

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

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## Independent Auditor's Report

To the Board of Education of  
Clear Lake 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 Lake Community School District, Clear Lake, 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 Lake 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.

In accordance with Government Auditing Standards, we have also issued our reports dated November 5, 2004, on our consideration of Clear Lake 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 14 and 40 through 42 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 Lake 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, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, 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

November 5, 2004

# CLEAR LAKE COMMUNITY SCHOOL DISTRICT

## Management Discussion and Analysis

This section of the Clear Lake Community School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2004. Please read this analysis in conjunction with the District's financial statements, which immediately follow this section.

### **Financial Highlights**

General Fund revenues increased from \$10,657,810 in fiscal 2003 to \$10,757,380 in 2004 while General Fund expenditures increased from \$10,660,312 in fiscal 2003 to 10,770,295 in fiscal 2004. This resulted in a decrease in the District's General Fund balance from \$48,698 in fiscal 2003 to \$35,783 in fiscal 2004.

The increase in General Fund revenues was attributable to an increase in property tax and federal grant revenue received in fiscal 2004. State aid decreased during fiscal 2004.

In an effort to balance the reduced revenue due to declining enrollment, a total of \$355,000 in budget cuts was implemented in the General Fund in fiscal year 2004.

In March of 2003 the one-cent local option sales tax passed in Cerro Gordo County by 69.1%. The vote was 4,263 to 1,909 in Clear Lake. The passage of the one-cent tax will allow the district to do the following. Provide nearly \$1,200,000 for each of the first two years to complete the high school renovation project and additional revenues in years three through ten to provide property tax relief and fund other building and site improvement projects.

The District also received \$886,000 of a \$1,000,000 federal grant during fiscal year 2004. This grant was used for the high school renovation project.

The high school renovation project and addition was substantially complete by June 30, 2004.

### **Overview of the Financial Statements**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements (government-wide and fund statements) including notes to the financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The statement of net assets and statement of activities provide information on a government-wide basis. The statements present an aggregate view of the District's finances. Government-wide statements contain useful long-term information as well as information for the just-completed fiscal year.

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

The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

Proprietary funds statements offer short- and long-term financial information about the activities the D businesses, such as food services.

Fiduciary funds statements provide information about the financial relationships in which the District acts solely as trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

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

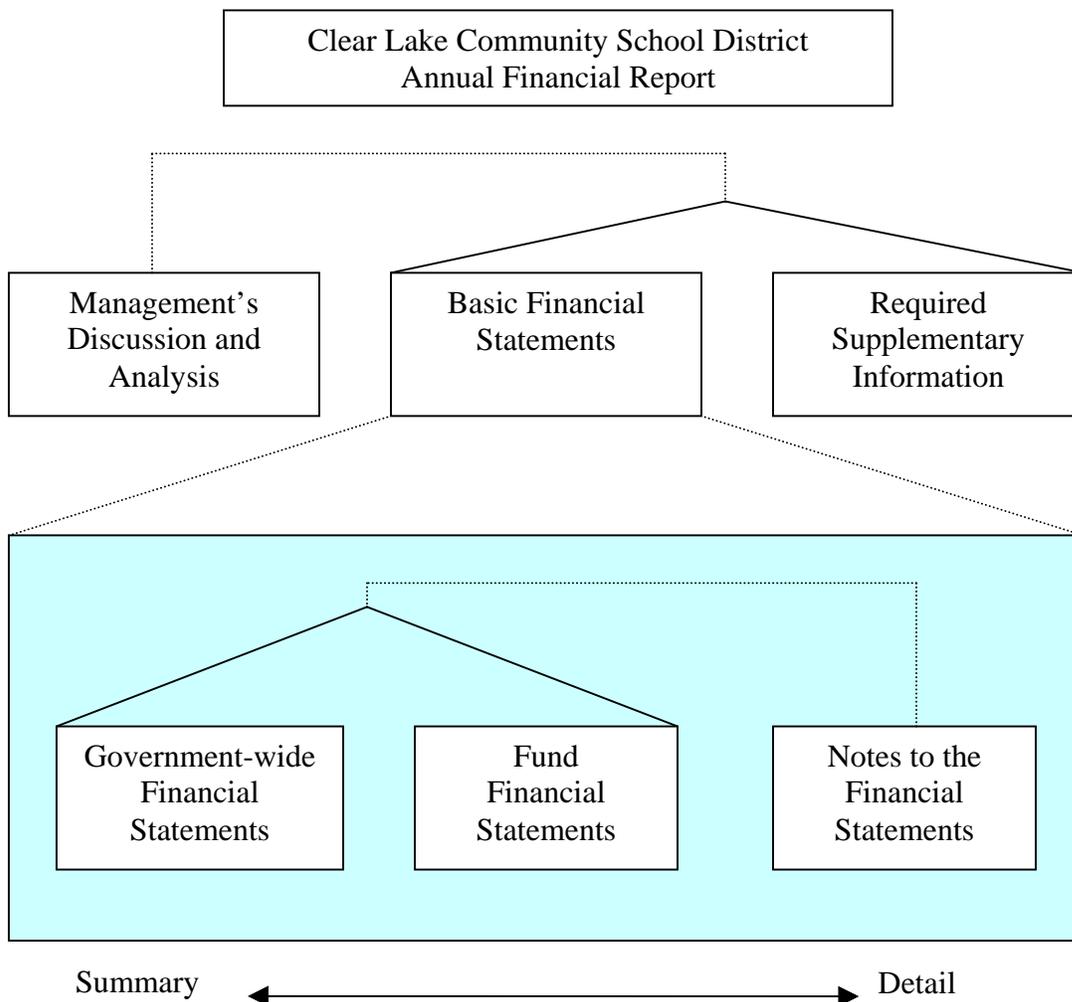


Figure A-2 below summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

| <i>Figure A-2<br/>Major Features of the Government-wide and Fund Financial Statements</i> |  |   |  |   |
|---|--|---|--|---|
|   | Government-wide Statements   | Fund Financial 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 business: food services is included here   | Instances in which the district administers resources on behalf of someone else, such as scholarship programs.                                |
| Required financial statements   | <ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul> | <ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balance</li> </ul>                                     | <ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flow</li> </ul> | <ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul> |
| Accounting basis and measurement focus  | Accrual accounting and economic resources focus  | Modified accrual accounting and current financial resources focus   | Accrual accounting and economic resources focus  | Accrual accounting and economic resources focus   |
| Type of asset / liability information   | All assets and liabilities, both financial and capital, short-term and long-term                               | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included                     | All assets and liabilities, both financial and capital, and 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 and payable | 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   |

## **Government-wide Financial Statements**

The Government-wide statements report information about the district as a whole using accounting methods similar to those used by private sector companies. The statement of net 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 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 its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school building and other facilities.

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

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District's food service program would be 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 repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information in exhibits following the governmental funds statements explains the relationship (or differences) between them.

- *The District's governmental funds include.* The General Fund, Special Revenue Funds, Dept Service fund and Capitol Projects Fund.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide statements. The District's *enterprise 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. *Internal service funds*, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities. At this time the District chooses not to use any internal service funds.
- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations.

#### *FINANCIAL ANALYSIS OF DISTRICT AS A WHOLE*

Figure A-3

Summary of Net Assets June 30, 2004

|   | Governmental        |                     | Business-type   |                  | Total               |                     |
|---|---------------------|---------------------|-----------------|------------------|---------------------|---------------------|
|   | Activities          |                     | Activities      |                  | School District     |                     |
|   | <u>2003</u>         | <u>2004</u>         | <u>2003</u>     | <u>2004</u>      | <u>2003</u>         | <u>2004</u>         |
| <b>Current assets</b>                                 | \$8,935,677         | \$9,487,888         | \$64,751        | \$74,981         | \$9,000,428         | \$9,562,869         |
| <b>Capital assets</b>                                 | \$7,266,640         | \$10,250,203        | \$27,097        | \$39,385         | \$7,293,737         | \$10,289,588        |
| <b>Total Assets</b>                                   | <b>\$16,202,317</b> | <b>\$19,738,091</b> | <b>\$91,848</b> | <b>\$114,366</b> | <b>\$16,294,165</b> | <b>\$19,852,457</b> |
| <b>Current liabilities</b>                            | \$8,543,827         | \$9,116,184         | \$37,075        | \$30,536         | \$8,580,902         | \$9,146,720         |
| <b>Non-Current liabilities</b>                        | \$5,390,000         | \$5,885,073         | -               | -                | \$5,390,000         | \$5,885,073         |
| <b>Total liabilities</b>                              | \$13,933,827        | \$15,001,257        | \$37,057        | \$30,536         | \$13,970,902        | \$15,031,793        |
| <b>Net assets</b>                                     |                     |                     |                 |                  |                     |                     |
| <b>Invested in Capital Assets Net of Related Debt</b> | \$1,628,577         | \$4,090,569         | \$27,097        | \$39,385         | \$1,655,674         | \$4,129,954         |
| <b>Restricted</b>                                     | \$392,400           | \$414,529           | -               | -                | \$392,400           | \$414,529           |
| <b>Unrestricted</b>                                   | \$247,513           | \$231,736           | \$27,676        | \$44,445         | \$275,189           | \$276,181           |
| <b>Total net assets</b>                               | <b>\$2,268,490</b>  | <b>\$4,736,834</b>  | <b>\$54,773</b> | <b>\$83,830</b>  | <b>\$2,323,263</b>  | <b>\$4,820,664</b>  |

