606,254	-35.9%
Gain on disposal of capital assets	3,200	7,198	-	-	3,200	7,198	-55.5%
<b>Total revenues</b>	<b>48,100,716</b>	<b>51,677,076</b>	<b>1,849,832</b>	<b>1,891,716</b>	<b>49,950,548</b>	<b>53,568,792</b>	<b>-6.8%</b>
<b>Program Expenses:</b>							
Instruction	28,994,088	30,294,213	-	-	28,994,088	30,294,213	-4.3%
<b>Support services:</b>							
Student	2,514,894	2,418,569	-	-	2,514,894	2,418,569	4.0%
Instructional staff	1,362,914	1,439,119	-	-	1,362,914	1,439,119	-5.3%
Administration services	4,863,606	4,623,056	97,007	-	4,960,613	4,623,056	7.3%
Operation and maintenance of plant	4,902,781	4,621,785	41,545	-	4,944,326	4,621,785	7.0%
Transportation	1,485,594	1,562,480	-	-	1,485,594	1,562,480	-6.2%
Non-instructional programs	28,070	29,206	1,739,910	1,921,548	1,767,980	1,950,754	-9.4%
<b>Other expenditures:</b>							
Facilities acquisition	1,216,390	269,884	-	-	1,216,390	269,884	350.7%
Long-term debt interest	1,520,640	1,453,527	-	-	1,520,640	1,453,527	4.6%
AEA flowthrough	1,672,859	1,625,523	-	-	1,672,859	1,625,523	2.9%
<b>Total expenses</b>	<b>48,541,836</b>	<b>48,337,362</b>	<b>1,878,462</b>	<b>1,921,548</b>	<b>50,420,298</b>	<b>50,258,910</b>	<b>0.3%</b>
<b>Increase (decrease) in net position</b>	<b>(441,120)</b>	<b>3,339,714</b>	<b>(28,630)</b>	<b>(29,832)</b>	<b>(469,750)</b>	<b>3,309,882</b>	<b>-114.2%</b>
<b>Net position beginning of year</b>	<b>41,036,658</b>	<b>37,696,944</b>	<b>2,116,144</b>	<b>2,145,976</b>	<b>43,152,802</b>	<b>39,842,920</b>	<b>8.3%</b>
<b>Net position end of year</b>	<b>\$ 40,595,538</b>	<b>\$ 41,036,658</b>	<b>\$ 2,087,514</b>	<b>\$ 2,116,144</b>	<b>\$ 42,683,052</b>	<b>\$ 43,152,802</b>	<b>-1.1%</b>

**CLINTON COMMUNITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

**Governmental Activities**

Unrestricted state grants, property taxes, and operating grants, contributions and restricted interest are the primary sources of revenue for the District accounting for approximately 86% of total governmental revenues.

Instruction constitutes the largest portion of expenditures at \$28,994,088. The District offers a wide array of programs including general education, special education, vocational and college preparatory classes. The purely administrative activities of the District accounted for approximately 10% of total costs.



**CLINTON COMMUNITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

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

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-2014	2014	2013	Change 2013-2014
Instruction	\$ 28,994,088	\$ 30,294,213	-4.3%	\$ 24,174,259	\$ 25,161,940	-3.9%
Support services	15,109,789	14,665,009	3.0%	13,927,501	13,427,608	3.7%
Non-instructional programs	28,070	29,206	-3.9%	28,070	29,206	-3.9%
Other expenditures	4,409,889	3,348,934	31.7%	4,409,889	3,348,934	31.7%
<b>Total expenses</b>	<b>\$ 48,541,836</b>	<b>\$ 48,337,362</b>	<b>0.4%</b>	<b>\$ 42,539,719</b>	<b>\$ 41,967,688</b>	<b>1.4%</b>

- The cost of all governmental activities this year was \$48,541,836.
- Federal and state governments and charges for services subsidized certain governmental activities with grants and contributions totaling \$6,002,117.
- The net cost of governmental activities of \$42,539,719 was financed by general revenues, which are made up of primarily property and statewide sales, services and use tax (\$17.8 million) and unrestricted state grants (\$21.6 million). AEA flowthrough, unrestricted investment earnings and miscellaneous sources accounted for \$2.7 million.

**Business type Activities**

Revenues for business type activities during the year ended June 30, 2014 were \$1,849,832, representing an 2.2% decrease from the prior year, while expenses totaled \$1,878,462, a 2.2% decrease from the prior year. The District's business type activities include the School Nutrition Fund and the Student Construction Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

**INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,957,644, well under last year's ending fund balances of \$17,477,429. However, the primary reason for the decrease in combined fund balances at the end of fiscal year 2014 is due to the middle school construction project during the 2013-2014 fiscal year.

**CLINTON COMMUNITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

**Governmental Fund Highlights**

- The General Fund is the principal operating fund of the District. The General Fund decreased its fund balance by \$75,577 during fiscal year 2014. The decrease in fund balance is due to the decline in property taxes received during the fiscal year as a result of an industrial assessment appeal.
- The Debt Service Fund balance decreased from \$(54,898) at the end of fiscal year 2013 to \$(126,289) at the end of fiscal year 2014. The decrease is due to a mid-year industrial assessment appeal property tax credit.
- The Capital Projects Fund balance decreased due to the construction of the new middle school of which prior year bond proceeds were used to finance.

**Proprietary Fund Highlights**

School Nutrition Fund net position decreased from \$1,847,615 at June 30, 2013 to \$1,818,985 at June 30, 2014, representing a decrease of 1.6%. The decrease in the funds net position is due to a decrease in food service sales.

**BUDGETARY HIGHLIGHTS**

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

The District's total revenues were \$7,167,659 less than total budgeted revenues, a variance of 12.1%. This variance is a result of lower than anticipated property taxes received as well as a reclassification of local option sales taxes from a local revenue source to a state source.

The District's total actual expenditures were approximately \$10.5 million less than the total budgeted expenditures, a variance of 13.6%.

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

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

**CLINTON COMMUNITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2014, the District had invested \$67,341,799 in capital assets, including land, construction in progress, school buildings, athletic facilities, buses and other vehicles, computers, and other equipment. This amount represents a net increase of \$14,562,414 from last year. Total depreciation expense for the year was \$1,632,294. Additional information on the District's capital assets can be found in Note 5 on pages 39-40 of this report.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2014 compared to the fiscal year ended June 30, 2013.

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
	Land	\$ 1,860,229	\$ 1,860,229	\$ -	\$ -	\$ 1,860,229	\$ 1,860,229
Construction in progress	32,077,686	19,574,796	415,671	110,252	32,493,357	19,685,048	65.1%
Land improvements	3,170,345	2,224,471	-	-	3,170,345	2,224,471	42.5%
Buildings	28,026,797	27,086,159	-	-	28,026,797	27,086,159	3.5%
Furniture and equipment	882,844	1,000,391	246,029	317,340	1,128,873	1,317,731	-14.3%
Buses	662,198	605,747	-	-	662,198	605,747	9.3%
<b>Total assets</b>	<b>\$66,680,099</b>	<b>\$52,351,793</b>	<b>\$661,700</b>	<b>\$427,592</b>	<b>\$ 67,341,799</b>	<b>\$52,779,385</b>	<b>27.6%</b>

**Debt Administration.** At year-end, the District had \$37,210,147 in general obligation bonds, revenue bonds and other long-term debt outstanding, of which \$2,288,811 is due within one year. The following table presents a summary of the District's outstanding long-term debt for the fiscal years ended June 30, 2014 and June 30, 2013, respectively.

State statutes currently limit the amount of general obligation debt a district may issue to 5 percent of its total assessed valuation. The current debt limitation for the District is \$69.3 million, which is more than the District's outstanding general obligation debt. Additional information on the District's long-term debt can be found in Note 6 on pages 40-42 of this report.

	Total Cost School District		Total Change
	2014	2013	2013-2014
General obligation bonds *	\$ 2,023,032	\$ 2,654,042	-23.8%
Revenue bonds *	33,479,619	34,778,675	-3.7%
Notes/leases payable	4,652	5,694	-18.3%
Early retirement	133,266	266,532	-50.0%
Compensated absences	217,578	326,822	-33.4%
Net OPEB liability	1,352,000	1,095,000	23.5%
	<b>\$37,210,147</b>	<b>\$39,126,765</b>	<b>-4.9%</b>

\* Net of premiums and discounts

**CLINTON COMMUNITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014**

**ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- District enrollment decreased in fiscal year 2013-2014 by 106 students and another 30 students in 2014-2015. Under Iowa's school funding formula, District funding for the next year is highly dependent upon the District's enrollment on student count day in October. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- Due to a reduction in certified enrollment, the board approved budget reductions in the amount of \$907,751 for the 2014-2015 school year. Additional reductions are being planned for the 2015-2016 school year.
- The construction of a new combined 800 student middle school was started in April, 2013. As of June 30, 2014, construction was 85% complete with an anticipated building opening of December 3, 2014. Additional Bond Anticipation Notes were obtained to complete the financing.
- Sales tax revenues are estimated to increase for the 2014-2015 fiscal year. Overall, the District is seeing a 13% per student increase over the last two years. Additional sales tax revenues will be set aside to pay for the Bond Anticipation Notes.

**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 Cindy McAleer, District Secretary/Treasurer and Business Manager, Clinton Community School District, 1401 12<sup>th</sup> Avenue North, Clinton, Iowa 52732.

