

CLEARFIELD COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2004

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14-15
Governmental Fund Financial Statements:		
Balance Sheet	C	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	17
Statement of Revenues, Expenditures and Changes in Fund Balances	E	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	19
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	20
Statement of Revenues, Expenses and Changes in Net Assets	H	21
Statement of Cash Flows	I	22
Notes to Financial Statements		23-32
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund		33-34
Budgetary Comparison Schedule- Budget to GAAP Reconciliation		35
Notes to Required Supplementary Information - Budgetary Reporting		36
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	38
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	3	39
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		40-41
Schedule of Findings		42-43

Clearfield Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2003 Election)		
Janis Pirtle	President	2003
Bob Cameron	Vice President	2005
Richard Mackey	Board Member	2003
Keith Bennett	Board Member (Resigned)	2004
Jennifer Williams	Board Member (Appointed)	2003
Becky Kerns	Board Member	2005
Board of Education (After September 2003 Election)		
Bob Cameron	President	2005
Becky Kerns	Vice President	2005
Jennifer Williams	Board Member	2006
Michele Sobotka	Board Member	2006
Marcy Hancock	Board Member	2006
School Officials		
Camille Jackson	Superintendent	2004
Pam Nickell	District Secretary/Treasurer	2004
Travis & Bonnett	Attorney	2004

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Clearfield Community School District 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 that 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, business-type activities, each major fund, and the aggregate remaining fund information of the Clearfield Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

As described in Note 8 to the financial statements, during the year ended June 30, 2004, Clearfield Community School District adopted Governmental Accounting Standards Board 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; Statement No. 41, Budgetary Comparison Schedule- Perspective Differences; and Interpretation No. 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 report dated September 17, 2004 on our consideration of the Clearfield Community School District's internal control over financial reporting and our tests of its compliance with certain

Members American Institute & Iowa Society of Certified Public Accountants

provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Auditing 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. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Clearfield Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2003 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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.


NOLTE, CORNMAN & JOHNSON, P.C.

September 17, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clearfield Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 increased from \$1,113,929 in fiscal 2003 to \$1,164,336 in fiscal 2004, while General Fund expenditures increased from \$1,097,546 in fiscal 2003 to \$1,130,280 in fiscal 2004. This resulted in an increase in the District's General Fund balance from \$400,532 in fiscal 2003 to a balance of \$434,588 in fiscal 2004, an 8% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in state grant revenue in fiscal 2004. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

