

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2014**

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

JUNE 30, 2014

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**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

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**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2013 Election)		
Kathy Ihde	President	2013
Janice Andregg	Board Member	2015
Michael Finnegan	Board Member	2013
Mary Waterman	Board Member	2013
Dr. Jeff Hoffman	Board Member	2015
John Heying	Board Member	2015
Christine Aulwes	Board Member	2015
Board of Education (After September 2013 Election)		
Kathy Ihde	President	2017
Janice Andregg	Board Member	2015
Michael Finnegan	Board Member	2017
Dr. Jeff Hoffman	Board Member	2015
John Heying	Board Member	2015
Christine Aulwes	Board Member	2015
Jason Reimer	Board Member	2017
School Officials		
Allan Nelson	Superintendent	2014
Mary Seifert	Board Secretary	2014
David Schlueter	Business Manager/Treasurer	2014
Brett Nitschke	Attorney	Indefinite

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

CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Clayton Ridge 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 Clayton Ridge 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 basic financial statements of the District's primary government 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 U.S. generally accepted accounting principles. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on Discretely Presented Component Unit

The financial statements referred to above do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require financial data for component units to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component unit. The District has not issued such reporting entity financial statements. The assets, liabilities, net position, revenues, and expenses of the legally separate component unit are unknown, thus the amount by which this departure would affect the financial statements taken as a whole is not reasonably determinable.

Adverse Opinion on Discretely Presented Component Unit

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the Clayton Ridge Community School District, as of June 30, 2014, or the changes in financial position thereof for the year then ended.

Unmodified Opinions

In our opinion, the respective financial statements referred to in the first paragraph of this report present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Clayton Ridge Community School District as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 14 and pages 47 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clayton Ridge 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 eight years ended June 30, 2013 (none of which are presented herein) and expressed unmodified opinions on those financial statements with the exception of the one year ended June 30, 2013. For the one year ended June 30, 2013, we expressed an unmodified opinion on the financial statements of the various opinion units of the primary government and we expressed an adverse opinion on the aggregate discretely presented component unit due to the omission of the financial data for the District's legally separate component unit. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2015, on our consideration of the Clayton Ridge 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 Clayton Ridge Community School District's internal control over financial reporting and compliance.

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

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

Dubuque, Iowa
March 5, 2015

**REQUIRED
SUPPLEMENTARY
INFORMATION
(PART I)**

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

This section of the Clayton Ridge Community School District's Comprehensive Annual Financial Report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2014. The analysis focuses on District financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

2014 Financial Highlights

- A resolution was adopted asking the voters to approve a \$.67 PPEL for ten years beginning in fiscal 2009. The voters approved this levy at the September 15, 2006 election.
- The district established the Iowa Virtual Academy (IVA), an online school for students in grades K-6. Students are accepted for enrollment in IVA on a statewide open enrollment basis. Revenues are received from the resident district in the same manner as all other open enrollment students. Clayton Ridge contracts with K12 Inc to provide the educational services for IVA. In fiscal 2014, the IVA was expanded to include students in grades K-12.
- General fund revenues increased from \$7,278,627 in fiscal 2013 to \$7,855,110 in fiscal 2014 while General fund expenditures increased from \$6,984,519 in fiscal 2013 to \$7,808,622 in fiscal 2014. The District's General fund balance increased from \$1,325,172 on June 30, 2013 to \$1,357,740 on June 30, 2014.
- General fund revenues increased \$576,483. The increase is primarily due to increased property taxes and IVA tuition receipts.
- General fund expenditures increased \$824,103. The increase is due to instructional services purchased for IVA, purchase of textbooks and materials for a reading program (RTI), and energy usage increases.
- Total state-wide sales tax revenues for fiscal 2014 were \$552,034.
- The Instructional Support Levy was renewed by the Board in 2013 for an additional five years. This levy generates an additional 10% of regular program district cost. The income surtax rate for fiscal 2014 was 4%.
- The fiscal 2014 budget enrollment of 628.8 students decreased 16.2 versus fiscal 2013.

Overview of Financial Statements

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

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

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

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

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

Government-wide Statements

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

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

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

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

Fund Financial Statements

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

The District has three kinds of funds:

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

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

Financial Analysis of the District as a Whole

Net Assets. Figure A-1 below provides a summary of the District's net position at June 30, 2014 as compared to June 30, 2013.

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Current assets	\$ 6,643	\$ 6,464	\$ 35	\$ 32	\$ 6,678	\$ 6,496	2.80%
Capital assets	4,166	3,691	6	4	4,172	3,695	12.91%
Total assets	\$ 10,809	\$ 10,155	\$ 41	\$ 36	\$ 10,850	\$ 10,191	6.46%
Current liabilities	\$ 1,900	\$ 1,211	\$ 3	\$ -	\$ 1,903	\$ 1,211	57.14%
Non-current liabilities	387	402	9	7	396	409	-3.18%
Total liabilities	\$ 2,287	\$ 1,613	\$ 12	\$ 7	\$ 2,299	\$ 1,620	41.91%
Deferred inflows of resources	\$ 3,268	\$ 3,320	\$ -	\$ -	\$ 3,268	\$ 3,320	-1.57%
Net position							
Invested in capital assets, net of related debt	\$ 3,748	\$ 3,509	\$ 6	\$ 4	\$ 3,754	\$ 3,513	6.86%
Restricted	714	584	-	-	714	584	22.26%
Unrestricted	792	1,129	23	25	815	1,154	-29.38%
Total net position	\$ 5,254	\$ 5,222	\$ 29	\$ 29	\$ 5,283	\$ 5,251	0.61%

The District's combined net position increased approximately 1% over the prior year.

Unrestricted net assets - the part of net position that can be used to finance day to day activity without constraints such as enabling legislation or other legal requirements - decreased 29% or \$337,254.

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 consist primarily of fund balances in the General Fund for categorical funding, management levy, and student activities. The District's restricted net position increased 22% or \$130,267.

Changes in net position. Figure A-2 below provides a summary of the changes in net position at June 30, 2014 as compared to June 30, 2013.

Figure A-2							
Changes in Net Position (\$000)							
(Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues							
Program revenues:							
Charges for services	\$ 1,572	\$ 1,230	\$ 223	\$ 218	\$ 1,795	\$ 1,448	23.96%
Operating grants and contributions	1,149	958	173	160	1,322	1,118	18.24%
General revenues:							
Property taxes	3,335	3,222	-	-	3,335	3,222	3.00%
Statewide sales tax	552	542	-	-	552	542	1.84%
Unrestricted state grants	2,409	2,477	-	-	2,409	2,477	-2.74%
Other	133	239	-	-	133	239	-44.35%
Total Revenues	\$ 9,150	\$ 8,668	\$ 396	\$ 378	\$ 9,546	\$ 9,046	5.52%
Expenses							
Instruction	\$ 5,922	\$ 5,258	\$ -	\$ -	\$ 5,922	\$ 5,258	12.62%
Student and instructional services	734	687	-	-	734	687	6.84%
Administrative & business	665	626	-	-	665	626	6.23%
Maintenance & operations	529	561	-	-	529	561	-5.70%
Transportation	583	547	-	-	583	547	6.58%
Other	684	603	395	384	1,079	987	9.32%
Total Expenses	\$ 9,117	\$ 8,282	\$ 395	\$ 384	\$ 9,512	\$ 8,666	9.76%
Increase (Decrease) in net position	\$ 33	\$ 386	\$ 1	\$ (6)	\$ 34	\$ 380	-91.05%

In fiscal 2014, property tax and unrestricted state grants account for 63% of the revenue from governmental activities while charges for services and operating grants and contributions account for 100% of the revenue from business type activities.

