CLINTON COMMUNITY SCHOOL DISTRICT
Clinton, Iowa

FINANCIAL STATEMENTS
June 30, 2004

CLINTON COMMUNITY SCHOOL DISTRICT

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CLINTON COMMUNITY SCHOOL DISTRICT

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CLINTON COMMUNITY SCHOOL DISTRICT

OFFICIALS

Name	Title	Term
	Board of Education (Before September 2003 Election)	
Lester Shields	President	September 2005
Alma Mariano	Vice President	September 2004
James Tuisl	Board Member	September 2005
Donald Flory	Board Member	September 2004
Brian Angwin	Board Member	September 2003
James Bruhn	Board Member	September 2003
Jennifer Graf	Board Member	September 2003
	Board of Education (After September 2003 Election)	
James Bruhn	President	September 2006
Donald Flory	Vice President	September 2004
Bruce Ingham	Board Member	September 2006
Wendy Krajnovich	Board Member	September 2006
Lester Shields	Board Member	September 2005
James Tuisl	Board Member	September 2005
Alma Mariano	Board Member	September 2004
	School Officials	
Dr. Randall Clegg	Superintendent	2004
Peter Davis/Gayle Isaac	District Secretary/Treasurer and Business Manager	2004

Independent Auditor's Report

To the Board of Education
Clinton Community School District
Clinton, Iowa

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Clinton Community School District, Clinton, 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 auditing standards generally accepted in the United States of America, 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, business-type activities, each major fund, and the aggregate remaining fund information of Clinton Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2004, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 42 through 43 are not a required part of the basic financial statements, but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, 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 Clinton 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 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 4, and the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 the 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.

Clifton Gunderson LLP

Clinton, Iowa
November 11, 2004

CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004

As management of the Clinton Community School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- General revenues accounted for $33.6 million of the government-wide revenue, or 85.5% of all fiscal year 2004 revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for $5.7 million or 14.5% of total fiscal year 2004 revenues.

- The District had approximately $36.8 million in expenses related to governmental activities; of which $4.1 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of $33.6 million provided for the remaining costs of these programs.

- The General Fund had $32.0 million in fiscal year 2004 revenues, which primarily consisted of state aid and property taxes, and $33.1 million in expenditures. The General Fund's fund balance decreased by $1.1 million.

- The District's solvency ratio (unreserved-undesignated general fund balance/general fund revenues) increased from 5.9% to 7.7% (accrual based accounting). The State School Budget Review Committee recommends a solvency ratio of 5% - 10%.

- Interest rates declined from an average monthly yield rate of 0.75% in June 2003 to an average of .704% in June 2004. The drop in rates combined with the reduction of revenue caused interest earnings in the General Fund to drop from $127,067 in fiscal year 2003 to $96,994 in fiscal year 2004.

- The District's total debt decreased by $475,000 during the current fiscal year. The total outstanding at the end of the fiscal year is $8,370,000.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains required supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation, and maintenance of plant, student transportation, operation of non-instructional services, and capital construction. The business-type activities of the District include food services.

The government-wide financial statements can be found on pages 15 through 17 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

> ***Governmental funds.*** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows of resources that can be spent, as well as on balances of resources that can be spent, that are available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.
>
> Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 19 and 22, respectively.

The District maintains nine individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General and Local Option Sales Tax, both of which are considered to be major funds. Data from the other seven governmental funds are combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 18 and 20-21 of this report.

Proprietary funds. Proprietary funds are used to account for activities that are similar to private business activities. Proprietary funds are reported in the same manner as the government-wide statements. The District's enterprise fund (one type of proprietary fund) is the same as its business-type activities but provides more detail and additional information, such as cash flows. The District has one enterprise fund: School Nutrition. The District's internal service fund is used to account for health benefits for District employees. The internal service fund is allocated to the governmental activities column on the statement of activities. The basic proprietary fund financial statements can be found on pages 23-26 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 29-40 of this report.

Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	Activities of the District that are not proprietary or fiduciary, such as instruction, administration, and building maintenance	Activities the District operates similar to private businesses such as school nutrition and childcare	Activities in which the District administers resources on behalf of someone else, such as scholarships
Required financial statements	Statement of Net Assets Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Assets Statement of Revenues, Expenses, and Changes in Fund Net Assets Statement of Cash Flows	Statement of Fiduciary Net Assets Statement of Changes in Fiduciary Net Assets
Accounting basis and measure-ment focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term
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 within specified periods after year end; expenditures when goods or services are received and liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the District's budget process. The District adopts an annual expenditure budget for all governmental funds. A budgetary comparison statement has been provided as required supplemental information.

The required supplemental information can be found on page 42-43 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $14.4 million as of June 30, 2004.

A portion of the District's net assets (4.8%) reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The government-wide statements also include $8.5 million in long-term liabilities (see Note 6 on pages 36-38), including general obligation bonds, notes, and compensated absences.

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

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2004.

Condensed Statement of Net Assets (in millions of dollars)

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2003	2004	2003	2004	2003	2004	2003-2004
Current and other assets	29.1	30.3	0.8	1.0	29.9	31.3	4.7%
Capital assets	9.9	8.9	0.2	0.2	10.1	9.1	-9.9%
Total assets	**39.0**	**39.2**	**1.0**	**1.2**	**40.0**	**40.4**	**1.0%**
Current and other liabilities	17.7	17.5	0.0	0.0	17.7	17.5	-1.1%
Long-term liabilities	9.0	8.5	0.0	0.0	9.0	8.5	-5.6%
Total liabilities	**26.7**	**26.0**	**0.0**	**0.0**	**26.7**	**26.0**	**-2.6%**
Invested in capital assets, net of related debt	1.0	0.5	0.2	0.2	1.2	0.7	-40.2%
Unrestricted	11.3	12.7	0.8	1.0	12.1	13.7	12.7%
Total net assets	**12.3**	**13.2**	**1.0**	**1.2**	**13.3**	**14.4**	**8.1%**

Note: totals may not add due to rounding

The following are significant current year transactions that have had an impact on the Statement of Net Assets:

The net reduction of long-term liabilities of $475,000 mainly related to a net payment on general obligation debt.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2004 were $39.3 million. The total cost of all programs and services was $38.2 million. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2004.