Figure A-4

Changes in Net Assets from Operating Results

|                                    | Governmental<br>Activities<br><u>2003</u> | Business type<br>Activities<br><u>2003</u> | Total<br>School<br>District<br><u>2003</u> | Governmental<br>Activities<br><u>2004</u> | Business<br>Type<br>Activities<br><u>2004</u> | Total<br>School District<br><u>2004</u> |
|------------------------------------|---|--|--|---|---|---|
| <b>Revenues</b>                    |   |  |  |   |   |   |
| Program revenues                   |   |  |  |   |   |   |
| Charges for services               | \$968,674                                 | \$360,264                                  | \$1,328,938                                | \$1,132,396                               | \$372,293                                     | \$1,504,689                             |
| Operating Grants & Contr.          | \$1,170,616                               | \$189,159                                  | \$1,359,775                                | \$1,142,530                               | \$210,709                                     | \$1,353,239                             |
| Capital Grants & Contributions     | \$38,839                                  |  | \$38,839                                   | \$ 907,976                                |   | \$907,976                               |
| General revenues                   |   |  |  |   |   |   |
| Property taxes                     | \$4,870,856                               | -  | \$4,870,856                                | \$5,034,981                               | -   | \$5,034,981                             |
| Unrestricted State grants          | \$4,761,099                               | -  | \$4,761,099                                | \$4,726,457                               | -   | \$4,726,457                             |
| Sales Tax                          |   |  |  | \$1,180,757                               | -   | \$1,180,757                             |
| Other                              | \$354,898                                 | \$20,336                                   | \$375,234                                  | \$323,786                                 | \$316   | \$324,102                               |
| <b>Total revenues</b>              | <b>\$12,164,982</b>                       | <b>\$569,759</b>                           | <b>\$12,734,741</b>                        | <b>\$14,448,883</b>                       | <b>\$583,318</b>                              | <b>\$15,032,201</b>                     |
| <b>Expenses</b>                    |   |  |  |   |   |   |
| Instruction                        | \$7,432,991                               | -  | \$7,432,991                                | \$7,614,572                               | -   | \$7,614,572                             |
| Student & Staff services           | \$722,519                                 |  | \$722,519                                  | \$703,418                                 | -   | \$703,418                               |
| Administrative Services            | \$1,136,504                               | -  | \$1,136,504                                | \$1,200,333                               | -   | \$1,200,333                             |
| Maintenance & operations           | \$1,037,557                               | -  | \$1,037,557                                | \$1,090,482                               | -   | \$1,090,482                             |
| Transportation                     | \$339,566                                 | -  | \$339,566                                  | \$375,633                                 | -   | \$375,633                               |
| Non-instructional/Other            | \$1,129,526                               | \$533,240                                  | \$1,662,766                                | \$996,101                                 | \$554,261                                     | \$1,550,362                             |
| <b>Total expenses</b>              | <b>\$11,798,663</b>                       | <b>\$533,240</b>                           | <b>\$12,331,903</b>                        | <b>\$11,980,539</b>                       | <b>\$554,261</b>                              | <b>\$12,534,800</b>                     |
| Change in net assets               | \$366,319                                 | \$36,519                                   | \$402,838                                  | \$2,468,344                               | <b>\$29,057</b>                               | \$2,497,401                             |
| Total net assets – Beginning       | \$1,902,171                               | \$18,254                                   | \$1,920,425                                | \$2,268,490                               | \$54,773                                      | \$2,323,263                             |
| <b>Net Assets – Ending Balance</b> | <b>\$2,268,490</b>                        | <b>\$54,773</b>                            | <b>\$2,323,263</b>                         | <b>\$4,736,834</b>                        | <b>\$83,830</b>                               | <b>\$4,820,664</b>                      |

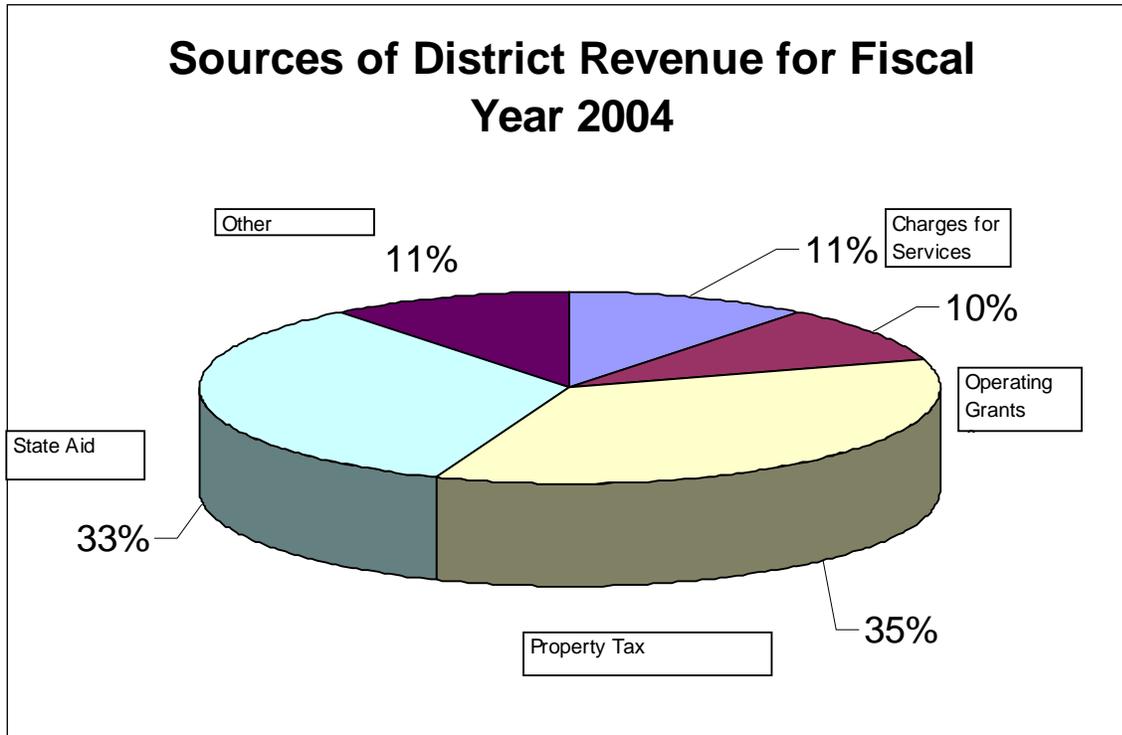
Note: totals may not add due to rounding.

As shown in figure A-4, property tax and unrestricted state aide provide 68% of the funding required for governmental programs while charges for services and operating grants and contributions make up almost 100% of the funding for business type activities. The District had total revenues of \$15,032,201 of which \$14,448,883 was for governmental activities and \$583,318 was for business-type activities.

The District's net assets for fiscal year 2004 increased because \$1,180,757 of sales tax revenues and \$885,790 of federal grant revenue were used to pay for the high school renovation project (a capital asset). Capital assets are recorded as an asset and not as an expense.

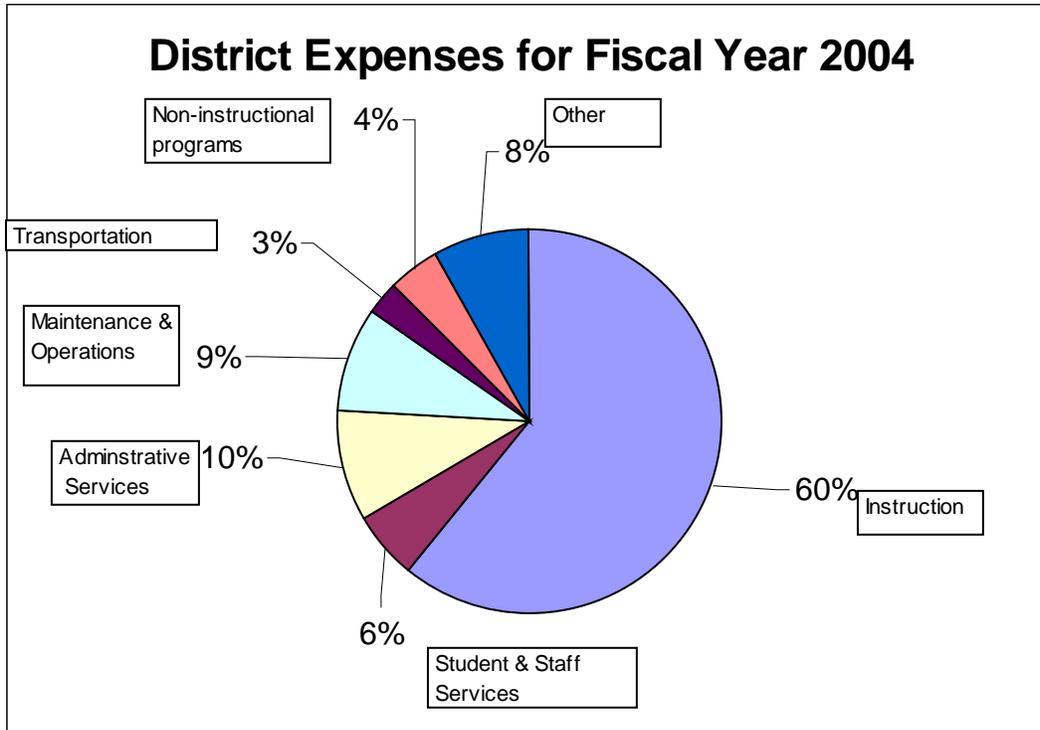
Total revenues surpassed expenses, increasing net assets \$2,497,401. Both the governmental and business-type activities contributed to the increase, with the majority attributable to governmental activities.

Figure A-5



The District's predominate expenses are related to instruction, as can be seen in Figure A-6. Another 8% is related to Maintenance & Operations and 9% to Administration services. Transportation, Student & Staff Services and non-instructional programs expenses make up the smallest.

Figure A-6



Revenues for governmental activities were \$14,448,883 while expenses amounted to \$11,980,539. In a difficult budget year, the District did a remarkable job trimming expenses to match available revenues.

### Net cost of Governmental Activities

**Figure A-7**  
**Net Cost of Governmental Activities**

|                    | Total Cost of Services |                     | % Change 2003-2004 | Net Cost of Services |                    | % Change 2003-2004 |
|--------------------|------------------------|---------------------|--------------------|----------------------|--------------------|--------------------|
|                    | 2003                   | 2004                |                    | 2003                 | 2004               |                    |
| Instruction        | \$7,432,991            | \$7,614,572         | 2.4%               | \$5,815,780          | \$5,840,096        | .4%                |
| Support services   | \$3,236,146            | \$3,369,866         | 4.1%               | \$3,162,812          | \$3,303,576        | 4.5%               |
| Other expenditures | \$1,129,526            | \$996,101           | -11.8%             | \$641,942            | (\$346,035)        | -153.9%            |
| <b>Total</b>       | <b>\$11,798,663</b>    | <b>\$11,980,539</b> | <b>1.5%</b>        | <b>\$9,620,534</b>   | <b>\$8,797,637</b> | <b>-8.6%</b>       |

The cost of all governmental activities this year was \$11,980,539.

The portion of the cost financed by users of the District's programs was \$1,132,396

The federal and state government (and private contributors) subsidized certain programs with grants and contributions totaling \$2,050,506.

The net cost portion of governmental activities was financed with \$5,034,981 in property tax, \$4,726,457 in unrestricted state grants, \$279,362 income surtax etc. and \$28,717 in interest income.

### **Business Type Activities**

Revenues of the District's business type activities increased from \$569,759 in 2003 to \$583,318 in 2004, while expenses increased from \$533,240 in 2003 to \$554,261 in 2004. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

### **Financial Analysis of the District's Funds**

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

The strong financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$538,822, below last year's ending fund balances of \$551,144.

### **Governmental Fund Highlights**

The General Fund balance decreased \$12,915. The decrease was due mostly to employee wage increases.

The Physical Plant and Equipment Levy (PPEL) Fund balance had a slight increase. The reason for the increase was saving for future projects, High School gym floor and furnishing the High School after the High School renovation/addition project is completed.

