

**CLARKSVILLE
COMMUNITY SCHOOL DISTRICT**

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

JUNE 30, 2005

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CLARKSVILLE COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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BOARD OF EDUCATION

(Before September, 2004 Election)

Paul Leerhoff	President	2005
Kurt Wedeking	Vice President	2004
Chris Fenneman		2006
Joe Wedeking Jr.		2006
Joyce Freese		2004

(After September, 2004 Election)

Paul Leerhoff	President	2005
Kurt Wedeking	Vice President	2007
Chris Fenneman		2006
Joe Wedeking Jr.		2006
Joyce Freese		2007

SCHOOL OFFICIALS

Randall Nichols	Superintendent	
Diane Renning	District Secretary/ Treasurer	(Resigned December, 2004)
Shellee Bartlett	District Secretary/ Treasurer	(Appointed December, 2004)

Independent Auditor's Report

To The Board of Education of the
Clarksville Community School District:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Clarksville Community School District, Clarksville, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of Clarksville Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated October 25, 2005 on our consideration of Clarksville Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clarksville 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, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BRUCE D. FRINK
Certified Public Accountant

October 25, 2005

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Clarksville Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$2,796,661 in fiscal 2004 to \$2,773,005 in fiscal 2005, while General Fund expenditures increased from \$2,893,491 in fiscal year 2004 to \$2,946,428 in fiscal 2005. The District's General Fund balance decreased from \$323,924 in fiscal 2004 to \$150,501 in fiscal 2005, a 54% decrease.
- The District continued repayment of state aid funding as part of its 5-year workout plan for enrollment miscounts in the September 1999 and September 2000 Certified Enrollments. For fiscal 2005, the amounts of this repayment was \$28,570.
- The District began a renovation project of the elementary wing that will be completed in fiscal 2006 at a cost of over \$270,000.
- The District received \$31,977 in a federal Small Rural Schools Achievement Grant as part of the Rural Education Achievement Program.
- The District's Certified Enrollment decreased from 362.0 students in September 2003 to 335.5 students in September 2004.
- The District completed renovation of a room to provide a special needs (handicapped) restroom and personal care (toileting) area for its special needs students using federal funds from the Individuals with Disabilities Education Act, Part B grant of \$14,427.
- The number of students who open enrolled out of the District decreased by 8 students in the September 2004, Certified Enrollment compared to the September 2003 Certified Enrollment while the number of students who open enrolled in to the District decreased by 6. Therefore, the difference between the open enrollment out and the open enrollment in decreased by 2 students from 2003-04 to 2004-05. The net difference between the District's open enrollment in (positive financial impact) and its open enrollment out (negative financial impact) was a negative 6 students.
- The District began collecting School Infrastructure Local Option Sales Tax. This will be used for debt relief and capital improvements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the general purpose financial statements and required supplementary information.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