Changes in Net Assets from Operating Results (in millions of dollars)

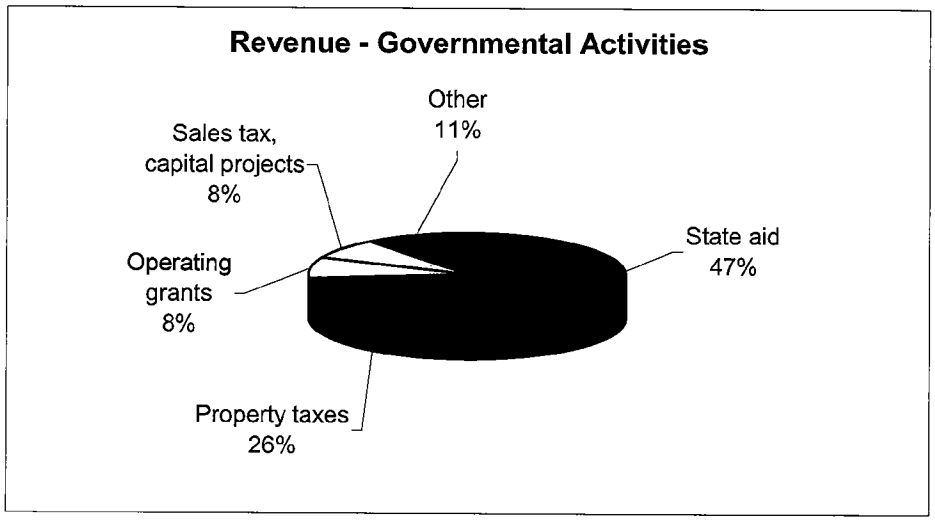
	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
Revenues	2003	2004	2003	2004	2003	2004	2003-2004
Program revenues							
Charges for services	1.0	1.1	0.7	0.7	1.7	1.7	4.1%
Operating grants and contributions	2.9	3.1	0.8	0.9	3.8	4.0	5.4%
Capital grants and contributions	0.1	-	-	-	0.1	-	-100.0%
General revenues							
Property and mobile home taxes	10.1	9.7	-	-	10.1	9.7	-3.6%
Local option sales taxes	2.4	2.7	-	-	2.4	2.7	11.1%
AEA flowthrough	1.4	1.3	-	-	1.4	1.3	-5.7%
PPEL surtax	0.3	0.3	-	-	0.3	0.3	3.8%
Unrestricted investment earnings	0.2	0.2	0.0	-	0.2	0.2	-6.0%
Unrestricted state aid	18.1	18.0	-	-	18.1	18.0	-0.6%
Other	1.3	1.4	-	-	1.3	1.4	7.8%
Total revenues	**37.8**	**37.8**	**1.5**	**1.5**	**39.3**	**39.3**	**-0.05%**
Expenses							
Instruction	23.3	24.1	-	-	23.3	24.1	3.5%
Support services							
Student services	0.9	1.0	-	-	0.9	1.0	9.5%
Instructional staff services	0.9	1.1	-	-	0.9	1.1	14.0%
Administration services	2.3	2.3	-	-	2.3	2.3	1.6%
Plant operation and maintenance	3.7	3.6	-	-	3.7	3.6	-3.0%
Student transportation	1.2	1.3	-	-	1.2	1.3	1.7%
Central support services	0.6	0.7	-	-	0.6	0.7	11.3%
Non-instructional programs	0.3	0.3	1.4	1.4	1.7	1.7	3.9%
Other expenditures							
Facilities acquisitions	0.2	0.8	-	-	0.2	0.8	223.8%
Long-term debt interest	0.4	0.3	-	-	0.4	0.3	-6.7%
AEA flowthrough	1.4	1.3	-	-	1.4	1.3	-5.7%
Total expenses	**35.3**	**36.8**	**1.4**	**1.4**	**36.7**	**38.2**	**4.2%**
Change in net assets	2.5	0.9	0.1	0.1	2.6	1.1	-59.4%
Net assets, beginning of year	9.8	12.3	0.8	1.0	10.6	13.3	
Net assets, end of year	**12.3**	**13.3**	**1.0**	**1.1**	**13.3**	**14.4**	**8.1%**

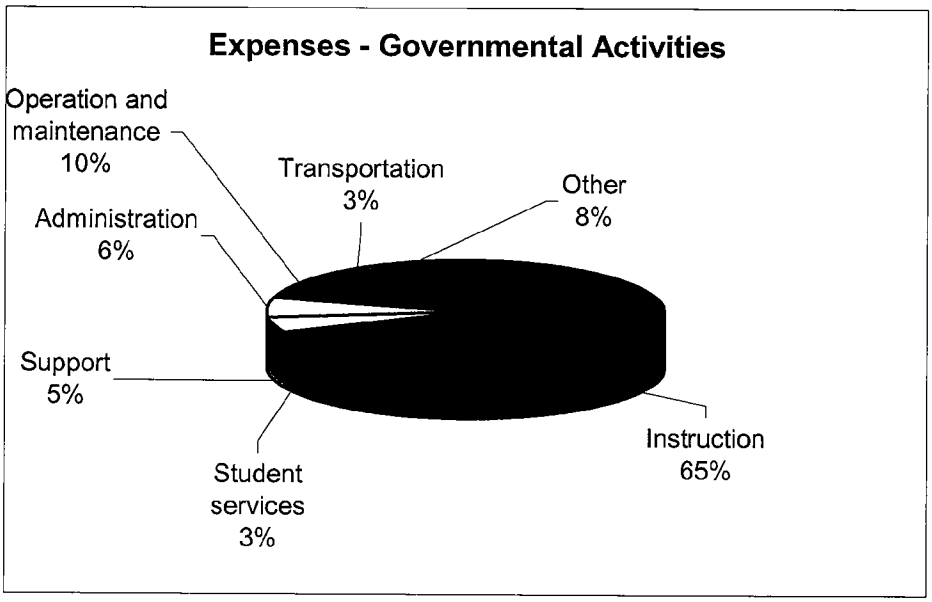
Note: totals may not add due to rounding

Governmental Activities

Unrestricted state aid, property taxes, and sales tax are the primary sources of revenue for the District. Sales tax revenue was $300,000 more than the estimate established by the District due mostly to the upturn in the local economy. Economic conditions caused shortfalls in the budget for the State of Iowa.

Instruction constitutes the largest portion of expenditures at $24.1 million or 65.4%. The District offers a wide array of programs including general education, special education, vocational and college preparatory classes. The purely administrative activities of the District accounted for 6.2% of total costs. Over 80% of the District's expenditures are salaries and benefits.