As shown in Figure A-2, the District as a whole experienced a 5.52% increase in revenue and a 9.76% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$9,149,556 while total expenses were \$9,116,874. Figure A-3 below presents the cost of six major district activities and each activity's net cost. Net cost shows the total cost less fees generated by the activities and intergovernmental aid provided for specific programs. The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

The total cost of all governmental activities in 2014 was \$9,116,874. The net cost is \$2,720,904 less due to funds received for instructional services provided to students from other districts, and due to funds received from the federal and state governments for certain programs they choose to subsidize (such as Title I). Transportation aid is also received from the State for the non-public school in our district.

	Total Cost of Services			Net Cost of Services		
			Change			Change
	2014	2013	2013-2014	2014	2013	2013-2014
Instruction	\$ 5,922	\$ 5,258	12.62%	\$ 3,548	\$ 3,458	2.63%
Student and instructional services	734	687	6.84%	730	683	6.88%
Administrative & business	665	626	6.23%	665	545	22.01%
Maintenance & operations	529	561	-5.70%	501	553	-9.40%
Transportation	583	547	6.58%	530	507	4.53%
Other	684	603	13.43%	421	348	20.91%
Total	\$ 9,117	\$ 8,282	10.08%	\$ 6,395	\$ 6,094	4.93%

Business-Type Activities

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

Business-type activities revenues exceeded expenses by \$866. Charges for meals accounts for 56% of the total revenues, while contributions from the federal and state government for free and reduced meals and commodities accounts for the remaining 44%.

Fund Analysis of the District's Funds

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

Governmental Funds

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

As of the end of fiscal 2014, the governmental funds reported combined ending fund balances of \$1,862,234, which was a \$204,725 decrease from fiscal 2013. The decrease is related to the capital projects expenditures and budgeted reduction of the Management fund balance.

The General fund is the chief operating fund of the District. The fund balance increased from \$1,325,172 in fiscal 2013 to \$1,357,740 in fiscal 2014. The increase is due to increased property taxes.

The Management fund is used to account for health and retirement benefits for the retirees of the district. The fund balance decreased \$104,061 from fiscal 2013. The decrease is due to planned reduction of the surplus balance which was established for future obligations.

The Capital Projects fund decreased \$164,177 due to the new technology capital lease.

Proprietary Funds

The Nutrition fund consists of revenues and expenditures related to the operation of the food services department. The net position at the end of fiscal 2014 was \$29,418. This represented an \$866 increase from fiscal 2013.

Budgetary Highlights

The District adopts a budget in April for the following fiscal year. A comparison of the District's budget amounts compared to actual financial activity is provided in this report in the required supplementary information. Over the course of the year, the District amended its budget one time to reflect additional expenditures occurred with District capital improvements.

Total revenues were over budget by \$99,138 or 1.0%. Total expenditures were under budget by \$1,142,086 which is 10%.

The total revenues were over budget primarily due to an unanticipated bequest to the high school music department from the Meril Geuder Estate.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the support services and non-instructional functional areas. The amount of support services expenditures exceeded budget by \$385,986 due to a new four-year technology lease. The amount of non-instructional expenditures exceeded budget by \$7,389 due to increased food purchases.

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets as of June 30, 2014 for its governmental and business-type activities was \$4,171,615 net accumulated depreciation. This investment includes land, buildings, and equipment. This represents a net increase of approximately 13% from the prior year. Major improvements included HVAC improvements at the middle school and new laptops for staff and students in grades 7-12.

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$ 55	\$ 55	\$ -	\$ -	\$ 55	\$ 55	0%
Construction in process	252	-	-	-	252	-	100%
Buildings	1,791	1,846	-	-	1,791	1,846	-2.97%
Improvements other than buildings	1,225	1,269	-	-	1,225	1,269	-3.46%
Equipment & furniture	843	520	6	4	849	524	62.02%
Total	\$ 4,166	\$ 3,690	\$ 6	\$ 4	\$ 4,172	\$ 3,694	12.93%

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

Depreciation expense for the year was \$398,648.

Long-Term Debt

At June 30, 2014, the District had the following long term debt outstanding:

- The Capital Projects fund has an outstanding interfund loan with the Management fund to pay for various capital purchases. The balance at June 30, 2014 was \$230,000.
- The Capital Projects fund has outstanding interfund loans with the General and Management funds to pay for the middle school HVAC project. The balance of these loans at June 30, 2014 was \$450,000.
- The District entered into a capital lease to finance the purchase of 360 laptop computers in fiscal 2014. At June 30, 2014 the balance of the outstanding capital lease was \$418,169.

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

Economic Factors Bearing on the District's Future

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

- The District anticipates the trend of declining enrollment will continue.
- The certified employees' bargaining unit contract is a one-year contract, and open for negotiation in 2014. Salary and benefits represent a majority of the general fund expenses. Since the District receives only minimal or no increases in spending authority, any increase in settlements causes an adverse effect on the general fund budget and related fund balance.
- Lower interest rates and reduced cash balances will result in reduced interest income and spending authority.
- Fluctuating prices for gasohol and diesel continue to create added costs for transportation of students.
- The district has the following long-term obligations – operating bus leases, computer capital lease, and early retirement benefits.
- In February, 2011 the district began studying the possibility of establishing an online academy through a services agreement with K12Inc. In January, 2012 a five-year agreement was completed and approved to form the Iowa Virtual Academy. Clayton Ridge should receive annual income of \$50,000 for administering this academy. Full funding for virtual school open enrollment students is allowed by the Iowa legislature through the 2014-15 school year.
- The Instructional Support Levy expires at the end of FY14. The Levy has been renewed and will expire at the end of FY19.
- The district's 1903 building is in need of major renovations. The district is in the process of considering options for replacement, which would likely require an election to either approve bonds or additional PPEL taxes. Replacement costs are estimated in the \$10-\$12 million range.

Contacting the District's Financial Management

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

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

**BASIC
FINANCIAL
STATEMENTS**

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**STATEMENT OF NET POSITION
JUNE 30, 2014**