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

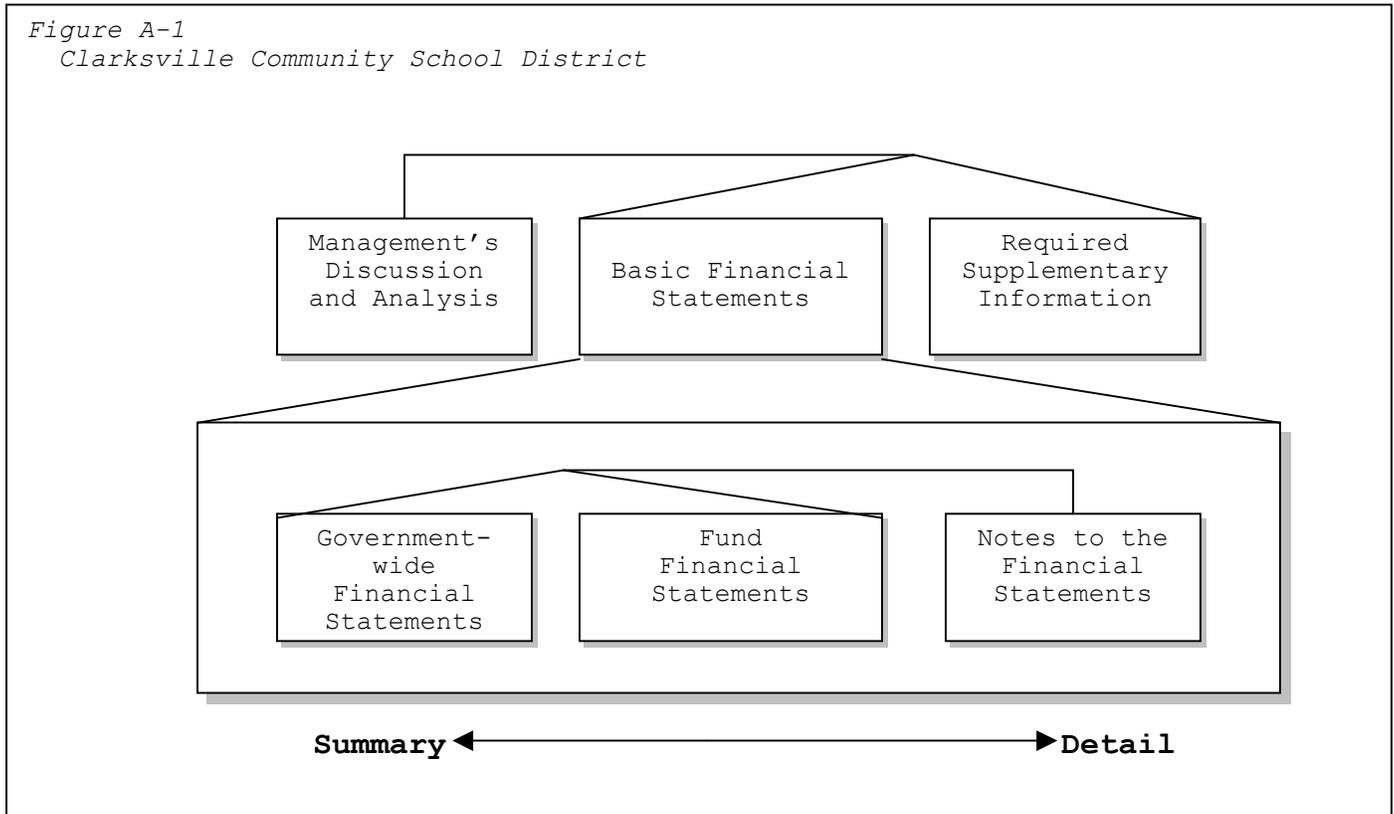


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain the remainder of this overview section of the management discussion and analysis highlights the structure and contents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

Figure A-2				
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)	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
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 net assets . Statement of cash flows	. Statement of fiduciary net assets . Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, and Debt Service Fund. Most of the District's basic services are included here, such as regular education, special education, building and grounds maintenance, transportation, and administration. Most of these activities are funded with property taxes and state aid finance.

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

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trusts.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005 compared to June 30, 2004.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	June 30, 2005	2004	June 30, 2005	2004	June 30, 2005	2004	June 30, 2004-2005
	\$	\$	\$	\$	\$	\$	
Current assets	1,617	1,653	12	3	1,629	1,656	-1.63%
Capital assets	<u>1,896</u>	<u>1,848</u>	<u>4</u>	<u>6</u>	<u>1,900</u>	<u>1,854</u>	<u>2.48%</u>
Total assets	<u><u>3,513</u></u>	<u><u>3,501</u></u>	<u><u>16</u></u>	<u><u>9</u></u>	<u><u>3,529</u></u>	<u><u>3,510</u></u>	<u><u>0.54%</u></u>
Current liabilities	1,123	1,190	1	2	1,124	1,192	-5.70%
Non-current liabilities	<u>618</u>	<u>745</u>	<u>-</u>	<u>-</u>	<u>618</u>	<u>745</u>	<u>-17.05%</u>
Total liabilities	<u><u>1,741</u></u>	<u><u>1,935</u></u>	<u><u>1</u></u>	<u><u>2</u></u>	<u><u>1,742</u></u>	<u><u>1,937</u></u>	<u><u>-10.07%</u></u>
Net Assets							
Invested in capital assets, net of related debt	1,278	1,103	4	6	1,282	1,109	15.60%
Restricted	178	100	-	-	178	100	78.00%
Unrestricted	<u>316</u>	<u>363</u>	<u>11</u>	<u>1</u>	<u>327</u>	<u>364</u>	<u>-10.16%</u>
Total net assets	<u><u>1,772</u></u>	<u><u>1,566</u></u>	<u><u>15</u></u>	<u><u>7</u></u>	<u><u>1,787</u></u>	<u><u>1,573</u></u>	<u><u>13.60%</u></u>