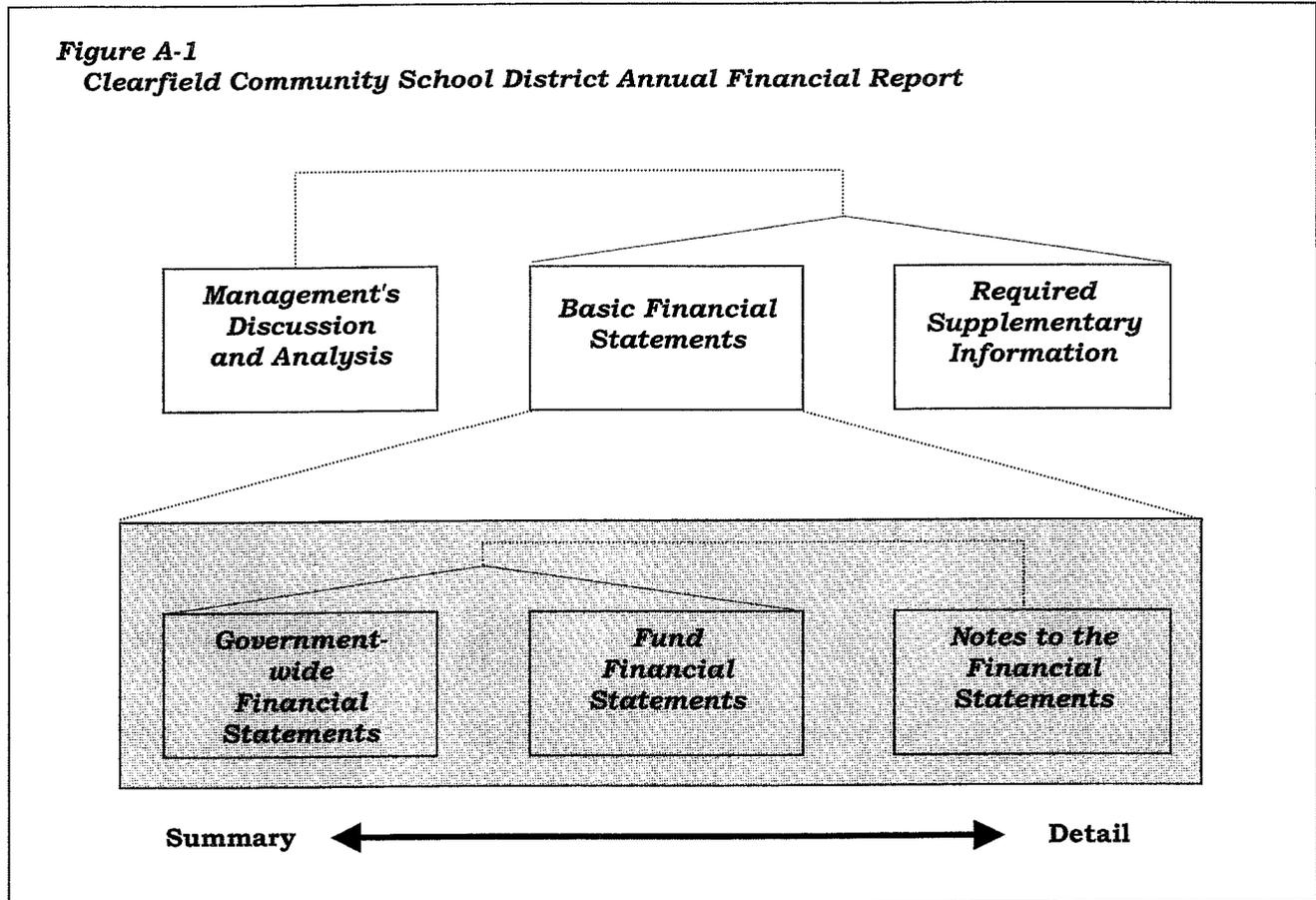


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
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 net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net 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 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 two kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide

financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

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

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 for the year ended June 30, 2004.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Current and other assets	\$ 1,100,789	8,466	1,109,255
Capital assets	86,057	1,992	88,049
Total assets	<u>1,186,846</u>	<u>10,458</u>	<u>1,197,304</u>
Long-term obligations	300	0	300
Other liabilities	485,185	0	485,185
Total liabilities	<u>485,485</u>	<u>0</u>	<u>485,485</u>
Net assets:			
Invested in capital assets, net of related debt	86,057	1,992	88,049
Restricted	152,757	0	152,757
Unrestricted	462,547	8,466	471,013
Total net assets	<u>\$ 701,361</u>	<u>10,458</u>	<u>711,819</u>

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

Figure A-4
Changes of Net Assets

	Governmental Activities 2004	Business-type Activities 2004	Total School District 2004
Revenues:			
Program revenues:			
Charges for services	\$ 101,093	12,005	113,098
Operating grants and contributions and restricted interest	244,508	31,777	276,285
General revenues:			
Local tax	494,043	0	494,043
Unrestricted state grants	397,653	0	397,653
Other	5,319	1,357	6,676
Total revenues	1,242,616	45,139	1,287,755
Program expenses:			
Governmental activities:			
Instructional	835,894	0	835,894
Support services	288,846	0	288,846
Non-instructional programs	0	50,591	50,591
Other expenses	37,646	0	37,646
Total expenses	1,162,386	50,591	1,212,977
Changes in net assets	80,230	(5,452)	74,778
Net assets beginning of year	621,131	15,910	637,041
Net assets end of year	\$ 701,361	10,458	711,819

Property tax and unrestricted state grants account for 69% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 93% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$1,242,616 and expenses were \$1,161,074. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 835,894	526,789
Support services	288,846	288,846
Other expenses	37,646	1,150
Totals	\$ 1,162,386	816,785

- The cost financed by users of the District's programs was \$101,093.