## **BASIC FINANCIAL STATEMENTS**

**CLINTON COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
Year Ended June 30, 2014

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 15,871,532	\$ 1,361,521	\$ 17,233,053
Investments	13,963	-	13,963
Receivables:			
Property tax:			
Delinquent	181,845	-	181,845
Succeeding year	14,750,439	-	14,750,439
Other	721,329	29,078	750,407
Due from other governments	3,142,716	17,367	3,160,083
Inventories	58,228	105,890	164,118
Capital assets, net of accumulated depreciation/amortization	66,680,099	661,700	67,341,799
Total assets	<u>101,420,151</u>	<u>2,175,556</u>	<u>103,595,707</u>
<b>LIABILITIES</b>			
Accounts payable	3,925,895	32,641	3,958,536
Salaries and benefits payable	4,282,984	17,807	4,300,791
Advances from others	-	14,417	14,417
Accrued interest payable	678,324	-	678,324
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	645,000	-	645,000
Revenue bonds	1,315,000	-	1,315,000
Capital leases	1,144	-	1,144
Early retirement	133,266	-	133,266
Compensated absences	194,401	23,177	217,578
Portion due after one year:			
General obligation bonds	1,378,032	-	1,378,032
Revenue bonds	32,164,619	-	32,164,619
Capital leases	3,508	-	3,508
Net OPEB liability	1,352,000	-	1,352,000
Total liabilities	<u>46,074,173</u>	<u>88,042</u>	<u>46,162,215</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	<u>14,750,440</u>	<u>-</u>	<u>14,750,440</u>
<b>NET POSITION</b>			
Net investment in capital assets	32,950,447	661,700	33,612,147
Restricted for:			
Categorical funding	1,256,038	-	1,256,038
Management levy purposes	385,749	-	385,749
School infrastructure	2,882,370	-	2,882,370
Physical plant and equipment	47,011	-	47,011
Other purposes	50,915	-	50,915
Debt service	497,221	-	497,221
Unrestricted	2,525,787	1,425,814	3,951,601
Total net position	<u>\$ 40,595,538</u>	<u>\$ 2,087,514</u>	<u>\$ 42,683,052</u>

See notes to financial statements.

**CLINTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2014**

<u>Functions/Programs:</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>
Governmental activities:			
Instruction:			
Regular instruction	\$ 14,872,311	\$ 279,468	\$ 4,189,845
Special instruction	9,059,094	25,559	-
Other instruction	5,062,683	321,534	3,423
	<u>28,994,088</u>	<u>626,561</u>	<u>4,193,268</u>
Support services:			
Student	2,514,894	-	1,120,042
Instructional staff	1,362,914	5,981	19,872
General administration	760,099	-	-
Building administration	2,559,228	-	-
Business administration	1,544,279	-	-
Operation and maintenance of plant	4,902,781	6,580	-
Transportation	1,465,594	18,558	11,255
	<u>15,109,789</u>	<u>31,119</u>	<u>1,151,169</u>
Non-instructional programs	<u>28,070</u>	<u>-</u>	<u>-</u>
Other expenditures:			
Facilities acquisition	1,216,390	-	-
Long-term debt interest	1,520,640	-	-
AEA flowthrough	1,672,859	-	-
	<u>4,409,889</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>48,541,836</u>	<u>657,680</u>	<u>5,344,437</u>
Business type activities:			
Support services:			
General administration	3,729	-	-
Business administration	93,278	-	-
Operation and maintenance of plant	41,545	-	-
Total support services	<u>138,552</u>	<u>-</u>	<u>-</u>
Non-instructional programs:			
Food service operations	1,739,910	542,875	1,306,957
Total business-type activities	<u>1,878,462</u>	<u>542,875</u>	<u>1,306,957</u>
<b>Total</b>	<u>\$ 50,420,298</u>	<u>\$ 1,200,555</u>	<u>\$ 6,651,394</u>

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

**CHANGE IN NET POSITION**

**NET POSITION BEGINNING OF YEAR**

**NET POSITION END OF YEAR**

See notes to financial statements.

EXHIBIT B

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$ (10,402,998)	\$ -	\$ (10,402,998)
(9,033,535)	-	(9,033,535)
(4,737,726)	-	(4,737,726)
<u>(24,174,259)</u>	<u>-</u>	<u>(24,174,259)</u>
(1,394,852)	-	(1,394,852)
(1,337,061)	-	(1,337,061)
(760,099)	-	(760,099)
(2,559,228)	-	(2,559,228)
(1,544,279)	-	(1,544,279)
(4,896,201)	-	(4,896,201)
(1,435,781)	-	(1,435,781)
<u>(13,927,501)</u>	<u>-</u>	<u>(13,927,501)</u>
<u>(28,070)</u>	<u>-</u>	<u>(28,070)</u>
(1,216,390)	-	(1,216,390)
(1,520,640)	-	(1,520,640)
(1,672,859)	-	(1,672,859)
<u>(4,409,889)</u>	<u>-</u>	<u>(4,409,889)</u>
<u>(42,539,719)</u>	<u>-</u>	<u>(42,539,719)</u>
-	(3,729)	(3,729)
-	(93,278)	(93,278)
-	(41,545)	(41,545)
-	<u>(138,552)</u>	<u>(138,552)</u>
-	109,922	109,922
-	<u>(28,630)</u>	<u>(28,630)</u>
<u>(42,539,719)</u>	<u>(28,630)</u>	<u>(42,568,349)</u>
13,731,786	-	13,731,786
619,729	-	619,729
3,401,275	-	3,401,275
21,621,648	-	21,621,648
1,672,859	-	1,672,859
17,958	-	17,958
1,030,144	-	1,030,144
3,200	-	3,200
<u>42,098,599</u>	<u>-</u>	<u>42,098,599</u>
(441,120)	(28,630)	(469,750)
<u>41,036,658</u>	<u>2,116,144</u>	<u>43,152,802</u>
<u>\$ 40,595,538</u>	<u>\$ 2,087,514</u>	<u>\$ 42,683,052</u>

**CLINTON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014**

**EXHIBIT C**

<b>ASSETS</b>	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,397,222	\$ 5,359,110	\$ -	\$ 499,025	\$ 8,255,357
Investments	12,947	1,016	-	-	13,963
Receivables:					
Property tax:					
Delinquent	162,562	3,677	8,056	7,550	181,845
Succeeding year	13,044,134	307,135	699,170	700,000	14,750,439
Other	11,727	-	-	-	11,727
Due from other funds	2,014,963	-	-	-	2,014,963
Due from other governments	2,563,597	577,416	-	1,703	3,142,716
<b>TOTAL ASSETS</b>	<b>\$ 20,207,152</b>	<b>\$ 6,248,354</b>	<b>\$ 707,226</b>	<b>\$ 1,208,278</b>	<b>\$ 28,371,010</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>					
Liabilities:					
Accounts payable	\$ 975,561	\$ 1,946,380	\$ -	\$ 27,622	\$ 2,949,563
Salaries and benefits payable	4,280,883	-	-	930	4,281,813
Due to other funds	-	1,032,524	134,345	649,439	1,816,308
Total liabilities	<u>5,256,444</u>	<u>2,978,904</u>	<u>134,345</u>	<u>677,991</u>	<u>9,047,684</u>
Deferred inflows of resources:					
Unavailable resources:					
Succeeding year property tax	13,044,134	307,136	699,170	700,000	14,750,440
Other	1,615,242	-	-	-	1,615,242
Total deferred inflows of resources	<u>14,659,376</u>	<u>307,136</u>	<u>699,170</u>	<u>700,000</u>	<u>16,365,682</u>
Fund balances (deficits):					
Restricted for:					
Categorical funding	1,256,038	-	-	-	1,256,038
Management levy purposes	-	-	-	453,304	453,304
School infrastructure	-	2,882,370	-	-	2,882,370
Physical plant and equipment	-	79,944	-	-	79,944
Other purposes	-	-	-	50,915	50,915
Unassigned	(964,706)	-	(126,289)	(673,932)	(1,764,927)
Total fund balances (deficits)	<u>291,332</u>	<u>2,962,314</u>	<u>(126,289)</u>	<u>(169,713)</u>	<u>2,957,644</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>	<b>\$ 20,207,152</b>	<b>\$ 6,248,354</b>	<b>\$ 707,226</b>	<b>\$ 1,208,278</b>	<b>\$ 28,371,010</b>

See notes to financial statements.

**CLINTON COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
June 30, 2014**

**Total fund balances (deficits) of governmental funds (page 21)** **\$ 2,957,644**

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 66,677,188

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 1,615,242

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. (678,324)

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

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

Capital assets	\$ 2,911	
Remaining assets and liabilities	<u>7,207,847</u>	7,210,758

Long-term liabilities, including bonds payable, leases payable, compensated absences, and other post employment benefits payable are not due and payable in the current year and, therefore, are not reported in the governmental funds. (37,186,970)

**Net position of governmental activities (page 18)** **\$40,595,538**

See notes to financial statements.

**CLINTON COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2014**

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
<b>REVENUES:</b>					
Local sources:					
Taxes	\$ 14,414,865	\$ 295,059	\$ 619,729	\$ 587,170	\$ 15,916,823
Tuition	194,025	-	-	-	194,025
Other	482,539	1,080,475	-	587,886	2,150,900
State sources	26,103,575	3,401,447	-	355	29,505,377
Federal sources	2,535,291	-	-	-	2,535,291
Total revenues	<u>43,730,295</u>	<u>4,776,981</u>	<u>619,729</u>	<u>1,175,411</u>	<u>50,302,416</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	14,220,342	-	-	321,298	14,541,640
Special	9,018,112	-	-	-	9,018,112
Other	4,491,964	-	-	549,875	5,041,839
Total instruction	<u>27,730,418</u>	<u>-</u>	<u>-</u>	<u>871,173</u>	<u>28,601,591</u>
Support services:					
Student	2,502,210	-	-	2,808	2,505,018
Instructional staff	1,355,053	-	-	-	1,355,053
General administration	632,128	11,280	-	50,559	693,967
Building administration	2,551,667	-	-	-	2,551,667
Business administration	1,524,498	12,317	-	10,032	1,546,847
Operation and maintenance of plant	4,553,621	7,942	-	311,881	4,873,444
Transportation	1,285,373	175,950	-	73,661	1,534,984
Total support services	<u>14,404,550</u>	<u>207,489</u>	<u>-</u>	<u>448,941</u>	<u>15,060,980</u>

CLINTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
Non-instructional programs	\$ 1,245	\$ -	\$ -	\$ 2,808	\$ 4,053
Other expenditures:					
Bond issuance costs	-	94,988	2,900	-	97,888
Facilities acquisition	-	16,079,908	-	-	16,079,908
Long-term debt:					
Principal	-	-	1,935,000	-	1,935,000
Interest and fiscal charges	-	-	1,373,122	-	1,373,122
AEA flowthrough	1,672,859	-	-	-	1,672,859
Total other expenditures	1,672,859	16,174,896	3,311,022	-	21,158,777
Total expenditures	43,809,072	16,382,385	3,311,022	1,322,922	64,825,401
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<b>(78,777)</b>	<b>(11,605,404)</b>	<b>(2,691,293)</b>	<b>(147,511)</b>	<b>(14,522,985)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	2,619,902	-	2,619,902
Transfers out	-	(2,619,902)	-	-	(2,619,902)
Proceeds from sale of capital asset	3,200	-	-	-	3,200
Total other financing sources (uses)	3,200	(2,619,902)	2,619,902	-	3,200
<b>CHANGE IN FUND BALANCES (DEFICITS)</b>	<b>(75,577)</b>	<b>(14,225,306)</b>	<b>(71,391)</b>	<b>(147,511)</b>	<b>(14,519,785)</b>
<b>FUND BALANCES (DEFICITS) BEGINNING OF YEAR</b>	<b>366,909</b>	<b>17,187,620</b>	<b>(54,898)</b>	<b>(22,202)</b>	<b>17,477,429</b>
<b>FUND BALANCES (DEFICITS) END OF YEAR</b>	<b>\$ 291,332</b>	<b>\$ 2,962,314</b>	<b>\$ (126,289)</b>	<b>\$ (169,713)</b>	<b>\$ 2,957,644</b>

See notes to financial statements.