Unrestricted net assets decreased over 10% primarily due to General Fund revenues not keeping pace with expenses.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005.

Figure A-4
Change in Net Assets
(Expressed in Thousands)

	Governmental Activities \$	Business-type Activities \$	Total School District \$
Revenues:			
Program revenues:			
Charges for service and sales	102	86	188
Operating grants, contributions and restricted interest	482	59	541
General revenues:			
Property tax	1,058	-	1,058
Income surtax	257	-	257
Local option sales tax	159	-	159
Unrestricted state grants	1,334	-	1,334
Unrestricted investment earnings	10	-	10
Other	8	-	8
Total revenues	<u>3,410</u>	<u>145</u>	<u>3,555</u>
Program expenses:			
Governmental activities:			
Instruction	2,200	-	2,200
Support Services	764	-	764
Non-instructional programs	2	137	139
Other expenses	238	-	238
Total expenses	<u>3,204</u>	<u>137</u>	<u>3,341</u>
Change in net assets	<u>206</u>	<u>8</u>	<u>214</u>

Property tax and unrestricted state grants account for 67% of the total revenue. The District's expenses primarily related to instruction and support services, which account for 89% of the total expenses.

GOVERNMENTAL ACTIVITIES

Revenues for governmental activities were \$3,409,459 and expenses were \$3,203,918.

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

Figure A-5		
Total and Net Cost of Governmental Activities		
(Expressed in Thousands)		
	Total Cost of Services	Net Cost of Services
	\$	\$
Instruction	2,200	1,748
Support Services	764	745
Non-instructional programs	2	2
Other expenses	<u>238</u>	<u>125</u>
Totals	<u>3,204</u>	<u>2,620</u>

- The cost financed by users of the District's programs was \$102,070.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$360,022.
- The net cost of governmental activities was financed with \$1,058,602 in property tax, \$1,334,028 in state foundation aid, and \$10,442 in interest income.

PROPRIETARY-TYPE FUNDS

Revenues for the District's School Nutrition Fund were \$145,095 and expenses were \$136,688. The revenues include charges for services, contributions, and federal and state reimbursements.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported a combined fund balance of \$465,801, which is less than last year's ending fund balance of \$508,666.

GOVERNMENTAL FUND HIGHLIGHTS

Several factors contributed to the decrease of the fund balance in the District's governmental funds. Some of these factors were unexpected; some were deliberately planned.

- The General Fund revenues decreased due primarily to reductions in property taxes and tuition revenues.
- Property valuation decreased resulted in lower property tax revenues in several funds. Increased in state foundation aid were insufficient to make up the shortfall.
- The District continued repayment of state aid for the enrollment miscount of students on the Certified Enrollments in September 1999 and September 2000 resulting in a reduction of \$28,570 in General Fund revenues.

- The local option sales tax revenue began to be collected in fiscal 2005. This should allow the District to complete necessary capital projects and purchase equipment without increasing property tax levies.

PROPRIETARY FUND HIGHLIGHTS

School Nutrition Fund net assets increased from \$6,665 at June 30, 2004 to \$15,072 at June 30, 2005, representing an increase of approximately 226%.

Increased revenue and cost control measures were the primary reasons for the increase.

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.