The following table presents the cost of the District's functional governmental activities. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

Net Cost of Governmental Activities (in millions of dollars)

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2003	2004	2003-2004	2003	2004	2003-2004
Instruction	23.3	24.1	3.5%	19.8	20.3	2.7%
Student and Instructional Services	1.9	2.1	11.7%	1.6	1.9	18.0%
Administrative and Business	2.3	2.3	1.7%	2.3	2.3	1.6%
Maintenance and Operations	3.7	3.6	-3.0%	3.6	3.6	-0.4%
Transportation	1.2	1.3	1.7%	1.1	1.1	2.8%
Other	2.9	3.5	17.9%	2.9	3.5	17.9%
Total	**35.3**	**36.8**	**4.3%**	**31.3**	**32.7**	**4.5%**

Note: totals may not add due to rounding

- The cost of all governmental activities this year was $36.8 million.
- Federal and state governments and charges for services subsidized certain governmental activities with grants and contributions and other local revenues of $4.1 million.
- Net cost of governmental activities ($32.7 million), was financed by general revenues, which are made up of primarily property and local option sales tax ($12.4 million) and state aid ($19.3 million). Investment earnings, sale of equipment and miscellaneous sources accounted for $1.9 million.

Business-type activities

Revenues of the District's business-type activities were $1,531,085 and expenses were $1,386,993. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and interest earnings.

The School Nutrition Fund primary expenses are staff and commodities. The District's free and reduced participation increased during the fiscal year, again due to the poor economy. The School Nutrition fund had a change in net assets of approximately $144,092 for fiscal year 2004.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was $1,052,683. The General Fund balance is reserved or designated to indicate that it is not available for spending because it has already been committed, examples follow:

- $118,065 for School Improvement Technology
- $192,155 for Iowa Early Intervention Technology
- $226,659 for Gifted and Talented Carryover
- $241,007 for Decentralized Building Budget and Staff Development

The Local Option Sales Tax Fund balance is restricted for construction; the fund balance increased by $2.1 million, due mainly to the fact that the District has no schools under construction at the present time.

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. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Over the course of the year, the District did amend its annual operating budget. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplemental information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and other governmental funds are not presented in the budgetary comparison on pages 42-43.

Legal Budgetary Highlights

The District's total actual receipts were approximately $3.1 million more than the total budgeted receipts, a variance of 8.8%. The most significant change resulted in the District receiving more in federal grants than originally anticipated, and budgeting for less local option sales tax revenue than realized.

In spite of the District's budgetary practices, total expenditures were more than budgeted in the following functions: support services, non-instructional programs, and other expenditures. This was due primarily to the emergency expenditures in the Physical Plant and Equipment Levy Fund, and construction expenditures that were not budgeted for in the Capital Projects Fund. The District manages or controls fund spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year. Chapter 24 (Local Budgets) of the Code of Iowa does not provide any penalties for exceeding the statutory budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2004, the District had invested $31.2 million in capital assets, including land, school buildings, athletic facilities, buses and other vehicles, computers, and other equipment. This amount represents a net increase prior to depreciation of $229,000 from last year, primarily due to new land, equipment and vehicles. Total depreciation expense for the year was $1.2 million.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2004.

Capital Assets (net of depreciation, in millions of dollars)

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2003	2004	2003	2004	2003	2004	2003-2004
Land	0.9	0.9	-	-	0.9	0.9	0.0%
Land improvements	0.3	0.2	-	-	0.3	0.2	-14.7%
Buildings	6.8	6.5	-	-	6.8	6.5	-5.2%
Equipment and furniture	1.6	1.0	0.2	0.2	1.7	1.2	-31.2%
Buses	0.3	0.3	-	-	0.3	0.3	-8.4%
Total Assets	**9.9**	**8.9**	**0.2**	**0.2**	**10.0**	**9.1**	**-9.5%**

Note: totals may not add due to rounding

Additional information on the District's capital assets can be found in Note 5 on pages 35-36 of this report.

Debt Administration. At year-end, the District had $8,495,413 in general obligation bonds and other long-term debt outstanding, of which $620,413 is due within one year. The following table presents a summary of the District's outstanding long-term debt for the fiscal year ended June 30, 2004.

Outstanding Long-Term Debt (in millions of dollars)

	Total School District		Percentage Change
	2003	2004	2003-2004
General obligation bonds	7.5	7.2	-5.0%
Quality zone academy bonds	1.0	1.0	0.0%
PPEL notes	0.3	0.2	-32.8%
Compensated absences	0.1	0.1	7.3%
Total	**9.0**	**8.5**	**-5.2%**

Note: totals may not add due to rounding

State statutes currently limit the amount of general obligation debt a district may issue to 5 percent of its total assessed valuation. The current debt limitation for the District is $32,025,281, which is more than the District's outstanding general obligation debt.

Additional information on the District's long-term debt can be found in Note 6 on pages 36-38 of this report.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The proposed federal budget will cut a number of federal grants, some of which the District has relied on to provide programs for our students. These include the Carl Perkins grant and the Safe and Drug Free Schools grant.

- District enrollment declined in fiscal year 2003-2004 by 95 students, or 2.1% of 4,518 budgeted enrollment. Under Iowa's school funding formula, District funding is highly dependent upon District enrollments Future enrollment stability is a critical element in maintaining a sound financial foundation.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Business and Finance Office, Clinton Community School District, 600 South 4th Street, Clinton, Iowa 52732.

BASIC FINANCIAL STATEMENTS

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2004

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 8,868,010	$ 896,619	$ 9,764,629
Investments	6,690,670	--	6,690,670
Property taxes receivable			
Current year delinquent	215,751	--	215,751
Succeeding year	10,112,000	--	10,112,000
Accrued interest receivable	36,088	--	36,088
Other receivables	32,117	--	32,117
Due from other governments	1,009,543	--	1,009,543
Inventories	--	60,019	60,019
ISCAP investments	3,200,723	--	3,200,723
Other current assets	186,400	19,024	205,424
Capital assets, net of accumulated depreciation	8,912,709	154,928	9,067,637
Total assets	39,264,011	1,130,590	40,394,601
LIABILITIES			
Accounts payable and accrued liabilities	935,528	13,376	948,904
Accrued payroll and deductions	2,904,820	--	2,904,820
Accrued interest payable	334,207	--	334,207
ISCAP warrants payable	3,228,000	--	3,228,000
Deferred revenue	10,112,000	11,256	10,123,256
Long-term liabilities			
Portion due within one year:			
Bonds payable	395,000	--	395,000
Capital loan notes	100,000	--	100,000
Compensated absences	125,413	--	125,413
Portion due after one year:			
Bonds payable	7,770,000	--	7,770,000
Capital loan notes	105,000	--	105,000
Total liabilities	26,009,968	24,632	26,034,600
NET ASSETS			
Investment in capital assets, net of related debt	542,709	154,928	697,637
Restricted for:			
Management levy	83,376	--	83,376
Physical plant and equipment	450,149	--	450,149
Unrestricted	12,177,809	951,030	13,128,839
Total net assets	$ 13,254,043	$ 1,105,958	$ 14,360,001

