

CLEAR CREEK AMANA COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

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Independent Auditor's Report

To the Board of Education of
Clear Creek Amana Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clear Creek Amana Community School District, Oxford, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. 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, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clear Creek Amana Community School District as of June 30, 2004, 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.

As described in Note 10 to the financial statements, during the year ended June 30, 2004, Clear Creek Amana Community School District adopted Governmental Accounting Standards Board Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement Number 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement Number 38, Certain Financial Statement Note Disclosures; Statement Number 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation Number 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated September 10, 2004, on our consideration of Clear Creek Amana Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 15 and 43 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clear Creek Amana Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003, (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

September 10, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clear Creek Amana Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the district's financial statements, which follow.

Because the district is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the district's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$9,719,051 in fiscal 2003 to \$9,321,990 in fiscal 2004, while general fund expenditures increased from \$9,344,475 in fiscal 2003 to \$9,942,068 in fiscal 2004. The district's general fund balance decreased from \$1,120,633 in fiscal 2003 to \$504,713 in fiscal 2004.
- The decrease in General Fund Revenues occurred in large part as a result of three factors. These factors include the effect of State Aid reductions, the impact of the expiration of the Instructional Support Levy and increased costs associated with providing intensive learning support programs.
 1. The first factor, State Aid, is significant due to a pattern of funding reductions for education from the State of Iowa over the past three years. The State reduced funding to public schools in fiscal years 2002, 2003 and 2004 as noted below.

In October of 2001, the State of Iowa announced a 4.3% reduction in state aid to schools, effective in fiscal year 2002. This cut amounted to an immediate reduction of \$162,428 for the Clear Creek Amana Community Schools. At the time of the State Aid reduction, budgets had already been approved, staffs were under contract and the district was already into the second quarter of the fiscal year. The decision was made to spend down the district's cash reserves to make up for the state aid cut.

When the State announced a 1% allowable growth rate for fiscal year 2003, it did not fully fund that commitment and the district lost \$28,783 in funding. Instead, the State gave local school boards the discretion to either raise local property taxes to provide for the state-funding shortfall or to utilize existing cash reserves. Again, Clear Creek Amana Schools elected to use cash reserves to make up the shortfall in state revenue.

In October 2003, the State once again announced an across the board State Aid reduction to schools of 2.5%. This amounted to another \$98,212 funding reduction for fiscal year 2004. For the third time in three years, the Clear Creek Amana Community Schools had to utilize cash reserves to make up for the funding shortfall.

In summary, the cumulative reduction \$289,423 of state aid over a three year period and the decision to utilize cash reserves rather than increase property tax or to reduce budget expenditures contributed to a decrease in the district's general fund balance in FY 2004.

2. The second factor, the Instructional Support Program, also contributed to a reduction in the district's general fund revenues. Revenues from this program support critical instructional needs in the areas of reading, mathematics, technology support, curriculum textbook adoptions, and professional development.

During fiscal year 2003-2004, the district received \$160,745 in spending authority from the Instructional Support Levy, (ISL). This levy had been in place since 1998 and expired in June 2003. The levy was renewed for July, 2004 and is funded in part with state aide of \$40,429. an income surtax of seven percent and property tax of \$177,108. Additional cash reserves of \$201,174 were also used in fiscal 2004 to fully fund the ISL due to the delay in receiving property tax and state aid..

3. During fiscal year 2004, the expenses associated with the provision of intensive learning supports (specialized reading services and special education) exceeded the state and federal funding provided. The State of Iowa allows districts to petition the School Budget Review Committee for authority to either levy additional property taxes to cover the additional costs of special education or to utilize existing cash reserves. The decision to utilize existing cash reserves and to provide additional learning supports for students reduced the general fund balance by \$290,672.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the district's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the district.