**CLINTON COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES (DEFICITS) - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2014**

**Change in fund balances (deficits) - total governmental funds (page 24)** \$(14,519,785)

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

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

Expenditures for capital assets	\$ 15,888,106	
Depreciation/amortization expense	<u>(1,559,318)</u>	14,328,788

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Repaid	1,936,042	
Amortization of premiums, discounts and bond issuance costs	<u>(4,934)</u>	1,931,108

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

(2,204,900)

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

(45,738)

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	133,266	
Compensated absences	101,551	
Other postemployment benefits	<u>(257,000)</u>	(22,183)

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

Depreciation expense	482	
Net revenue of remaining accounts	<u>91,108</u>	<u>91,590</u>

**Change in net position of governmental activities (page 20)** **\$ (441,120)**

See notes to financial statements.

**CLINTON COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
June 30, 2014

	<u>Enterprise Funds</u>			<u>Internal Service Funds</u>		<u>Total Internal Service</u>
	<u>School Nutrition</u>	<u>Nonmajor Student Construction</u>	<u>Total Enterprise</u>	<u>Insurance</u>	<u>Print Shop</u>	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 1,268,426	\$ 93,095	\$ 1,361,521	\$ 7,591,054	\$ 25,121	\$ 7,616,175
Other receivables	29,078	-	29,078	709,602	-	709,602
Due from other governments	17,367	-	17,367	-	-	-
Inventories	105,890	-	105,890	-	58,228	58,228
Total current assets	<u>1,420,761</u>	<u>93,095</u>	<u>1,513,856</u>	<u>8,300,656</u>	<u>83,349</u>	<u>8,384,005</u>
Noncurrent assets:						
Land and construction in progress	234,856	180,815	415,671	-	-	-
Furniture and equipment	931,553	-	931,553	-	52,090	52,090
Less accumulated depreciation	(685,524)	-	(685,524)	-	(49,179)	(49,179)
Total noncurrent assets	<u>480,885</u>	<u>180,815</u>	<u>661,700</u>	<u>-</u>	<u>2,911</u>	<u>2,911</u>
Total assets	<u>1,901,646</u>	<u>273,910</u>	<u>2,175,556</u>	<u>8,300,656</u>	<u>86,260</u>	<u>8,386,916</u>
<b>LIABILITIES</b>						
Accounts payable	27,260	5,381	32,641	192,000	553	192,553
Salaries and benefits payable	17,807	-	17,807	-	1,171	1,171
Compensated absences payable	23,177	-	23,177	-	-	-
Claims payable	-	-	-	783,779	-	783,779
Due to other funds	-	-	-	-	198,655	198,655
Advances from others	14,417	-	14,417	-	-	-
Total liabilities	<u>82,661</u>	<u>5,381</u>	<u>88,042</u>	<u>975,779</u>	<u>200,379</u>	<u>1,176,158</u>
<b>NET POSITION</b>						
Net investment in capital assets	480,885	180,815	661,700	-	2,911	2,911
Unrestricted	1,338,100	87,714	1,425,814	7,324,877	(117,030)	7,207,847
Total net position	<u>\$ 1,818,985</u>	<u>\$ 268,529</u>	<u>\$ 2,087,514</u>	<u>\$ 7,324,877</u>	<u>\$ (114,119)</u>	<u>\$ 7,210,758</u>

See notes to financial statements.

**CLINTON COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2014**

	<u>Enterprise Funds</u>			<u>Internal Service Funds</u>		<u>Total Internal Service</u>
	<u>School Nutrition</u>	<u>Nonmajor Student Construction</u>	<u>Total Enterprise</u>	<u>Insurance</u>	<u>Print Shop</u>	
<b>OPERATING REVENUES:</b>						
Local sources:						
Charges for service	\$ 541,463	\$ -	\$ 541,463	\$ -	\$ -	\$ -
Charges to other funds	-	-	-	5,932,827	116,063	6,048,890
Other	1,412	-	1,412	31,429	-	31,429
Total operating revenues	<u>542,875</u>	<u>-</u>	<u>542,875</u>	<u>5,964,256</u>	<u>116,063</u>	<u>6,080,319</u>
<b>OPERATING EXPENSES:</b>						
Support services:						
General administration	3,729	-	3,729	-	-	-
Business administration	93,278	-	93,278	-	-	-
Operation and maintenance of plant	41,545	-	41,545	-	-	-
Total support services	<u>138,552</u>	<u>-</u>	<u>138,552</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-instructional programs						
Food service operations:						
Salaries	597,633	-	597,633	-	14,568	14,568
Benefits	161,649	-	161,649	-	2,495	2,495
Purchased services	3,180	-	3,180	-	42,346	42,346
Supplies	904,954	-	904,954	-	53,405	53,405
Depreciation	72,494	-	72,494	-	482	482
Other operating costs	-	-	-	5,875,433	-	5,875,433
Total non-instructional programs	<u>1,739,910</u>	<u>-</u>	<u>1,739,910</u>	<u>5,875,433</u>	<u>113,296</u>	<u>5,988,729</u>
Total operating expenses	<u>1,878,462</u>	<u>-</u>	<u>1,878,462</u>	<u>5,875,433</u>	<u>113,296</u>	<u>5,988,729</u>
Operating income (loss)	<u>(1,335,587)</u>	<u>-</u>	<u>(1,335,587)</u>	<u>88,823</u>	<u>2,767</u>	<u>91,590</u>
<b>NON-OPERATING REVENUES:</b>						
State sources	16,325	-	16,325	-	-	-
Federal sources:						
Federal food commodities	82,772	-	82,772	-	-	-
Federal subsidy	1,207,860	-	1,207,860	-	-	-
Total non-operating revenues	<u>1,306,957</u>	<u>-</u>	<u>1,306,957</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>(28,630)</u>	<u>-</u>	<u>(28,630)</u>	<u>88,823</u>	<u>2,767</u>	<u>91,590</u>
<b>NET POSITION BEGINNING OF YEAR</b>	<u>1,847,615</u>	<u>268,529</u>	<u>2,116,144</u>	<u>7,236,054</u>	<u>(116,886)</u>	<u>7,119,168</u>
<b>NET POSITION END OF YEAR</b>	<u>\$ 1,818,985</u>	<u>\$ 268,529</u>	<u>\$ 2,087,514</u>	<u>\$ 7,324,877</u>	<u>\$ (114,119)</u>	<u>\$ 7,210,758</u>

See notes to financial statements.

**CLINTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2014**

EXHIBIT I

	<u>Enterprise Funds</u>			<u>Internal Service Funds</u>		<u>Total Internal Service</u>
	<u>School Nutrition</u>	<u>Nonmajor Student Construction</u>	<u>Total Enterprise</u>	<u>Insurance</u>	<u>Print Shop</u>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Cash received from sale of lunches and breakfasts	\$ 530,733	\$ -	\$ 530,733	\$ -	\$ -	\$ -
Cash received from operating fund reimbursements	1,412	-	1,412	5,949,420	116,063	6,065,483
Cash payments to employees for services	(845,166)	-	(845,166)	-	(17,080)	(17,080)
Cash payments to suppliers for goods and services	(877,657)	5,381	(872,276)	(5,642,718)	(86,402)	(5,729,120)
Net cash provided by (used in) operating activities	<u>(1,190,678)</u>	<u>5,381</u>	<u>(1,185,297)</u>	<u>306,702</u>	<u>12,581</u>	<u>319,283</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>						
Operating grants received	<u>1,229,477</u>	<u>-</u>	<u>1,229,477</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Acquisition of capital assets	<u>(236,039)</u>	<u>(70,563)</u>	<u>(306,602)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(197,240)	(65,182)	(262,422)	306,702	12,581	319,283
<b>CASH AND CASH EQUIVALENTS BEGINNING OF YEAR</b>	<u>1,465,666</u>	<u>158,277</u>	<u>1,623,943</u>	<u>7,284,352</u>	<u>12,540</u>	<u>7,296,892</u>
<b>CASH AND CASH EQUIVALENTS END OF YEAR</b>	<u>\$ 1,268,426</u>	<u>\$ 93,095</u>	<u>\$ 1,361,521</u>	<u>\$ 7,591,054</u>	<u>\$ 25,121</u>	<u>\$7,616,175</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ (1,335,587)	\$ -	\$ (1,335,587)	\$ 88,823	\$ 2,767	\$ 91,590
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Commodities used	79,795	-	79,795	-	-	-
Depreciation	72,494	-	72,494	-	482	482
Increase in other receivables	(12,023)	-	(12,023)	(14,836)	-	(14,836)
Decrease in inventories	-	-	-	-	9,360	9,360
Increase (decrease) in accounts payable	753	5,381	6,134	43,108	(11)	43,097
Increase (decrease) in accrued payroll and deductions	10,290	-	10,290	-	(17)	(17)
Decrease in compensated absences payable	(7,693)	-	(7,693)	-	-	-
Increase in claims payable	-	-	-	189,607	-	189,607
Increase in advances from others	1,293	-	1,293	-	-	-
Net cash provided by (used in) operating activities	<u>\$ (1,190,678)</u>	<u>\$ 5,381</u>	<u>\$ (1,185,297)</u>	<u>\$ 306,702</u>	<u>\$ 12,581</u>	<u>\$ 319,283</u>

**NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

During the year ended June 30, 2014, the District received \$82,772 of federal commodities.