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues: Charges for Service	Program Revenues: Operating Grants, Contributions, and Restricted Interest
Governmental activities:			
Instruction			
Regular instruction	$ 14,175,881	$ 189,762	$ 1,983,680
Special instruction	7,910,216	246,616	808,151
Other instruction	2,018,128	547,665	4,928
	24,104,225	984,043	2,796,759
Support services			
Student services	1,029,640	--	230,853
Instructional staff services	1,063,808	--	--
General administration	392,707	--	--
Building administration	1,473,507	--	--
Business administration	434,579	3,111	--
Plant operations and maintenance	3,612,698	29,127	--
Student transportation	1,258,281	75,883	52,890
Central support services	686,826	--	--
	9,952,046	108,121	283,743
Non-instructional programs	333,860	--	--
Other expenditures			
Facilities acquisition	774,252	--	--
Long-term debt interest	334,210	--	--
AEA flowthrough	1,335,101	--	--
	2,443,563	--	--
Total governmental activities	36,833,694	1,092,164	3,080,502
Business-type activities:			
Non-instructional programs			
Nutrition services	1,386,993	649,946	881,139
Total	$ 38,220,687	$ 1,742,110	$ 3,961,641

General revenues:
- Property and mobile home taxes
- Local option sales tax
- PPEL surtax
- Unrestricted student book fees
- Unrestricted state aid
- AEA flowthrough
- Unrestricted investment earnings
- Miscellaneous
- Total general revenues

CHANGE IN NET ASSETS

NET ASSETS, BEGINNING OF YEAR

NET ASSETS, END OF YEAR

See notes to financial statements.

Net (Expenses) Revenues and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
$ (12,002,439)	$ --	$ (12,002,439)
(6,855,449)	--	(6,855,449)
(1,465,535)	--	(1,465,535)
(20,323,423)	--	(20,323,423)
(798,787)	--	(798,787)
(1,063,808)	--	(1,063,808)
(392,707)	--	(392,707)
(1,473,507)	--	(1,473,507)
(431,468)	--	(431,468)
(3,583,571)	--	(3,583,571)
(1,129,508)	--	(1,129,508)
(686,826)	--	(686,826)
(9,560,182)	--	(9,560,182)
(333,860)	--	(333,860)
(774,252)	--	(774,252)
(334,210)	--	(334,210)
(1,335,101)	--	(1,335,101)
(2,443,563)	--	(2,443,563)
(32,661,028)	--	(32,661,028)
--	144,092	144,092
(32,661,028)	144,092	(32,516,936)
9,749,032	--	9,749,032
2,698,225	--	2,698,225
275,577	--	275,577
60,598	--	60,598
17,951,238	--	17,951,238
1,335,101	--	1,335,101
179,426	--	179,426
1,346,491	--	1,346,491
33,595,688	--	33,595,688
934,660	144,092	1,078,752
12,319,383	961,866	13,281,249
$ 13,254,043	$ 1,105,958	$ 14,360,001

EXHIBIT C

CLINTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

	General	Local Option Sales Tax Fund	Nonmajor Funds	Total
ASSETS				
Cash (overdrafts) and cash equivalents	$ (627,487)	$ 6,331,246	$ 459,637	$ 6,163,396
Investments	6,690,670	--	--	6,690,670
Property taxes receivable				
Current year delinquent	187,331	--	28,420	215,751
Succeeding year	8,438,000	--	1,674,000	10,112,000
Accrued interest receivable	36,088	--	--	36,088
Other receivables	32,117	--	--	32,117
Due from other governments	640,350	369,193	--	1,009,543
ISCAP investments	3,200,723	--	--	3,200,723
Other current assets	186,400	--	--	186,400
TOTAL ASSETS	$ 18,784,192	$ 6,700,439	$ 2,162,057	$ 27,646,688
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	$ 298,487	$ 15,068	$ 46,293	$ 359,848
Accrued payroll and deductions	2,904,820	--	--	2,904,820
ISCAP warrants payable	3,228,000	--	--	3,228,000
Deferred revenue	8,438,000	--	1,674,000	10,112,000
Total liabilities	14,869,307	15,068	1,720,293	16,604,668
Fund balances				
Reserved for:				
Special revenue fund carryover	216,641	--	--	216,641
Debt service	--	--	116,470	116,470
Unreserved	3,698,244	6,685,371	325,294	10,708,909
Total fund balances	3,914,885	6,685,371	441,764	11,042,020
TOTAL LIABILITIES AND FUND BALANCES	$ 18,784,192	$ 6,700,439	$ 2,162,057	$ 27,646,688

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2004

Total fund balances of governmental funds (page 18)	$ 11,042,020
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	8,912,709
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.	(334,207)
The Internal Service Fund is used by management to charge the costs of self funding of the District's health insurance benefit plan to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	2,128,934
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(8,495,413)
Net assets of governmental activities (page 15)	$ 13,254,043

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	General	Local Option Sales Tax Fund	Nonmajor Governmental Funds	Total
REVENUES				
Local sources				
Taxes	$ 8,475,774	$ 2,698,225	$ 1,548,835	$ 12,722,834
Intermediate sources				
Interest on investments	96,994	50,086	32,347	179,427
Miscellaneous	934,534	--	616,203	1,550,737
State sources	20,601,507	--	--	20,601,507
Federal sources	1,875,296	--	--	1,875,296
Total revenues	31,984,105	2,748,311	2,197,385	36,929,801
EXPENDITURES				
Current operating:				
Instruction				
Regular instruction	13,253,046	--	78,058	13,331,104
Special instruction	7,886,445	--	23,771	7,910,216
Other instruction	1,368,202	--	649,926	2,018,128
Total instruction	22,507,693	--	751,755	23,259,448
Support services				
Student services	1,024,212	--	5,428	1,029,640
Instructional staff services	1,063,808	--	--	1,063,808
General administration	317,858	--	--	317,858
Building administration	1,468,397	--	8,264	1,476,661
Business administration	434,251	--	--	434,251
Plant operations and maintenance	2,872,181	--	731,825	3,604,006
Student transportation	1,189,442	--	40,858	1,230,300
Central support services	550,846	--	135,980	686,826
Total support services	8,920,995	--	922,355	9,843,350

EXHIBIT E
(CONTINUED)

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	General	Local Option Sales Tax Fund	Nonmajor Governmental Funds	Total
Non-instructional programs	$ 332,125	$ --	$ --	$ 332,125
Other expenditures				
Facilities acquisition	--	706,035	68,217	774,252
Long-term debt				
Principal	--	--	475,000	475,000
Interest and finance charges	--	--	358,366	358,366
AEA flowthrough	1,335,101	--	--	1,335,101
Total other expenditures	1,335,101	706,035	901,583	2,942,719
Total expenditures	33,095,914	706,035	2,575,693	36,377,642
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,111,809)	2,042,276	(378,308)	552,159
FUND BALANCES, BEGINNING OF YEAR	5,026,694	4,643,095	820,072	10,489,861
FUND BALANCES, END OF YEAR	$ 3,914,885	$ 6,685,371	$ 441,764	$ 11,042,020