-
- Federal and state governments subsidized certain programs with grants and contributions totaling \$244,508.
 - The net cost of governmental activities was financed with \$494,043 in local tax, \$397,653 in unrestricted state grants, and \$5,319 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$45,139 and expenses were \$50,591. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$586,642, above last year's ending fund balances of \$490,071.

Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. Increase in grants resulted in an increase in revenues. The increase in revenues was more than the increase in General Fund expenditures ensuring the increase in the financial position of the District.
- The Management fund balance increased from \$7,430, in 2003, to \$34,434 in 2004, due to the increase in revenues.
- The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$82,109 to \$99,544, due to controlled spending during the year.
- The District started a Capital Projects fund during the current year, at year end it had a balance of \$18,076.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$15,910 at June 30, 2003 to \$10,458 at June 30, 2004, representing a decrease of approximately 34%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$204,168 less than budgeted revenues, a variance of 14%. The most significant variance resulted from the District receiving less in federal sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had invested \$90,053, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 5.3% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$21,800.

The original cost of the District's capital assets was \$303,371. Governmental funds account for \$295,356 with the remainder of \$8,015 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$69,647 at June 30, 2004, compared to \$73,266 reported at June 30, 2003. This decrease resulted from the current year depreciation expense.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental	Business-type	Total
	Activities	Activities	School District
	2004	2004	2004
Land improvements	\$ 18,402	0	18,402
Machinery and equipment	67,655	1,992	69,647
Total	\$ 86,057	1,992	88,049

Long-Term Debt

At June 30, 2004, the District had long-term debt outstanding of \$300 in compensated absences. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2004	2003	
Compensated absences	\$ 300	0	100.0%

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:

- Although the District has experienced declining enrollment for a few years, the District expects a slight increase in enrollment.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period beginning in fiscal year 2005.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

-
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

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 Pam Nickell, District Board Secretary, Clearfield Community School District, P.O. Box 99, Clearfield, Iowa, 50840.

BASIC FINANCIAL STATEMENTS

CLEARFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 562,580	5,614	568,194
Receivables:			
Property tax:			
Delinquent	14,709	0	14,709
Succeeding year	481,687	0	481,687
Income surtax	27,122	0	27,122
Accounts	297	1,563	1,860
Accrued interest	282	0	282
Due from other governments	14,112	0	14,112
Inventories	0	1,289	1,289
Capital assets, net of accumulated depreciation (Note 3)	86,057	1,992	88,049
TOTAL ASSETS	1,186,846	10,458	1,197,304
LIABILITIES			
Due to other governments	176	0	176
Accounts payable	3,322	0	3,322
Deferred revenue:			
Succeeding year property tax	481,687	0	481,687
Long-term liabilities (Note 4):			
Portion due within one year:			
Compensated absences	300	0	300
TOTAL LIABILITIES	485,485	0	485,485
NET ASSETS			
Investment in capital assets, net of related debt	86,057	1,992	88,049
Restricted for:			
Early intervention	26	0	26
Talented and gifted	677	0	677
Capital projects	18,076	0	18,076
Physical plant & equipment levy	99,544	0	99,544
Management levy	34,434	0	34,434
Unrestricted	462,547	8,466	471,013
TOTAL NET ASSETS	\$ 701,361	10,458	711,819

SEE NOTES TO FINANCIAL STATEMENTS.

CLEARFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental activities:			
Instruction:			
Regular instruction	\$ 523,099	62,228	208,012
Special instruction	312,795	38,865	0
	<u>835,894</u>	<u>101,093</u>	<u>208,012</u>
Support services:			
Student services	10,304	0	0
Instructional staff services	18,095	0	0
Administration services	118,176	0	0
Operation and maintenance of plant services	80,742	0	0
Transportation services	61,529	0	0
	<u>288,846</u>	<u>0</u>	<u>0</u>
Other expenditures:			
AEA flowthrough	36,496	0	36,496
Depreciation (unallocated) *	1,150	0	0
	<u>37,646</u>	<u>0</u>	<u>36,496</u>
Total governmental activities	1,162,386	101,093	244,508
Business-Type activities:			
Non-instructional programs:			
Nutrition services	50,591	12,005	31,777
Total business-type activities	50,591	12,005	31,777
Total	\$ 1,212,977	113,098	276,285

General Revenues:

Property tax levied for:
 General purposes
 Capital outlay
 Local option sales and service tax
 Unrestricted state grants
 Unrestricted investment earnings
 Gain on sale of equipment
Total general revenues

Changes in net assets

Net assets beginning of year, as restated (Note 8)

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(252,859)	0	(252,859)
(273,930)	0	(273,930)
(526,789)	0	(526,789)
(10,304)	0	(10,304)
(18,095)	0	(18,095)
(118,176)	0	(118,176)
(80,742)	0	(80,742)
(61,529)	0	(61,529)
(288,846)	0	(288,846)
0	0	0
(1,150)	0	(1,150)
(1,150)	0	(1,150)
(816,785)	0	(816,785)
0	(6,809)	(6,809)
0	(6,809)	(6,809)
(816,785)	(6,809)	(823,594)
\$ 452,333	0	452,333
23,634	0	23,634
18,076	0	18,076
397,653	0	397,653
5,319	0	5,319
0	1,357	1,357
897,015	1,357	898,372
80,230	(5,452)	74,778
621,131	15,910	637,041
\$ 701,361	10,458	711,819

CLEARFIELD COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General	Physical Plant and Equipment Levy	Other Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 415,532	100,248	44,960	560,740
Receivables:				
Property tax				
Delinquent	6,968	191	7,550	14,709
Succeeding year	456,687	5,000	20,000	481,687
Income surtax	27,122	0	0	27,122
Accounts	297	0	0	297
Accrued interest	282	0	0	282
Due from other governments	14,112	0	0	14,112
TOTAL ASSETS	\$ 921,000	105,439	72,510	1,098,949
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other governments	\$ 176	0	0	176
Accounts payable	2,427	895	0	3,322
Deferred revenue:				
Succeeding year property tax	456,687	5,000	20,000	481,687
Income surtax	27,122	0	0	27,122
Total liabilities	486,412	5,895	20,000	512,307
Fund balances:				
Reserved for:				
Early intervention	26	0	0	26
Talented and gifted	677	0	0	677
Unreserved:				
Designated for cash flow	350,000	0	0	350,000
Undesignated	83,885	99,544	52,510	235,939
Total fund balances	434,588	99,544	52,510	586,642
TOTAL LIABILITIES AND FUND BALANCES	\$ 921,000	105,439	72,510	1,098,949

SEE NOTES TO FINANCIAL STATEMENTS.

CLEARFIELD 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 (page 16)	\$	586,642
 <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 report as assets in in the governmental funds.		86,057
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		1,840
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		27,122
Compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(300)
Net assets of governmental activites (page 13)	\$	701,361

SEE NOTES TO FINANCIAL STATEMENTS.

CLEARFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	General	Physical Plant and Equipment Levy	Other Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 417,243	23,634	44,588	485,465
LOSST	0	0	18,076	18,076
Tuition	66,207	0	0	66,207
Other	38,725	310	1,170	40,205
State sources	547,407	0	0	547,407
Federal sources	94,754	0	0	94,754
Total revenues	1,164,336	23,944	63,834	1,252,114
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	513,974	0	6,800	520,774
Special instruction	317,857	0	0	317,857
	831,831	0	6,800	838,631
Support services:				
Student services	9,974	0	330	10,304
Instructional staff services	18,095	0	0	18,095
Administration services	117,155	0	5,967	123,122
Operation and maintenance of plant services	69,377	6,509	3,456	79,342
Transportation services	47,352	0	2,201	49,553
	261,953	6,509	11,954	280,416
Other expenditures:				
AEA flowthrough	36,496	0	0	36,496
Total expenditures	1,130,280	6,509	18,754	1,155,543
Net change in fund balances	34,056	17,435	45,080	96,571
Fund balance beginning of year	400,532	82,109	7,430	490,071
Fund balance end of year	\$ 434,588	99,544	52,510	586,642

SEE NOTES TO FINANCIAL STATEMENTS.