The Capital Projects Fund balance remained steady. The High School renovation/addition project was coming to closure.

Student Activity Fund balance increased \$25,958. We are trying to clear off the negative balance that we have in the surplus account, so spending was cut to help accomplish this.

Management Fund balance remained steady.

Debt Service Fund balance remained steady.

## **Business Type Fund Highlights**

The School Nutrition Fund balance increased \$29,057. New food service director created a budget to closely watch expenses.

## **Budgetary Highlights**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except blended component units, internal service funds, permanent funds and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on the cash basis.

The School district amended its budget because of construction on the High School renovation/addition project, which progressed faster than anticipated.

School districts have two levels of budgetary control. One form of budgetary control exists through the "certified budget", which includes all funds of the District as noted above. This budget is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority.

The other level of budgetary control is the "unspent (maximum) authorized budget" and pertains only to the General Fund of the District. The maximum authorized budget is the total "spending authority" in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the "actual General Fund cash". It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the District.

## **Capital Assets**

By the end of fiscal 2004, the District had invested \$10,250,203 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers and audio-visual equipment, transportation equipment, and administrative office. The accumulated depreciation had a net increase of 1 percent from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$305,396.

Capital assets activity included one new bus \$59,543, one new loader \$23,000, bleachers \$61,505 and two roof repair projects totaling \$149,582. Construction in progress was architect fees and construction for High School renovation/addition project of \$2,924,211.

**Figure A-8**

**Outstanding Long-Term Debt (in millions of dollars)**

|  | <b>Total</b>           |                    | <b>Total</b>      |
|--|------------------------|--------------------|-------------------|
|  |                        |                    | <b>Percentage</b> |
|  | <b>School District</b> |                    | <b>Change</b>     |
|  | <b>2003</b>            | <b>2004</b>        | <b>2004-2005</b>  |
| General obligation bonds & notes<br>(financed with property taxes) | \$5,485,000            | \$5,185,000        | -5%               |
| Revenue bond anticipation note<br>(financed with sales taxes)      | \$205,000              | \$1,000,000        | +388%             |
| Compensated absences   | \$43,426               | \$48,057           | +1%               |
| Early Retirement   | \$74,711               | \$73,046           | -2%               |
| <b>Total</b>   | <b>\$5,808,137</b>     | <b>\$6,306,103</b> | <b>+9%</b>        |

**LONG – TERM DEBT**

At year-end the District had \$5,185,000 in general obligation bonds. This represents a decrease of approximately 5% from last year. Revenue bond anticipation note was used on the High School renovation/addition project. See figure A-8.

**Factors bearing on the District’s Future**

At the time these financial statements were prepared and audited, the District was aware of some existing circumstances that could significantly affect its financial health in the future. Some of these include declining enrollment of -36.7 students and employee salary and benefit increases for 2004-2005 of about \$355,000.

**Contacting the District’s Financial Management**

This financial report is designed to provide the District’s citizens, taxpayers, customers, and 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 Eldon Pyle Superintendent or Lorna Leerar, Business Manager/Board Secretary.

## BASIC FINANCIAL STATEMENTS

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2004

|   | Governmental<br>Activities | Business-type<br>Activities | Total             |
|---|----------------------------|-----------------------------|-------------------|
|   | \$                         | \$                          | \$                |
| <b>Assets</b>                                   |                            |                             |                   |
| Cash and cash equivalents:                      |                            |                             |                   |
| ISCAP   | 1,891,857                  | -                           | 1,891,857         |
| Other   | 1,682,927                  | 55,954                      | 1,738,881         |
| Receivables:                                    |                            |                             |                   |
| Property tax:                                   |                            |                             |                   |
| Delinquent                                      | 68,863                     | -                           | 68,863            |
| Succeeding year                                 | 5,259,990                  | -                           | 5,259,990         |
| Accounts  | 18,802                     | 1,318                       | 20,120            |
| Accrued interest:                               |                            |                             |                   |
| ISCAP   | 2,607                      | -                           | 2,607             |
| Due from other governments                      | 562,842                    | -                           | 562,842           |
| Inventories                                     | -                          | 17,709                      | 17,709            |
| Capital assets, net of accumulated depreciation | 10,250,203                 | 39,385                      | 10,289,588        |
| <b>Total assets</b>                             | <b>19,738,091</b>          | <b>114,366</b>              | <b>19,852,457</b> |
| <b>Liabilities</b>                              |                            |                             |                   |
| Accounts payable                                | 491,258                    | -                           | 491,258           |
| Salaries and benefits payable                   | 991,203                    | 22,758                      | 1,013,961         |
| Accrued interest payable                        | 45,968                     | -                           | 45,968            |
| Deferred revenue:                               |                            |                             |                   |
| Succeeding year property tax                    | 5,259,990                  | -                           | 5,259,990         |
| Other   | -                          | 7,778                       | 7,778             |
| ISCAP warrants payable                          | 1,881,000                  | -                           | 1,881,000         |
| ISCAP accrued interest payable                  | 3,953                      | -                           | 3,953             |
| ISCAP premium                                   | 21,782                     | -                           | 21,782            |
| Long-term liabilities:                          |                            |                             |                   |
| Portion due within one year:                    |                            |                             |                   |
| General obligation bonds payable                | 320,000                    | -                           | 320,000           |
| Early retirement                                | 52,973                     | -                           | 52,973            |
| Compensated absences                            | 48,057                     | -                           | 48,057            |
| Portion due after one year:                     |                            |                             |                   |
| General obligation bonds payable                | 4,865,000                  | -                           | 4,865,000         |
| Revenue bond anticipation note                  | 1,000,000                  | -                           | 1,000,000         |
| Early retirement                                | 20,073                     | -                           | 20,073            |
| <b>Total liabilities</b>                        | <b>15,001,257</b>          | <b>30,536</b>               | <b>15,031,793</b> |

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2004

|   | Governmental<br>Activities | Business-type<br>Activities | Total            |
|---|----------------------------|-----------------------------|------------------|
|   | \$                         | \$                          | \$               |
| <b>Net assets</b>                               |                            |                             |                  |
| Invested in capital assets, net of related debt | 4,090,569                  | 39,385                      | 4,129,954        |
| Restricted for:                                 |                            |                             |                  |
| Phase III                                       | 12,900                     | -                           | 12,900           |
| Gifted and talented program                     | 22,833                     | -                           | 22,833           |
| Management levy                                 | 8,603                      | -                           | 8,603            |
| Physical plant and equipment levy               | 259,302                    | -                           | 259,302          |
| Other special revenue purposes                  | 110,891                    | -                           | 110,891          |
| Unrestricted                                    | 231,736                    | 44,445                      | 276,181          |
| <b>Total net assets</b>                         | <u>4,736,834</u>           | <u>83,830</u>               | <u>4,820,664</u> |

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2004

| <b>Functions/Programs</b>                   | <u>Program Revenues</u> |                                 |  |
|---|-------------------------|---------------------------------|--|
|   | <u>Expenses</u>         | <u>Charges for<br/>Services</u> | <u>Operating Grants,<br/>Contributions and<br/>Restricted Interest</u> |
| <b>Governmental activities:</b>             |                         |                                 |  |
| Instruction:                                |                         |                                 |  |
| Regular instruction                         | 5,116,604               | 531,778                         | 624,668  |
| Special instruction                         | 1,669,377               | 108,010                         | 53,855   |
| Other instruction                           | 828,591                 | 451,213                         | 4,952  |
|   | <u>7,614,572</u>        | <u>1,091,001</u>                | <u>683,475</u>   |
| Support services:                           |                         |                                 |  |
| Student services                            | 352,392                 | -                               | 10,520   |
| Instructional staff services                | 351,026                 | -                               | -  |
| Administration services                     | 1,200,333               | -                               | -  |
| Operation and maintenance of plant services | 1,090,482               | 17,707                          | -  |
| Transportation services                     | 375,633                 | 23,688                          | 14,375   |
|   | <u>3,369,866</u>        | <u>41,395</u>                   | <u>24,895</u>  |
| Other expenditures:                         |                         |                                 |  |
| Facilities acquisition                      | 84,329                  | -                               | -  |
| Long-term debt interest                     | 288,466                 | -                               | 463  |
| AEA flowthrough                             | 433,697                 | -                               | 433,697  |
| Depreciation (unallocated)*                 | 189,609                 | -                               | -  |
|   | <u>996,101</u>          | <u>-</u>                        | <u>434,160</u>   |
| Total governmental activities               | 11,980,539              | 1,132,396                       | 1,142,530  |
| <b>Business type activities</b>             |                         |                                 |  |
| Non-instructional programs:                 |                         |                                 |  |
| Food service operations                     | 554,261                 | 372,293                         | 210,709  |
| Total                                       | <u>12,534,800</u>       | <u>1,504,689</u>                | <u>1,353,239</u>   |
| <b>General Revenues:</b>                    |                         |                                 |  |
| Property taxes levied for:                  |                         |                                 |  |
| General purposes                            |                         |                                 |  |
| Debt service                                |                         |                                 |  |
| Capital outlay                              |                         |                                 |  |
| Income surtax                               |                         |                                 |  |
| Local option sales and services tax         |                         |                                 |  |
| Unrestricted state grants                   |                         |                                 |  |
| Unrestricted investment earnings            |                         |                                 |  |
| Other                                       |                         |                                 |  |
| Total general revenues                      |                         |                                 |  |

**Change in net assets**

Net assets beginning of year

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 LAKE COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2004

| <u>Net (Expense) Revenue and Changes in Net Assets</u>                   |                                    |   |              |
|--|------------------------------------|---|--------------|
| <u>Capital Grants,<br/>Contributions<br/>and Restricted<br/>Interest</u> | <u>Governmental<br/>Activities</u> | <u>Business<br/>Type<br/>Activities</u> | <u>Total</u> |
| -  | (3,960,158)                        | -                                       | (3,960,158)  |
| -  | (1,507,512)                        | -                                       | (1,507,512)  |
| -  | (372,426)                          | -                                       | (372,426)    |
| -  | (5,840,096)                        | -                                       | (5,840,096)  |
| -  | (341,872)                          | -                                       | (341,872)    |
| -  | (351,026)                          | -                                       | (351,026)    |
| -  | (1,200,333)                        | -                                       | (1,200,333)  |
| -  | (1,072,775)                        | -                                       | (1,072,775)  |
| -  | (337,570)                          | -                                       | (337,570)    |
| -  | (3,303,576)                        | -                                       | (3,303,576)  |
| 907,190  | 822,861                            | -                                       | 822,861      |
| 786  | (287,217)                          | -                                       | (287,217)    |
| -  | -                                  | -                                       | -            |
| -  | (189,609)                          | -                                       | (189,609)    |
| 907,976  | 346,035                            | -                                       | 346,035      |
| 907,976  | (8,797,637)                        | -                                       | (8,797,637)  |
| -  | -                                  | 28,741                                  | 28,741       |
| 907,976  | (8,797,637)                        | 28,741                                  | (8,768,896)  |
|  | 4,050,617                          | -                                       | 4,050,617    |
|  | 579,266                            | -                                       | 579,266      |
|  | 405,098                            | -                                       | 405,098      |
|  | 279,362                            | -                                       | 279,362      |
|  | 1,180,757                          | -                                       | 1,180,757    |
|  | 4,726,457                          | -                                       | 4,726,457    |
|  | 28,717                             | 316                                     | 29,033       |
|  | 15,707                             | -                                       | 15,707       |
|  | 11,265,981                         | 316                                     | 11,266,297   |
|  | 2,468,344                          | 29,057                                  | 2,497,401    |
|  | 2,268,490                          | 54,773                                  | 2,323,263    |
|  | 4,736,834                          | 83,830                                  | 4,820,664    |

See notes to financial statements.