	Governmental Activities	Business Type Activities	Total
	-----	-----	-----
Assets			
Cash and cash equivalents	\$ 2,809,704	\$ 25,317	\$ 2,835,021
Receivables:			
Property tax:			
Succeeding year property tax	3,268,218	---	3,268,218
Pledges	21,095	---	21,095
Income surtax	121,013	---	121,013
Accounts	1,986	300	2,286
Due from other governments	421,456	---	421,456
Inventories	---	9,697	9,697
Capital assets, net of accumulated depreciation	4,165,729	5,886	4,171,615
	-----	-----	-----
Total Assets	\$ 10,809,201	\$ 41,200	\$ 10,850,401
	-----	-----	-----
Liabilities			
Accounts payable	\$ 587,270	\$ 1,610	\$ 588,880
Salaries and benefits payable	712,287	---	712,287
Due to other governments	71,355	---	71,355
Due to fiduciary fund	---	1,000	1,000
Long-term liabilities:			
Portion due within one year:			
Lease payable	106,166	---	106,166
Early retirement payable	110,779	---	110,779
Portion due after one year:			
Early retirement payable	254,650	---	254,650
Lease payable	312,003	---	312,003
Net OPEB liability	132,343	9,172	141,515
	-----	-----	-----
Total Liabilities	\$ 2,286,853	\$ 11,782	\$ 2,298,635
	-----	-----	-----
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 3,268,218	\$ ---	\$ 3,268,218
	-----	-----	-----
Net Position			
Net investment in capital assets	\$ 3,747,560	\$ 5,886	\$ 3,753,446
Restricted for:			
Categorical funding	169,876	---	169,876
Athletic field	21,095	---	21,095
Music programs	64,658	---	64,658
Physical plant and equipment	18,116	---	18,116
Management levy purposes	331,412	---	331,412
Student activities	109,553	---	109,553
Unrestricted	791,860	23,532	815,392
	-----	-----	-----
Total Net Position	\$ 5,254,130	\$ 29,418	\$ 5,283,548
	=====	=====	=====

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

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Program Revenues					Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental Activities:							
Instruction:							
Regular	\$ 3,800,708	\$ 1,094,008	\$ 658,302	\$ ---	\$ (2,048,398)	\$ ---	\$ (2,048,398)
Special	1,115,632	150,766	150,365	---	(814,501)	---	(814,501)
Other	1,005,919	318,932	1,828	---	(685,159)	---	(685,159)
	\$ 5,922,259	\$ 1,563,706	\$ 810,495	\$ ---	\$ (3,548,058)	\$ ---	\$ (3,548,058)
Support Services:							
Student	\$ 287,335	\$ ---	\$ ---	\$ ---	\$ (287,335)	\$ ---	\$ (287,335)
Instructional staff	446,533	---	3,608	---	(442,925)	---	(442,925)
Administration	665,260	---	---	---	(665,260)	---	(665,260)
Operation and maintenance of plant	528,954	7,390	20,495	---	(501,069)	---	(501,069)
Transportation	583,078	450	52,363	---	(530,265)	---	(530,265)
	\$ 2,511,160	\$ 7,840	\$ 76,466	\$ ---	\$ (2,426,854)	\$ ---	\$ (2,426,854)
Non-instructional Programs	\$ 1,692	\$ ---	\$ ---	\$ ---	\$ (1,692)	\$ ---	\$ (1,692)

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

EXHIBIT "B" (CONTINUED)

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest		Governmental Activities	Business Type Activities	Total
Expenses							
Other Expenditures:							
Facilities acquisition	\$ 243,685	\$ ---	\$ ---	\$ ---	\$ (243,685)	\$ ---	\$ (243,685)
Long-term debt interest	898	---	---	---	(898)	---	(898)
AEA flowthrough	262,397	---	262,397	---	---	---	---
Depreciation (unallocated)*	174,783	---	---	---	(174,783)	---	(174,783)
	<u>\$ 681,763</u>	<u>\$ 262,397</u>	<u>\$ 262,397</u>	<u>\$ ---</u>	<u>\$ (419,366)</u>	<u>\$ ---</u>	<u>\$ (419,366)</u>
Total Governmental Activities	\$ 9,116,874	\$ 1,571,546	\$ 1,149,358	\$ ---	\$ (6,395,970)	\$ ---	\$ (6,395,970)
Business Type Activities:							
Noninstructional Programs:							
Food service operations	\$ 395,697	\$ 223,480	\$ 172,982	\$ ---	\$ ---	\$ 765	\$ 765
Total	<u>\$ 9,512,571</u>	<u>\$ 1,795,026</u>	<u>\$ 1,322,340</u>	<u>\$ ---</u>	<u>\$ (6,395,970)</u>	<u>\$ 765</u>	<u>\$ (6,395,205)</u>

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

EXHIBIT "B" (CONTINUED)

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
General Revenues:						
Property tax levied for:				\$ 3,050,177	\$ ---	\$ 3,050,177
General purposes				285,073	---	285,073
Capital outlay				552,034	---	552,034
Statewide sales, services and use tax				157,370	---	157,370
Instructional support surtax				2,408,862	---	2,408,862
Unrestricted state grants				11,688	101	11,789
Unrestricted investment earnings				(40,887)	---	(40,887)
Loss on disposal of fixed assets				4,335	---	4,335
Other						
Total General Revenues				\$ 6,428,652	\$ 101	\$ 6,428,753
Change in Net Position				\$ 32,682	\$ 866	\$ 33,548
Net Position Beginning of Year				5,221,448	28,552	5,250,000
Net Position End of Year				\$ 5,254,130	\$ 29,418	\$ 5,283,548

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

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Management Levy	Capital Projects	Nonmajor Governmental Funds	Total
Assets					
Cash and cash equivalents	\$ 1,830,830	\$ 405,701	\$ 452,024	\$ 121,149	\$ 2,809,704
Receivables:					
Property tax:					
Delinquent	26,297	1,140	2,471	---	29,908
Succeeding year property tax	2,827,523	150,000	290,695	---	3,268,218
Pledges	---	---	21,095	---	21,095
Income surtax	121,013	---	---	---	121,013
Accounts	1,986	---	---	---	1,986
Interfund loan	390,000	290,000	---	---	680,000
Due from other governments	192,814	---	198,734	---	391,548
Total Assets	\$ 5,390,463	\$ 846,841	\$ 965,019	\$ 121,149	\$ 7,323,472
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 300,545	\$ ---	\$ 275,129	\$ 11,596	\$ 587,270
Salaries and benefits payable	712,287	---	---	---	712,287
Due to other governments	71,355	---	---	---	71,355
Interfund loan	---	---	680,000	---	680,000
Total Liabilities	\$ 1,084,187	\$ ---	\$ 955,129	\$ 11,596	\$ 2,050,912
Deferred Inflows of Resources:					
Unavailable revenues:					
Succeeding year property tax	\$ 2,827,523	\$ 150,000	\$ 290,695	\$ ---	\$ 3,268,218
Income surtax	121,013	---	---	---	121,013
Pledges receivable	---	---	21,095	---	21,095
Total Deferred Inflows of Resources	\$ 2,948,536	\$ 150,000	\$ 311,790	\$ ---	\$ 3,410,326

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

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Management Levy	Capital Projects	Nonmajor Governmental Funds	Total
Fund Balances:					
Restricted for:					
Categorical funding	\$ 169,876	\$ ---	\$ ---	\$ ---	\$ 169,876
Music programs	64,658	---	---	---	64,658
Management levy purposes	---	696,841	---	---	696,841
Student activities	---	---	---	109,553	109,553
Unassigned	1,123,206	---	(301,900)	---	821,306
Total Fund Balances	\$ 1,357,740	\$ 696,841	\$ (301,900)	\$ 109,553	\$ 1,862,234
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,390,463	\$ 846,841	\$ 965,019	\$ 121,149	\$ 7,323,472

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

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Total fund balances of governmental funds (page 20)	\$ 1,862,234
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets of \$8,651,569, net of accumulated depreciation of (\$4,485,840) are not financial resources and, therefore, are not reported in the funds.	4,165,729
Long-term liabilities are not due and payable in the current year and, therefore, are not reported as a liability in the governmental funds.	(915,941)
Income surtaxes will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the governmental funds.	121,013
Certain pledges receivable are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the governmental funds.	21,095
Net position of governmental activities (page 15)	\$ 5,254,130