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

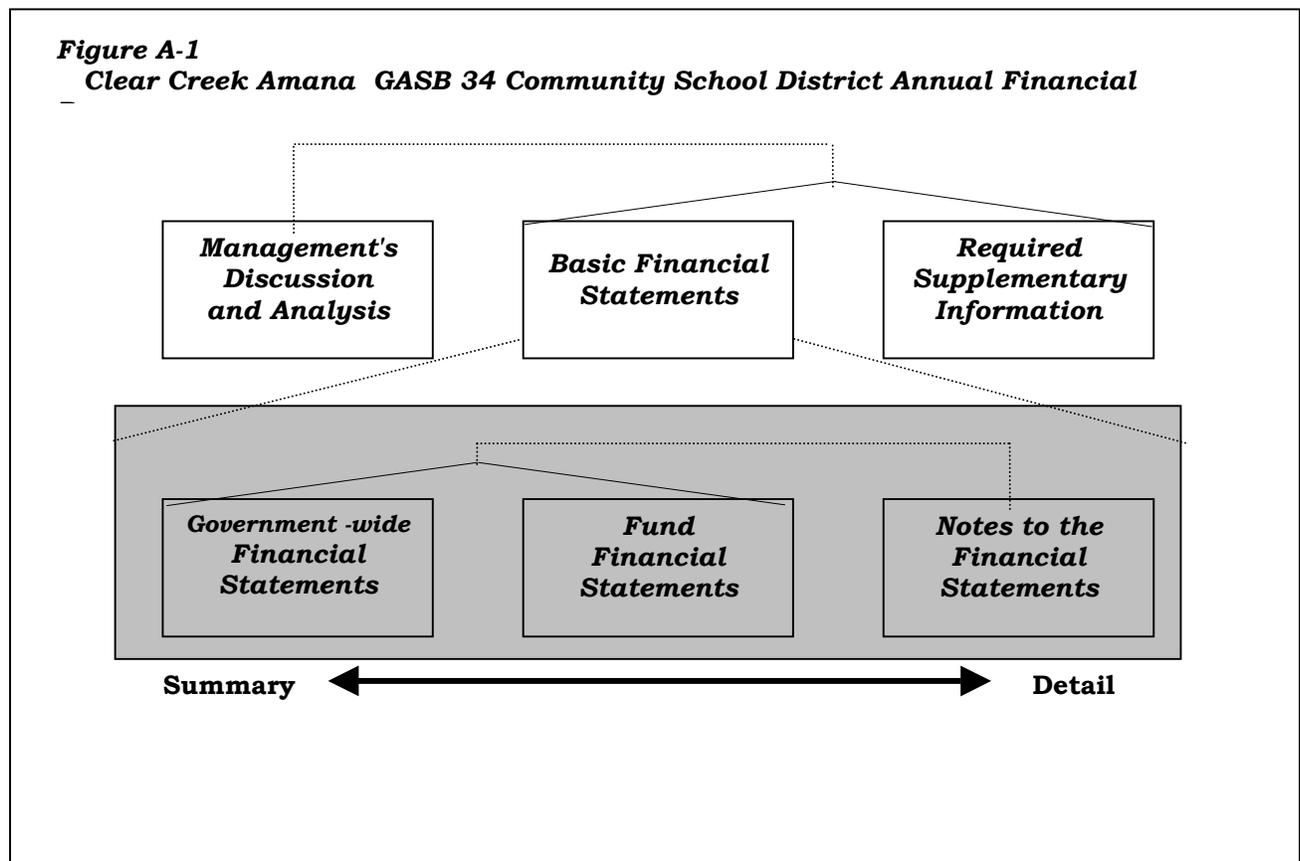


Figure A-2 summarizes the major features of the district’s financial statements, including the portion of the district’s activities they cover and the types of information they contain.

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

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

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the district's net assets and how they have changed. Net assets – 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 assets are an indicator of whether financial position is improving or deteriorating. To assess the district's overall health, additional non-financial factors, such as changes in the district's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The district has three kinds of funds:

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

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

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

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

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

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

- Restricted Purpose Trust Fund – The district accounts for outside donations from the Springmier endowment for the purpose of supporting the high school library.
- Agency Funds – These are funds through which the district administers and accounts for certain donations collected for support of certain expenditures related to the operation of the curricular and extra-curricular programs of the district..

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

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the district's net assets at June 30, 2004 compared to June 30, 2003.

Figure A-3

Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2004	2003	2004	2003	2004	2003	2003-2004
Current and other assets	\$ 9,060	\$ 10,056	\$ 279	\$ 265	\$ 9,339	\$ 10,321	-9.51%
Capital assets	10,349	9,676	22	25	10,371	9,701	6.91%
Total assets	19,409	9,732	301	290	19,710	20,022	-1.56%
Long-term liabilities	5,141	5,169	-	-	5,141	5,169	-0.54%
Other liabilities	7,479	7,275	50	46	7,529	7,321	2.84%
Total liabilities	12,620	12,444	50	46	12,670	12,490	1.44%
Invested in capital assets, net of related debt	5,624	4,561	22	25	5,646	4,586	23.11%
Restricted	566	635	-	-	566	635	-10.87%
Unrestricted	599	2,092	229	219	828	2,311	-64.17%
	<u>\$6,789</u>	<u>\$ 7,288</u>	<u>\$ 251</u>	<u>\$ 244</u>	<u>\$ 7,040</u>	<u>\$7,532</u>	<u>-6.53%</u>

The district's combined net assets decreased approximately \$491,057, over the prior year. The largest portion of the district's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The district's restricted net assets decreased approximately \$69,000.

Figure A-4 shows the change in net assets for the year ended June 30, 2004.

Figure A-4	Change in Net Assets (Expressed in Thousands)		
	Governmental Activities	Business- type Activities	Total School District
Revenues			
Program revenues			
Charges for service and sales	\$ 1,191	\$ 763	\$ 1,954
Operating grants, contributions and restricted interest	896	161	1,057
Capital grants, contributions and restricted interest	80	-	80
General revenues			
Property tax and income surtax	4,876	-	4,876
Unrestricted state grants	3,890	-	3,890
Unrestricted investment earnings	20	2	22
Other	21	-	21
Total revenues	<u>10,974</u>	<u>926</u>	<u>11,900</u>
Program expenses			
Governmental activities			
Instruction	7,371	-	7,371
Support services	2,975	-	2,975
Non-instructional programs	30	919	949
Other expenses	<u>1,097</u>	<u>-</u>	<u>1,097</u>
Total expenses	<u>11,473</u>	<u>919</u>	<u>12,392</u>
Change in net assets	<u>\$ (499)</u>	<u>\$ 7</u>	<u>\$ (492)</u>

Property tax and unrestricted state grants account for 73% of the total revenue. The district's expenses primarily relate to instruction and support services, which account for 83% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$10,974,000 and expenses were \$11,473,000.

The following table presents the total and net cost of the district's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5

	Total and Net Cost of Governmental Activities (Expressed in Thousands)	
	Total Cost of Services	Net Cost of Services
Instruction	\$ 7,371	\$ 5,665
Support services	2,975	2,943
Non-instructional programs	30	30
Other expenses	<u>1,097</u>	<u>668</u>
 Total expenses	 <u>\$ 11,473</u>	 <u>\$ 9,306</u>

The cost financed by users of the District's programs was \$1,191,000.

- Federal and state governments subsidized certain programs with grants and contributions totaling \$975,000.
- The net cost of governmental activities was financed with \$4,876,000 in property and other taxes and \$3,890,000 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$926,000 and expenses were \$919,000. The district's business type activities include the School Nutrition Fund, Day Care, Public Pool and Libraries. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the district as a whole is reflected in its governmental funds, as well. As the district completed the year, its governmental funds reported a combined fund balance of \$1,236,961, well below last year's ending fund balances of \$2,460,936. Most of the decrease occurred in the General Fund, as explained below, and in the Capital Projects Fund, where \$700,000 of bond proceeds from the prior year were spent this year.

Governmental Fund Highlights

- The General Fund balance decreased from \$1,120,633 to \$504,713, due in part to the negotiated salary and benefits settlement, the prior year reduction in state aid and existing commitments of the district.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from a deficit of \$(21,707) in fiscal 2003 to \$(17,981) in fiscal 2004. While revenues remained approximately the same, the district substantially reduced spending from the PPEL Fund in order to reduce the prior year deficit and improve the financial condition of the fund.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$189,602 at June 30, 2003 to \$226,366 at June 30, 2004. For fiscal 2004, the District increased meal prices, resulting in the increase in net assets

BUDGETARY HIGHLIGHTS

Over the course of the year, Clear Creek Amana Community School District amended its annual budget one time to reflect additional revenue and expenditures associated with the ECHO building capital project activity.