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2004

|  | General          | Capital<br>Projects | Nonmajor<br>Governmental<br>Funds | Total            |
|--|------------------|---------------------|-----------------------------------|------------------|
|  | \$               | \$                  | \$                                | \$               |
| <b>Assets</b>                              |                  |                     |                                   |                  |
| Cash and pooled investments:               |                  |                     |                                   |                  |
| ISCAP                                      | 1,891,857        | -                   | -                                 | 1,891,857        |
| Other                                      | 983,335          | 72,889              | 626,703                           | 1,682,927        |
| Receivables:                               |                  |                     |                                   |                  |
| Property tax:                              |                  |                     |                                   |                  |
| Delinquent                                 | 53,500           | -                   | 15,363                            | 68,863           |
| Succeeding year                            | 4,097,515        | -                   | 1,162,475                         | 5,259,990        |
| Accounts                                   | 17,926           | -                   | 876                               | 18,802           |
| Accrued interest - ISCAP                   | 2,607            | -                   | -                                 | 2,607            |
| Due from other governments                 | 361,012          | 201,830             | -                                 | 562,842          |
| <b>Total assets</b>                        | <b>7,407,752</b> | <b>274,719</b>      | <b>1,805,417</b>                  | <b>9,487,888</b> |
| <b>Liabilities and Fund Balances</b>       |                  |                     |                                   |                  |
| Liabilities:                               |                  |                     |                                   |                  |
| Accounts payable                           | 76,636           | 249,353             | 165,269                           | 491,258          |
| Salaries and benefits payable              | 991,203          | -                   | -                                 | 991,203          |
| ISCAP warrants payable                     | 1,881,000        | -                   | -                                 | 1,881,000        |
| ISCAP accrued interest payable             | 3,953            | -                   | -                                 | 3,953            |
| ISCAP Premium                              | 21,782           | -                   | -                                 | 21,782           |
| Deferred revenue:                          |                  |                     |                                   |                  |
| Succeeding year property tax               | 4,097,515        | -                   | 1,162,475                         | 5,259,990        |
| Other                                      | 299,880          | -                   | -                                 | 299,880          |
| Total liabilities                          | 7,371,969        | 249,353             | 1,327,744                         | 8,949,066        |
| Fund balances:                             |                  |                     |                                   |                  |
| Reserved for:                              |                  |                     |                                   |                  |
| Phase III                                  | 12,900           | -                   | -                                 | 12,900           |
| Gifted and talented program                | 22,833           | -                   | -                                 | 22,833           |
| Debt service                               | -                | -                   | 25,831                            | 25,831           |
| Unreserved                                 | 50               | 25,366              | 451,842                           | 477,258          |
| Total fund balances                        | 35,783           | 25,366              | 477,673                           | 538,822          |
| <b>Total liabilities and fund balances</b> | <b>7,407,752</b> | <b>274,719</b>      | <b>1,805,417</b>                  | <b>9,487,888</b> |

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

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

June 30, 2004

|  |                         |
|--|-------------------------|
| <b>Total fund balances of governmental funds (Exhibit C)</b>   | \$<br>538,822           |
| <b><i>Amounts reported for governmental activities in the<br/>Statement of Net Assets are different because:</i></b>   |                         |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.   | 10,250,203              |
| Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.  | 299,880                 |
| 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  | (45,968)                |
| Long-term liabilities, including bonds payable, notes payable, compensated absences liability 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>(6,306,103)</u>      |
| <b>Net assets of governmental activities (Exhibit A)</b>   | <u><u>4,736,834</u></u> |

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2004

|   | General              | Capital<br>Projects  | Nonmajor<br>Governmental<br>Funds | Total                 |
|---|----------------------|----------------------|-----------------------------------|-----------------------|
|   | \$                   | \$                   | \$                                | \$                    |
| Revenues:   |                      |                      |                                   |                       |
| Local sources:  |                      |                      |                                   |                       |
| Local tax   | 4,182,790            | 1,180,757            | 1,153,524                         | 6,517,071             |
| Tuition   | 578,747              | -                    | -                                 | 578,747               |
| Other   | 128,222              | 463                  | 468,930                           | 597,615               |
| State sources   | 5,582,999            | -                    | 903                               | 5,583,902             |
| Federal sources   | 284,622              | 885,790              | -                                 | 1,170,412             |
| Total revenues  | <u>10,757,380</u>    | <u>2,067,010</u>     | <u>1,623,357</u>                  | <u>14,447,747</u>     |
| Expenditures:   |                      |                      |                                   |                       |
| Current:  |                      |                      |                                   |                       |
| Instruction:  |                      |                      |                                   |                       |
| Regular instruction                                       | 5,029,181            | -                    | 74,711                            | 5,103,892             |
| Special instruction                                       | 1,669,377            | -                    | -                                 | 1,669,377             |
| Other instruction   | 401,839              | -                    | 425,941                           | 827,780               |
|   | <u>7,100,397</u>     | <u>-</u>             | <u>500,652</u>                    | <u>7,601,049</u>      |
| Support services:   |                      |                      |                                   |                       |
| Student services  | 352,392              | -                    | -                                 | 352,392               |
| Instructional staff services                              | 351,026              | -                    | -                                 | 351,026               |
| Administration services                                   | 1,153,067            | -                    | 99,435                            | 1,252,502             |
| Operation and maintenance of plant services               | 1,084,470            | -                    | -                                 | 1,084,470             |
| Transportation services                                   | 295,246              | -                    | 59,543                            | 354,789               |
|   | <u>3,236,201</u>     | <u>-</u>             | <u>158,978</u>                    | <u>3,395,179</u>      |
| Other expenditures:                                       |                      |                      |                                   |                       |
| Facilities acquisition                                    | -                    | 2,882,886            | 352,459                           | 3,235,345             |
| Long-term debt:   |                      |                      |                                   |                       |
| Principal   | -                    | -                    | 300,000                           | 300,000               |
| Interest and fiscal charges                               | -                    | -                    | 289,799                           | 289,799               |
| AEA flowthrough   | 433,697              | -                    | -                                 | 433,697               |
|   | <u>433,697</u>       | <u>2,882,886</u>     | <u>942,258</u>                    | <u>4,258,841</u>      |
| Total expenditures  | <u>10,770,295</u>    | <u>2,882,886</u>     | <u>1,601,888</u>                  | <u>15,255,069</u>     |
| Excess (deficiency) of revenues over (under) expenditures | <u>(12,915)</u>      | <u>(815,876)</u>     | <u>21,469</u>                     | <u>(807,322)</u>      |
| Other financing sources (uses):                           |                      |                      |                                   |                       |
| Proceeds from issuance of long-term debt                  | -                    | 795,000              | -                                 | 795,000               |
| Operating transfers in                                    | -                    | -                    | 5,695                             | 5,695                 |
| Operating transfers out                                   | -                    | (5,695)              | -                                 | (5,695)               |
| Total other financing sources (uses)                      | <u>-</u>             | <u>789,305</u>       | <u>5,695</u>                      | <u>795,000</u>        |
| Net change in fund balances                               | (12,915)             | (26,571)             | 27,164                            | (12,322)              |
| Fund balances beginning of year                           | <u>48,698</u>        | <u>51,937</u>        | <u>450,509</u>                    | <u>551,144</u>        |
| Fund balances end of year                                 | <u><u>35,783</u></u> | <u><u>25,366</u></u> | <u><u>477,673</u></u>             | <u><u>538,822</u></u> |

See notes to financial statements.

CLEAR LAKE 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

|  | \$               | \$                      |
|--|------------------|-------------------------|
| <b>Net change in fund balances - total governmental funds (Exhibit E)</b>  |                  | (12,322)                |
| <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>  |                  |                         |
| 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  | 3,281,559        |                         |
| Depreciation expense   | <u>(305,396)</u> | 2,976,163               |
| 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.  |                  |                         |
|  |                  | (6,264)                 |
| The value of donated capital assets is not reported in the governmental funds, but is included in the Statement of Activities.   |                  |                         |
|  |                  | 7,400                   |
| 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.  |                  |                         |
|  |                  | 300,000                 |
| 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.  |                  |                         |
|  |                  | 1,333                   |
| 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   | 1,665            |                         |
| Compensated absences   | <u>(4,631)</u>   | (2,966)                 |
| Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.  |                  |                         |
|  |                  | <u>(795,000)</u>        |
| <b>Changes in net assets of governmental activities (Exhibit B)</b>  |                  | <u><u>2,468,344</u></u> |

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

June 30, 2004

|  | Nonmajor<br>School<br>Nutrition |
|--|---------------------------------|
|  | <u>\$</u>                       |
| <b>Assets</b>                                      |                                 |
| Cash and cash equivalents                          | 55,954                          |
| Accounts receivable                                | 1,318                           |
| Inventories  | 17,709                          |
| Capital assets, net of accumulated<br>depreciation | <u>39,385</u>                   |
| <b>Total assets</b>                                | <u>114,366</u>                  |
| <b>Liabilities</b>                                 |                                 |
| Salaries and benefits payable                      | 22,758                          |
| Deferred revenue                                   | <u>7,778</u>                    |
| <b>Total liabilities</b>                           | <u>30,536</u>                   |
| <b>Net assets</b>                                  |                                 |
| Invested in capital assets, net of related debt    | 39,385                          |
| Unrestricted                                       | <u>44,445</u>                   |
| <b>Total net assets</b>                            | <u><u>83,830</u></u>            |