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

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

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

	General	Management Levy	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 3,106,596	\$ 125,481	\$ 285,073	\$ ---	\$ 3,517,150
Tuition	1,120,100	---	---	---	1,120,100
Other	125,767	57,214	25,657	320,393	529,031
State sources	3,258,878	81	552,034	---	3,810,993
Federal sources	243,769	---	---	---	243,769
Total Revenues	\$ 7,855,110	\$ 182,776	\$ 862,764	\$ 320,393	\$ 9,221,043
Expenditures:					
Current:					
Instruction:					
Regular	\$ 3,649,172	\$ 203,926	\$ ---	\$ ---	\$ 3,853,098
Special	1,109,933	---	---	---	1,109,933
Other	701,186	---	---	303,648	1,004,834
Total Expenditures	\$ 5,460,291	\$ 203,926	\$ ---	\$ 303,648	\$ 5,967,865
Support Services:					
Student	\$ 276,967	\$ 8,469	\$ ---	\$ ---	\$ 285,436
Instructional staff	205,256	1,108	521,957	---	728,321
Administration	658,737	10,220	2,504	---	671,461
Operation and maintenance of plant	511,945	48,599	---	---	560,544
Transportation	433,029	12,823	146,372	---	592,224
Total Support Services	\$ 2,085,934	\$ 81,219	\$ 670,833	\$ ---	\$ 2,837,986
Non-instructional Programs	\$ ---	\$ 1,692	\$ ---	\$ ---	\$ 1,692

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

EXHIBIT "E" (CONTINUED)

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

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

	General	Management Levy	Capital Projects	Nonmajor Governmental Funds	Total
Other Expenditures:					
Facilities acquisition	\$ ---	\$ ---	\$ 591,545	\$ ---	\$ 591,545
Long-term debt:					
Principal	---	---	---	181,834	181,834
Interest and fiscal charges	---	---	---	898	898
AEA flowthrough	262,397	---	---	---	262,397
	---	---	---	---	---
Total Expenditures	\$ 262,397	\$ ---	\$ 591,545	\$ 182,732	\$ 1,036,674
	---	---	---	---	---
Total Expenditures	\$ 7,808,622	\$ 286,837	\$ 1,262,378	\$ 486,380	\$ 9,844,217
	---	---	---	---	---
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 46,488	\$ (104,061)	\$ (399,614)	\$ (165,987)	\$ (623,174)
	---	---	---	---	---
Other Financing Sources (Uses):					
Operating transfers in	\$ ---	\$ ---	\$ ---	\$ 196,932	\$ 196,932
Operating transfers out	(14,200)	---	(182,732)	---	(196,932)
Sale of equipment and materials	280	---	---	---	280
Capital lease financing	---	---	418,169	---	418,169
	---	---	---	---	---
Total Other Financing Sources (Uses)	\$ (13,920)	\$ ---	\$ 235,437	\$ 196,932	\$ 418,449
	---	---	---	---	---
Net Change in Fund Balances	\$ 32,568	\$ (104,061)	\$ (164,177)	\$ 30,945	\$ (204,725)
	---	---	---	---	---
Fund Balances, Beginning of Year	1,325,172	800,902	(137,723)	78,608	2,066,959
	---	---	---	---	---
Fund Balances End of Year	\$ 1,357,740	\$ 696,841	\$ (301,900)	\$ 109,553	\$ 1,862,234

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

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

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

Net change in fund balances - total governmental funds (page 23) \$ (204,725)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$913,201 exceeded depreciation expense of (\$397,792) in the current period. 515,409

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. These include the net decrease in early retirement payable of \$57,505 the net increase in other postemployment benefits of \$(27,409), and the net increase in the capital lease payable of \$(236,335). (206,239)

In the statement of activities, loss on the sale and disposition of assets is reported, whereas in the governmental funds, this information is not reported since this does not effect current financial resources. This is the amount of the loss on sale and disposition of fixed assets. (40,887)

Because income surtaxes will not be collected for several months after the district's fiscal year end, they are not considered "available" revenues and are shown as deferred inflows of resources in the governmental funds. Income surtax revenues decreased by this amount this year. (26,358)

Because certain pledges will not be collected for several months after the district's fiscal year end, they are not considered "available" revenues and are shown as deferred inflows of resources in the governmental funds. Pledge revenues (decreased) by this amount this year. (4,518)

Change in net position of governmental activities (page 18) \$ 32,682

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

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014**

	Enterprise, School Nutrition -----
Assets	
Current assets:	
Cash and cash equivalents	\$ 25,317
Accounts receivable	300
Inventories	9,697

Total current assets	\$ 35,314

Noncurrent assets:	
Capital assets, net of accumulated depreciation	\$ 5,886

Total Assets	\$ 41,200

Liabilities	
Current liabilities:	
Accounts payable	\$ 1,610
Due to other funds	1,000

Total current liabilities	\$ 2,610

Noncurrent liabilities:	
Net OPEB liability	\$ 9,172

Total Liabilities	\$ 11,782

Net Position	
Investment in capital assets	\$ 5,886
Unrestricted	23,532

Total Net Position	\$ 29,418
	=====

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

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014**

	Enterprise, School Nutrition -----
Operating Revenue:	
Local sources:	
Charges for services	\$ 223,480

Operating Expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	\$ 207,337
Purchased services	1,219
Supplies	185,484
Depreciation	1,657

Total Operating Expenses	\$ 395,697

Operating Loss	\$ (172,217)

Non-operating Revenue:	
State sources	\$ 2,837
Federal sources	170,145
Interest income	101

Total Non-Operating Revenues	\$ 173,083

Increase in Net Position	\$ 866

Net Position Beginning of Year	28,552

Net Position End of Year	\$ 29,418
	=====

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

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014**

	Enterprise, School Nutrition -----
Cash Flows From Operating Activities:	
Cash received from sale of lunches and breakfasts	\$ 226,800
Cash paid to employees for services	(205,437)
Cash paid to suppliers for goods and services	(155,142)

Net Cash Used by Operating Activities	\$ (133,779)

Cash Flows From Noncapital Financing Activities:	
State grants received	\$ 2,837
Federal grants received	145,854

Net Cash Provided by Noncapital Financing Activities	\$ 148,691

Cash Flows From Capital and Related Financing Activities:	
Purchase of equipment	\$ (4,005)

Cash Flows From Investing Activities:	
Interest on investments	\$ 101

Net Increase in Cash and Cash Equivalents	\$ 11,008
Cash and Cash Equivalents Beginning of Year	14,309

Cash and Cash Equivalents End of Year	\$ 25,317
	=====
Reconciliation of Operating Loss to Net Cash Used By	
Operating Activities:	
Operating loss	\$ (172,217)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	24,291
Depreciation	1,657
Decrease in accounts receivable	3,320
Decrease in inventories	4,981
Increase in accounts payable	1,289
Increase in due to other funds	1,000
Increase in net OPEB liability	1,900

Net Cash Used by Operating Activities	\$ (133,779)
	=====

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

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Private Purpose Trust	
	----- Scholarship	----- Agency
	-----	-----
Assets		
Cash and deposits	\$ 41,398	\$ 2,533
Due from nutrition fund	1,000	---
	-----	-----
Total Assets	\$ 42,398	\$ 2,533
	-----	-----
Liabilities		
Due to other governments	\$ ---	\$ 2,533
	-----	-----
Net Position		
Reserved for scholarships	\$ 42,398	\$ ---
	=====	=====

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

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2014

	Private Purpose Trust ----- Scholarship -----
Additions:	
Local sources:	
Gifts and contributions	\$ 7,681
Interest income	673

Total Additions	\$ 8,354

Deductions:	
Support services:	
Scholarships awarded	8,688

Change in Net Position	\$ (334)
Net Position Beginning of Year	42,732

Net Position End of Year	\$ 42,398
	=====

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

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 1 - Summary of Significant Accounting Policies:

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

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

A. Reporting Entity

For financial reporting purposes, Clayton Ridge Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Clayton Ridge Community School District has one component unit which meets the Governmental Accounting Standards Board criteria, the Iowa Virtual Academy. This component unit has not been included in the District's financial statements.