See notes to financial statements.

**CLINTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2014**

	<u>Private Purpose Trust Scholarship</u>	<u>Agency</u>
<b>ASSETS</b>		
Cash and cash equivalents	<u>\$ 532,268</u>	<u>\$ 7,019</u>
<b>LIABILITIES</b>		
Accounts payable	<u>-</u>	<u>7,019</u>
<b>NET POSITION</b>		
Reserved for scholarships	<u><u>\$ 532,268</u></u>	<u><u>\$ -</u></u>

See notes to financial statements.

**CLINTON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
Year Ended June 30, 2014**

	<b>Private Purpose Trust Scholarship</b>
<b>ADDITIONS:</b>	
Local sources:	
Interest	\$ 1,343
Memorials/contributions	172,409
Total additions	<u>173,752</u>
 <b>DEDUCTIONS:</b>	
Support services:	
Scholarships	<u>14,685</u>
 <b>CHANGE IN NET POSITION</b>	 159,067
 <b>NET POSITION BEGINNING OF YEAR</b>	 <u>373,201</u>
 <b>NET POSITION END OF YEAR</b>	 <u><u>\$ 532,268</u></u>

See notes to financial statements.

**CLINTON COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

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

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

**B. Basis of Presentation**

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

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

**CLINTON COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation (continued)**

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

*Restricted net position* results when constraints placed on net position use are either externally imposed or are 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 two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

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

**CLINTON COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation (continued)**

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

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

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

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

**C. Measurement Focus and Basis of Accounting**

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

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

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

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

**CLINTON COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus and Basis of Accounting** (continued)

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

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

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

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

**D. Assets, Liabilities, Deferred Inflows of Resources and Fund 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 and non-negotiable certificates of deposit which are stated at cost.

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

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

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

**CLINTON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)**

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

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

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

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

Land	\$ 5,000
Land improvements	5,000
Buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000
Buses and other pupil transportation	5,000

**CLINTON COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)**

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

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years
Buses and other pupil transportation	5-10 years

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

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

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

**Compensated Absences** - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental 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 at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

**CLINTON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity (continued)**

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

**E. Budgeting and Budgetary Accounting**

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. In addition, the District did not exceed its General Fund unspent authorized budget.

**F. Subsequent Events**

Management has evaluated subsequent events through January 12, 2015, the date the financial statements were available to be issued.

**NOTE 2 - CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS**

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$13,963 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust were rated AAAM by Standard & Poor's Financial Services.

**CLINTON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014**

**NOTE 2 - CASH, CASH EQUIVALENTS AND POOLED INVESTMENTS (CONTINUED)**

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

**NOTE 3 - DUE FROM AND DUE TO OTHER FUNDS**

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund		\$ 2,014,963
	Capital Projects	1,032,524
	Debt Service Fund	134,345
	Student Activity	649,439
	Print Shop Fund	198,655

The Student Activity Fund, Capital Projects Fund, Debt Service Fund and Print Shop Fund are repaying the General Fund for amounts borrowed to cover negative cash balances at June 30, 2014. The balances are to be repaid by June 30, 2015.

**NOTE 4 - INTERFUND TRANSFERS**

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

	<u>Transfers In</u>	<u>Transfers Out</u>
Capital Projects Fund	\$ -	\$ 2,619,902
Debt Service Fund	2,619,902	-
<b>Total</b>	<u>\$ 2,619,902</u>	<u>\$ 2,619,902</u>

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

**CLINTON COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 5 - CAPITAL ASSETS**

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

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated/amortized:				
Land	\$ 1,860,229	\$ -	\$ -	\$ 1,860,229
Construction in progress	<u>19,574,796</u>	<u>15,266,411</u>	<u>(2,763,521)</u>	<u>32,077,686</u>
Total capital assets not being depreciated/amortized	<u>21,435,025</u>	<u>15,266,411</u>	<u>(2,763,521)</u>	<u>33,937,915</u>
Capital assets being depreciated/amortized:				
Land improvements	3,479,380	1,067,557	-	4,546,937
Buildings and building improvements	47,344,789	2,031,579	-	49,376,368
Furniture and equipment	7,837,165	46,967	-	7,884,132
Buses and other pupil transportation	<u>2,524,735</u>	<u>239,113</u>	<u>(271,242)</u>	<u>2,492,606</u>
Total capital assets being depreciated/amortized	<u>61,186,069</u>	<u>3,385,216</u>	<u>(271,242)</u>	<u>64,300,043</u>
Less accumulated depreciation/amortization for:				
Land improvements	1,254,909	121,683	-	1,376,592
Buildings and building improvements	20,258,630	1,090,941	-	21,349,571
Furniture and equipment	6,836,774	164,514	-	7,001,288
Buses and other pupil transportation	<u>1,918,988</u>	<u>182,662</u>	<u>(271,242)</u>	<u>1,830,408</u>
Total accumulated depreciation/amortization	<u>30,269,301</u>	<u>1,559,800</u>	<u>(271,242)</u>	<u>31,557,859</u>
Total capital assets being depreciated/amortized, net	<u>30,916,768</u>	<u>1,825,416</u>	<u>-</u>	<u>32,742,184</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 52,351,793</u>	<u>\$ 17,091,826</u>	<u>\$(2,763,521)</u>	<u>\$ 66,680,099</u>
<b>Business type activities:</b>				
Capital assets not being depreciated/amortized:				
Construction in progress	\$ 110,252	\$ 305,419	\$ -	\$ 415,671
Capital assets being depreciated/amortized:				
Furniture and equipment	930,370	1,183	-	931,553
Less accumulated depreciation	<u>613,030</u>	<u>72,494</u>	<u>-</u>	<u>685,524</u>
Capital assets being depreciated/amortized	<u>317,340</u>	<u>(71,311)</u>	<u>-</u>	<u>246,029</u>
<b>Business type activities capital assets, net</b>	<u>\$ 427,592</u>	<u>\$ 234,108</u>	<u>\$ -</u>	<u>\$ 661,700</u>

**CLINTON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014**

**NOTE 5 - CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

    Regular \$ 948,963

Support services:

    General administration 130,112

    Operation and maintenance of plant 54,053

    Transportation 172,055

    Instructional staff 504

    Non-instructional 55,635

    Facilities acquisition 198,478

**Total depreciation/amortization expense - governmental activities** \$ 1,559,800

Business-type activities:

School nutrition:

    Food service operations \$ 72,494

**NOTE 6 - LONG-TERM LIABILITIES**

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

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 2,610,000	\$ -	\$ 620,000	\$ 1,990,000	\$ 645,000
Revenue bonds	35,040,000	-	1,315,000	33,725,000	1,315,000
Capital leases payable	5,694	-	1,042	4,652	1,144
Early retirement	266,532	-	133,266	133,266	133,266
Compensated absences	295,952	361,628	463,179	194,401	194,401
Net OPEB liability	1,095,000	257,000	-	1,352,000	-
Plus bond premium	137,311	-	17,229	120,082	-
Less bond discount	(354,594)	-	(22,163)	(332,431)	-
<b>Total</b>	<u>\$ 39,095,895</u>	<u>\$ 618,628</u>	<u>\$ 2,527,553</u>	<u>\$ 37,186,970</u>	<u>\$ 2,288,811</u>

**CLINTON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014**

**NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)**

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Business type activities:					
Compensated absences	\$ 30,870	\$ 10,076	\$ 17,769	\$ 23,177	\$ 23,177

**General Obligation Bonds**

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

Year Ending June 30,	<u>Refunding Bond Issue of 2010</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	3.00	\$ 645,000	\$ 53,670	\$ 698,670
2016	2.40	665,000	34,320	699,320
2017	2.70	680,000	18,360	698,360
Total		<u>\$ 1,990,000</u>	<u>\$ 106,350</u>	<u>\$ 2,096,350</u>

On July 8, 2010, the District issued \$4,405,000 of general obligation refunding bonds, with interest rates ranging from 2.40% to 3.00%, for a current refunding of the general obligation bonds issued May 1, 2005. The District refunded the bonds to reduce its total debt service payments by approximately \$293,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$266,000.

**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,	<u>Series 2010 Revenue Bond</u>			Year Ending June 30,	<u>Series 2013 Revenue Bond</u>			<u>Total</u>	
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>		<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	3.00	\$ 1,315,000	\$ 1,194,210	2015	2.00	\$ -	\$ 133,768	\$ 1,315,000	\$ 1,327,978
2016	3.00	1,320,000	1,154,685	2016	2.00	255,000	131,218	1,575,000	1,285,903
2017	3.00	1,335,000	1,114,860	2017	2.00	285,000	125,818	1,620,000	1,240,678
2018	3.75	1,355,000	1,069,429	2018	2.00	310,000	119,868	1,665,000	1,189,297
2019	3.75	1,395,000	1,017,866	2019	2.00	330,000	113,468	1,725,000	1,131,334
2020-2024	4.00-4.40	7,900,000	4,182,004	2020-2024	2.00-2.50	1,685,000	465,728	9,585,000	4,647,732
2025-2029	4.50-5.00	9,880,000	2,213,339	2025-2029	2.75-3.05	1,820,000	241,843	11,700,000	2,455,162
2030	5.00	3,915,000	138,875	2030	3.25	625,000	13,975	4,540,000	152,850
Total		<u>\$28,415,000</u>	<u>\$12,085,268</u>	Total		<u>\$5,310,000</u>	<u>\$1,345,686</u>	<u>\$33,725,000</u>	<u>\$13,430,954</u>

**CLINTON COMMUNITY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)**

The District has pledged future statewide sales, services and use tax revenues to repay the \$30,000,000 bonds issued during the June 30, 2010 fiscal year and the \$5,310,000 bonds issued during the June 30, 2013 fiscal year. The statewide sales, services and use tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limit of the district. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid is \$40,500,268 on the 2010 issue and \$6,655,686 on the 2013 issue. For the current year, total principal and interest paid was \$2,617,402 and total statewide sales, services and use tax revenues were \$3,401,275.