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2003

|                              | Nonmajor<br>School<br>Nutrition |
|------------------------------|---------------------------------|
|                              | <u>\$</u>                       |
| Operating revenue:           |                                 |
| Local sources:               |                                 |
| Charges for service          | <u>372,293</u>                  |
| Operating expenses:          |                                 |
| Non-instructional programs:  |                                 |
| Food service operations:     |                                 |
| Salaries                     | 221,918                         |
| Benefits                     | 72,676                          |
| Purchased services           | 4,360                           |
| Supplies                     | 248,112                         |
| Other expenses               | 3,787                           |
| Depreciation                 | <u>3,408</u>                    |
|                              | <u>554,261</u>                  |
| Operating loss               | <u>(181,968)</u>                |
| Non-operating revenue:       |                                 |
| State sources                | 7,812                           |
| Federal sources              | 202,897                         |
| Interest income              | 316                             |
| Total non-operating revenue  | <u>211,025</u>                  |
| Change in net assets         | 29,057                          |
| Net assets beginning of year | <u>54,773</u>                   |
| Net assets end of year       | <u><u>83,830</u></u>            |

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2004

|  | Nonmajor<br>School<br>Nutrition |
|--|---------------------------------|
|  | <u>\$</u>                       |
| Cash flows form operating activities:  |                                 |
| Cash received from sale of lunches and breakfasts  | 373,555                         |
| Cash payments to employees for services  | (298,725)                       |
| Cash payments to suppliers for goods or services   | (215,730)                       |
| Net cash used by operating activities  | <u>(140,900)</u>                |
| Cash flows from non-capital financing activities:  |                                 |
| State grants received  | 7,812                           |
| Federal grants received  | 155,755                         |
| Net cash provided by non-capital financing activities                                    | <u>163,567</u>                  |
| Cash flows from capital and related financing activities:                                |                                 |
| Acquisition of capital assets  | <u>(15,696)</u>                 |
| Cash flows from investing activities:  |                                 |
| Interest on investments  | <u>316</u>                      |
| Net increase (decrease) in cash and cash equivalents                                     | 7,287                           |
| Cash and cash equivalents at beginning of year   | <u>48,667</u>                   |
| Cash and cash equivalents at end of year   | <u><u>55,954</u></u>            |
| <b>Reconciliation of operating gain (loss) to net cash used by operating activities:</b> |                                 |
| Operating gain (loss)  | (181,968)                       |
| Adjustments to reconcile operating gain (loss) to net cash used by operating activities: |                                 |
| Commodities used   | 48,424                          |
| Depreciation   | 3,408                           |
| Decrease (increase) in inventories   | (3,999)                         |
| Decrease (increase) in accounts receivable   | (226)                           |
| (Decrease) increase in accounts payable  | (3,896)                         |
| (Decrease) increase in salaries and benefits payable                                     | (4,131)                         |
| (Decrease) increase in deferred revenue  | 1,488                           |
| Net cash used in operating activities  | <u><u>(140,900)</u></u>         |

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2004, the District received \$48,424 of federal commodities.

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Fund

June 30, 2004

|                             | Private<br>Purpose<br>Trust<br>Scholarships |
|-----------------------------|---|
|                             | <u>\$</u>                                   |
| <b>Assets</b>               |   |
| Cash and pooled investments | 262,750                                     |
| Accrued interest receivable | <u>1,135</u>                                |
| Total assets                | 263,885                                     |
| <b>Liabilities</b>          | <u>-</u>                                    |
| <b>Net Assets</b>           |   |
| Reserved for scholarships   | <u><u>263,885</u></u>                       |

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund

Year ended June 30, 2004

|                              | Private<br>Purpose<br>Trust<br>Scholarships<br><u>\$</u> |
|------------------------------|--|
| Additions:                   |  |
| Local sources:               |  |
| Gifts and contributions      | 1,158  |
| Investment revenue           | <u>7,753</u>   |
| Total additions              | 8,911  |
| Deductions:                  |  |
| Support services:            |  |
| Scholarships awarded         | <u>14,500</u>  |
| Change in net assets         | (5,589)  |
| Net assets beginning of year | <u>269,474</u>   |
| Net assets end of year       | <u><u>263,885</u></u>                                    |

# CLEAR LAKE COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

Year ended June 30, 2003

### 1. Summary of Significant Accounting Policies

Clear Lake Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Clear Lake, Iowa and the predominately agricultural territory in a portion of Cerro Gordo County. 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 Lake Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Clear Lake 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 fund:

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 instructional, support and other costs.

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

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

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.

#### 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                              | -             |
| 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 Life</u> |
|-----------------------------------|------------------------------|
| Buildings                         | 20-50 years                  |
| Improvements other than buildings | 15 years                     |
| Furniture and equipment           | 5-12 years                   |

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

Deferred 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. 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 [non-instructional programs](#) functions exceeded the amount budgeted.

## 2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2003 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's investments are categorized to give an indication of the level of risk assumed by the District at year end. The District's investments are all category 1 which means that the investments are insured or registered or the securities are held by the District or its agent in the District's name.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The District's investments at June 30, 2004, are as follows:

| <u>Type</u> | <u>Fair Value</u><br>\$ |
|-------------|-------------------------|
| Mutual fund | 8,532                   |

### 3. Interfund Transfers

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

| <u>Transfer to</u> | <u>Transfer from</u>  | <u>Amount</u><br>\$ |
|--------------------|-----------------------|---------------------|
| Debt Service Fund  | Capital Projects Fund | 5,695               |

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

### 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:

| <u>Series</u> | <u>Warrant Date</u> | <u>Final Warrant Maturity</u> | <u>Investments</u> | <u>Accrued Interest Receivable</u> | <u>Warrants Payable</u> | <u>Accrued Interest Payable</u> |
|---------------|---------------------|-------------------------------|--------------------|------------------------------------|-------------------------|---------------------------------|
|               |                     |                               | \$                 | \$                                 | \$                      | \$                              |
| 2003-04B      | 1/30/04             | 1/28/05                       | 479,242            | 2,607                              | 476,000                 | 3,953                           |
| 2004-05A      | 6/30/04             | 6/30/05                       | 1,412,615          | -                                  | 1,405,000               | -                               |
| Total         |                     |                               | <u>1,891,857</u>   | <u>2,607</u>                       | <u>1,881,000</u>        | <u>3,953</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<br>Beginning of<br>Year | Advances<br>Received | Advances<br>Repaid | Balance End<br>of Year |
|---------------------------------|----------------------|--------------------|------------------------|
| \$                              | \$                   | \$                 | \$                     |
| -                               | 500,000              | 500,000            | -                      |

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

| Series   | Interest Rates<br>on Warrants | Interest Rates<br>on Investments |
|----------|-------------------------------|----------------------------------|
|          | %                             | %                                |
| 2003-04A | 2.000                         | 1.050                            |
| 2003-04B | 2.000                         | 1.131                            |
| 2004-05A | 3.000                         | 2.463                            |

## 5. Capital Assets

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

|   | Balance<br>Beginning<br>of Year | Increases        | Decreases     | Balance End<br>of Year |
|---|---------------------------------|------------------|---------------|------------------------|
|   | \$                              | \$               | \$            | \$                     |
| <b>Governmental activities:</b>                 |                                 |                  |               |                        |
| Capital assets not being depreciated:           |                                 |                  |               |                        |
| Construction in progress                        | 177,255                         | 2,924,211        | 24,130        | 3,077,336              |
| Land  | 106,704                         | -                | -             | 106,704                |
|   | <u>283,959</u>                  | <u>2,924,211</u> | <u>24,130</u> | <u>3,184,040</u>       |
| Capital assets being depreciated:               |                                 |                  |               |                        |
| Buildings                                       | 9,025,377                       | 149,582          | -             | 9,174,959              |
| Improvements other than buildings               | 339,705                         | 77,648           | -             | 417,353                |
| Furniture and equipment                         | 1,443,647                       | 161,648          | -             | 1,605,295              |
| Total capital assets being deprec.              | <u>10,808,729</u>               | <u>388,878</u>   | <u>-</u>      | <u>11,197,607</u>      |
| Less accumulated depreciation for:              |                                 |                  |               |                        |
| Buildings                                       | 2,444,163                       | 181,288          | -             | 2,625,451              |
| Improvements other than buildings               | 335,336                         | 8,321            | -             | 343,657                |
| Furniture and equipment                         | 1,046,549                       | 115,787          | -             | 1,162,336              |
| Total accumulated depreciation                  | <u>3,826,048</u>                | <u>305,396</u>   | <u>-</u>      | <u>4,131,444</u>       |
| Total capital assets being<br>depreciated , net | <u>6,982,681</u>                | <u>83,482</u>    | <u>-</u>      | <u>7,066,163</u>       |
| Governmental activities capital<br>assets, net  | <u>7,266,640</u>                | <u>3,007,693</u> | <u>24,130</u> | <u>10,250,203</u>      |

|                                  | Balance<br>Beginning of<br>Year | Increases | Decreases | Balance End of<br>Year |
|----------------------------------|---------------------------------|-----------|-----------|------------------------|
|                                  | \$                              | \$        | \$        | \$                     |
| <b>Business type activities:</b> |                                 |           |           |                        |
| Furniture and equipment          | 124,137                         | 15,696    | -         | 139,833                |
| Less accumulated deprec.         | 97,040                          | 3,408     | -         | 100,448                |
| Business type activities         |                                 |           |           |                        |
| Capital assets, net              | 27,097                          | 12,288    | -         | 39,385                 |

Depreciation expense was charged to the following functions:

|   | \$      |
|---|---------|
| Governmental activities:                    |         |
| Instruction:                                |         |
| Regular                                     | 14,377  |
| Other instruction                           | 811     |
| Support Services:                           |         |
| Administration                              | 14,200  |
| Operation and maintenance of plant services | 6,012   |
| Transportation                              | 80,387  |
|   | 115,787 |
| Unallocated depreciation                    | 189,609 |
|   | 305,396 |
| Business type activities:                   |         |
| Food service operations                     | 3,408   |

## 6. Long-Term Liabilities

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

|                                     | Balance<br>Beginning of<br>Year | Additions | Reductions | Balance End<br>of Year | Due Within<br>One Year |
|-------------------------------------|---------------------------------|-----------|------------|------------------------|------------------------|
|                                     | \$                              | \$        | \$         | \$                     | \$                     |
| General obligation bonds            | 5,485,000                       | -         | 300,000    | 5,185,000              | 320,000                |
| Local option sales and services tax |                                 |           |            |                        |                        |
| tax revenue bond anticipation note  | 205,000                         | 795,000   | -          | 1,000,000              | -                      |
| Compensated absences                | 43,426                          | 48,057    | 43,426     | 48,057                 | 48,057                 |
| Early retirement                    | 74,711                          | 73,046    | 74,711     | 73,046                 | 52,973                 |
| Total                               | 5,808,137                       | 916,103   | 418,137    | 6,306,103              | 421,030                |

### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be between the ages fifty-five and sixty-four and must have completed ten years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Benefits are based on a percentage of current salary. Early retirement expenditures for the year ended June 30, 2004, totaled \$74,711.