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

B. Basis of Presentation

Government-Wide Financial Statements - The Statement of Net 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 services.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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

B. Basis of Presentation (Continued)

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

Net investment in capital assets, consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of a capital lease.

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

Unrestricted net position consist of net position that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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

B. Basis of Presentation (Continued)

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

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

The District reports the following major proprietary fund:

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

The District also reports fiduciary funds that focus on net 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.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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

D. Assets, Liabilities and Fund Equity (Continued)

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with 1-1/2% per month penalty for delinquent payments; is based on January 1, 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.

Pledges Receivable - The District uses the allowance method to determine uncollectible pledges receivable for the Athletic Complex. The allowance is based on management's analysis of specific promises made. At June 30, 2014, all pledges are deemed collectible by the District.

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

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

Compensated Absences - School District employees accumulate sick leave and vacation for subsequent use. These accumulations are not recognized as expenditures by the District until used. The District's policy prohibits payoff of accumulated benefits at termination of employment. Consequently, no liability at June 30, 2014 has been accrued.

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

Due to Other Governments - Due to other governments represents amount due to other school districts for special education and other student service provided.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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

D. Assets, Liabilities and Fund Equity (Continued)

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

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

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

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

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 represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of the succeeding year property tax receivable, income surtax, and pledges receivable not collected within sixty days after year-end.

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

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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

D. Assets, Liabilities and Fund Equity (Continued)

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

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures in the support services and non-instructional program functional areas exceeded the amounts budgeted and the District did not exceed the General Fund unspent authorized budget.

Note 2 - Cash and Cash Equivalents:

The District's deposits in banks at June 30, 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.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 3 - Capital Assets:

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	-----	-----	-----	-----
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 55,335	\$ ---	\$ ---	\$ 55,335
Construction in progress	---	251,855	---	251,855
	-----	-----	-----	-----
Total capital assets, not being depreciated	\$ 55,335	\$ 251,855	\$ ---	\$ 307,190
	-----	-----	-----	-----
Capital assets being depreciated:				
Buildings	\$ 4,451,104	\$ 96,005	\$ (140,900)	\$ 4,406,209
Improvements other than buildings	1,711,770	---	---	1,711,770
Furniture and equipment	1,730,565	565,341	(69,506)	2,226,400
	-----	-----	-----	-----
Total capital assets being depreciated	\$ 7,893,439	\$ 661,346	\$ (210,406)	\$ 8,344,379
	-----	-----	-----	-----
Less accumulated depreciation for:				
Buildings	\$ 2,604,831	\$ 110,373	\$ (100,014)	\$ 2,615,190
Improvements other than buildings	442,328	44,890	---	487,218
Furniture	1,210,408	242,529	(69,505)	1,383,432
	-----	-----	-----	-----
Total accumulated depreciation	\$ 4,257,567	\$ 397,792	\$ (169,519)	\$ 4,485,840
	-----	-----	-----	-----
Total capital assets being depreciated, net	\$ 3,635,872	\$ 263,554	\$ (40,887)	\$ 3,858,539
	-----	-----	-----	-----
Total Governmental activities capital assets, net	\$ 3,691,207	\$ 515,409	\$ (40,887)	\$ 4,165,729
	=====	=====	=====	=====
Business-type activities:				
Furniture and equipment	\$ 128,235	\$ 4,005	\$ (3,227)	\$ 129,013
Less accumulated depreciation	124,697	1,657	(3,227)	123,127
	-----	-----	-----	-----
Business-type activities capital assets, net	\$ 3,538	\$ 2,348	\$ ---	\$ 5,886
	=====	=====	=====	=====

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 3 - Capital Assets: (Continued)

Depreciation and amortization expense were charged to the following functions:

Governmental activities:

Instruction:

Regular instruction	\$ 42,152
Support services:	
Instructional staff support services	143,312
Operation and maintenance of plant services	15,712
Transportation services	21,833
Unallocated	174,783

Total - governmental activities	\$ 397,792
---------------------------------	------------

Business type activities:

Food services	\$ 856
---------------	--------

Note 4 - Long-Term Liabilities:

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	-----	-----	-----	-----	-----
Governmental Activities:					
Early retirement	\$ 422,934	\$ 67,979	\$ 125,484	\$ 365,429	\$ 110,779
Lease payable	181,834	418,169	181,834	418,169	106,166
Net OPEB liability	104,936	27,407	---	132,343	---
	-----	-----	-----	-----	-----
Total	\$ 709,704	\$ 513,555	\$ 307,318	\$ 915,941	\$ 216,945
	=====	=====	=====	=====	=====
Business Type Activities:					
Net OPEB liability	\$ 4,571	\$ 4,601	\$ ---	\$ 9,172	\$ ---
	=====	=====	=====	=====	=====

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 4 - Long-Term Liabilities: (Continued)

Early Retirement:

The District offers a voluntary early retirement plan to its certified and non-certified employees. The employee is eligible to participate in the early retirement program if the following conditions are met at June 30, 2014.

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

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

Early retirement benefits are equal to a one time payment of approximately 6% to 15% of the employee's contracted salary in effect during the last year of employment depending on whether the employee is a certified or non-certified employee. The employee shall also be eligible for an additional payment based on a percentage of unused sick leave at June 30, 2014. The District will continue to pay the employee's health insurance premium on a monthly basis for up to \$450 per month for teachers and administrators for a maximum period of ten years.

Early retirement benefits paid during the year ended June 30, 2014 totaled \$125,484.

Lease Payable:

The District entered into a lease agreement for laptop computers totaling \$418,169. Accumulated amortization as of June 30, 2014 was \$0. Future lease payments including interest at 1.5% are summarized as follows:

Year Ended June 30	

2015	\$ 108,090
2016	108,090
2017	108,090
2018	108,202

	\$ 432,472
	=====

Net OPEB Liability:

See Note 9 to the financial statements for additional details.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 5 - Pension and Retirement Benefits:

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

Plan members are required to contribute 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$362,045, \$348,596, and \$329,666 respectively, equal to the required contributions for each year.

Note 6 - Risk Management:

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

Note 7 - Area Education Agency:

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$262,397 for the year ended June 30, 2014, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 8 - Operating Lease Commitment:

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

Future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2014, are as follows:

Year Ending June 30	

2015	\$ 112,147
2016	72,731
2017	29,569

Total	\$ 214,447
	=====

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 86 active and 33 retired members in the plan. Participants must be age 55 or older at retirement.