CLEARFIELD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds (page 18) \$ 96,571

*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 reported in the Statement of Net Assets and 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 outlays expenditures exceeded depreciation expense in the current year, as follows:

Capital expenditures	\$ 15,674	
Depreciation expense	(21,561)	(5,887)

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 fund.

Compensated absences (300)

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. (656)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds. (9,498)

Changes in net assets of governmental activities (page 15) \$ 80,230

SEE NOTES TO FINANCIAL STATEMENTS.

CLEARFIELD COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2004

	Business-Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
ASSETS		
Cash and cash equivalents	\$ 5,614	1,840
Receivables:		
Accounts	1,563	0
Inventories	1,289	0
Capital assets, net of accumulated depreciation	1,992	0
TOTAL ASSETS	10,458	1,840
LIABILITIES	0	0
NET ASSETS		
Invested in capital assets, net of related debt	1,992	0
Unrestricted	8,466	1,840
TOTAL NET ASSETS	\$ 10,458	1,840

SEE NOTES TO FINANCIAL STATEMENTS.

CLEARFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	Business-Type	
	Activities:	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Other local sources:		
Sale of lunches and breakfasts:		
Students	\$ 9,535	0
Adults	2,372	0
Miscellaneous	98	3,510
TOTAL OPERATING REVENUES	12,005	3,510
OPERATING EXPENSES:		
Salaries	25,448	0
Benefits	5,277	4,166
Services	89	0
Supplies	19,433	0
Other	105	0
Depreciation	239	0
TOTAL OPERATING EXPENSES	50,591	4,166
OPERATING LOSS	(38,586)	(656)
NON-OPERATING REVENUES:		
Gain on sale of equipment	1,357	0
State sources	573	0
Federal sources	31,204	0
TOTAL NON-OPERATING REVENUES	33,134	0
Net loss	(5,452)	(656)
Retained earnings at beginning of year	15,910	2,496
Retained earnings end of year	\$ 10,458	1,840

SEE NOTES TO FINANCIAL STATEMENTS.

CLEARFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2004

	Business-Type	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 12,787	0
Cash received from miscellaneous operating activities	98	3,510
Cash payments to employees for services	(30,725)	(4,166)
Cash payments to suppliers for goods or services	(17,785)	0
Net cash used in operating activities	(35,625)	(656)
Cash flows from non-capital financing activities:		
State grants received	573	0
Federal grants received	29,208	0
Net cash provided by non-capital financing activities	29,781	0
Net decrease in cash and cash equivalents	(5,844)	(656)
Cash and cash equivalents at beginning of year	11,458	2,496
Cash and cash equivalents at end of year	\$ 5,614	1,840
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (38,586)	(656)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	1,996	0
Depreciation	239	0
Decrease in inventories	806	0
Decrease in accounts receivable	880	0
Decrease in accounts payable	(960)	0
Net cash used in operating activities	\$ (35,625)	(656)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	\$ 5,614	1,840
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
During the year ended June 30, 2004, the District received Federal commodities valued at \$1,996.		

SEE NOTES TO FINANCIAL STATEMENTS.

CLEARFIELD COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

(1) **Summary of Significant Accounting Policies**

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-wide financial statements - The Statement of Net 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 support.

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 assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset 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 that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other 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 receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Special Revenue - Physical Plant and Equipment Levy (PPEL) Fund is used to account for resources used in building improvements and equipment purchases.

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

C. Measurement Focus and Basis of Accounting

The Government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and

expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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, they have a maturity date no longer than three months.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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, machinery, 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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 3,000
Buildings	3,000
Improvements other than buildings	3,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	3,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Live (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment	5-12 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 receivables and other receivables not collected within sixty days after year end.