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Net change in fund balances - total governmental funds (page 21)		$ 552,159
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:		
Capital outlays	$ 229,394	
Depreciation expense	(1,182,245)	
		(952,851)
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.		475,000
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.		
Change in accrued interest payable		24,156
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.		
Change in compensated absences		(2,359)
The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.		838,555
Change in net assets of governmental activities (page 17)		$ 934,660

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2004

	Enterprise Fund - School Nutrition	Internal Service Fund - Insurance
ASSETS		
Current assets:		
Cash and cash equivalents	$ 896,619	$ 2,704,614
Due from other governments	19,024	--
Inventories	60,019	--
Total current assets	975,662	2,704,614
Noncurrent assets:		
Furniture and equipment	259,279	--
Less accumulated depreciation	(104,351)	--
Total noncurrent assets	154,928	--
Total assets	1,130,590	2,704,614
LIABILITIES		
Accounts payable and accrued liabilities	13,376	20,683
Claims payable	--	554,997
Deferred revenue	11,256	--
Total liabilities	24,632	575,680
NET ASSETS		
Invested in capital assets	154,928	--
Unrestricted	951,030	2,128,934
Total net assets	$ 1,105,958	$ 2,128,934

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2004

	Enterprise Fund - School Nutrition	Internal Service Fund - Insurance
OPERATING REVENUES		
Local sources		
Food service sales	$ 649,946	$ --
Charges to other funds	--	4,517,356
Total operating revenues	649,946	4,517,356
OPERATING EXPENSES		
Non-instructional programs		
Food service operations		
Salaries	520,745	--
Employee benefits	144,279	--
Other purchased services	20,812	--
Supplies	685,858	--
Depreciation	15,299	--
Other operating costs	--	3,678,801
Total operating expenses	1,386,993	3,678,801
Operating income (loss)	(737,047)	838,555
NON-OPERATING REVENUES		
State sources	19,321	--
Federal sources		
Federal food commodities	85,276	--
Federal subsidy	776,542	--
Total non-operating revenues	881,139	--
CHANGE IN NET ASSETS	144,092	838,555
NET ASSETS, BEGINNING OF YEAR	961,866	1,290,379
NET ASSETS, END OF YEAR	$ 1,105,958	$ 2,128,934

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2004

	Enterprise Fund - School Nutrition	Internal Service Fund - Insurance
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sale of lunches and breakfasts	$ 651,062	$ --
Cash received from operating fund reimbursements	--	4,431,157
Cash payments to employees for services	(665,024)	--
Cash payments to suppliers for goods and services	(614,523)	(3,574,134)
Net cash provided by (used in) operating activities	(628,485)	857,023
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Operating grants received	791,567	--
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of equipment	(18,669)	--
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	--	--
NET INCREASE IN CASH AND CASH EQUIVALENTS	144,413	857,023
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	752,206	1,847,591
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 896,619	$ 2,704,614

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2004

	Enterprise Fund - School Nutrition	Internal Service Fund - Insurance
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	$ (737,047)	$ 838,555
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Commodities used	82,595	--
Depreciation	15,299	--
Decrease in other receivables	778	--
Increase in inventories	(1,459)	--
Increase in accounts payable	11,011	18,079
Increase in accrued liabilities	--	389
Increase in deferred revenues	338	--
Net cash provided by (used in) operating activities	$ (628,485)	$ 857,023

NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

During the year ended June 30, 2004, the District received $85,276 of federal commodities.

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2004

	Private Purpose Trust Scholarship	Agency Fund
ASSETS		
Cash and cash equivalents	$ 348,404	$ 24,760
LIABILITIES		
Due to other groups	--	24,760
NET ASSETS		
Reserved for scholarships	$ 348,404	$ --

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2004

	Private Purpose Trust Scholarship
ADDITIONS	
Local sources	
Interest	$ 8,274
Memorials/contributions	28,000
Total additions	36,274
DEDUCTIONS	
Support services	
Scholarships	16,935
CHANGE IN NET ASSETS	19,339
NET ASSETS, BEGINNING OF YEAR	329,065
NET ASSETS, END OF YEAR	$ 348,404

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Basis of Presentation

Government-wide Financial Statements - The statement of net 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 attributable 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, which can be removed or modified.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

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

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

The District reports the following major governmental funds:

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

The Local Option Sales Tax Fund is used to account for the revenue from a local sales and service tax imposed in the County of Clinton at the rate of one percent. The money received from the tax shall be spent for school infrastructure as defined by Iowa Code.

The District's major 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 included the following:

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

D. Assets, Liabilities, and Fund Equity

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 the governmental funds are accounted for using the modified accrual basis of accounting.

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

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

Land	$ 500
Land improvements	500
Buildings	500
Furniture and equipment	500

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Fund Equity (continued)

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

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

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 represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current 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 succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds 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 Accounting

The budgetary comparison and related disclosures are reported as Required Supplemental Information. During the year ended June 30, 2004, disbursements in the support services, non-instructional programs and other expenditures functional areas exceeded the amounts budgeted.

NOTE 2 - CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District had investments in the Iowa Schools Joint Investment Trust, which are valued at an amortized cost of $14,054,875 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

Included in cash and cash equivalents at year end was cash of $201,459 restricted for repayment of QZAB bonds.

NOTE 3 - INTERFUND TRANSFERS

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

	Transfers In	Transfers Out
Nonmajor governmental funds		
Debt service fund	$ 112,355	$ --
Physical plant and equipment fund	--	112,355
Total	$ 112,355	$ 112,355

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

NOTE 4 - IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP)

The District participates in the Iowa Schools 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 semi-annual 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. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Invest-ments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2004-2005A	6/30/04	6/30/05	$ 3,200,723	$ --	$ 3,228,000	$ --

NOTE 4 - IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP) (CONTINUED)

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. The District had no ISCAP advance activity in the General Fund for the year ended June 30, 2004.