The district's receipts were \$202,733 less than budgeted receipts. The most significant variance resulted from the district receiving less in state aid than originally anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$10,372,050, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$404,609.

The original cost of the district's capital assets was \$14,973,079. Governmental funds account for \$14,922,596, with the remainder of \$50,483 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-6

**Capital Assets, Net of Depreciation
(Expressed in Thousands)**

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Land	\$ 1,338	\$ -	\$ 1,338
Buildings and improvements	\$ 8,318	-	8,318
Improvements other than buildings	154	-	154
Furniture and equipment	<u>540</u>	<u>22</u>	<u>562</u>
Totals	<u>\$ 10,350</u>	<u>\$ 22</u>	<u>10,372</u>

Long-Term Debt

At June 30, 2004, the District had \$5,140,000 in general obligation, bonds and other long-term debt outstanding. This represents a decrease of approximately \$30,000 from last year. (See Figure A-7) Additional information about the district's long-term debt is presented in Note 6 to the financial statements.

In 2003, the District authorized the issuance of \$3,605,000 in refunding general obligation bonds. The proceeds from these bonds were used to advance refund \$3,315,000 of the February 1996 general obligation bond issue.

Figure A-7 Outstanding Long-term Debt Expressed in Thousands

	Total School District		Due In
	2004	2003	2004-05
General Obligation Bonds	\$ 4,955	\$ 5,115	\$ 450
Early retirement	175	30	41
Compensated Absences	<u>10</u>	<u>25</u>	<u>10</u>
Total	<u>\$ 5,140</u>	<u>\$ 5,170</u>	<u>\$ 501</u>

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:

Enrollment Trends

- The certified budget enrollment is the primary factor in determining the amount of instructional funding a school district in Iowa will receive.
- The Clear Creek Amana Community School District has grown at the average rate of 2.27 percent per year over the past five years.
- The growth trend is projected to continue at about 2 percent per year during the next five years.

Open Enrollment

- The State of Iowa allows parents/guardians residing in an Iowa district to enroll their children into another Iowa school district through the open enrollment provisions in Iowa Code.
- This law has resulted in significant enrollment shifts for some school districts in Iowa over time.
- The Clear Creek Amana School has a greater number of students choosing to attend in the district under the open enrollment law than the number of students that choose to attend neighboring districts.
- This will be a key trend line to watch as neighboring districts open new school facilities and potentially allow more open enrollment than they have over the past five years.

State Revenues

- The amount of increased revenue a district receives is determined primarily by changes in two areas; the certified enrollment from the previous fiscal year and the change in the state cost per pupil.
- For fiscal year 2005, the growth rate in “new money” for the Clear Creek Amana Community Schools was set at two percent or \$327,233.
- For fiscal year 2006, the growth rate in “new money” for the Clear Creek Amana Community Schools is also set at four percent or \$309,220.

Property Valuation

- Anchored by the Technology Corridor and the historic Amana Colonies, the Clear Creek Amana Community School District benefits from the strong economic growth and development that is occurring in eastern Iowa.
- The district has a property tax valuation on a per pupil basis of \$243,330 which is higher than the state average of \$206,000.
- Total property valuation for the next fiscal year is \$510,406,373; this represents an increase of \$52.6 million.
- The average annual valuation growth has been 5.8% per year since 1994.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the district's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Paula Vincent, Superintendent.

BASIC FINANCIAL STATEMENTS

CLEAR CREEK AMANA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	2,493,478	-	2,493,478
Other	1,299,297	261,245	1,560,542
Receivables:			
Property tax:			
Delinquent	116,882	-	116,882
Succeeding year	4,460,100	-	4,460,100
Accounts	875	2,644	3,519
Accrued interest:			
ISCAP	3,818	-	3,818
Other	21	-	21
Due from other governments	685,133	-	685,133
Inventories	-	14,908	14,908
Capital assets, net of accumulated depreciation	<u>10,349,185</u>	<u>22,865</u>	<u>10,372,050</u>
Total assets	<u>19,408,789</u>	<u>301,662</u>	<u>19,710,451</u>
Liabilities			
Accounts payable	324,545	6,275	330,820
Salaries and benefits payable	26,231	35,732	61,963
Accrued interest payable	90,504	-	90,504
Other current liabilities	64,873	-	64,873
Deferred revenue:			
Succeeding year property tax	4,460,100	-	4,460,100
Other	-	7,815	7,815
ISCAP warrants payable	2,504,000	-	2,504,000
ISCAP accrued interest payable	5,789	-	5,789
ISCAP premium	3,359	-	3,359
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	450,000	-	450,000
Early retirement	41,280	-	41,280
Compensated absences	10,859	-	10,859
Portion due after one year:			
General obligation bonds payable	4,505,000	-	4,505,000
Early retirement	<u>133,300</u>	<u>-</u>	<u>133,300</u>
Total liabilities	<u>12,619,840</u>	<u>49,822</u>	<u>12,669,662</u>

See notes to financial statements.

CLEAR CREEK AMANA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Net assets			
Invested in capital assets, net of related debt	5,624,185	22,865	5,647,050
Restricted for:			
Gifted and talented program	90,181	-	90,181
Management levy	88,582	-	88,582
Other special revenue purposes	183,510	-	183,510
Debt service	203,505	-	203,505
Unrestricted	<u>598,986</u>	<u>228,975</u>	<u>827,961</u>
Total net assets	<u><u>6,788,949</u></u>	<u><u>251,840</u></u>	<u><u>7,040,789</u></u>