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

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. Retirees pay the full cost of premiums for the medical/prescription drug benefit. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

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

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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

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

Annual required contribution	\$	78,025
Interest on net OPEB obligation		2,805
Adjustment to annual required contribution		(12,126)

Annual OPEB cost	\$	68,704
Contributions made		(39,397)

Increase in net OPEB obligation	\$	29,307
Net OPEB obligation beginning of year		112,208

Net OPEB obligation end of year	\$	141,515
		=====

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$39,397 to the medical plan premiums. Plan members eligible for benefits contributed \$49,323, or 28% of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
-----	-----	-----	-----
June 30, 2012	\$ 53,577	49.42%	\$ 86,104
June 30, 2013	65,135	59.92%	112,208
June 30, 2014	68,705	57.34%	141,516

Funded Status and Funding Process - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2014, the actuarial accrued liability was \$507,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$507,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,300,000, and the ratio of the UAAL to covered payroll was 15.36%. As of June 30, 2014, there were no trust fund assets.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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

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

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

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The UAAL is being amortized as a level dollar on a closed basis over 30 years.

Note 10 - Interfund Loans:

The detail of interfund loans at June 30, 2014 are as follows:

Loan to -----	Loan from -----	Amount -----
Capital Projects	Management	\$ 290,000
Capital Projects	General	390,000

The loan from the management fund bears interest at 1.05% and has a maturity date of June 30, 2014.

The loan from the General fund bears interest at .1% and has a maturity date of June 30, 2017.

Note 11 - 28E Agreement:

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

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 12 - Pledges Receivable - Athletic Complex:

Receivable in less than one year	\$ 21,095
----------------------------------	-----------

Note 13 - Categorical Funding:

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

Program	Amount
Gifted and Talented	\$ 38,485
Preschool	19,399
Educator quality	34,814
Dropout prevention	49,131
Other	28,047
	\$ 169,876

Note 14 - Deficit Fund Balance:

At June 30, 2014, the Capital Projects fund had a deficit balance of \$301,900.

Note 15 - Interfund Transfers:

Transfer to	Transfer from	Amount
Debt Service Activity	Capital Projects General	\$ 182,732 14,200

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

Note 16 - Due From and Due to Other Funds:

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

Receivable Fund	Payable Fund	Amount
Scholarship	Nutrition	\$ 1,000

The Nutrition fund is repaying the Scholarship fund for receipts incorrectly recorded in the prior year. The balance is to be repaid by June 30, 2015.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 17 - Construction Commitments:

At June 30, 2014, the District had entered into various contracts totaling \$344,843 for middle school HVAC improvements. As of June 30, 2014, the District had incurred costs of \$251,855 against these contracts. The remaining balance will be paid as work on the project is completed.

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 Events:

Subsequent to the end of the fiscal year, the District entered into a loan agreement with a local bank for \$450,000 to finance HVAC improvements to the middle school.

The District's management has evaluated events and transactions for potential financial statement recognition or disclosure through March 6, 2015, the date the financial statements were available to be issued.

**REQUIRED
SUPPLEMENTARY
INFORMATION
(PART II)**

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN**

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ ---	\$ 541,000	\$ 541,000	0.0%	\$ 3,639,000	14.86%
2011	July 1, 2009	---	541,000	541,000	0.0%	3,649,000	14.82%
2012	July 1, 2009	---	541,000	541,000	0.0%	3,470,000	15.50%
2013	July 1, 2012	---	507,000	507,000	0.0%	3,520,000	14.40%
2014	July 1, 2012	---	507,000	507,000	0.0%	3,300,000	15.36%

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.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
CHANGES IN BALANCES - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 5,166,281	\$ 223,581	\$ 5,389,862	\$ 5,997,439	\$ 5,997,439	\$ (607,577)
State sources	3,810,993	2,837	3,813,830	3,111,029	3,111,029	702,801
Federal sources	243,769	170,145	413,914	410,000	410,000	3,914
Total Revenues	\$ 9,221,043	\$ 396,563	\$ 9,617,606	\$ 9,518,468	\$ 9,518,468	\$ 99,138
Expenditures:						
Instruction	\$ 5,967,865	---	\$ 5,967,865	\$ 7,240,000	\$ 7,240,000	\$ 1,272,135
Support services	2,837,986	---	2,837,986	2,452,000	2,452,000	(385,986)
Non-instructional programs	1,692	395,697	397,389	390,000	390,000	(7,389)
Other	1,036,674	---	1,036,674	809,986	1,300,000	263,326
Total Expenditures	\$ 9,844,217	\$ 395,697	\$ 10,239,914	\$ 10,891,986	\$ 11,382,000	\$ 1,142,086
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (623,174)	\$ 866	\$ (622,308)	\$ (1,373,518)	\$ (1,863,532)	\$ 1,241,224
Other Financing Sources, net	418,449	---	418,449	---	---	418,449
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ (204,725)	\$ 866	\$ (203,859)	\$ (1,373,518)	\$ (1,863,532)	\$ 1,659,673
Balances Beginning of Year	2,066,959	28,552	2,095,511	1,942,170	1,942,170	153,341
Balances End of Year	\$ 1,862,234	\$ 29,418	\$ 1,891,652	\$ 568,652	\$ 78,638	\$ 1,813,014

See accompanying independent auditor's report.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014**

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, noninstructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$490,014.

During the year ended June 30, 2014, expenditures in the support services and non-instructional expenditures functions exceeded the amount budgeted and the District did not exceed its General Fund unspent authorized budget.

**SUPPLEMENTARY
INFORMATION**

SCHEDULE "1"

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue		Total Nonmajor Governmental Funds
	----- Student Activity -----	Debt Service -----	-----
Assets			
Cash and cash equivalents	\$ 121,149	\$ ---	\$ 121,149
	=====	=====	=====
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 11,596	\$ ---	\$ 11,596
	-----	-----	-----
Fund Balances:			
Restricted for:			
Student activities	\$ 109,553	\$ ---	\$ 109,553
	-----	-----	-----
Total Liabilities and Fund Balances	\$ 121,149	\$ ---	\$ 121,149
	=====	=====	=====

See accompanying independent auditor's report.

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	Special Revenue		Total Nonmajor Governmental Funds
	----- Student Activity	Debt Service	-----
	-----	-----	-----
Revenues:			
Local Sources:			
Other	\$ 320,393	\$ ---	\$ 320,393
	-----	-----	-----
Expenditures:			
Current:			
Instruction:			
Other	\$ 303,648	\$ ---	\$ 303,648
Other Expenditures:			
Long-term debt:			
Principal	---	181,834	181,834
Interest and fiscal charges	---	898	898
	-----	-----	-----
Total Expenses	\$ 303,648	\$ 182,732	\$ 486,380
	-----	-----	-----
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 16,745	\$ (182,732)	\$ (165,987)
	-----	-----	-----
Other Financing Sources:			
Operating transfers in	\$ 14,200	\$ 182,732	\$ 196,932
	-----	-----	-----
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Sources	\$ 30,945	\$ ---	\$ 30,945
	-----	-----	-----
Fund Balances Beginning of Year	\$ 78,608	\$ ---	\$ 78,608
	-----	-----	-----
Fund Balances End of Year	\$ 109,553	\$ ---	\$ 109,553
	=====	=====	=====

See accompanying independent auditor's report.