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

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

Compensated absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide

financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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, no disbursements exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits 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 investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$397,959 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

(3) **Capital Assets**

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

	Balance Beginning of Year, as restated (Note 8)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets being depreciated:				
Buildings	\$ 142,542	0	0	142,542
Land improvements	23,002	0	0	23,002
Machinery and equipment	114,138	15,674	0	129,812
Total capital assets being depreciated	279,682	15,674	0	295,356
Less accumulated depreciation for:				
Buildings	142,542	0	0	142,542
Land improvements	3,450	1,150	0	4,600
Machinery and equipment	41,746	20,411	0	62,157
Total accumulated depreciation	187,738	21,561	0	209,299
Governmental activities capital assets, net \$	91,944	(5,887)	0	86,057

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 12,627	0	4,612	8,015
Less accumulated depreciation	11,753	239	5,969	6,023
Business-type activities capital assets, net \$	874	(239)	(1,357)	1,992

Depreciation expense was charged by the District as follows:

Governmental activities:				
Instruction:				
Regular				\$ 4,533
Special				1,266
Support services:				
Administration services				1,236
Operation and maintenance of plant services				1,400
Transportation				11,976
				20,411
Unallocated depreciation				1,150
Total governmental activities depreciation expense				\$ 21,561
Business-type activities:				
Food services				\$ 239

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Compensated absences	\$ 0	300	0	300	300

(5) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined

benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits 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 salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$34,081, \$30,639, and \$29,997, respectively, equal to the required contributions for each year.

(6) Risk Management

Clearfield 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 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: dental, life and long-term disability.

Each member's contributions to ISEBA funds current operations and provides 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. District contributions to ISEBA for the year ended June 30, 2004 were \$8,308.

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, 2003, 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.

Clearfield 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.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$36,496 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.

(8) Accounting Change and Restatements

Governmental Accounting Standards Board 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 Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No.38, Certain Financial Statement Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statement 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 assets 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.

Beginning capital assets for governmental activities of \$330,573 were restated to \$295,356. The restatement primarily removed assets below the District's capitalization threshold.

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

REQUIRED SUPPLEMENTAL INFORMATION

CLEARFIELD COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF RECEIPTS, DISBURSEMENTS AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2004

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 594,487	12,885
State sources	547,335	573
Federal sources	98,179	31,204
Total receipts	1,240,001	44,662
Disbursements:		
Instruction	851,820	0
Support services	280,294	0
Non-instructional programs	0	50,506
Other expenditures	36,496	0
Total disbursements	1,168,610	50,506
Excess(deficiency) of receipts over(under) disbursements	71,391	(5,844)
Balance beginning of year	489,349	11,458
Balance end of year	\$ 560,740	5,614

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
607,372	580,637	580,637	26,735
547,908	578,194	578,194	(30,286)
129,383	330,000	330,000	(200,617)
1,284,663	1,488,831	1,488,831	(204,168)
851,820	1,128,000	1,128,000	276,180
280,294	371,800	371,800	91,506
50,506	55,000	55,000	4,494
36,496	39,118	39,118	2,622
1,219,116	1,593,918	1,593,918	374,802
65,547	(105,087)	(105,087)	170,634
500,807	489,188	489,188	11,619
566,354	384,101	384,101	182,253

CLEARFIELD COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE-
 BUDGET TO GAAP RECONCILIATION
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2004

	Governmental Fund Types		
	Accrual		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 1,240,001	12,113	1,252,114
Expenses	1,168,610	(13,067)	1,155,543
Net	71,391	25,180	96,571
Beginning fund balances	489,349	722	490,071
Ending fund balances	\$ 560,740	25,902	586,642

	Proprietary Fund Type		
	Enterprise		
	Cash Basis	Adjust- ments	Accrual Basis
Revenues	\$ 44,662	477	45,139
Expenses	50,506	85	50,591
Net	(5,844)	392	(5,452)
Beginning retained earnings	11,458	4,452	15,910
Ending retained earnings	\$ 5,614	4,844	10,458

CLEARFIELD 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 cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTAL INFORMATION