CLEAR CREEK AMANA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	4,623,363	681,371	405,104	-
Special instruction	1,961,733	208,738	106,821	-
Other instruction	785,614	299,644	4,150	-
	<u>7,370,710</u>	<u>1,189,753</u>	<u>516,075</u>	<u>-</u>
Support services:				
Student services	209,324	-	23,986	-
Instructional staff services	280,685	-	4,241	-
Administration services	969,874	-	-	-
Operation and maintenance of plant services	847,068	1,165	-	-
Transportation services	668,330	-	2,846	-
	<u>2,975,281</u>	<u>1,165</u>	<u>31,073</u>	<u>-</u>
Non-instructional programs	<u>29,507</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	87,826	-	-	79,857
Long-term debt interest	398,202	-	-	-
AEA flowthrough	348,702	-	348,702	-
Depreciation (unallocated)*	262,390	-	-	-
	<u>1,097,120</u>	<u>-</u>	<u>348,702</u>	<u>79,857</u>
Total governmental activities	<u>11,472,618</u>	<u>1,190,918</u>	<u>895,850</u>	<u>79,857</u>
Business type activities:				
Non-instructional programs:				
Food service operations	453,172	332,964	155,231	-
Public pool	48,388	35,443	-	-
Daycare	331,845	332,598	5,741	-
Amana library	60,228	49,073	-	-
Springmier library	25,297	13,277	-	-
Total business-type activities	<u>918,930</u>	<u>763,355</u>	<u>160,972</u>	<u>-</u>
Total	<u>12,391,548</u>	<u>1,954,273</u>	<u>1,056,822</u>	<u>79,857</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net assets

Net assets beginning of year, as restated

Net assets end of year

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

See notes to financial statements.

CLEAR CREEK AMANA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(3,536,888)	-	(3,536,888)
(1,646,174)	-	(1,646,174)
(481,820)	-	(481,820)
<u>(5,664,882)</u>	<u>-</u>	<u>(5,664,882)</u>
(185,338)	-	(185,338)
(276,444)	-	(276,444)
(969,874)	-	(969,874)
(845,903)	-	(845,903)
(665,484)	-	(665,484)
<u>(2,943,043)</u>	<u>-</u>	<u>(2,943,043)</u>
<u>(29,507)</u>	<u>-</u>	<u>(29,507)</u>
(7,969)	-	(7,969)
(398,202)	-	(398,202)
-	-	-
(262,390)	-	(262,390)
<u>(668,561)</u>	<u>-</u>	<u>(668,561)</u>
<u>(9,305,993)</u>	<u>-</u>	<u>(9,305,993)</u>
-	35,023	35,023
-	(12,945)	(12,945)
-	6,494	6,494
-	(11,155)	(11,155)
-	(12,020)	(12,020)
-	5,397	5,397
<u>(9,305,993)</u>	<u>5,397</u>	<u>(9,300,596)</u>
3,443,563	-	3,443,563
643,669	-	643,669
322,942	-	322,942
465,946	-	465,946
3,890,365	-	3,890,365
20,245	2,005	22,250
20,804	-	20,804
<u>8,807,534</u>	<u>2,005</u>	<u>8,809,539</u>
(498,459)	7,402	(491,057)
<u>7,287,408</u>	<u>244,438</u>	<u>7,531,846</u>
<u>6,788,949</u>	<u>251,840</u>	<u>7,040,789</u>

CLEAR CREEK AMANA COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2004

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Assets			
Cash and pooled investments:			-
ISCAP	2,493,478	-	2,493,478
Other	453,419	845,878	1,299,297
Receivables:			
Property tax:			
Delinquent	88,938	27,944	116,882
Succeeding year	3,581,155	878,945	4,460,100
Accounts	875	-	875
Accrued interest - ISCAP	3,818	-	3,818
Accrued interest - other	-	21	21
Due from other governments	555,009	130,124	685,133
Total assets	7,176,692	1,882,912	9,059,604
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	247,823	76,722	324,545
Salaries and benefits payable	26,231	-	26,231
ISCAP warrants payable	2,504,000	-	2,504,000
ISCAP accrued interest payable	5,789	-	5,789
ISCAP premium	3,359	-	3,359
Deferred revenue:			
Succeeding year property tax	3,581,155	878,945	4,460,100
Other	303,622	130,124	433,746
Other current liabilities	-	64,873	64,873
Total liabilities	6,671,979	1,150,664	7,822,643
Fund balances:			
Reserved for:			
Gifted and talented program	90,181	-	90,181
Debt service	-	294,009	294,009
Unreserved	414,532	438,239	852,771
Total fund balances	504,713	732,248	1,236,961
Total liabilities and fund balances	7,176,692	1,882,912	9,059,604

CLEAR CREEK AMANA COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

Total fund balances of governmental funds (Exhibit C)	1,236,961
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	10,349,185
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	433,746
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(90,504)
Long-term liabilities, including bonds payable, compensated absences and early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(5,140,439)</u>
Net assets of governmental activities (Exhibit A)	<u><u>6,788,949</u></u>

CLEAR CREEK AMANA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2004

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	3,582,857	1,267,720	4,850,577
Tuition	785,051	-	785,051
Other	129,509	304,636	434,145
State sources	4,571,849	39,999	4,611,848
Federal sources	252,724	1,500	254,224
Total revenues	<u>9,321,990</u>	<u>1,613,855</u>	<u>10,935,845</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	4,459,172	20,672	4,479,844
Special instruction	1,961,733	-	1,961,733
Other instruction	488,519	297,095	785,614
	<u>6,909,424</u>	<u>317,767</u>	<u>7,227,191</u>
Support services:			
Student services	209,324	-	209,324
Instructional staff services	280,685	-	280,685
Administration services	837,345	146,870	984,215
Operation and maintenance of plant services	824,468	22,040	846,508
Transportation services	532,120	151,820	683,940
	<u>2,683,942</u>	<u>320,730</u>	<u>3,004,672</u>
Non-instructional programs	-	29,507	29,507
Other expenditures:			
Facilities acquisition	-	1,006,732	1,006,732
Long-term debt:			
Principal	-	450,000	450,000
Interest and fiscal charges	-	164,198	164,198
AEA flowthrough	348,702	-	348,702
	<u>348,702</u>	<u>1,620,930</u>	<u>1,969,632</u>
Total expenditures	<u>9,942,068</u>	<u>2,288,934</u>	<u>12,231,002</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(620,078)</u>	<u>(675,079)</u>	<u>(1,295,157)</u>

CLEAR CREEK AMANA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2004

	General Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$
Other financing sources (uses):			
Compensation for loss of fixed assets	11,766	-	11,766
Refunding bonds issued	-	3,605,000	3,605,000
Payment to refunding bond escrow agent	-	(3,546,589)	(3,546,589)
Sales of materials and equipment	1,005	-	1,005
Operating transfers in	-	8,613	8,613
Operating transfers out	(8,613)	-	(8,613)
Total other financing sources (uses)	<u>4,158</u>	<u>67,024</u>	<u>71,182</u>
Net change in fund balances	(615,920)	(608,055)	(1,223,975)
Fund balances beginning of year, as restated	<u>1,120,633</u>	<u>1,340,303</u>	<u>2,460,936</u>
Fund balances end of year	<u><u>504,713</u></u>	<u><u>732,248</u></u>	<u><u>1,236,961</u></u>