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

- a) The net bond proceeds shall be deposited in to a Project Fund for the purpose of aiding in the financing of the Project, and shall also be available for the payment of the principal of or interest on the Bonds at any time that other funds of the Project shall be insufficient for that purpose.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Fund.
- c) Monies in the Revenue Fund shall be disbursed to the Sinking Fund, Debt Service Reserve Fund and Surplus Revenue Fund in order of priority.
- d) The required amount to be deposited in the Sinking Fund in any month shall be the equal monthly amount necessary to pay in full the installment of interest coming due on the next interest payment date, plus the equal monthly amount necessary to pay in full the installment of principal coming due on the next succeeding principal payment date until the full amount of such installment is on hand. If for any reason the amount on hand in the Sinking Fund exceeds the required amount, the excess shall forthwith be withdrawn and paid into the Revenue Fund.
- e) Upon settlement, from proceeds of the Bonds, the Debt Service Reserve Fund will be funded to a balance equal to the Reserve Fund Requirement. Reserve funds are to be established for each of the revenue bonds issued. Monies deposited in the Reserve Fund shall be used solely for the purpose of paying principal and interest on the Bonds or Parity Obligations.
- f) All money thereafter remaining in the Revenue Fund at the close of each month may be used to pay for other expenses of the Project, pay or redeem the Bonds or obligations, or for any lawful purpose.

**CLINTON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014**

**NOTE 7 - DUE FROM OTHER GOVERNMENTS**

Amounts due from other governments by fund as of June 30, 2014 are as follows:

	<b><u>General Fund</u></b>
State appropriations	
Community Partnership	\$ 11,667
Special Education Services	20,382
Transportation Aid	11,255
Decat	5,535
Vocational Aid	<u>1,180</u>
Total state appropriations	<u>50,019</u>
Federal appropriations	
21 <sup>st</sup> Century	157,542
Every Student Counts	106,492
Juvenile Mentoring	18,604
Title I	216,963
Gaining Early Awareness	8,903
Part B	101,821
Medical Assistance Program	213,149
Aids Education	170
Advanced Placement Program	892
Vocational Education - Basic Grants to States	<u>31,111</u>
Total federal appropriations	<u>855,647</u>
Miscellaneous	
Income Surtax Receivable	1,606,339
Other local sources	<u>51,592</u>
Total miscellaneous	<u>1,657,931</u>
<b>Total due from other governments</b>	<b><u>\$2,563,597</u></b>
	<b><u>Student Activity Fund</u></b>
Miscellaneous - other local sources	<u>\$ 1,703</u>
	<b><u>Capital Projects Fund</u></b>
Statewide sales, services and use tax	<u>\$ 577,416</u>
	<b><u>School Nutrition Fund</u></b>
Federal appropriations - summer food program	<u>\$ 17,367</u>

**CLINTON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014**

**NOTE 8 - PENSION AND RETIREMENT BENEFITS**

The District contributes to the Iowa Public Employees' Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required 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 salary. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$2,201,952, \$2,090,528, and \$2,086,665, respectively, equal to the required contributions for each year.

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

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 529 active and 45 retired members in the plan. Participants must be age 55 or older at retirement. The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$ 429,000
Interest on net OPEB obligation	38,000
Adjustment to annual required contribution	<u>(32,000)</u>
Annual OPEB cost	435,000
Contributions made	<u>(178,000)</u>
Increase in net OPEB obligation	257,000
Net OPEB obligation beginning of year	<u>1,095,000</u>
Net OPEB obligation end of year	<u>\$ 1,352,000</u>

**CLINTON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014**

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

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014. For the year ended June 30, 2014, the District contributed \$178,000 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 287,000	59.9%	\$ 723,174
June 30, 2012	287,000	59.9%	838,174
June 30, 2013	435,000	40.9%	1,095,000
June 30, 2014	435,000	40.9%	1,352,000

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$3.523 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.523 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$21,368,000, and the ratio of the UAAL to covered payroll was 16.5%. 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 health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

**CLINTON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014**

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

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

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

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

**NOTE 10 - EARLY RETIREMENT**

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

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

At June 30, 2014, the District has obligations to twenty-one participants with a total liability of \$133,266. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$133,266.

**NOTE 11 - CONTINGENT LIABILITIES**

As of June 30, 2014, the District is contingently liable for the unvested portion of sick leave, which totals approximately \$11,719,128.

**NOTE 12 - 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. There have been no significant reductions in insurance coverage from the prior year. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**CLINTON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014**

**NOTE 12 - RISK MANAGEMENT (CONTINUED)**

The District also has a self-funded health insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$75,000 in insured claims for any one covered individual. Settled claims have not exceeded the commercial coverage in any of the past three fiscal years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses. That reserve was \$783,779 at June 30, 2014. Changes in the aggregate claims liability for the current year is as follows:

	<b><u>2014</u></b>
Balance, beginning of year	\$ 594,172
Incurred claims (including IBNRs)	6,065,040
Claim payments	<u>5,875,433</u>
<b>Balance, end of year</b>	<b><u>\$ 783,779</u></b>

**NOTE 13 - LEASES**

**Operating**

The District has various operating leases for equipment expiring on various dates through 2019 with various minimum annual rentals. Certain operating leases provide for renewal options at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases. The following is a schedule, by year, of the future minimum rentals due under these operating leases:

Year Ended June 30,	
2015	\$ 50,299
2016	32,209
2017	20,007
2018	2,423
2019	<u>1,283</u>
<b>Total minimum lease payments</b>	<b><u>\$ 106,221</u></b>

Rental payments made during the year ended June 30, 2014 for all operating leases totaled approximately \$107,315.

**CLINTON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014**

**NOTE 13 - LEASES (CONTINUED)**

**Capital**

The District is the lessee of equipment under a capital lease expiring in 2018. The assets and liabilities under the capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized (or depreciated) over the lower of their related lease terms or their estimated productive lives. Amortization (or depreciation) of assets under capital leases is included in depreciation expense for the year ended June 30, 2014.

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

Year Ended June 30,	
2015	\$ 1,536
2016	1,536
2017	1,536
2018	<u>895</u>
<b>Total minimum lease payments</b>	<b>5,503</b>
<b>Less amount representing interest</b>	<u>(851)</u>
<b>Present value of net minimum lease payments</b>	<b><u>\$ 4,652</u></b>

Amortization on assets under the capital lease charged to expense in 2014 was \$494.

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

**NOTE 14 - AREA EDUCATION AGENCY**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$1,672,859 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

**NOTE 15 - CONSTRUCTION COMMITMENTS**

The District has entered into contracts totaling \$33,997,526 for various construction projects. As of June 30, 2014, costs of \$31,527,654 had been incurred against the contracts. The balance of \$2,469,872 remaining at June 30, 2014 will be paid as work on the projects progress.

**CLINTON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014**

**NOTE 16 - FUND BALANCE DEFICIT**

At June 30, 2014, the Debt Service Fund, Student Activity Fund and Print Shop Fund had fund balance deficits of \$126,289, \$673,932 and \$114,119, respectively, resulting from current and prior year expenses in excess of total revenues. It is expected that revenues for the next year will provide a positive fund balance in the Debt Service Fund and Print Shop Fund. The Student Activity Fund will continue to have a deficit fund balance into the foreseeable future.

**NOTE 17 - CATEGORICAL FUNDING**

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

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

**NOTE 18 - 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 for the fiscal 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 is expected to include a significant liability for the government's proportionate share of the employee pension plan.

**NOTE 19 - SUBSEQUENT EVENT**

On July 1, 2014 the District issued \$5,285,000 in School Infrastructure Sales, Services and Use Tax Revenue Bond Anticipation Notes. The bonds carry an interest rate of 1.87% and mature on July 1, 2017.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

CLINTON COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 Year Ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
<b>REVENUES:</b>						
Local sources	\$ 18,261,748	\$ 542,875	\$ 18,804,623	\$ 26,427,400	\$ 26,427,400	\$ (7,622,777)
Intermediate sources	-	-	-	750	750	(750)
State sources	29,505,377	16,325	29,521,702	28,901,757	28,901,757	619,945
Federal sources	2,535,291	1,290,632	3,825,923	3,990,000	3,990,000	(164,077)
Total revenues	<u>50,302,416</u>	<u>1,849,832</u>	<u>52,152,248</u>	<u>59,319,907</u>	<u>59,319,907</u>	<u>(7,167,659)</u>
<b>EXPENDITURES/EXPENSES:</b>						
Instruction	28,601,591	-	28,601,591	33,859,328	33,859,328	5,257,737
Support services	15,060,980	138,552	15,199,532	17,603,166	18,500,000	3,300,468
Non-instructional programs	4,053	1,739,910	1,743,963	1,804,750	1,825,000	81,037
Other expenditures	21,158,777	-	21,158,777	13,982,449	23,000,000	1,841,223
Total expenditures/expenses	<u>64,825,401</u>	<u>1,878,462</u>	<u>66,703,863</u>	<u>67,249,693</u>	<u>77,184,328</u>	<u>10,480,465</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES/EXPENSES</b>	<u>(14,522,985)</u>	<u>(28,630)</u>	<u>(14,551,615)</u>	<u>(7,929,786)</u>	<u>(17,864,421)</u>	<u>3,312,806</u>
<b>OTHER FINANCING SOURCES, NET</b>	<u>3,200</u>	<u>-</u>	<u>3,200</u>	<u>165,000</u>	<u>155,000</u>	<u>(151,800)</u>
<b>DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES UNDER EXPENDITURES/EXPENSES AND OTHER FINANCING USES</b>	<u>(14,519,785)</u>	<u>(28,630)</u>	<u>(14,548,415)</u>	<u>(7,774,786)</u>	<u>(17,709,421)</u>	<u>3,161,006</u>
<b>BALANCES BEGINNING OF YEAR</b>	<u>17,477,429</u>	<u>2,116,144</u>	<u>19,593,573</u>	<u>14,365,752</u>	<u>14,365,752</u>	<u>5,227,821</u>
<b>BALANCES END OF YEAR</b>	<u>\$ 2,957,644</u>	<u>\$ 2,087,514</u>	<u>\$ 5,045,158</u>	<u>\$ 6,590,966</u>	<u>\$ (3,343,669)</u>	<u>\$ 8,388,827</u>

See accompanying independent auditor's report.