### General Obligation Bonds Payable

On February 19, 1997, the District sold general obligation bonds, that mature as follows:

| <u>Year Ending June 30,</u> | <u>Interest Rates</u> | <u>Principal</u> | <u>Interest</u>  | <u>Total</u>     |
|-----------------------------|-----------------------|------------------|------------------|------------------|
|                             | %                     | \$               | \$               | \$               |
| 2005                        | 6.00                  | 320,000          | 265,805          | 585,805          |
| 2006                        | 5.30                  | 335,000          | 248,205          | 583,205          |
| 2007                        | 4.95                  | 355,000          | 229,780          | 584,780          |
| 2008                        | 5.00                  | 375,000          | 213,095          | 588,095          |
| 2009                        | 5.10                  | 395,000          | 195,095          | 590,095          |
| 2010-2014                   | 5.20-5.50             | 2,305,000        | 655,188          | 2,960,188        |
| 2015-2016                   | 5.55-5.60             | <u>1,100,000</u> | <u>86,580</u>    | <u>1,186,580</u> |
|                             |                       | <u>5,185,000</u> | <u>1,893,748</u> | <u>7,078,748</u> |

### Local Option Sales and Services Tax Revenue Bond Anticipation Note

During 2003 and 2004 the District issued \$1,000,000 of local option sales and services tax revenue bond anticipation notes. The note proceeds are being used to finance repairs and improvements at school buildings. The notes bear interest at two percent and are due December 1, 2005. The notes will be repaid with proceeds from the local option sales and services tax.

| <u>Year Ending June 30,</u> | <u>Interest Rates</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u>     |
|-----------------------------|-----------------------|------------------|-----------------|------------------|
|                             | %                     | \$               | \$              | \$               |
| 2005                        | 2.00                  | -                | 20,000          | 20,000           |
| 2006                        | 2.00                  | <u>1,000,000</u> | <u>10,000</u>   | <u>1,010,000</u> |
|                             |                       | <u>1,000,000</u> | <u>30,000</u>   | <u>1,030,000</u> |

## **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 \$384,077, \$378,766, and \$372,180 respectively, equal to the required contributions for each year.

## **8. Risk Management**

Clear Lake 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 \$433,697 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. Construction Commitment**

The District has entered into contracts totaling \$3,169,804 for a high school addition and other building improvements. As of June 30, 2004 costs of \$2,739,073 had been incurred against the contracts. The balances remaining at June 30, 2004 will be paid as work on the projects progresses.

REQUIRED SUPPLEMENTARY INFORMATION

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

|  | Governmental<br>Funds Actual | Proprietary<br>Fund Actual | Total Actual            | Budgeted Amounts        |                       | Final to Actual<br>Variance -<br>Positive<br>(Negative) |
|--|------------------------------|----------------------------|-------------------------|-------------------------|-----------------------|---|
|  |                              |                            |                         | Original                | Final                 |   |
|  |                              |                            |                         | \$                      | \$                    |   |
| Receipts:  |                              |                            |                         |                         |                       |   |
| Local sources  | 7,477,215                    | 373,871                    | 7,851,086               | 8,008,567               | 8,008,567             | (157,481)   |
| State sources  | 5,573,617                    | 7,812                      | 5,581,429               | 5,788,996               | 5,788,996             | (207,567)   |
| Federal sources  | 1,196,368                    | 204,179                    | 1,400,547               | 1,492,711               | 1,492,711             | (92,164)  |
| Total receipts   | <u>14,247,200</u>            | <u>585,862</u>             | <u>14,833,062</u>       | <u>15,290,274</u>       | <u>15,290,274</u>     | <u>(457,212)</u>  |
| Disbursements:   |                              |                            |                         |                         |                       |   |
| Instruction  | 7,581,535                    | -                          | 7,581,535               | 7,727,064               | 7,727,064             | 145,529   |
| Support services   | 3,336,219                    | -                          | 3,336,219               | 3,326,425               | 3,326,425             | (9,794)   |
| Non-instructional programs   | -                            | 578,575                    | 578,575                 | 560,000                 | 560,000               | (18,575)  |
| Other expenditures   | 3,920,918                    | -                          | 3,920,918               | 3,567,393               | 4,963,754             | 1,042,836   |
| Total disbursements  | <u>14,838,672</u>            | <u>578,575</u>             | <u>15,417,247</u>       | <u>15,180,882</u>       | <u>16,577,243</u>     | <u>1,159,996</u>  |
| Excess (deficiency) of receipts over<br>(under) disbursements                                    | (591,472)                    | 7,287                      | (584,185)               | 109,392                 | (1,286,969)           | 702,784   |
| Other financing sources net  | <u>795,000</u>               | <u>-</u>                   | <u>795,000</u>          | <u>-</u>                | <u>-</u>              | <u>795,000</u>  |
| Excess (deficiency) of receipts and other financing<br>sources (uses) over (under) disbursements | 203,528                      | 7,287                      | 210,815                 | 109,392                 | (1,286,969)           | 1,497,784   |
| Balance beginning of year  | <u>1,479,399</u>             | <u>48,667</u>              | <u>1,528,066</u>        | <u>1,806,527</u>        | <u>1,806,527</u>      | <u>(278,461)</u>  |
| Balance end of year  | <u><u>1,682,927</u></u>      | <u><u>55,954</u></u>       | <u><u>1,738,881</u></u> | <u><u>1,915,919</u></u> | <u><u>519,558</u></u> | <u><u>1,219,323</u></u>                                 |

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

|                                | Governmental Funds |                     |                        |
|--------------------------------|--------------------|---------------------|------------------------|
|                                | Cash Basis         | Accrual Adjustments | Modified Accrual Basis |
|                                | \$                 | \$                  | \$                     |
| Revenues                       | 14,247,200         | 200,547             | 14,447,747             |
| Expenditures                   | 14,838,672         | 416,397             | 15,255,069             |
| Net                            | (591,472)          | (215,850)           | (807,322)              |
| Other financing sources (uses) | 795,000            | -                   | 795,000                |
| Beginning fund balances        | 1,479,399          | (928,255)           | 551,144                |
| Ending fund balances           | <u>1,682,927</u>   | <u>(1,144,105)</u>  | <u>538,822</u>         |

|                         | Proprietary Fund |                     |               |
|-------------------------|------------------|---------------------|---------------|
|                         | Enterprise       |                     |               |
|                         | Cash Basis       | Accrual Adjustments | Accrual Basis |
|                         | \$               | \$                  | \$            |
| Revenues                | 585,862          | (2,544)             | 583,318       |
| Expenditures            | 578,575          | (24,314)            | 554,261       |
| Net                     | 7,287            | 21,770              | 29,057        |
| Beginning fund balances | 48,667           | 6,106               | 54,773        |
| Ending fund balances    | <u>55,954</u>    | <u>27,876</u>       | <u>83,830</u> |

## CLEAR LAKE 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 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 [\\$1,396,361](#).

During the year ended June 30, [2004](#), disbursements in the [support services and non-instructional programs](#) functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2004

| Assets                                     | Special Revenue Funds |                |                |                | Total            |
|--|-----------------------|----------------|----------------|----------------|------------------|
|  | Management            | Student        | Physical       | Debt           |                  |
|  | Levy                  | Activity       | Plant and      | Service        |                  |
|  |                       | Equipment      |                |                |                  |
|  | \$                    | \$             | \$             | \$             | \$               |
| Cash and pooled investments                | 79,367                | 113,664        | 415,539        | 18,133         | 626,703          |
| Receivables:                               |                       |                |                |                |                  |
| Property tax:                              |                       |                |                |                |                  |
| Delinquent                                 | 2,282                 | -              | 5,383          | 7,698          | 15,363           |
| Succeeding year                            | 167,000               | -              | 409,670        | 585,805        | 1,162,475        |
| Accounts                                   | -                     | 876            | -              | -              | 876              |
| <b>Total assets</b>                        | <b>248,649</b>        | <b>114,540</b> | <b>830,592</b> | <b>611,636</b> | <b>1,805,417</b> |
| <b>Liabilities &amp; Fund Balances</b>     |                       |                |                |                |                  |
| Liabilities:                               |                       |                |                |                |                  |
| Accounts payable                           | -                     | 3,649          | 161,620        | -              | 165,269          |
| Deferred revenue:                          |                       |                |                |                |                  |
| Succeeding year property tax               | 167,000               | -              | 409,670        | 585,805        | 1,162,475        |
| Total liabilities                          | 167,000               | 3,649          | 571,290        | 585,805        | 1,327,744        |
| Fund balances:                             |                       |                |                |                |                  |
| Reserved for debt service                  | -                     | -              | -              | 25,831         | 25,831           |
| Unreserved fund balance                    | 81,649                | 110,891        | 259,302        | -              | 451,842          |
| Total fund equity                          | 81,649                | 110,891        | 259,302        | 25,831         | 477,673          |
| <b>Total liabilities and fund balances</b> | <b>248,649</b>        | <b>114,540</b> | <b>830,592</b> | <b>611,636</b> | <b>1,805,417</b> |

## CLEAR LAKE 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                       | Debt           |                  |
|  | Levy                  | Activity Fund  | Plant and<br>Equipment<br>Levy | Service        |                  |
|  | \$                    | \$             | \$                             | \$             | \$               |
| Revenues:  |                       |                |                                |                |                  |
| Local sources:   |                       |                |                                |                |                  |
| Local tax  | 166,184               | -              | 406,323                        | 581,017        | 1,153,524        |
| Other  | 342                   | 451,899        | 15,903                         | 786            | 468,930          |
| State sources  | 133                   | -              | 317                            | 453            | 903              |
| Total revenues   | <u>166,659</u>        | <u>451,899</u> | <u>422,543</u>                 | <u>582,256</u> | <u>1,623,357</u> |
| Expenditures:  |                       |                |                                |                |                  |
| Current:   |                       |                |                                |                |                  |
| Instruction:   |                       |                |                                |                |                  |
| Regular instruction  | 74,711                | -              | -                              | -              | 74,711           |
| Other instruction  | -                     | 425,941        | -                              | -              | 425,941          |
| Support services:  |                       |                |                                |                |                  |
| Administration services  | 99,435                | -              | -                              | -              | 99,435           |
| Transportation services  | -                     | -              | 59,543                         | -              | 59,543           |
| Other expenditures:  |                       |                |                                |                |                  |
| Facilities acquisition   | -                     | -              | 352,459                        | -              | 352,459          |
| Long-term debt:  |                       |                |                                |                |                  |
| Principal  | -                     | -              | -                              | 300,000        | 300,000          |
| Interest and fiscal charges  | -                     | -              | -                              | 289,799        | 289,799          |
| Total expenditures   | <u>174,146</u>        | <u>425,941</u> | <u>412,002</u>                 | <u>589,799</u> | <u>1,601,888</u> |
| Excess (deficiency) of revenues<br>over (under) expenditures   | (7,487)               | 25,958         | 10,541                         | (7,543)        | 21,469           |
| Other financing sources (uses):  |                       |                |                                |                |                  |
| Operating transfers in   | -                     | -              | -                              | 5,695          | 5,695            |
| Excess (deficiency) of revenues and other<br>other financing sources over (under)<br>expenditures and other financing uses | (7,487)               | 25,958         | 10,541                         | (1,848)        | 27,164           |
| Fund balances beginning of year  | <u>89,136</u>         | <u>84,933</u>  | <u>248,761</u>                 | <u>27,679</u>  | <u>450,509</u>   |
| Fund balances end of year  | <u>81,649</u>         | <u>110,891</u> | <u>259,302</u>                 | <u>25,831</u>  | <u>477,673</u>   |