The warrants bear an interest rate and the available proceeds of the warrants are invested at an interest rate as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2004-2005A	3.000%	2.463%

NOTE 5 - CAPITAL ASSETS

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

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 898,550	$ --	$ --	$ 898,550
Capital assets being depreciated:				
Land improvements	989,429	--	--	989,429
Buildings	20,025,949	--	--	20,025,949
Furniture and equipment	7,038,488	135,350	--	7,173,838
Buses and other pupil transportation equipment	1,986,182	94,044	--	2,080,226
Total capital assets being depreciated	30,040,048	229,394	--	30,269,442
Less accumulated depreciation for:				
Land improvements	729,969	37,689	--	767,658
Buildings	13,180,121	354,530	--	13,534,651
Furniture and equipment	5,484,358	670,466	--	6,154,824
Buses and other pupil transportation equipment	1,678,590	119,560	--	1,798,150
Total accumulated depreciation	21,073,038	1,182,245	--	22,255,283
Total capital assets being depreciated, net	8,967,010	(952,851)	--	8,014,159
Governmental activities capital assets, net	$ 9,865,560	$ (952,851)	$ --	$ 8,912,709

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
Business-type activities:				
Furniture and equipment	$ 240,610	$ 18,669	$ --	$ 259,279
Less accumulated depreciation	89,052	15,299	--	104,351
Business-type activities capital assets, net	$ 151,558	$ 3,370	$ --	$ 154,928

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	$ 922,152
Support services:	
General administration	121,906
Plant operations and maintenance	11,806
Student transportation	124,646
Non-instructional	1,735
Total depreciation expense - governmental activities	$ 1,182,245
Business-type activities:	
Food service operations	$ 15,299

NOTE 6 - LONG-TERM LIABILITIES

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	$ 8,540,000	$ --	$ 375,000	$ 8,165,000	$ 395,000
Capital loan notes	305,000	--	100,000	205,000	100,000
Compensated absences	123,054	198,464	196,105	125,413	125,413
Total	$ 8,968,054	$ 198,464	$ 671,105	$ 8,495,413	$ 620,413

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five on or before June 30 of the current school year. Employees must complete an application and a written resignation that is required to be accepted by the Board of Education. The early retirement incentive for each eligible employee is equal to $500 for each year of service the employee has provided to the District to be applied to the payment of the participant's premiums under the District's health insurance plan. An employee will only be allowed to continue participation in the District's health insurance plan as long as there are funds available to pay the premiums or until age 65, whichever comes first. The adoption of the plan does not vest any rights in any employee whether or not the employee is currently eligible for early retirement. Early retirement benefits paid during the year ended June 30, 2004 totaled $111,181.

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

Bonds Payable

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

Year Ending June 30,	Bond Issue of 1998 Series A			Infrastructure LOST Revenue Bonds 2002		
	Principal	Interest	Total	Principal	Interest	Total
2005	$ 395,000	$ 325,852	$ 720,852	$ --	$ --	$ --
2006	420,000	304,622	724,622	--	--	--
2007	440,000	286,772	726,772	--	--	--
2008	465,000	268,852	733,852	--	--	--
2009	490,000	247,624	737,624	--	--	--
2010-14	2,855,000	886,416	3,741,416	1,000,000	--	1,000,000
2015-17	2,100,000	197,324	2,297,324	--	--	--
Total	$ 7,165,000	$ 2,517,462	$ 9,682,462	$ 1,000,000	$ --	$ 1,000,000

Year Ending June 30,	Total		
	Principal	Interest	Total
2005	$ 395,000	$ 325,852	$ 720,852
2006	420,000	304,622	724,622
2007	440,000	286,772	726,772
2008	465,000	268,852	733,852
2009	490,000	247,624	737,624
2010-14	3,855,000	886,416	4,741,416
2015-17	2,100,000	197,324	2,297,324
Total	$ 8,165,000	$ 2,517,462	$10,682,462

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

Capital Loan Notes

During the year ended June 30 1998, the District issued School Capital Loan Notes to provide funds for a portion of the costs for certain capital improvements. The notes mature serially in amounts ranging from $80,000 to $105,000 per year from June 1, 1998, through June 1, 2006, plus interest at rates ranging from 3.90% to 5.60% and are payable from the General Fund, Physical Plant and Equipment Fund, or the Local Option Sales Tax Fund. Details of the District's indebtedness under the agreements at June 30, 2004 are as follows:

Year Ending June 30,	Capital Loan Series 1998 B		
	Principal	Interest	Total
2005	$ 100,000	$ 8,355	$ 108,355
2006	105,000	4,305	109,305
Total	$ 205,000	$ 12,660	$ 217,660

During the year ended June 30, 2004, the District made principal and interest payments totaling $112,355 under the agreement.

NOTE 7 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments by fund as of June 30, 2004 are as follows:

	General Fund
State appropriations	
Transportation aid - nonpublic schools	$ 26,780
Vocational aid	13,207
Youth mentoring	18,786
Total state appropriations	58,773
Federal appropriations	
Youth mentoring	4,807
Title I	192,762
Perkins grant	83,566
21st Century	69,598
Truants alternative program	12,366
Other	886
Total federal appropriations	363,985
Miscellaneous	
Special education tuition	162,448
Open enrollment tuition	45,570
Other	9,574
Total miscellaneous	217,592
Total due from other governments	$ 640,350

NOTE 7 - DUE FROM OTHER GOVERNMENTS (CONTINUED)

	Local Option Sales Tax Fund
Miscellaneous	
Local option sales tax	$ 369,193

	School Nutrition Fund
Federal appropriations	
Summer feeding	$ 19,024

NOTE 8 - PENSION AND RETIREMENT BENEFITS

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplemental 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 $1,118,381, $1,106,876, and $1,095,702, respectively, equal to the required contributions for each year.

NOTE 9 - CONTINGENT LIABILITIES

As of June 30, 2004, the District is contingently liable for the unvested portion of sick leave, which totals approximately $7,855,000, and the unused portion of early retirement, which totals approximately $229,247.

NOTE 10 - COMMITTED CONSTRUCTION

As of June 30, 2004, the District had the following committed construction projects:

Project	Total Contract Amount	Portion at June 30, 2004 Completed	Portion at June 30, 2004 Committed
Jefferson housing site demolition	$ 40,700	$ 40,700	$ --
LMS electrical systems upgrade	155,650	155,650	--
WMS roof and masonry improvements	77,355	77,355	--
WMS asbestos removal	2,300	2,300	--
WMS HVAC upgrade	105,825	105,825	--
Jefferson improvements	8,910,000	129,967	8,780,033
CHS kitchen renovations	1,055,266	264,712	790,554
Total	$10,347,096	$ 776,509	$ 9,570,587

NOTE 11 - RISK MANAGEMENT

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

The District also has a self-funded health insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 120% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of $45,000 in insured claims for any one covered individual. Settled claims have not exceeded the commercial coverage in any of the past three fiscal years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses. That reserve was $2,704,614 at June 30, 2004. Changes in the aggregate claims liability for the current year is as follows:

	2004
Balance, beginning of year	$ 1,290,379
Incurred claims (including IBNRs)	4,431,157
Claim payments	(3,678,801)
Balance, end of year	$ 2,042,735

NOTE 12 - AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled $1,335,101 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.