SCHEDULE "3"

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND,
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expenditures	Transfers	Balance End of Year
Athletics	\$ (695)	\$ 40,600	\$ 57,069	\$ 13,000	\$ (4,164)
Art trips	---	15,144	7,356	(134)	7,654
Baseball	337	8,975	3,257	---	6,055
Boys Basketball	1,280	7,632	6,371	---	2,541
Chamber Choir	(1,674)	5,099	3,165	---	260
Cheerleading	(178)	1,643	900	---	565
Class of 2014	12,037	37,294	48,371	---	960
Class of 2015	7,332	6,778	1,971	---	12,139
Class of 2016	6,030	6,907	1,841	---	11,096
Class of 2017	(55)	6,875	2,566	---	4,254
Class of 2018	1,643	7,573	7,912	---	1,304
Club Volleyball	(182)	316	125	---	9
Cross Country	12	2,523	2,151	---	384
Drama	3,678	6,085	7,116	---	2,647
Drill Team	(110)	37,316	32,742	---	4,464
Elementary Assemblies	1,500	6,958	7,738	---	720
FCCLA	508	4,926	5,258	---	176
FFA Junior High	391	---	---	---	391
FFA Memorial	4,677	14	---	---	4,691
FFA Project	1,316	2	---	---	1,318
Fine Arts	230	---	298	---	(68)
Football	1,566	13,175	15,847	1,200	94
Girls Basketball	688	1,357	1,301	---	744
High School Assemblies	130	4,349	4,479	---	---
High School National Honor Society	1,019	1,136	726	---	1,429
Junior High Student Council	1,818	5,420	5,748	---	1,490
Little Eagles Wrestling	2,185	2,360	1,914	---	2,631
Middle School Library Reading	(866)	6,014	3,175	---	1,973
Middle School Assemblies	3,349	2,573	5,922	---	---
Middle School Food and Fitness	1,634	6,215	4,657	---	3,192
Music Trips	462	5,627	3,133	---	2,956
Parent Advisory Committee	161	5,423	5,419	---	165
Philanthropist Club	(708)	1,828	283	---	837
Random Acts of Kindness Club	(134)	---	---	134	---
Reading Month	5,339	---	---	---	5,339
Softball	3,818	200	92	---	3,926
Spanish Club	8,443	6,088	4,106	---	10,425
Student Senate	7,042	18,244	12,506	---	12,780
Track	513	3,102	2,190	---	1,425
Tri-Star FFA	3,233	15,509	15,207	---	3,535
Volleyball	3,133	9,254	10,062	---	2,325
Wrestling	(2,506)	3,215	2,443	---	(1,734)
Yearbook	212	6,644	8,231	---	(1,375)
Total	\$ 78,608	\$ 320,393	\$ 303,648	\$ 14,200	\$ 109,553

See accompanying independent auditor's report.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**COMBINING BALANCE SHEET
CAPITAL PROJECT ACCOUNTS
JUNE 30, 2014**

	Physical Plant and Equipment Levy	Statewide Sales, Services and Use Tax	Athletic Complex	Middle School HVAC	Total
	-----	-----	-----	-----	-----
Assets					
Cash and cash equivalents	\$ 18,152	\$ 4,742	\$ ---	\$ 429,130	\$ 452,024
Receivables:					
Property tax:					
Delinquent	2,471	---	---	---	2,471
Succeeding year	290,695	---	---	---	290,695
Pledges receivable	---	---	21,095	---	21,095
Due from other governments	---	198,734	---	---	198,734
	-----	-----	-----	-----	-----
Total Assets	<u>\$ 311,318</u>	<u>\$ 203,476</u>	<u>\$ 21,095</u>	<u>\$ 429,130</u>	<u>\$ 965,019</u>
 Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts payable	\$ 2,507	\$ 42,019	\$ ---	\$ 230,603	\$ 275,129
Due to other funds	---	230,000	---	450,000	680,000
	-----	-----	-----	-----	-----
Total Liabilities	<u>\$ 2,507</u>	<u>\$ 272,019</u>	<u>\$ ---</u>	<u>\$ 680,603</u>	<u>\$ 955,129</u>
 Deferred Inflows of Resources:					
Unavailable revenues:					
Succeeding year property tax	\$ 290,695	\$ ---	\$ ---	\$ ---	\$ 290,695
Pledges receivable	---	---	21,095	---	21,095
	-----	-----	-----	-----	-----
Total Deferred Inflows of Resources	<u>\$ 290,695</u>	<u>\$ ---</u>	<u>\$ 21,095</u>	<u>\$ ---</u>	<u>\$ 311,790</u>
 Fund balances:					
Restricted for:					
Physical plant and equipment	\$ 18,116	\$ ---	\$ ---	\$ ---	\$ 18,116
Unassigned	---	(68,543)	---	(251,473)	(320,016)
	-----	-----	-----	-----	-----
Total Fund Balances	<u>\$ 18,116</u>	<u>\$ (68,543)</u>	<u>\$ ---</u>	<u>\$ (251,473)</u>	<u>\$ (301,900)</u>
	-----	-----	-----	-----	-----
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 311,318</u>	<u>\$ 203,476</u>	<u>\$ 21,095</u>	<u>\$ 429,130</u>	<u>\$ 965,019</u>

See accompanying independent auditor's report.

SCHEDULE "5"

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
CAPITAL PROJECT ACCOUNTS
YEAR ENDED JUNE 30, 2014**

	Physical Plant and Equipment Levy	Statewide Sales, Services and Use Tax	Athletic Complex	Middle School HVAC	Total
Revenues:					
Local sources:					
Local tax	\$ 285,073	\$ ---	\$ ---	\$ ---	\$ 285,073
Other	17,711	97	7,372	477	25,657
State sources	---	552,034	---	---	552,034
	\$ 302,784	\$ 552,131	\$ 7,372	\$ 477	\$ 862,764
Expenditures:					
Support services:					
Instructional staff services	\$ 166,480	\$ 355,477	\$ ---	\$ ---	\$ 521,957
Administration services	72	385	1,952	95	2,504
Transportation services	106,217	40,155	---	---	146,372
	\$ 272,769	\$ 396,017	\$ 1,952	\$ 95	\$ 670,833
Other Expenditures:					
Facilities acquisition	\$ 93,820	\$ 245,870	\$ ---	\$ 251,855	\$ 591,545
Total Expenditures	\$ 366,589	\$ 641,887	\$ 1,952	\$ 251,950	\$ 1,262,378
Excess (Deficiency) of Revenues Over Expenditures	\$ (63,805)	\$ (89,756)	\$ 5,420	\$ (251,473)	\$ (399,614)
Other Financing Sources (Uses):					
Capital lease financing	\$ 137,996	\$ 280,173	\$ ---	\$ ---	\$ 418,169
Intrafund transfers, net	---	---	192,287	---	192,287
Operating transfers out	(60,911)	(314,108)	---	---	(375,019)
Total Other Financing Sources (Uses)	\$ 77,085	\$ (33,935)	\$ 192,287	\$ ---	\$ 235,437
Change in Fund Balances	\$ 13,280	\$ (123,691)	\$ 197,707	\$ (251,473)	\$ (164,177)
Fund Balances Beginning of Year	4,836	55,148	(197,707)	---	(137,723)
Fund Balances End of Year	\$ 18,116	\$ (68,543)	\$ ---	\$ (251,473)	\$ (301,900)

See accompanying independent auditor's report.