CLEAR CREEK AMANA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(1,223,975)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the year as follows:		-
Expenditures for capital assets	1,077,734	
Depreciation expense	<u>(404,605)</u>	673,129
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		25,543
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		450,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		(2,415)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Early retirement		(144,180)
Compensated absences		13,439
Payment to bond refunding escrow agent to advance refund bonds is not an expense for the Statement of Activities		3,315,000
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		<u>(3,605,000)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>(498,459)</u></u>

CLEAR CREEK AMANA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2004

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Cash and cash equivalents	261,245
Accounts receivable	2,644
Inventories	14,908
Capital assets, net of accumulated depreciation	<u>22,865</u>
Total assets	<u>301,662</u>
Liabilities	
Accounts payable	6,275
Salaries and benefits payable	35,732
Deferred revenue	<u>7,815</u>
Total liabilities	<u>49,822</u>
Net assets	
Invested in capital assets, net of related debt	22,865
Unrestricted	<u>228,975</u>
Total net assets	<u><u>251,840</u></u>

CLEAR CREEK AMANA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds

Year ended June 30, 2004

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>763,355</u>
Operating expenses:	
Non-instructional programs:	
Salaries	436,114
Benefits	102,665
Purchased services	29,674
Supplies	339,152
Depreciation	7,446
Other	<u>3,879</u>
	<u>918,930</u>
Operating gain (loss)	<u>(155,575)</u>
Non-operating revenue:	
State sources	6,946
Federal sources	154,026
Interest income	<u>2,005</u>
Total non-operating revenue	<u>162,977</u>
Change in net assets	7,402
Net assets beginning of year	<u>244,438</u>
Net assets end of year	<u><u>251,840</u></u>

CLEAR CREEK AMANA COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2004

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	332,411
Cash received from other services	430,266
Cash payments to employees for services	(536,108)
Cash payments to suppliers for goods or services	<u>(347,783)</u>
Net cash used by operating activities	<u>(121,214)</u>
Cash flows from non-capital financing activities:	
State grants received	6,946
Federal grants received	<u>129,818</u>
Net cash provided by non-capital financing activities	<u>136,764</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(2,929)</u>
Cash flows from investing activities:	
Interest on investments	<u>2,005</u>
Net increase (decrease) in cash and cash equivalents	14,626
Cash and cash equivalents at beginning of year	<u>246,619</u>
Cash and cash equivalents at end of year	<u><u>261,245</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(155,575)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	25,255
Depreciation	5,661
Decrease (increase) in inventories	804
Decrease (increase) in accounts receivable	(1,173)
(Decrease) increase in accounts payable	2,739
(Decrease) increase in salaries and benefits payable	581
(Decrease) increase in deferred revenue	<u>494</u>
Net cash used in operating activities	<u><u>(121,214)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$25,255 of federal commodities.

CLEAR CREEK AMANA COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2004

	Private Purpose Trust Scholarship	Agency
	<u>\$</u>	<u>\$</u>
Assets		
Cash and pooled investments	421	93
Accounts receivable	-	397
	<u>421</u>	<u>490</u>
Total Assets	421	490
Liabilities		
Other payables	-	490
	<u>-</u>	<u>490</u>
Net Assets		
Reserved for scholarships	<u>421</u>	<u>-</u>

CLEAR CREEK AMANA COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2004

	Private Purpose Trust Scholarship <u> </u> \$
Additions:	
Local sources:	
Gifts and contributions	5,024
Interest	<u>2</u>
Total additions	<u>5,026</u>
Deductions:	
Support services:	
Scholarships awarded	<u>4,606</u>
Change in net assets	420
Net assets beginning of year	<u>1</u>
Net assets end of year	<u><u>421</u></u>

CLEAR CREEK AMANA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2004

1. Summary of Significant Accounting Policies

Clear Creek Amana Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Oxford, Middle, and Tiffin Iowa and the predominately agricultural territory in a portion of Iowa and Johnson Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Clear Creek Amana 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 Clear Creek Amana Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

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

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

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

The District reports the following major governmental funds:

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

The District's proprietary fund consists of Enterprise Funds for the Food Nutrition, Day Care, Public Pool, Amana Library and Springmier Library Programs.

The District also reports fiduciary funds, which focus on net assets and changes in net assets. 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 accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements, 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 assets 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.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003, through June 30, 2004, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-25 years
Furniture and equipment	3-20 years

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

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the Support Services and other expenditures function exceeded the amount budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2004 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.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
		\$
Special Revenue:		
Activity Fund	General Fund	8,613

This transfer reflects amounts reimburse for allowed expenses to be paid by the General Fund.

4. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2004, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2003-04B	1/30/04	1/28/05	701,749	3,818	697,000	5,789
2004-05A	6/30/04	6/30/05	1,791,729	-	1,807,000	-
Total			<u>2,493,478</u>	<u>3,818</u>	<u>2,504,000</u>	<u>5,789</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2004, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	-	-	-

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
	%	%
2003-04B	2.00	1.310
2004-05A	3.00	2.463

5. Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	<u>Balance Beginning of Year, as Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	1,338,566	-	-	1,338,566
Capital assets being depreciated:				
Buildings	10,578,376	818,906	-	11,397,282
Improvements other than buildings	547,033	92,000	-	639,033
Furniture and equipment	1,435,184	166,828	54,297	1,547,715
Total capital assets being deprec.	<u>12,560,593</u>	<u>1,077,734</u>	<u>54,297</u>	<u>13,584,030</u>
Less accumulated depreciation for:				
Buildings	2,856,686	222,350	-	3,079,036
Improvements other than buildings	454,388	31,951	-	486,339
Furniture and equipment	912,029	150,304	54,297	1,008,036
Total accumulated depreciation	<u>4,223,103</u>	<u>404,605</u>	<u>54,297</u>	<u>4,573,411</u>
Total capital assets being depreciated, net	<u>8,337,490</u>	<u>673,129</u>	-	<u>9,010,619</u>
Governmental activities capital assets, net	<u>9,676,056</u>	<u>673,129</u>	-	<u>10,349,185</u>
	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	47,553	2,930	-	50,483
Less accumulated depreciation	<u>20,172</u>	<u>7,446</u>	-	<u>27,618</u>
Business type activities capital assets, net	<u>27,381</u>	<u>(4,516)</u>	-	<u>22,865</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	18,217
Support Services:	
Administration services	14,630
Operation and maintenance of plant services	560
Transportation	<u>108,808</u>
	142,215
Unallocated depreciation	<u>262,390</u>
Total depreciation expense – governmental activities	<u>404,605</u>
Business type activities:	
Food services	<u>7,446</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	5,115,000	3,605,000	3,765,000	4,955,000	450,000
Compensated Absences	24,298	-	13,439	10,859	10,859
Early retirement	30,400	147,920	3,740	174,580	41,280
Total	<u>5,169,698</u>	<u>3,752,920</u>	<u>3,782,179</u>	<u>5,140,439</u>	<u>502,139</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age **fifty-five** and must have completed thirty years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives are based on salary in year of retirement.

General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

AMANA BONDS				
Year ended June 30,	Bond Issue of November 1992			Total
	Interest Rate	Principal	Interest	
	%	\$	\$	\$
2005	5.300	90,000	14,276	104,276
2006	5.375	95,000	9,506	104,506
2007	5.500	<u>80,000</u>	<u>4,400</u>	<u>84,400</u>
		<u>265,000</u>	<u>28,182</u>	<u>293,182</u>

CLEAR CREEK AMANA BONDS

Year ended June 30,	Bond Issue of February 1, 1996			
	Interest Rate	Principal	Interest	Total
	%	\$	\$	\$
2005	4.5	230,000	10,350	240,350

CLEAR CREEK AMANA BONDS

Year ended June 30,	Bond Issue of August 1, 2002			
	Interest Rate	Principal	Interest	Total
	%	\$	\$	\$
2005	2.4	90,000	31,245	121,245
2006	2.8	90,000	29,085	119,085
2007	3.0	95,000	26,565	121,565
2008	3.2	95,000	23,715	118,715
2009	3.4	100,000	20,675	120,675
2010-2013	3.6-4.1	445,000	44,800	489,800
		915,000	176,085	1,091,085

Refunding Bond Issue August 2003

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2005	2.5	40,000	107,558	147,558
2006	2.5	285,000	106,558	391,558
2007	2.5	315,000	99,432	414,432
2008	2.5	325,000	91,558	416,558
2009	3.0	335,000	83,433	418,433
2010-2014	3.0-3.4	1,835,000	256,698	2,091,698
2015	3.5	410,000	14,350	424,350
		3,545,000	759,587	4,304,587
Total		4,955,000	974,204	5,929,204

On August 1, 2003, the District issued \$3,605,000 of general obligation refunding bonds with interest rates ranging between 2.50% to 3.50%. The District issued the bonds to advance refund \$3,315,000 of the outstanding February, 1996 general obligation bonds with interest rates of 4.5% to 5.0%. The District used the net proceeds to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 1996 bonds. The advance refunding reduced total debt service payments over twelve years by \$163,774. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$149,584.

7. Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$359,501, \$338,827, and \$366,146 respectively, equal to the required contributions for each year.

8. Risk Management

Clear Creek Amana Community School District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision, and prescription drugs.

Each member's contributions to ISEBA fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. The District's annual contributions to ISEBA for the year ended June 30, 2004, were \$818,432.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

Clear Creek Amana 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 coverage in any of the past three fiscal years.

9. 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 \$348,702 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

10. Accounting Change and Restatement

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented for the year ended [June 30, 2004](#). The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended [June 30, 2004](#). The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net asset for governmental activities has been restated to include capital assets, long-term liabilities, and the changes in assets and liabilities at [July 1, 2003](#) caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund			Total
	General	Debt Service	Nonmajor	
	\$		\$	\$
Net assets, June 30, 2003, as previously reported	1,120,633	225,614	1,111,489	2,457,736
GASB Interpretation 6 adjustments	-	-	3,200	3,200
Net assets, July 1, 2003, as restated for Governmental funds	1,120,633	225,614	1,114,689	2,460,936
GASB 34 adjustments:				
Capital assets net of accumulated depreciation of \$4,223,103				9,676,056
Long-term liabilities:				
Bonds				(5,115,000)
Compensated absences				(24,298)
Early retirement				(30,400)
Accrued interest payable				(88,089)
Deferred revenue				408,203
Net assets, July 1, 2003, as restated				7,287,408

11. Financial Condition

The Special Revenue, Physical Plant and Equipment Levy Fund has a \$17,981 deficit fund balance and the Enterprise Childcare Fund had a deficit balance of \$13,037 at June 30, 2004.

REQUIRED SUPPLEMENTARY INFORMATION

CLEAR CREEK AMANA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Revenues:						
Local sources	6,069,773	765,360	6,835,133	6,752,824	6,752,824	82,309
State sources	4,611,848	6,946	4,618,794	5,005,686	5,005,686	(386,892)
Federal sources	254,224	154,026	408,250	306,400	306,400	101,850
Total Revenues	<u>10,935,845</u>	<u>926,332</u>	<u>11,862,177</u>	<u>12,064,910</u>	<u>12,064,910</u>	<u>(202,733)</u>
Expenditures:						
Instruction	7,227,191	-	7,227,191	6,940,000	7,300,000	72,809
Support services	3,004,672	-	3,004,672	2,905,000	3,000,000	(4,672)
Non-instructional programs	29,507	918,930	948,437	788,658	1,000,000	51,563
Other expenditures	1,969,632	-	1,969,632	1,095,583	1,900,000	(69,632)
Total expenditures	<u>12,231,002</u>	<u>918,930</u>	<u>13,149,932</u>	<u>11,729,241</u>	<u>13,200,000</u>	<u>50,068</u>
Excess (deficiency) of revenues over (under) expenditures	(1,295,157)	7,402	(1,287,755)	335,669	(1,135,090)	(152,665)
Other financing sources (uses) net	<u>71,182</u>	<u>-</u>	<u>71,182</u>	<u>7,000</u>	<u>7,000</u>	<u>64,182</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	(1,223,975)	7,402	(1,216,573)	342,669	(1,128,090)	(88,483)
Balance beginning of year	<u>2,460,936</u>	<u>244,438</u>	<u>2,705,374</u>	<u>1,974,279</u>	<u>1,974,279</u>	<u>731,095</u>
Balance end of year	<u><u>1,236,961</u></u>	<u><u>251,840</u></u>	<u><u>1,488,801</u></u>	<u><u>2,316,948</u></u>	<u><u>846,189</u></u>	<u><u>642,612</u></u>