CLEARFIELD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2004

	Special Revenue- Manage- ment	Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and pooled investments	\$ 33,626	11,334	44,960
Receivables:			
Property tax:			
Current year delinquent	808	6,742	7,550
Succeeding year	20,000	0	20,000
TOTAL ASSETS	\$ 54,434	18,076	72,510
LIABILITIES AND FUND EQUITY			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 20,000	0	20,000
	20,000	0	20,000
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	34,434	18,076	52,510
Total fund balances	34,434	18,076	52,510
TOTAL LIABILITIES AND FUND EQUITY	\$ 54,434	18,076	72,510

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLEARFIELD COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2004

	Special Revenue- Manage- ment	Capital Projects	Total Nonmajor Governmental Funds
REVENUES:			
Local sources:			
Local tax	\$ 44,588	0	44,588
LOSST	0	18,076	18,076
Other	1,170	0	1,170
TOTAL REVENUES	45,758	18,076	63,834
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	6,800	0	6,800
Support services:			
Student services	330	0	330
Administration services	5,967	0	5,967
Operation and maintenance of plant services	3,456	0	3,456
Transportation services	2,201	0	2,201
	11,954	0	11,954
TOTAL EXPENDITURES	18,754	0	18,754
Excess of revenues over expenditures	27,004	18,076	45,080
Fund balance beginning of year	7,430	0	7,430
Fund balance end of year	\$ 34,434	18,076	52,510

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLEARFIELD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2004	2003	2002	2001
Revenues:				
Local sources:				
Local tax	\$ 503,541	521,607	500,613	406,801
Tuition	66,207	38,752	39,247	29,756
Other	40,205	30,560	25,936	44,119
State sources	547,407	474,106	495,355	637,775
Federal sources	94,754	92,611	70,450	116,959
Total	\$ 1,252,114	1,157,636	1,131,601	1,235,410
Expenditures:				
Instruction:				
Regular instruction	\$ 520,774	470,562	434,819	505,707
Special instruction	317,857	348,565	353,723	303,123
Other instruction	0	38	0	50
Support services:				
Student services	10,304	1,715	56	5,355
Instructional staff services	18,095	16,033	12,475	19,925
Administration services	123,122	122,823	114,892	104,429
Operation and maintenance of plant services	79,342	77,373	82,911	74,390
Transportation services	49,553	45,954	72,264	39,657
Non-instructional:				
Food service	0	1,398	10,540	13,491
Other expenditures:				
AEA flow-through	36,496	37,760	38,452	41,810
Total	\$ 1,155,543	1,122,221	1,120,132	1,107,937

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

We have audited the financial statements of Clearfield Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated September 17, 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 Clearfield Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in 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 II-G-04.

Internal Control Over Financial Reporting

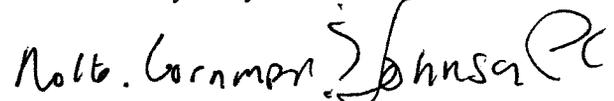
In planning and performing our audit, we considered Clearfield Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control 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 judgment, 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 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 I-A-04 is a material weakness. Prior year reportable conditions have all been resolved except for I-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Clearfield Community School District and other parties to whom Clearfield Community School 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 Clearfield Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

September 17, 2004

CLEARFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-04 Fixed Assets - A record of fixed asset acquisitions and disbursements are kept, however the District's fixed asset policy calls for assets over \$3,000 to be depreciated. The District is following the policy, however using this threshold doesn't capture 80% of the fixed assets which is required by GASB 34.

Recommendation - The District should lower their threshold to capture 80% of their fixed assets, as required by GASB 34.

Response - We will work to comply with GASB 34.

Conclusion - Response accepted.

CLEARFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004

Part II: Other Findings Related to Statutory Reporting

II-A-04 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget - District disbursements for the year ended June 30, 2004, did not exceed the amount budgeted.

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

II-D-04 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-E-04 Business Transactions - No business transactions between the District and District officials were noted.

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

II-G-04 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We have receipts showing that the board minutes were sent to the publisher within two weeks of the board meeting, we cannot control when the newspaper publishes them.

Conclusion - Response accepted.

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

II-I-04 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-J-04 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.