**CLINTON COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -  
BUDGETARY REPORTING  
Year ended June 30, 2014**

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District had one budget amendment, increasing budgeted expenditures by \$9,934,635.

During the year ended June 30, 2014, expenditures did not exceed the amount budgeted.

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

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2010	July 1, 2008	-	\$2,662	\$2,662	0.00%	\$ 20,500	13.0%
2011	July 1, 2010	-	2,526	2,526	0.00%	20,488	12.3%
2012	July 1, 2010	-	2,526	2,526	0.00%	21,660	11.7%
2013	July 1, 2012	-	3,523	3,523	0.00%	20,767	17.0%
2014	July 1, 2012	-	3,523	3,523	0.00%	21,368	16.5%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

## **SUPPLEMENTARY INFORMATION**

**CLINTON COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
June 30, 2014**

	<u>Student Activity</u>	<u>Management Levy</u>	<u>Helen O. Stoddard Bequest</u>	<u>Margaret N. Kracht Gift</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,356	\$ 445,754	\$ 50,832	\$ 83	\$ 499,025
Receivables:					
Property tax:					
Delinquent	-	7,550	-	-	7,550
Succeeding year	-	700,000	-	-	700,000
Due from other government	1,703	-	-	-	1,703
<b>TOTAL ASSETS</b>	<u>\$ 4,059</u>	<u>\$ 1,153,304</u>	<u>\$ 50,832</u>	<u>\$ 83</u>	<u>\$ 1,208,278</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)</b>					
Liabilities:					
Accounts payable	\$ 27,622	\$ -	\$ -	\$ -	\$ 27,622
Salaries and benefits payable	930	-	-	-	930
Due to other funds	649,439	-	-	-	649,439
Total liabilities	<u>677,991</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>677,991</u>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	-	700,000	-	-	700,000
Fund balances (deficit)					
Restricted for:					
Management levy purposes	-	453,304	-	-	453,304
Other purposes	-	-	50,832	83	50,915
Unassigned	(673,932)	-	-	-	(673,932)
Total fund balances (deficit)	<u>(673,932)</u>	<u>453,304</u>	<u>50,832</u>	<u>83</u>	<u>(169,713)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)</b>	<u>\$ 4,059</u>	<u>\$ 1,153,304</u>	<u>\$ 50,832</u>	<u>\$ 83</u>	<u>\$ 1,208,278</u>

See accompanying independent auditor's report.

**CLINTON COMMUNITY SCHOOL DISTRICT  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (DEFICITS) - NONMAJOR SPECIAL REVENUE FUNDS  
Year Ended June 30, 2014**

	<u>Student Activity</u>	<u>Management Levy</u>	<u>Helen O. Stoddard Bequest</u>	<u>Margaret N. Kracht Gift</u>	<u>Total</u>
<b>REVENUES:</b>					
Local sources:					
Taxes	\$ -	\$ 587,170	\$ -	\$ -	\$ 587,170
Other	565,221	22,665	-	-	587,886
State sources	-	355	-	-	355
Total revenues	<u>565,221</u>	<u>610,190</u>	<u>-</u>	<u>-</u>	<u>1,175,411</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular	-	321,298	-	-	321,298
Other	549,875	-	-	-	549,875
Total instruction	<u>549,875</u>	<u>321,298</u>	<u>-</u>	<u>-</u>	<u>871,173</u>
Support services:					
Student	-	2,808	-	-	2,808
General administration	44	50,515	-	-	50,559
Business administration	10,032	-	-	-	10,032
Operation and maintenance of plant	1,407	310,474	-	-	311,881
Transportation	13,544	60,117	-	-	73,661
Total support services	<u>25,027</u>	<u>423,914</u>	<u>-</u>	<u>-</u>	<u>448,941</u>
Non-instructional programs	-	2,808	-	-	2,808
Total expenditures	<u>574,902</u>	<u>748,020</u>	<u>-</u>	<u>-</u>	<u>1,322,922</u>
<b>CHANGE IN FUND BALANCES (DEFICITS)</b>	(9,681)	(137,830)	-	-	(147,511)
<b>FUND BALANCES (DEFICITS) BEGINNING OF YEAR</b>	(664,251)	591,134	50,832	83	(22,202)
<b>FUND BALANCES (DEFICITS) END OF YEAR</b>	<u>\$ (673,932)</u>	<u>\$ 453,304</u>	<u>\$ 50,832</u>	<u>\$ 83</u>	<u>\$ (169,713)</u>

See accompanying independent auditor's report.

**CLINTON COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS**  
**Year Ended June 30, 2014**

<u>Account</u>	<u>Balance, Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Balance, End of Year</u>
<b>Clinton High School</b>				
10th grade	\$ 6,093	\$ -	\$ -	\$ 6,093
11th grade	5,085	-	-	5,085
Activity tickets	34,595	8,225	-	42,820
Amnesty international	177	-	177	-
Archery club	2,114	-	60	2,054
Art club	899	208	247	860
Art of film	105	-	-	105
Biology club	1,559	-	591	968
Camp courageous	1,176	425	253	1,348
Chess club	4	-	-	4
Class of 2013	2,125	-	1,702	423
Class of 2014	5,579	1,113	866	5,826
Class of 2015	323	12,538	9,466	3,395
Class of 2016	205	904	856	253
Class of 2017	-	692	669	23
Color guard	346	-	-	346
Culinary class	8,421	2,831	2,813	8,439
Dance	398	-	-	398
Debate	1,122	-	-	1,122
Drama	(710)	20,280	15,095	4,475
Environmental heroes	-	100	-	100
FBLA	(196)	10,789	9,907	686
FCS fundraiser	33	117	-	150
Friends of Rachael	(86)	-	-	(86)
General activity	(910)	1,059	751	(602)
Get a grip	1,063	55	740	378
Historical guild	818	-	-	818
Instrumental music	14,392	17,780	18,583	13,589
Instrumental music-special	2,753	10,574	10,179	3,148
Landscaping	5,090	2,934	3,434	4,590
Language arts	62	-	-	62
Lettermans club	914	-	-	914
Literacy club	366	205	315	256
Math club	92	-	92	-
Medical careers	175	-	-	175
NHS	1,278	4,810	4,766	1,322
Orchestra	4,771	1,886	1,017	5,640
Orchestra-special	622	12,090	12,263	449
Pep club	(464)	-	-	(464)
SADD	(1,554)	767	369	(1,156)
Science club	244	-	-	244
Spanish class	549	1,370	1,012	907
Special ed	6	677	240	443
Speech	2,228	60	1,133	1,155
Student council	2,384	6,209	8,909	(316)
Student venture	1,020	225	-	1,245
Trapshooting	660	-	-	660
Vocal music	27,073	13,873	7,528	33,418
Vocal music-special	28,747	10,616	7,624	31,739
World language club	(1,467)	13,476	10,725	1,284
Yearbook	28,696	19,980	22,326	26,350
<b>Total Clinton High School</b>	<b>188,975</b>	<b>176,868</b>	<b>154,708</b>	<b>211,135</b>

SCHEDULE 3  
(CONTINUED)

CLINTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2014

<u>Account</u>	<u>Balance, Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Balance, End of Year</u>
<b>Clinton High School Athletics</b>				
Athletic concessions	\$ 30,783	\$ -	\$ -	\$ 30,783
Athletic promotions	(24,335)	1,715	2,748	(25,368)
Athletic resale	210	-	-	210
Athletic support	(6,202)	-	-	(6,202)
Baseball	(122,870)	6,975	16,145	(132,040)
Baseball fundraisers	(2,130)	17,411	12,296	2,985
Boys bowling	(601)	350	974	(1,225)
Boys bowling fundraisers	(86)	480	480	(86)
Boys basketball	55,110	10,607	10,772	54,945
Boys basketball fundraisers	1,781	2,769	2,684	1,866
Boys cross country	(9,164)	2,113	1,789	(8,840)
Boys cross country fundraisers	404	536	762	178
Boys golf	(37,632)	1,626	2,911	(38,917)
Boys soccer	(46,269)	2,896	4,383	(47,756)
Boys soccer fundraisers	5,870	9,882	8,439	7,313
Boys swimming	(17,904)	2,898	3,656	(18,662)
Boys swimming fundraisers	(914)	3,635	3,873	(1,152)
Boys tennis	(26,011)	315	1,915	(27,611)
Boys tennis fundraisers	107	2,120	2,009	218
Boys track	(93,664)	4,367	14,953	(104,250)
Boys track fundraisers	1,331	643	983	991
Cheerleading	(2,578)	12,845	9,953	314
Football	122,112	33,495	14,969	140,638
Football fundraisers	6,732	20,813	17,868	9,677
General athletics	(229,822)	3,342	6,343	(232,823)
Girls basketball	(26,508)	7,169	6,482	(25,821)
Girls basketball fundraisers	(3,608)	8,574	8,206	(3,240)
Girls bowling	(752)	250	488	(990)
Girls cross country	(6,956)	1,089	2,022	(7,889)
Girls cross country fundraisers	1,414	536	762	1,188
Girls golf	(28,829)	65	2,297	(31,061)
Girls golf fundraisers	(797)	-	-	(797)
Girls soccer	(37,125)	4,429	2,967	(35,663)
Girls soccer fundraisers	3,242	13,467	11,254	5,455
Girls softball	(89,774)	2,892	4,868	(91,750)
Girls softball fundraisers	931	9,270	2,920	7,281
Girls swimming	(29,898)	2,684	2,738	(29,952)
Girls swimming fundraisers	(953)	2,157	1,050	154
Girls tennis	(33,201)	1,281	4,687	(36,607)
Girls tennis fundraisers	765	1,262	686	1,341
Girls track	(85,128)	4,722	10,613	(91,019)
Girls track fundraisers	(4,427)	2,196	-	(2,231)
Girls volleyball	(44,746)	6,876	6,216	(44,086)
Girls volleyball fundraisers	1,615	12,768	9,553	4,830
Strength & conditioning fundraisers	34,003	35,060	66,648	2,415
Wrestling	(97,382)	11,688	22,631	(108,525)
Wrestling fundraiser	(8,245)	6,580	4,276	(5,941)
Total Clinton High School Athletics	<u>(852,101)</u>	<u>276,848</u>	<u>312,469</u>	<u>(887,722)</u>