CLEAR CREEK AMANA COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2004

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that 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 disbursements by \$1,470,759

During the year ended June 30, [2004](#), disbursements in the support services and [other expenditures](#) function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

CLEAR CREEK AMANA COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2004

Assets	Special Revenue Funds						Total \$
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Library Fund	Capital Projects	Debt Service	
	\$	\$	\$	\$	\$	\$	
Cash and pooled investments	259,168	173,789	42,286	16,610	74,421	279,604	845,878
Receivables:							
Property tax:							
Delinquent	3,994	2,710	6,193	642	-	14,405	27,944
Succeeding year	150,000	-	333,173	21,793	-	373,979	878,945
Accrued interest	-	21	-	-	-	-	21
Due from other governments	-	-	130,124	-	-	-	130,124
Total assets	413,162	176,520	511,776	39,045	74,421	667,988	1,882,912
Liabilities & Fund Balances							
Liabilities:							
Accounts payable	-	10,262	66,460	-	-	-	76,722
Deferred revenue:							
Succeeding year property tax	150,000	-	333,173	21,793	-	373,979	878,945
Other	-	-	130,124	-	-	-	130,124
Other current liabilities	-	-	-	-	64,873	-	64,873
Total liabilities	150,000	10,262	529,757	21,793	64,873	373,979	1,150,664
Fund balances:							
Reserved for debt service	-	-	-	-	-	294,009	294,009
Unreserved fund balance	263,162	166,258	(17,981)	17,252	9,548	-	438,239
Total liabilities and fund balances	413,162	176,520	511,776	39,045	74,421	667,988	1,882,912

CLEAR CREEK AMANA COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

	Special Revenue Funds						Total
	Management	Student	Physical	Library	Capital	Debt Service	
	Levy	Activity	Plant and		Projects		
	Fund	Equipment					
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Local tax	146,888	-	455,063	22,100	-	643,669	1,267,720
Other	581	294,648	4,863	69	3,146	1,329	304,636
State sources	6,645	-	10,231	2,800	-	20,323	39,999
Federal sources	-	-	-	-	1,500	-	1,500
Total revenues	<u>154,114</u>	<u>294,648</u>	<u>470,157</u>	<u>24,969</u>	<u>4,646</u>	<u>665,321</u>	<u>1,613,855</u>
Expenditures:							
Current:							
Instruction:							
Regular instruction	20,672	-	-	-	-	-	20,672
Other instruction	-	297,095	-	-	-	-	297,095
Support services:							
Administration services	105,731	-	-	-	-	41,139	146,870
Operation and maintenance of plant services	-	-	22,040	-	-	-	22,040
Transportation services	-	-	151,820	-	-	-	151,820
Non-instructional programs	-	-	-	29,507	-	-	29,507
Other expenditures:							
Facilities acquisition	-	-	292,571	-	714,161	-	1,006,732
Long-term debt:							
Principal	-	-	-	-	-	450,000	450,000
Interest and fiscal charges	-	-	-	-	-	164,198	164,198
Total expenditures	<u>126,403</u>	<u>297,095</u>	<u>466,431</u>	<u>29,507</u>	<u>714,161</u>	<u>655,337</u>	<u>2,288,934</u>
Excess (deficiency) of revenues over (under) expenditures	27,711	(2,447)	3,726	(4,538)	(709,515)	9,984	(675,079)
Other financing sources (uses):							
Refunding bonds issued	-	-	-	-	-	3,605,000	3,605,000
Payments to bond escrow agent	-	-	-	-	-	(3,546,589)	(3,546,589)
Operating transfers in	-	8,613	-	-	-	-	8,613
Total other financing sources (uses)	<u>-</u>	<u>8,613</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,411</u>	<u>67,024</u>
Net change in fund balances	27,711	6,166	3,726	(4,538)	(709,515)	68,395	(608,055)
Fund balances beginning of year, as restated	<u>235,451</u>	<u>160,092</u>	<u>(21,707)</u>	<u>21,790</u>	<u>719,063</u>	<u>225,614</u>	<u>1,340,303</u>
Fund balances end of year	<u>263,162</u>	<u>166,258</u>	<u>(17,981)</u>	<u>17,252</u>	<u>9,548</u>	<u>294,009</u>	<u>732,248</u>

CLEAR CREEK AMANA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Transfers In (Out)	Balance End of Year
	\$	\$	\$	\$	\$
Memory books	114	109	22	-	201
MS student activities	913	918	(10)	-	1,841
MOC	877	1,841	2,718	-	-
Class of 2004	3,781	637	4,418	-	-
Class of 2005	446	28,850	21,534	-	7,762
Amana student activities	2,266	752	559	-	2,459
Amana fund raiser	6,315	10,757	11,016	-	6,056
Elementary library fundraiser	1,747	10,451	9,813	-	2,385
Elementary student act.	3,032	3,976	3,005	350	4,353
Elem. clipper care fund	1,569	263	-	-	1,832
Jump for heart	101	17	101	-	17
Drama	1,245	3,769	955	-	4,059
JH drama	250	185	376	-	59
CC Elementary art club	626	4,778	4,941	-	463
HS chorus	372	2,438	745	-	2,065
MS show choir	91	851	680	-	262
HS band	(431)	490	465	-	(406)
HS concessions	470	10,080	10,550	-	-
HS student activities	4,073	1,347	3,262	-	2,158
Win with wellness	127	598	373	-	352
Golf club	1,574	888	1,557	-	905
Boys basketball clinic	479	3,714	3,297	240	1,136
Football clinic	135	6,418	5,826	-	727
Volleyball clinic	799	891	68	-	1,622
Cheerleading clinic	-	336	336	-	-
Wrestling club	5,171	3,768	2,603	-	6,336
Softball club	(2,180)	1,515	1,675	3,271	931
Amana elementary music	11	2	-	-	13
Amana fund raising	10,108	1,695	-	-	11,803
Interest	22,967	1,831	23,078	11	1,731
Athletics	11,181	58,149	58,705	(339)	10,286
JH athletics	130	10,813	10,814	-	129
JH athletic club	3,273	11,112	8,051	-	6,334
Girls track club	543	4,469	3,470	569	2,111
Soccer club	69	11	-	-	80
Girls basketball clinic	723	5,530	6,245	-	8
German club	14	3	-	-	17
Publications	8,159	4,452	4,800	-	7,811
Annual	15,473	14,908	9,592	(2,423)	18,366
Art club	845	5,716	5,115	35	1,481
MS art club	173	618	742	-	49

See accompanying independent auditor's report.