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUND
YEAR ENDED JUNE 30, 2014

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
	-----	-----	-----	-----
Assets:				
Cash and deposits	\$ 2,567	\$ 92	\$ 126	\$ 2,533
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities:				
Payable to others	\$ 2,567	\$ 92	\$ 126	\$ 2,533
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

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

	Modified Accrual Basis								
	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:									
Local Sources:									
Local tax	\$ 3,517,150	\$ 3,913,960	\$ 3,742,828	\$ 3,580,360	\$ 3,165,517	\$ 3,079,650	\$ 3,355,563	\$ 3,387,397	\$ 3,346,260
Tuition	1,120,100	627,993	197,997	195,097	205,635	242,776	256,131	198,191	236,340
Other	529,031	612,036	529,342	456,570	966,499	1,003,784	844,453	681,536	542,231
State Sources	3,810,993	3,265,715	3,250,791	3,009,240	2,660,081	3,167,527	3,171,817	2,994,560	2,975,595
Federal Sources	243,769	245,346	276,956	485,109	564,887	180,950	190,803	242,006	287,147
Total	\$ 9,221,043	\$ 8,665,050	\$ 7,997,914	\$ 7,726,376	\$ 7,562,619	\$ 7,674,687	\$ 7,818,767	\$ 7,503,690	\$ 7,387,573
Expenditures:									
Instruction:									
Regular	\$ 3,853,098	\$ 3,104,959	\$ 2,789,396	\$ 2,787,347	\$ 2,665,032	\$ 2,595,541	\$ 2,662,212	\$ 2,569,187	\$ 2,684,680
Special	1,109,933	1,142,459	1,063,039	1,023,073	1,091,552	1,169,069	1,086,130	940,752	963,683
Other	1,004,834	1,046,199	933,544	963,958	1,064,236	1,003,802	861,654	934,943	826,543
Support Services:									
Student	285,436	291,320	304,189	268,374	282,278	289,585	190,099	189,724	176,484
Instructional staff	728,321	253,875	329,789	390,910	1,061,645	293,706	247,233	238,527	288,959
Administration	671,461	633,063	648,929	628,657	604,122	649,504	746,978	639,215	615,579
Operation and maintenance of plant	560,544	549,729	519,663	475,192	435,261	451,693	423,949	458,916	418,972
Transportation	592,224	550,750	555,438	540,416	486,768	521,284	524,821	433,775	467,061
Non-Instruction Programs	1,692	1,805	1,517	1,330	1,808	6,907	3,483	1,439	1,893
Other Expenditures:									
Facilities acquisition	591,545	193,605	462,193	156,850	637,000	1,987,484	661,963	400,478	151,715
AEA flowthrough	262,397	254,889	252,381	284,616	283,455	257,820	251,822	244,114	236,183
Long term debt:									
Principal	181,834	179,338	163,025	180,797	---	---	---	---	---
Interest and fiscal charges	898	3,393	5,063	1,934	---	---	---	---	---
Total	\$ 9,844,217	\$ 8,205,384	\$ 8,028,166	\$ 7,703,454	\$ 8,613,157	\$ 9,226,395	\$ 7,660,344	\$ 7,051,070	\$ 6,831,752

See accompanying independent auditor's report.

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

CERTIFIED PUBLIC ACCOUNTANTS

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S.J. DOMEYER, CPA
M.A. KUEPERS, CPA
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clayton Ridge Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 6, 2015. We expressed an unmodified opinion on the financial statements of the various opinion units of the primary government and an adverse opinion on the discretely presented component unit due to the omission of the financial data for the District's legally separate component unit. In addition, our report includes a disclaimer of opinion on the required supplementary information.

Internal Control Over Financial Reporting

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

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

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We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings at items I-A-14 and I-B-14 to be material weaknesses. These items were noted in the prior year audit.

Compliance and Other Matters

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

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

Clayton Ridge Community School District's Responses to Findings

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

Purpose of This Report

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

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

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

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

Dubuque, Iowa
March 6, 2015

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

MATERIAL WEAKNESSES:

I-A-14 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling incompatible duties. One example of incompatible duties is that one individual posts cash receipts, makes bank deposits, and reconciles bank accounts. Lack of segregation of duties could result in errors or unauthorized transactions not being detected and corrected by management in a timely manner.

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

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

Conclusion - Response acknowledged.

I-B-14 Adjusting Journal Entry - A material adjustment was made to represent a fair presentation of the District's financial statements at June 30, 2014. Account balances that were adjusted included the fixed asset accounts and long term liabilities accounts to reflect a capital lease. Misstatements in the financial statements could impair management and the School Board's ability to make informed decisions.

Recommendation - The business manager should consider the effects of lease agreements on the financial statements.

Response - The District will review reconciliations to assure that activity is reflected properly.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014**

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - Expenditures for the year ended June 30, 2014 exceeded the amended certified budget in the support services and non-instructional expenditures functions. The District did not exceed its General fund unspent authorized budget.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget in the support services and non-instructional expenditures program functions.

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

Conclusion - Response accepted.

II-B-14 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

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

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

Name, Title, Business Connection -----	Description -----	Amount -----
Ihdes Phillips 66 Spouse of board member	Maintenance	\$ 25

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

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014**

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

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

II-F-14 Board Minutes - We did not note any transaction requiring board approval which had not been approved by the board.

II-G-14 Certified Enrollment – One variance in the basic enrollment data certified to the Department of Education was noted. One student was incorrectly counted as a resident student.

Recommendation – The District should develop procedures to ensure accurate enrollment data is certified.

Response – We will develop procedures to ensure accurate enrollment data is certified.

Conclusion – Response accepted.

II-H-14 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

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

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

II-K-14 Deficit Balances - The Student Activity fund had four accounts with deficit balances at June 30, 2014.

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

Response - We will continue to monitor these accounts.

Conclusion - Response accepted.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014**

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

II-L-14 Statewide Sales and Services 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. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance	\$	55,148
Income:		
Statewide sales and services tax revenue		552,034
Interest income		97
Expenditures:		
Buildings & equipment		641,887
Other financing sources (uses):		
Capital lease financing		280,173
Transfer to debt service fund		(121,821)
Transfer to athletic complex account		(192,287)

Ending balance	\$	(68,543)
		=====

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.

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

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

II-M-14 Supplementary Weighting - One variance regarding the supplementary weighting certified to the Iowa Department of Education was noted. A teacher did not have the necessary educational credential to qualify for the extra weighting that was originally reported to the Department of Education.

Recommendation - The District should develop procedures to assure that teachers have the proper credentials in place for supplementary weighting.

Response - We will develop procedures to assure that teachers have the proper credentials when reporting supplementary weighting.

Conclusion - Response accepted.

II-N-14 Financial Condition - The Capital Projects fund had a deficit balance of \$301,900 at June 30, 2014.

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

Response - The District incurred significant expenses with a middle school HVAC improvement project. The project is financed with a note obtained from a local bank in fiscal 2015. Future statewide sales tax receipts will be used for the principal and interest payments due.

Conclusion - Response accepted.