SCHEDULE 3  
(CONTINUED)

CLINTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2014

<u>Account</u>	<u>Balance, Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Balance, End of Year</u>
<b>Lincoln High School</b>				
Athletic concessions	\$ (58)	\$ 58	\$ -	\$ -
Athletic promotions	(19)	19	-	-
Total Lincoln High School	<u>(77)</u>	<u>77</u>	<u>-</u>	<u>-</u>
<b>Lyons Middle School</b>				
6th grade	1,207	5,117	5,842	482
7th grade	6,922	1,506	3,418	5,010
8th grade	900	991	818	1,073
Activity tickets	4,977	2,124	8,331	(1,230)
Boys basketball	7,964	2,808	3,252	7,520
Boys track	(288)	1,768	736	744
Football	(3,230)	3,697	1,054	(587)
General	(1,032)	1,032	-	-
General athletics	(15,548)	867	649	(15,330)
Girls basketball	(74)	1,444	1,269	101
Girls track	-	149	149	-
Landscaping	355	-	-	355
Publications	(774)	-	-	(774)
Ski trip	4,871	10,611	11,162	4,320
Special education	(71)	-	-	(71)
Student council	1,246	6,720	5,756	2,210
Vocal music	7,698	6,496	7,333	6,861
Girls volleyball	2,225	844	1,359	1,710
Wrestling	892	371	283	980
Yearbook	8,447	3,047	6,663	4,831
Total Lyons Middle School	<u>26,687</u>	<u>49,592</u>	<u>58,074</u>	<u>18,205</u>
<b>Washington Middle School</b>				
6th grade	2,000	1,161	1,024	2,137
6th grade drama	(2,207)	-	-	(2,207)
7th grade	445	650	648	447
7th-8th grade	121	-	-	121
8th grade	1,785	5,096	6,360	521
Activity tickets	1,441	875	2,261	55
Archery club	(340)	-	-	(340)
Art club	(374)	-	-	(374)
AV club	817	-	-	817
Boys basketball	(3,325)	4,469	1,068	76
Boys track	(2,856)	3,364	136	372
Co-ed athletics	(25,853)	35	148	(25,966)
Drama	1,524	8,841	5,743	4,622
Football	(8,355)	3,007	3,712	(9,060)
General	1,187	437	857	767
Girls basketball	(8,014)	467	1,065	(8,612)

SCHEDULE 3  
(CONTINUED)

CLINTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2014

<u>Account</u>	<u>Balance, Beginning of Year</u>	<u>Revenues and Interfund Transfers</u>	<u>Expenditures</u>	<u>Balance, End of Year</u>
<b>Washington Middle School (continued)</b>				
Girls track	\$ 422	\$ 1,239	75	\$ 1,586
Instrumental music	6,519	1,978	1,679	6,818
Orchestra	5,742	-	-	5,742
Pep club	(340)	-	-	(340)
Press club	10	-	-	10
Pride club	65	-	-	65
Spanish class	(340)	-	-	(340)
Student government	3,086	2,927	2,581	3,432
Tennis club	(340)	-	-	(340)
Vocal music	2,633	14,899	14,253	3,279
Girls volleyball	(26)	2,138	422	1,690
Wrestling	(2,432)	2,893	208	253
Yearbook	(1,661)	2,021	2,057	(1,697)
Total Washington Middle School	<u>(28,666)</u>	<u>56,497</u>	<u>44,297</u>	<u>(16,466)</u>
<b>Eagle Heights Elementary School</b>				
Student council	80	-	-	80
Total Eagle Heights Elementary School	<u>80</u>	<u>-</u>	<u>-</u>	<u>80</u>
<b>Jefferson Elementary School</b>				
Student council	2,943	646	1,906	1,683
Total Jefferson Elementary School	<u>2,943</u>	<u>646</u>	<u>1,906</u>	<u>1,683</u>
<b>Whittier Elementary School</b>				
Student council	(520)	-	-	(520)
Total Whittier Elementary School	<u>(520)</u>	<u>-</u>	<u>-</u>	<u>(520)</u>
<b>All Middle Schools</b>				
Swimming	(485)	1,602	1,115	2
Total All Middle Schools	<u>(485)</u>	<u>1,602</u>	<u>1,115</u>	<u>2</u>
<b>District-Wide</b>				
General	(3,019)	76	-	(2,943)
Vocal music	-	3,015	932	2,083
Wall of fame donations	1,932	-	1,401	531
Total District-Wide	<u>(1,087)</u>	<u>3,091</u>	<u>2,333</u>	<u>(329)</u>
<b>TOTAL</b>	<b>\$ (664,251)</b>	<b>\$ 565,221</b>	<b>\$ 574,902</b>	<b>\$ (673,932)</b>

See accompanying independent auditor's report.

**CLINTON COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
CAPITAL PROJECT ACCOUNTS  
June 30, 2014**

	<u>Statewide Sales, Services and Use Tax</u>	<u>Physical Plant and Equipment Levy</u>	<u>Other Revenue</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,227,676	\$ 131,434	\$ -	\$ 5,359,110
Investments	1,016	-	-	1,016
Receivables:				
Property tax:				
Delinquent	-	3,677	-	3,677
Succeeding year	-	307,135	-	307,135
Due from other governments	577,416	-	-	577,416
<b>TOTAL ASSETS</b>	<b>\$ 5,806,108</b>	<b>\$ 442,246</b>	<b>\$ -</b>	<b>\$ 6,248,354</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 1,891,214	\$ 55,166	\$ -	\$ 1,946,380
Due to other funds	1,032,524	-	-	1,032,524
Total liabilities	2,923,738	55,166	-	2,978,904
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	307,136	-	307,136
Fund balances:				
Restricted for:				
School infrastructure	2,882,370	-	-	2,882,370
Physical plant and equipment	-	79,944	-	79,944
Total fund balances	2,882,370	79,944	-	2,962,314
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 5,806,108</b>	<b>\$ 442,246</b>	<b>\$ -</b>	<b>\$ 6,248,354</b>

See accompanying independent auditor's report.

**CLINTON COMMUNITY SCHOOL DISTRICT**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES (DEFICITS) - CAPITAL PROJECT ACCOUNTS**  
**Year Ended June 30, 2014**

	<u>Statewide Sales, Services and Use Tax</u>	<u>Physical Plant and Equipment Levy</u>	<u>Other Revenue</u>	<u>Total</u>
<b>REVENUES:</b>				
Local sources:				
Taxes	\$ -	\$ 295,059	\$ -	\$ 295,059
Other	125,321	12,852	942,302	1,080,475
State sources	3,401,275	172	-	3,401,447
Total revenues	<u>3,526,596</u>	<u>308,083</u>	<u>942,302</u>	<u>4,776,981</u>
<b>EXPENDITURES:</b>				
Support services:				
General administration	11,280	-	-	11,280
Business administration	3,867	8,450	-	12,317
Operation and maintenance of plant	4,418	3,524	-	7,942
Transportation	-	175,950	-	175,950
Total support services	<u>19,565</u>	<u>187,924</u>	<u>-</u>	<u>207,489</u>
Other expenditures:				
Bond issuance costs	94,988	-	-	94,988
Facilities acquisition	15,575,957	224,659	279,292	16,079,908
Total other expenditures	<u>15,670,945</u>	<u>224,659</u>	<u>279,292</u>	<u>16,174,896</u>
Total expenditures	<u>15,690,510</u>	<u>412,583</u>	<u>279,292</u>	<u>16,382,385</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(12,163,914)</u>	<u>(104,500)</u>	<u>663,010</u>	<u>(11,605,404)</u>
<b>OTHER FINANCING USES</b>				
Transfers out	<u>(2,619,902)</u>	<u>-</u>	<u>-</u>	<u>(2,619,902)</u>
<b>CHANGE IN FUND BALANCES (DEFICITS)</b>	<u>(14,783,816)</u>	<u>(104,500)</u>	<u>663,010</u>	<u>(14,225,306)</u>
<b>FUND BALANCES (DEFICITS) BEGINNING OF YEAR</b>	<u>17,666,186</u>	<u>184,444</u>	<u>(663,010)</u>	<u>17,187,620</u>
<b>FUND BALANCES END OF YEAR</b>	<u>\$ 2,882,370</u>	<u>\$ 79,944</u>	<u>\$ -</u>	<u>\$ 2,962,314</u>

See accompanying independent auditor's report.

**CLINTON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 Year Ended June 30, 2014**

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<b>ASSETS</b>				
Cash and cash equivalents	<u>\$ 6,672</u>	<u>\$ 11,629</u>	<u>\$ 11,282</u>	<u>\$ 7,019</u>
<b>LIABILITIES</b>				
Accounts payable	<u>\$ 6,672</u>	<u>\$ 11,629</u>	<u>\$ 11,282</u>	<u>\$ 7,019</u>

See accompanying independent auditor's report.