NOTE 13 - FUND BALANCE DEFICIT

At June 30, 2004, the Special Revenue Fund - Capital Projects Fund and Student Activity Fund had fund balance deficits of $68,450 and $207,669, respectively, resulting from current operating expenses in excess of total revenues. It is expected that revenues and transfers in for the next year will provide a positive fund balance.

REQUIRED SUPPLEMENTAL INFORMATION

CLINTON COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTAL INFORMATION
Year Ended June 30, 2004

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance - Positive (Negative)
RECEIPTS						
Local sources						
Taxes	$ 12,722,834	$ --	$12,722,834	$10,056,332	$10,056,332	$ 2,666,502
Other local sources	--	649,946	649,946	615,000	615,000	34,946
Intermediate sources						
Interest on investments	179,427	--	179,427	275,000	275,000	(95,573)
Miscellaneous	1,550,737	--	1,550,737	1,520,000	1,520,000	30,737
State sources	20,601,507	19,321	20,620,828	21,290,040	21,290,040	(669,212)
Federal sources	1,875,296	861,818	2,737,114	1,590,000	1,590,000	1,147,114
Total receipts	36,929,801	1,531,085	38,460,886	35,346,372	35,346,372	3,114,514
DISBURSEMENTS						
Instruction	23,259,448	--	23,259,448	23,613,565	24,128,232	868,784
Support services	9,843,350	--	9,843,350	9,453,400	9,072,986	(770,364)
Non-instructional programs	332,125	1,386,993	1,719,118	1,251,000	1,609,983	(109,135)
Other expenditures	2,942,719	--	2,942,719	2,276,685	2,683,449	(259,270)
Total disbursements	36,377,642	1,386,993	37,764,635	36,594,650	37,494,650	(269,985)
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	552,159	144,092	696,251	(1,248,278)	(2,148,278)	2,844,529
OTHER FINANCING SOURCES (USES), NET	--	--	--	100,000	100,000	(100,000)
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	552,159	144,092	696,251	(1,148,278)	(2,048,278)	2,744,529
BALANCES, BEGINNING OF YEAR	10,489,861	961,866	11,451,727	9,951,302	9,951,302	1,500,425
BALANCES, END OF YEAR	$ 11,042,020	$1,105,958	$12,147,978	$ 8,803,024	$ 7,903,024	$ 4,244,954

See accompanying independent auditor's report.

CLINTON COMMUNITY SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTAL INFORMATION - BUDGETARY REPORTING
June 30, 2004

In accordance with the Code of Iowa, The Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

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

During the year ended June 30, 2004, disbursements in the support services, non-instructional programs, and other expenditures functions exceeded the amounts budgeted.

OTHER SUPPLEMENTAL INFORMATION

CLINTON COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2004

	Capital Projects Fund	Student Activity Fund	Debt Service Fund	Management	Physical Plant and Equipment Fund	Helen O. Stoddard Bequest	Margaret N. Kracht Gift	Total
ASSETS								
Cash (overdrafts) and cash equivalents	$ (47,927)	$ (205,769)	$ 98,757	$ 94,779	$ 451,909	$ 66,815	$ 1,073	$ 459,637
Property taxes receivable								
Current year delinquent	--	--	17,713	3,872	6,835	--	--	28,420
Succeeding year	--	--	826,000	500,000	348,000	--	--	1,674,000
TOTAL ASSETS	$ (47,927)	$ (205,769)	$ 942,470	$ 598,651	$ 806,744	$ 66,815	$ 1,073	$ 2,162,057
LIABILITIES AND FUND BALANCES (DEFICIT)								
Liabilities								
Accounts payable and accrued liabilities	$ 20,523	$ 1,900	$ --	$ 15,275	$ 8,595	$ --	$ --	$ 46,293
Deferred revenue	--	--	826,000	500,000	348,000	--	--	1,674,000
Total liabilities	20,523	1,900	826,000	515,275	356,595	--	--	1,720,293
Fund balances (deficit):								
Reserved for:								
Debt service	--	--	116,470	--	--	--	--	116,470
Unreserved	(68,450)	(207,669)	--	83,376	450,149	66,815	1,073	325,294
Total fund balances (deficit)	(68,450)	(207,669)	116,470	83,376	450,149	66,815	1,073	441,764
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	$ (47,927)	$ (205,769)	$ 942,470	$ 598,651	$ 806,744	$ 66,815	$ 1,073	$ 2,162,057

CLINTON COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICIT) - NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2004

	Capital Projects Fund	Student Activity Fund	Debt Service Fund	Management	Physical Plant and Equipment Fund	Helen O. Stoddard Bequest	Margaret N. Kracht Gift	Total
REVENUES								
Taxes	$ --	$ --	$ 812,381	$ 149,707	$ 586,747	$ --	$ --	$ 1,548,835
Interest on investments	--	--	546	6,390	23,679	1,732	--	32,347
Miscellaneous								
Student activities	--	546,026	--	--	--	--	--	546,026
Donations	--	30,568	--	--	--	--	--	30,568
Other	--	22,510	10,835	2,071	4,193	--	--	39,609
Total miscellaneous	--	599,104	10,835	2,071	4,193	--	--	616,203
Total revenues	--	599,104	823,762	158,168	614,619	1,732	--	2,197,385
EXPENDITURES								
Current operating:								
Instruction								
Regular instruction	--	--	--	78,058	--	--	--	78,058
Special instruction	--	--	--	23,771	--	--	--	23,771
Other instruction	--	647,196	--	20	--	2,710	--	649,926
Total instructions	--	647,196	--	101,849	--	2,710	--	751,755
Support services								
Student services	--	--	--	5,428	--	--	--	5,428
Building administration	--	--	--	8,264	--	--	--	8,264
Plant operations and maintenance	--	--	--	38,341	693,484	--	--	731,825
Student transportation	--	--	--	40,858	--	--	--	40,858
Central support services	--	--	--	135,980	--	--	--	135,980
Total support services	--	--	--	228,871	693,484	--	--	922,355
Other expenditures								
Facilities acquisition	68,217	--	--	--	--	--	--	68,217
Long-term debt								
Principal	--	--	475,000	--	--	--	--	475,000
Interest and finance charges	--	--	358,366	--	--	--	--	358,366
Total other expenditures	68,217	--	833,366	--	--	--	--	901,583
Total expenditures	68,217	647,196	833,366	330,720	693,484	2,710	--	2,575,693

SCHEDULE 2
(CONTINUED)

CLINTON COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (DEFICIT) - NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2004