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

| <u>Account</u>         | <u>Balance<br/>Beginning of<br/>Year</u> | <u>Revenues</u> | <u>Expenditures</u> | <u>Intra-<br/>Account<br/>Transfers</u> | <u>Balance End<br/>of Year</u> |
|------------------------|--|-----------------|---------------------|---|--------------------------------|
|                        | \$                                       | \$              | \$                  | \$                                      | \$                             |
| Activity tickets       | -  | 11,219          | -                   | (11,219)                                | -                              |
| American field service | 879                                      | -               | -                   | -                                       | 879                            |
| Art club               | 67                                       | 50              | 117                 | -                                       | -                              |
| Athletic towel         | -  | 735             | 958                 | 223                                     | -                              |
| Athletics concessions  | -  | 19,601          | 16,598              | (3,003)                                 | -                              |
| Academic exe.          | 1,701                                    | 3,175           | 3,323               | -                                       | 1,553                          |
| Band                   | 645                                      | 4,378           | 5,208               | 371                                     | 186                            |
| Band trip              | 12,880                                   | 40,308          | 49,098              | -                                       | 4,090                          |
| Band uniforms          | 993                                      | 2,500           | -                   | -                                       | 3,493                          |
| Baseball               | 60                                       | 4,637           | 6,962               | 2,265                                   | -                              |
| Baseball concession    | 186                                      | 3,410           | 2,556               | (576)                                   | 464                            |
| Baseball camp          | 2,718                                    | 11,229          | 6,524               | -                                       | 7,423                          |
| Boys basketball        | -  | 5,899           | 6,006               | 107                                     | -                              |
| Boys basketball camp   | 1,989                                    | 19,172          | 16,194              | -                                       | 4,967                          |
| Boys golf              | -  | 490             | 1,457               | 767                                     | (200)                          |
| Boys golf camp         | 110                                      | 1,795           | 1,232               | -                                       | 673                            |
| Boys soccer camp       | 700                                      | 3,200           | 4,492               | -                                       | (592)                          |
| Boys tennis            | -  | 25              | 205                 | 180                                     | -                              |
| Boys tennis camp       | 80                                       | -               | -                   | -                                       | 80                             |
| Boys track             | -  | 2,073           | 2,618               | 485                                     | (60)                           |
| Boys track camp        | 303                                      | 2,740           | 1,647               | -                                       | 1,396                          |
| Central band           | -  | -               | 17                  | 17                                      | -                              |
| Central book fair      | 83                                       | 2,275           | 2,472               | -                                       | (114)                          |
| Central building       | 5,500                                    | 6,610           | 7,221               | -                                       | 4,889                          |
| Cheerleading           | -  | -               | 1,466               | 1,466                                   | -                              |
| Cheerleading camp fund | 2,186                                    | 7,899           | 6,357               | -                                       | 3,728                          |
| Clear Creek playground | 1,610                                    | -               | -                   | -                                       | 1,610                          |
| Cross country          | -  | 365             | 684                 | 319                                     | -                              |
| Cross country camp     | -  | 100             | 50                  | -                                       | 50                             |
| Dance team             | 1,842                                    | 11,994          | 11,381              | -                                       | 2,455                          |
| Drama                  | -  | 1,057           | 1,520               | 463                                     | -                              |
| Drum & bugle           | 7,694                                    | 4,414           | 6,667               | -                                       | 5,441                          |
| Excel                  | 1,254                                    | 1,914           | 1,967               | -                                       | 1,201                          |
| Football               | -  | 21,998          | 18,146              | (3,852)                                 | -                              |
| Football camp          | 747                                      | 20,992          | 21,876              | -                                       | (137)                          |
| French camp            | 912                                      | -               | 18                  | -                                       | 894                            |
| French trip            | -  | 50              | -                   | -                                       | 50                             |
| General athletics      | -  | 6,999           | 13,056              | 6,057                                   | -                              |
| Surplus fund           | (16,954)                                 | -               | -                   | 11,466                                  | (5,488)                        |
| Girls basketball       | -  | 5,556           | 4,424               | (1,132)                                 | -                              |
| Girls basketball camp  | 3,133                                    | 9,436           | 8,655               | -                                       | 3,914                          |
| Girls golf             | -  | 200             | 648                 | 448                                     | -                              |

See accompanying independent auditor's report.

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

| <u>Account</u>              | <u>Balance<br/>Beginning of<br/>Year</u> | <u>Revenues</u> | <u>Expenditures</u> | <u>Intra-<br/>Account<br/>Transfers</u> | <u>Balance End<br/>of Year</u> |
|-----------------------------|--|-----------------|---------------------|---|--------------------------------|
|                             | \$                                       | \$              | \$                  | \$                                      | \$                             |
| Girls golf camp             | 709                                      | 857             | 379                 | -                                       | 1,187                          |
| Girls soccer                | -  | 755             | 1,447               | 692                                     | -                              |
| Girls soccer camp           | 783                                      | 553             | 251                 | -                                       | 1,085                          |
| Girls tennis                | -  | 400             | 185                 | (215)                                   | -                              |
| Girls tennis camp           | -  | 451             | 339                 | -                                       | 112                            |
| Girls track                 | -  | 2,010           | 2,614               | 604                                     | -                              |
| Girls track camp            | (609)                                    | 55              | 60                  | -                                       | (614)                          |
| HS building                 | 4,036                                    | 7,946           | 8,534               | -                                       | 3,448                          |
| Interest                    | -  | 686             | -                   | (686)                                   | -                              |
| JH athletics                | -  | -               | 4,617               | 4,617                                   | -                              |
| JH band                     | -  | 3,207           | 1,784               | (1,423)                                 | -                              |
| JH building                 | 5,360                                    | 4,281           | 2,232               | -                                       | 7,409                          |
| Jump rope for heart         | 1,474                                    | -               | -                   | -                                       | 1,474                          |
| Lincoln building            | 776                                      | 2,911           | 1,915               | -                                       | 1,772                          |
| Lion tamers                 | 15                                       | -               | 36                  | 21                                      | -                              |
| Magazine campaign           | 864                                      | 27,362          | 17,925              | (4,617)                                 | 5,684                          |
| Middle school art club      | 342                                      | 476             | 640                 | -                                       | 178                            |
| Middle school concessions   | 30                                       | -               | 30                  | -                                       | -                              |
| Mock trial fund             | -  | -               | 150                 | 150                                     | -                              |
| Model United Nations        | -  | 27,504          | 27,583              | 79                                      | -                              |
| National honor society      | -  | 485             | 616                 | 131                                     | -                              |
| Outdoor classroom fund      | 8,149                                    | 4,750           | 6,588               | -                                       | 6,311                          |
| Primary book fair           | 1,490                                    | 1,905           | 2,358               | -                                       | 1,037                          |
| Prom                        | 2,935                                    | 4,462           | 4,458               | -                                       | 2,939                          |
| Soccer                      | 120                                      | 3,083           | 3,635               | 432                                     | -                              |
| Softball                    | 45                                       | 3,689           | 3,367               | (367)                                   | -                              |
| Softball resale             | 398                                      | 3,031           | 2,317               | (1,112)                                 | -                              |
| Softball camp               | 6,605                                    | 3,997           | 5,219               | -                                       | 5,383                          |
| Spanish club                | 102                                      | 50              | -                   | -                                       | 152                            |
| Spanish/French candy        | 12                                       | 942             | 534                 | -                                       | 420                            |
| Speech                      | -  | -               | 404                 | 404                                     | -                              |
| Student council             | 441                                      | 4,614           | 2,952               | -                                       | 2,103                          |
| Student model legislature   | -  | 225             | 224                 | (1)                                     | -                              |
| Sunset building             | 757                                      | 806             | 1,311               | -                                       | 252                            |
| Tour of homes               | -  | 5,723           | -                   | -                                       | 5,723                          |
| Tim Tjaden fund             | -  | 500             | 160                 | -                                       | 340                            |
| Values for youth today fund | 897                                      | -               | -                   | -                                       | 897                            |
| Vocal                       | -  | 3,506           | 2,150               | (1,356)                                 | -                              |
| Vocal music trip            | 50                                       | 2,910           | 2,520               | -                                       | 440                            |
| Volleyball                  | -  | 2,150           | 3,943               | 1,793                                   | -                              |
| Volleyball camp             | 1,972                                    | 3,000           | 3,429               | -                                       | 1,543                          |
| Washington D.C. trip        | 61                                       | 46,607          | 46,753              | -                                       | (85)                           |

See accompanying independent auditor's report.