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

	2014	2013	2012	2011	Modified Accrual Basis		2008	2007	2006	2005
					2010	2009				
<b>REVENUES:</b>										
Local sources	\$ 18,261,748	\$ 20,889,150	\$ 20,945,368	\$ 20,741,061	\$ 19,678,824	\$ 15,819,106	\$ 15,103,876	\$ 14,697,134	\$ 13,662,495	\$ 12,518,893
Intermediate sources	-	-	3,036	-	55,000	1,084,316	1,353,835	2,345,250	2,035,721	1,905,217
State sources	29,505,377	26,843,587	26,269,872	26,649,863	23,652,940	26,903,191	25,688,335	23,994,622	22,411,152	21,919,637
Federal sources	2,535,291	2,863,179	3,317,330	3,504,938	6,173,564	2,522,040	2,231,413	2,684,375	2,840,567	3,141,686
<b>TOTAL REVENUES</b>	<b>\$ 50,302,416</b>	<b>\$ 50,595,916</b>	<b>\$ 50,535,606</b>	<b>\$ 50,895,862</b>	<b>\$ 49,560,328</b>	<b>\$ 46,328,653</b>	<b>\$ 44,377,459</b>	<b>\$ 43,721,381</b>	<b>\$ 40,949,935</b>	<b>\$ 39,465,433</b>
<b>EXPENDITURES</b>										
Instruction	\$ 28,601,591	\$ 29,265,442	\$ 29,337,257	\$ 29,184,412	\$ 30,157,474	\$ 28,095,451	\$ 26,072,867	\$ 25,120,818	\$ 23,924,938	\$ 24,073,051
Support services:										
Student	2,505,018	2,428,715	2,509,047	2,233,621	2,286,580	2,237,361	2,372,567	2,455,271	2,566,531	1,483,900
Instructional staff	1,355,053	1,440,467	1,248,053	1,356,898	1,445,502	1,140,229	1,220,633	1,162,756	1,242,624	1,171,251
General administration	693,967	706,059	708,326	727,422	869,920	532,196	675,091	550,268	511,883	424,403
Building administration	2,551,667	2,454,124	2,650,850	2,252,313	2,356,980	2,188,122	1,999,990	2,012,362	1,892,744	1,589,125
Business administration	1,546,847	1,698,879	1,765,371	1,354,713	1,415,376	1,510,298	1,765,364	1,515,714	1,665,013	396,758
Operation and maintenance of plant	4,873,444	4,715,786	4,325,841	4,135,325	3,984,723	4,035,938	3,917,586	3,760,269	3,817,687	3,965,345
Transportation	1,534,984	1,472,802	1,535,660	1,439,233	1,881,958	1,694,934	1,455,990	917,280	1,249,182	1,501,224
Central support	-	-	-	-	-	-	-	-	-	794,977
Non-instructional programs	4,053	5,191	17,054	3,181	3,708	5,412	4,024	2,766	11,419	119,332
Other expenditures	21,158,777	8,803,254	11,689,493	15,438,546	10,000,394	6,155,500	8,554,663	20,509,803	6,650,066	11,102,858
<b>TOTAL EXPENDITURES</b>	<b>\$ 64,825,401</b>	<b>\$ 52,990,719</b>	<b>\$ 55,786,952</b>	<b>\$ 58,125,664</b>	<b>\$ 54,402,615</b>	<b>\$ 47,595,441</b>	<b>\$ 48,038,775</b>	<b>\$ 58,007,327</b>	<b>\$ 43,532,087</b>	<b>\$ 46,622,224</b>

See accompanying independent auditor's report.

**CLINTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2014**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Direct:			
U.S. Department of Justice:			
Juvenile Mentoring Program	16.726	FY14	\$ 82,703
Total U.S. Department of Justice			<u>82,703</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	FY14	236,806
National School Lunch Program	10.555	FY14	1,082,580 *
Summer Food Service Program for Children	10.559	FY14	33,194
Total Child Nutrition Cluster			<u>1,352,580</u>
Fresh Fruit and Vegetable Program	10.582	FY14	17,975
Total U.S. Department of Agriculture			<u>1,370,555</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY14	971,875
Career and Technical Education - Basic Grants to States	84.048	FY14	54,910
Special Education Grants to States	84.027	FY14	203,642
Twenty-First Century Community Learning Centers	84.287	FY14	434,897
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	FY14	18,113
Improving Teacher Quality State Grants	84.367	FY14	195,814
Grants for State Assessments and Related Activities	84.369	FY14	19,872
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.330	FY14	2,152
Total U.S. Department of Education			<u>1,901,275</u>
U.S. Department of Health and Human Services:			
Iowa Department of Education:			
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	FY14	170
Total U.S. Department of Health and Human Services:			<u>170</u>
Total			<u>\$ 3,354,703</u>

\* - Includes \$79,795 of non-cash awards.

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

See accompanying independent auditor's report.



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

To the Board of Education of  
Clinton Community School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Clinton Community School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Clinton Community School District's basic financial statements and have issued our report thereon dated January 12, 2015.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Clinton Community School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item II-C-14.

We also noted other immaterial instances of non-compliance which are described in 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.

## **Clinton Community School District's Responses to Findings**

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

## **Purpose of this Report**

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

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

*Winkel, Parker & Foster*

Clinton, Iowa  
January 12, 2015



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

To the Board of Education  
Clinton Community School District

**Report on Compliance for Each Major Federal Program**

We have audited Clinton Community School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Clinton Community School District's major federal programs for the year ended June 30, 2014. Clinton Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

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

## Report on Internal Control Over Compliance

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Winkel, Parker & Foster*

Clinton, Iowa  
January 12, 2015

**CLINTON COMMUNITY SCHOOL DISTRICT  
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

Internal control over financial reporting:

- Material weakness(es) identified?   x   yes        no
- Significant deficiency(ies)?        yes   x   none reported
- Noncompliance material to financial statements noted?   x   yes        no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?        yes   x   no
- Significant deficiency(ies)?        yes   x   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 Circular A-133, Section .510(a)?        yes   x   no

Identification of major programs:

Title I, Part A Cluster:  
CFDA Number 84.010

Title I Grants to Local Educational Agencies

School Nutrition Cluster Programs:  
CFDA Number 10.553  
CFDA Number 10.555  
CFDA Number 10.559

School Breakfast Program  
National School Lunch Program  
Summer Food Service Program for Children

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee?        yes   x   no

**CLINTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014**

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-14 Segregation of Duties

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

Condition - The Business Director has the ability to initiate, authorize and record transactions (including bank transfers) with no review process in place.

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

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

Recommendation - The District should implement procedures to ensure that all bank transfers are reviewed, along with supporting documentation, and signed off as approved by someone other than the preparer.

Response - Effective immediately after the audit, all bank transfers prepared by the Business Director are being reviewed and signed off on by the Accounts Payable Supervisor.

Conclusion - Response accepted.

**CLINTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014**

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

**INTERNAL CONTROL DEFICIENCIES: (CONTINUED)**

**II-B-14 Financial Reporting**

Criteria - The Board of Education and management share the ultimate responsibility for the District's financial statements, including disclosures. Clinton Community School District's internal controls over financial reporting should include adequately trained personnel with the knowledge, skill, and experience to prepare and/or thoroughly review financial statements to ensure they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments* (Statement), requires governments to present government-wide and fund financial statements as well as a summary reconciliation of the (a) total governmental funds balances to the net position of governmental activities in the Statement of Net Position, and (b) total change in governmental fund balances to the change in the net position of governmental activities in the Statement of Activities.

Condition - Clinton Community School District does not have sufficient internal controls over the financial reporting process. While the District maintains controls over the processing of day to day accounting transactions, audit adjustments were proposed to record capital asset and debt transactions in order to prepare the government-wide financial statements and summary reconciliations. In addition, material journal entries were proposed to adjust the accounts receivable balance for a payment received but not recorded in fiscal year 2014. Adjustments were also proposed to record the liability for insurance claims incurred but not recorded and to adjust retainages payable.

Effect - As a result of this condition, there is a higher risk that financial statement omissions or other errors could occur and not be detected and corrected.

Cause - Management did not effectively identify all adjustments required in order to present the financial statements in accordance with generally accepted accounting principles and GASB Statement No. 34.

Recommendation - We recommend that the District continue to perform a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. These procedures should be performed by a properly trained individual possessing a thorough understanding of applicable accounting principles, GASB pronouncements, and knowledge of the District's activities and operations.

**CLINTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014**

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

**INTERNAL CONTROL DEFICIENCIES: (CONTINUED)**

II-B-14 Financial Reporting (continued)

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

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

II-C-14 Deficit Balances

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

Condition - The Debt Service Fund, Student Activity Fund, and Print Shop Fund had deficit fund balances at June 30, 2014.

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

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

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

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

Conclusion - Response accepted.

**CLINTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014**

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No matters were noted.

**CLINTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014**

**Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-14 Certified Budget - Expenditures during the year ended June 30, 2014 did not exceed the amended certified budget amounts.
- IV-B-14 Questionable Expenditures - No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-14 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-14 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
James McGraw, Board President, Owner of Happy Joe's Pizza	Food	\$ 5,857
Gregg Obren, Board Member, Game Official	Officiating Athletic Events	1,075
Reggie Hall, Teacher Owner of Pyramids Disc Jockey Service	DJ Services	300

The transactions with the Board President do not appear to represent a conflict of interest. Although transactions during the year exceeded \$2,500, these purchases were not made pursuant to a contract as described in Chapter 279.7(a) of the Code of Iowa. In addition, no individual purchase exceeded \$2,500. The transactions with the Board Member and Game Official and the Teacher and owner of Pyramids Disc Jockey Service do not appear to represent a conflict of interest since total transactions were less than \$2,500 during the fiscal year.

**CLINTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014**

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

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

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

IV-G-14 Certified Enrollment - Variances in the basic enrollment data certified to the Department of Education were noted.

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

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

Conclusion - Response accepted.

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

IV-I-14 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-14 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

IV-K-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

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

**CLINTON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014**

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

IV-L-14 Statewide Sales, Services and Use Tax (continued)

For the year ended June 30, 2014, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2014 audit:

Beginning Balance		\$ 17,666,186
Statewide sales, services and use tax	\$3,401,275	
Other local revenues	125,321	<u>3,526,596</u>
Expenditures/transfers out:		
School infrastructure construction	15,575,957	
Equipment	4,418	
Other	110,135	
Transfers to other funds:		
Debt service fund	<u>2,619,902</u>	<u>18,310,412</u>
Ending Balance		<u>\$ 2,882,370</u>

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

**CLINTON COMMUNITY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS  
Year Ended June 30, 2014**

<b><u>Comment Reference</u></b>	<b><u>Comment Title</u></b>	<b><u>Status</u></b>	<b><u>If not corrected, please provide planned corrective action or other explanation</u></b>
III-A-13	Noncompliance with Period of Availability and Reporting Requirements	Resolved	N/A