	Capital Projects Fund	Student Activity Fund	Debt Service Fund	Management	Physical Plant and Equipment Fund	Helen O. Stoddard Bequest	Margaret N. Kracht Gift	Total
DEFICIENCY OF REVENUES UNDER EXPENDITURES	$ (68,217)	$ (48,092)	$ (9,604)	$ (172,552)	$ (78,865)	$ (978)	$ --	$ (378,308)
OTHER FINANCING SOURCES (USES)								
Operating transfers in	--	--	112,355	--	--	--	--	112,355
Operating transfers out	--	--	--	--	(112,355)	--	--	(112,355)
Total other financing sources (uses)	--	--	112,355	--	(112,355)	--	--	--
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(68,217)	(48,092)	102,751	(172,552)	(191,220)	(978)	--	(378,308)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	(233)	(159,577)	13,719	255,928	641,369	67,793	1,073	820,072
FUND BALANCES (DEFICIT), END OF YEAR	$ (68,450)	$ (207,669)	$ 116,470	$ 83,376	$ 450,149	$ 66,815	$ 1,073	$ 441,764

CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND
Year Ended June 30, 2004

	Balance, June 30, 2003	Additions	Deletions	Balance, June 30, 2004
ASSETS				
Cash and cash equivalents	$ 25,782	$ 1,230	$ 2,252	$ 24,760
Other receivables	1,200	--	1,200	--
TOTAL ASSETS	$ 26,982	$ 1,230	$ 3,452	$ 24,760
LIABILITIES				
Due to other groups	$ 26,982	$ 1,230	$ 3,452	$ 24,760

CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
REVENUES				
Local sources	$ 12,722,834	$ 12,760,713	$ 9,951,662	$ 9,631,711
Intermediate sources	1,730,164	1,595,305	4,000,297	2,737,285
State sources	20,601,507	21,074,476	20,319,461	21,298,979
Federal sources	1,875,296	1,731,519	1,145,602	1,046,184
TOTAL REVENUES	$ 36,929,801	$ 37,162,013	$ 35,417,022	$ 34,714,159
EXPENDITURES				
Instruction	$ 23,259,448	$ 22,762,499	$ 21,798,988	$ 21,477,595
Support services				
Student services	1,029,640	940,944	998,531	945,482
Instructional staff services	1,063,808	932,782	1,001,930	1,096,303
General administration	317,858	303,965	281,811	259,851
Building administration	1,476,661	1,560,723	1,671,158	1,642,904
Business administration	434,251	360,447	463,884	465,590
Plant operations and maintenance	3,604,006	3,732,438	2,917,711	3,111,043
Student transportation	1,230,300	1,208,200	1,051,895	1,140,893
Central support services	686,826	617,288	525,491	541,947
Non-instructional programs	332,125	305,474	347,225	250,444
Other expenditures	2,942,719	2,491,775	3,439,124	3,322,574
TOTAL EXPENDITURES	$ 36,377,642	$ 35,216,535	$ 34,497,748	$ 34,254,626

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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

To the Board of Education
Clinton Community School District
Clinton, Iowa

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Clinton Community School District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 11, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered Clinton 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. There were no prior year reportable conditions.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether Clinton 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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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 the statutes. There were no prior year statutory comments.

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

Clifton Gunderson LLP

Clinton, Iowa
November 11, 2004

Offices in 14 states and Washington, DC

Member of HLB International

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

To the Board of Education
Clinton Community School District
Clinton, Iowa

Compliance
We have audited the compliance of Clinton 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. Clinton Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Clinton Community School District's management. Our responsibility is to express an opinion on Clinton Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clinton Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Clinton Community School District's compliance with those requirements.

In our opinion, Clinton 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 Clinton 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 Clinton 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Clifton Gunderson LLP

Clinton, Iowa
November 11, 2004

CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2004

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grant Number	Expenditures
Indirect:			
Department of Agriculture			
Iowa Department of Education			
Food Distribution (noncash)	10.550	FY 04	$ 85,276
School Nutrition Cluster Programs			
School Breakfast Program	10.553	FY 04	141,282
After School Snack Program	10.555	FY 04	7,012
National School Lunch Program	10.555	FY 04	628,247
			776,541
			861,817
Department of Education			
Iowa Department of Education			
Title I Grants to Local Educational Agencies	84.010	FY 03	385,524
Title I Grants to Local Educational Agencies	84.010	FY 04	434,757
			820,281
Vocational Education - Basic Grant	84.048	FY 04	83,566
Innovative Education Program Strategies (Title IV Program)	84.298	FY 04	35,461
Safe and Drug Free Schools and Communities - State Grants	84.186	FY 04	17,981
Drug and Violence Prevention	84.186	FY 04	44,000
			61,981
21st Century Community Learning Centers	84.287	FY 04	339,690
Special Education - State Grants	84.027	FY 04	192,236
Grants for Assessments	84.369	FY 04	47,685
Transition Alliance	84.000	FY 04	50,366
Title IIA Federal Teacher Quality	84.367	FY 04	258,620
			1,889,886
Department of Justice			
Iowa Department of Justice			
Juvenile Mentoring Grant	16.726	FY 04	64,725
Total			$ 2,816,428

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

CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2004

Section I: Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

• Material weakness(es) identified?	____	yes	x	no
• Reportable condition(s) identified that are not considered to be material weaknesses?	____	yes	x	none reported
• Noncompliance material to financial statements noted?	____	yes	x	no

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?	____	yes	x	no
• Reportable condition(s) identified that are not considered to be material weaknesses?	____	yes	x	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? ____ yes x no

Identification of major programs:

School Nutrition Cluster Programs	
CFDA Number 10.553	School Breakfast Program
CFDA Number 10.555	After School Snack Program
CFDA Number 10.555	Federal Lunch Program
CFDA Number 84.287	21st Century Community Learning Centers

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

Auditee qualified as low-risk auditee? x yes ____ no

CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2004

Section II: Financial Statement Findings:

INSTANCES OF NONCOMPLIANCE:

None

REPORTABLE CONDITIONS:

None

Section III: Federal Award Findings and Questioned Costs:

INSTANCES OF NONCOMPLIANCE:

None

REPORTABLE CONDITIONS:

None

CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2004

Section IV: Other Findings Related to Required Statutory Reporting:

IV-A-04 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.

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

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

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

Conclusion - Response accepted.

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

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

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

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

IV-G-04 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-H-04 Certified Enrollment - No instances of noncompliance was noted in the basic enrollment data certified to the Department of Education.

IV-I-04 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.

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

CLINTON COMMUNITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
Year Ended June 30, 2004

Comment Reference	Comment Title	Status	If not corrected, please provide planned corrective action or other explanation
None			

CLINTON COMMUNITY SCHOOL DISTRICT
CORRECTIVE ACTION PLAN FOR FEDERAL AUDIT FINDINGS
Year Ended June 30, 2004

Comment Number	Comment Title	Corrective Action Plan	Contact Person, Title Phone Number	Anticipated Date of Completion
None				