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

| <u>Account</u>                | <u>Balance<br/>Beginning of<br/>Year</u> | <u>Revenues</u> | <u>Expenditures</u> | <u>Intra-<br/>Account<br/>Transfers</u> | <u>Balance End<br/>of Year</u> |
|-------------------------------|--|-----------------|---------------------|---|--------------------------------|
|                               | \$                                       | \$              | \$                  | \$                                      | \$                             |
| Wrestling                     | -  | 9,795           | 5,797               | (3,998)                                 | -                              |
| Wrestling camp                | 3,968                                    | 8,490           | 9,305               | -                                       | 3,153                          |
| Yearbook                      | 17,366                                   | 19,814          | 18,704              | -                                       | 18,476                         |
| June 30, 2004 accrual entries | -  | 876             | 3,649               | -                                       | (2,773)                        |
| June 30, 2003 accrual entries | (5,533)                                  | (1,460)         | (6,993)             | -                                       | -                              |
| Totals                        | <u>84,933</u>                            | <u>451,899</u>  | <u>425,941</u>      | <u>-</u>                                | <u>110,891</u>                 |

## CLEAR LAKE 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                                   | 6,517,071              | 5,171,246         | 4,992,086         | 4,849,310         |
| Tuition                                     | 578,747                | 505,203           | 470,624           | 455,487           |
| Other                                       | 597,615                | 535,384           | 595,343           | 601,501           |
| Intermediate sources                        | -                      | -                 | 5,553             | 147               |
| State sources                               | 5,583,902              | 5,649,892         | 5,667,727         | 5,572,962         |
| Federal sources                             | 1,170,412              | 319,330           | 215,638           | 196,051           |
| <b>Total revenues</b>                       | <b>14,447,747</b>      | <b>12,181,055</b> | <b>11,946,971</b> | <b>11,675,458</b> |
| Expenditures:                               |                        |                   |                   |                   |
| Instruction:                                |                        |                   |                   |                   |
| Regular instruction                         | 5,103,892              | 5,026,884         | 4,973,844         | 4,750,512         |
| Special instruction                         | 1,669,377              | 1,686,325         | 1,734,816         | 1,571,880         |
| Other instruction                           | 827,780                | 706,396           | 758,747           | 648,414           |
| Support services:                           |                        |                   |                   |                   |
| Student services                            | 352,392                | 369,823           | 365,626           | 373,299           |
| Instructional staff services                | 351,026                | 352,696           | 354,447           | 371,021           |
| Administration services                     | 1,252,502              | 1,135,896         | 1,154,724         | 1,003,854         |
| Operation and maintenance of plant services | 1,084,470              | 1,053,541         | 1,074,371         | 1,085,544         |
| Transportation services                     | 354,789                | 339,116           | 311,318           | 436,618           |
| Other expenditures:                         |                        |                   |                   |                   |
| Facilities acquisition                      | 3,235,345              | 380,860           | 460,775           | 705,695           |
| Long-term debt:                             |                        |                   |                   |                   |
| Principal                                   | 300,000                | 285,000           | 265,000           | 250,000           |
| Interest and other charges                  | 289,799                | 301,206           | 316,954           | 332,106           |
| AEA flowthrough                             | 433,697                | 447,475           | 448,413           | 455,899           |
| <b>Total expenditures</b>                   | <b>15,255,069</b>      | <b>12,085,218</b> | <b>12,219,035</b> | <b>11,984,842</b> |

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

| <u>Grantor/Program</u>  | <u>CFDA<br/>Number</u> | <u>Grant<br/>Number</u> | <u>Expenditures</u><br>\$ |
|---|------------------------|-------------------------|---------------------------|
| Indirect:   |                        |                         |                           |
| U.S. Department of Agriculture:   |                        |                         |                           |
| Iowa Department of Education:   |                        |                         |                           |
| School Nutrition Cluster Programs:  |                        |                         |                           |
| National School Lunch Program   | 10.555                 | FY04                    | 133,641                   |
| School Breakfast Program  | 10.553                 | FY04                    | <u>20,832</u>             |
|   |                        |                         | 154,473                   |
| Food Donation (Noncash Expenditure)   | 10.550                 | FY04                    | 48,427                    |
| U.S. Department of Education:   |                        |                         |                           |
| Iowa Department of Education:   |                        |                         |                           |
| Title I Grants to Local Education Agencies  | 84.010                 | 1233-G-04               | 134,999                   |
| Title IIA Federal Teacher Quality Program   | 84.367                 | FY04                    | 51,111                    |
| Grants for State Assessments and Related Activities                               | 84.369                 | FY04                    | 9,753                     |
| Innovative Education Program Strategies (Title V Program)                         | 84.298                 | FY04                    | 7,363                     |
| Safe & Drug Free Schools and Communities - State Grant                            | 84.186                 | FY04                    | 14,815                    |
| Fund for the Improvement of Education (Iowa<br>Demonstration Construction Grants) | 84.215                 | FY 04                   | 885,790                   |
| Northern Trails Area Education Agency:  |                        |                         |                           |
| Vocational Education - Basic Grants to States                                     | 84.048                 | FY04                    | 2,207                     |
| Special Education Grants to States  | 84.027                 | FY04                    | 53,856                    |
| U.S Department of Health and Human Services:                                      |                        |                         |                           |
| Mason City Community School District:   |                        |                         |                           |
| Medical Assistance Program  | 93.778                 | FY04                    | <u>8,472</u>              |
| Total   |                        |                         | <u><u>1,371,266</u></u>   |

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

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

To the Board of Education of the  
Clear Lake Community School District:

We have audited the financial statements of the Clear Lake Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated November 5, 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 Lake Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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-IV-G, 04-IV-H, 04-IV-I, 04-IV-K and 04-IV-L.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered Clear Lake 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 II of the accompanying Schedule of Findings and Questioned Costs.

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 items [04-II-A](#) and [04-II-B](#) are material weaknesses. Prior year reportable conditions have all been resolved except for items [04-II-A](#) and [04-II-B](#).

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the [Clear Lake](#) 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 Lake](#) 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

[November 5, 2004](#)

Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control over Compliance

To the Board of Education of the  
Clear Lake Community School District:

Compliance

We have audited the compliance of the Clear Lake Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Clear Lake Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Clear Lake Community School District's management. Our responsibility is to express an opinion on Clear Lake Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments and Nonprofit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clear Lake Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Clear Lake Community School District's compliance with those requirements.

In our opinion, Clear Lake Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control over Compliance

The management of Clear Lake Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Clear Lake Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance 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 compliance that, in our judgement, could adversely affect Clear Lake Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described as items 04-III-A, 04-III-B and 04-III-C in the accompanying Schedule of Findings and Questioned Costs.

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 non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance 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, we believe items 04-III-A, 04-III-B and 04-III-C are material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Clear Lake Community School District and other parties to whom the District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

November 5, 2004

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 20, 2004

Part I: Summary of the Independent Auditor's Results:

- (a) An **unqualified** opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting **were disclosed** by the audit of the financial statements, including material weaknesses.
- (c) The audit **did not disclose any noncompliance** which is material to the financial statements.
- (d) A reportable condition in internal control over major programs **was disclosed** by the audit of the financial statements, including a material weakness.
- (e) An **unqualified opinion** was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - **CFDA Number**            **84.215**            **Fund for the Improvement of Education (Iowa Demonstration Construction Grant)**
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Clear Lake Community School **did not qualify** as a low-risk auditee.

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 20, 2004

Part II: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

04-II-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 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.

04-II-B Supporting Documentation: We noted three credit card expenditures from the General Fund that were not supported by invoices or receipts. The credit card expenses appeared to be for hotels and meals.

Recommendation: All District expenditures, including credit card purchases should be supported by detailed receipts, invoices, contracts, entry forms or other detailed documentation.

District Response: We will review our policies and make any necessary adjustments.

Conclusion: Response accepted.

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 20, 2004

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

CFDA Number 84.215: Fund for the Improvement of Education (Iowa Demonstration Construction Grant)

Federal Award Year: 2004

U.S. Department of Education

Passed through the Iowa Department of Education

04-III-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 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.

04-III-B Advertisement for Bids: Iowa law requires that schools advertise twice for bids on construction contracts exceeding \$25,000. The District's files contained documentation that three contractors bid on the project but the District could not locate documentation to show that they advertised for bids twice.

Recommendation: The District should obtain a proof of publication for all legal publications.

District Response: The person in charge of the grant took employment with another school before the audit. We will revise our procedures for grant management to ensure that all documents are accounted for when there is a personnel change.

Conclusion: Response accepted.

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 20, 2004

Part III: Findings and Questioned Costs for Federal Awards (continued):

04-III-C Suspension or Debarment: The grant agreement requires that the District obtain a certification from contractors that the contractor and/or its principal officials are not suspended or debarred from doing federal work. The District could not locate this contractor certification.

Recommendation: The District must make sure that it is aware of all grant compliance requirements for projects that are financed by federal grants before bids are awarded and work on the project starts.

District Response: Again, the person in charge of the grant took employment with another school before the audit. We will revise our procedures for grant management to ensure that all documents are accounted for when there is a personnel change.

Conclusion: Response accepted.

## CLEAR LAKE COMMUNITY SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

Year ended June 30, 2004

#### Part IV: Other Findings Related to Statutory Reporting:

04-IV-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-IV-B Certified Budget: Disbursement for the year ended June 30, 2004, exceeded the amounts budgeted in the support services and non-instructional programs functions.

Recommendation: The certified 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 not in these two areas. We will amend future budgets before disbursements exceed the amount budgeted.

Conclusion: Response accepted.

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

04-IV-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-IV-E Business Transactions: No transactions between the District and District officials or employees were noted.

04-IV-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-IV-G Board Minutes: We noted two Private Purpose Trust Fund checks that were not on the lists of bills approved by the board of directors. We also noted that many minutes of board meetings were published late.

Recommendation: All payments made, by the District, should be approved by the board of directors in accordance with Iowa law and the District's policy. All minutes of board meetings should be published within two weeks of the board meeting as required by Iowa law.

District response: The omission of the Public Purpose Trust Fund checks from the list approved by the board was an oversight. We will get copies of the minutes to the publisher sooner so that they can be published within the required time.

Conclusion: Response accepted.

04-IV-H Certified Enrollment: The number of basic resident students reported to the Iowa Department of Education for September 2003, was overstated by one student.

Recommendation: The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 20, 2004

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

District Response: We will contact these departments.

Conclusion: Response accepted.

04-IV-I Deposits and Investments: The District received a donation of stock in July 2000. After the stock was transferred to the District the stock was sold and the proceeds were invested in a mutual fund. All dividends are being reinvested in the mutual fund. A broker is investing the funds for the District.

The type of investments that a school may have is limited by the Code of Iowa and the District's investment policy. The District may accept a gift of stock, however the reinvestment of the proceeds from the sale of the stock in a mutual fund and the additional purchase of mutual fund shares with dividends is not allowed by the District's investment policy and may not be allowed by the Code of Iowa. The Code of Iowa also requires a public funds custodial agreement with entities that are investing the District's monies.

Recommendation: The District should consult with its attorney to determine if the District is in compliance with the Code of Iowa in regard to this investment.

District Response: The donation of the stock and reinvestment was handled in accordance with the wishes of the donor. We will contact our attorney to determine if there should be changes in the way the investment is being handled.

Conclusion: Response accepted.

04-IV-J Certified Annual Report (CAR): The CAR was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

04-IV-K Financial Condition: The Student Activity Fund has several accounts with a deficit balance at year end.

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

District Response: The deficit amounts are decreasing and we will continue working on eliminating the deficits in Student Activity Fund accounts.

Conclusion: Response accepted.

04-IV-L Reclassification of Student Activity Fund Accounts: The Student Activity Fund is to be used to account for extracurricular student activities, clubs and organizations. We noted accounts in the Student Activity Fund that did not appear to be student activities or clubs.

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.

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 20, 2004

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

- Conclusion: Response accepted.
- 04-IV-M Interest Rate on Certificates of Deposit: We noted one Private Purpose Trust Fund certificate of deposit that had an interest rate below the minimum rate set by the State of Iowa.
- Recommendation: The District should contact the bank to get the rate adjusted.
- District Response: We have already done this.
- Conclusion: Response accepted.
- 04-IV-N Advertisement for Bids: See comment 04-III-B