CLEAR CREEK AMANA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Transfers In (Out)	Balance End of Year
	\$	\$	\$	\$	\$
Fall cheerleaders	1,830	2,455	3,419	(257)	609
JH cheerleading club	-	897	-	-	897
Close up	3,633	2,882	2,042	(600)	3,873
NHS	272	606	460	-	418
Safe	165	262	369	-	58
Student assistance team	176	578	236	-	518
Science club	601	100	-	-	701
Spanish club	84	6,796	6,854	-	26
Student council	8,698	13,365	13,020	-	9,043
MS student council	31,527	36,738	37,785	-	30,480
CC elementary student council	-	300	-	-	300
Weight club	5	8,183	2,091	-	6,097
Boys track club	795	1,370	1,422	-	743
Baseball club	2,361	932	1,624	-	1,669
Pom squad	1,367	7,851	6,276	-	2,942
Beginning accruals	947	-	-	(857)	90
Totals	<u>160,092</u>	<u>303,261</u>	<u>297,095</u>	<u>-</u>	<u>166,258</u>

CLEAR CREEK AMANA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2004

	Elementary Parent Group	Booster Club	Fame	Amana VIP	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Balance beginning of year	300	232	(194)	2	340
Additions:					
Collections	486	-	9,448	-	9,934
Deductions:					
Miscellaneous	<u>430</u>	<u>-</u>	<u>9,354</u>	<u>-</u>	<u>9,784</u>
Balance end of year	<u><u>356</u></u>	<u><u>232</u></u>	<u><u>(100)</u></u>	<u><u>2</u></u>	<u><u>490</u></u>

CLEAR CREEK AMANA COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	4,850,577	4,556,233	4,550,737	4,120,777
Tuition	785,051	784,239	642,070	673,659
Other	434,175	544,556	520,023	479,862
State sources	4,611,848	5,950,151	4,608,084	4,552,653
Federal sources	254,224	242,148	190,449	193,350
Total revenues	<u>10,935,875</u>	<u>12,077,327</u>	<u>10,511,363</u>	<u>10,020,301</u>
Expenditures:				
Instruction:				
Regular instruction	4,479,844	4,188,073	4,099,142	3,976,424
Special instruction	1,961,733	1,857,494	1,514,580	1,372,782
Other instruction	785,614	724,473	647,570	656,986
Support services:				
Student services	209,324	150,674	186,468	177,224
Instructional staff services	280,685	307,835	272,231	245,547
Administration services	984,215	889,882	890,120	791,371
Operation and maintenance of plant services	846,508	803,091	672,771	776,660
Transportation services	683,940	588,483	499,579	653,978
Central support services				
Non-instructional programs	29,507	22,835	24,824	25,383
Other expenditures:				
Facilities acquisition	1,006,732	1,611,434	382,902	332,349
Long-term debt:				
Principal	450,000	391,368	332,862	322,195
Interest and other charges	164,198	244,578	233,326	252,780
AEA flowthrough	348,702	361,382	342,497	353,736
Total expenditures	<u>12,231,002</u>	<u>12,141,602</u>	<u>10,098,872</u>	<u>9,937,415</u>

Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting

To the Board of Education of the
Clear Creek Amana Community School District:

We have audited the financial statements of the Clear Creek Amana Community School District as of and for the year ended June 30, 2004, and have issued our report dated September 10, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Clear Creek Amana Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 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, 2004 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. Prior year statutory comments have all been resolved except for items 04-II-B, 04-II-K and 04-II-L.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Clear Creek Amana Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item [04-I-A](#) is a material weakness. Prior year reportable conditions have all been resolved except for items [04-I-A](#).

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the [Clear Creek Amana](#) Community School District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of [Clear Creek Amana](#) 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

September 10, [2004](#)

CLEAR CREEK AMANA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part I: Findings related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

04-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

CLEAR CREEK AMANA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

04-II-A Official Depositories: Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

04-II-B Certified Budget: Disbursements for the year ended June 30, 2004, exceeded the amount budgeted in the support services and other expenditures functional areas.

Recommendation: The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

District Response: We did amend our budget, but disbursements in these areas were more than anticipated.

Conclusion: Response accepted.

04-II-C Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

04-II-D Travel Expenses: 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.

04-II-E Business Transactions: We noted no transactions between the District and District officials or employees.

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

04-II-G Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

04-II-H Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.

04-II-I Deposits and Investments: We noted 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.

04-II-J Certified Annual Report (CAR): We reviewed a draft copy of the CAR and noted no significant deficiencies in the amounts reported.

04-II-K Financial Condition: The District has deficit fund balances in the [Special Revenue, Physical Plant and Equipment Levy Fund](#) of \$17,981 and the [Enterprise, Childcare Fund](#) of \$13,037 at [June 30, 2004](#). The Student Activity Fund also has one account with a deficit balance at [June 30, 2004](#).

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

District Response: We are working on ways to eliminate the deficits.

Conclusion: Response accepted.

CLEAR CREEK AMANA COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

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

04-II-L Reclassification of Student Activity Fund Accounts: The Student Activity Fund is to be used only for extracurricular student activities. There are some accounts, such as the interest, in the Student Activity Fund that may belong more appropriately in other funds.

Recommendation: We recommend these accounts be reviewed and transferred to the proper fund.

District Response: We will review the accounts and make any necessary adjustments.

Conclusion: Response accepted.