It is the District's practice, as is in most Iowa school district, to budget expenditures at or about the maximum authorized spending. As a result, the District's certified budget should always exceed the actual expenditures for the year.

CAPITAL ASSETS

The District has invested more than \$3.9 million by the end of fiscal year 2005 in a broad range of capital assets, including school buildings, athletic facilities, kitchen, computers and audio-visual equipment, maintenance equipment, school buses and other vehicles, library holdings, and textbooks. Total depreciation expenses for the year exceeded \$101,000.

LONG-TERM DEBT

The District had \$610,000 in general obligation, debt outstanding on June 30, 2005. This represents a decrease of \$135,000 from the previous year.

The District had total outstanding bonded indebtedness on June 30, 2005, of \$610,000. The principal and interest on the bonds will be paid in full by June 1, 2009. The District makes principal and interest payments annually on these bonds using property tax dollars obtained through a debt service levy specifically for these bonds.

The District also owes \$8,000 on a Ford van that will be paid off in fiscal 2007. There is no interest on this loan.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Allowable growth as set by the Legislature continues to be insufficient to offset growing expenses. Adequate funding of regular District programs is a necessary.
- In January 2004, the voters of Butler County approved a ten-year School Infrastructure Local Option sales tax, which will provide funds for property tax reduction and school infrastructure projects affecting the Physical Plant and Equipment Levy Fund, Capital Projects, and Debt Service Funds of the District beginning July 2004.

- To offset the impact of declining enrollment, the State has provided a budget guarantee provision for districts. This budget guarantee provision is being phased out over a 10-year period. The District was on budget guarantee for fiscal 2005 and will continue. Due to previous and continued declining enrollment, the amount of this reduction due to the phase out of the budget guarantee will likely grow over the next several years.
- The move from a self-funded health insurance plan to a fully funded health insurance plan will provide increased stability for insurance premiums in the future.
- The District will continue to make repayments of state aid for the Certified Enrollment miscounts in September 1999 and September 2000 in Fiscal Years 2005, 2006, and 2007. The amount of the repayment each year will be \$28,570.
- In June 2009, the District will complete its payment of its bonded indebtedness for the high school gymnasium additions. This will eliminate the need for the Debt Service Levy.
- In the fall of 2004, the District completed the renovation of a small classroom, converting it into a special needs, handicapped-accessible restroom and personal care (toileting) area. The District used grants from the Individuals with Disabilities Education Act, Part B for this project.
- The District will continue to be required to comply with unfunded and under funded mandates from the federal and state governments such as the federal No Child Left Behind Act and the state Student Achievement and Teacher Quality Initiative. This will require the District to find ways to provide services in the areas of assessment and professional development, which will divert funds from other student service areas.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Randall Nichols, Superintendent, Clarksville Community School District, 318 N Mather, Clarksville, Iowa 50619.

Basic Financial Statements

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$
Assets			
Cash	301,997	9,781	311,778
Receivables:			
Property tax:			
Current year	21,976	-	21,976
Succeeding year	1,079,587	-	1,079,587
Income surtax - succeeding year	126,236	-	126,236
Due from other governments	87,172	-	87,172
Other receivables	30	268	298
Inventories	-	2,848	2,848
Capital assets, net of accumulated depreciation	<u>1,895,581</u>	<u>3,578</u>	<u>1,899,159</u>
Total assets	<u>3,512,579</u>	<u>16,475</u>	<u>3,529,054</u>
Liabilities			
Accounts payable	39,471	1,403	40,874
Accrued interest payable	2,334	-	2,334
Retainage payable	2,079	-	2,079
Deferred revenue:			
Succeeding year property tax	1,079,587	-	1,079,587
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	140,000	-	140,000
Van loan payable	4,000	-	4,000
Portion due after one year:			
General obligation bonds payable	470,000	-	470,000
Van loan payable	<u>4,000</u>	<u>-</u>	<u>4,000</u>
Total liabilities	<u>1,741,471</u>	<u>1,403</u>	<u>1,742,874</u>
Net assets			
Invested in capital assets, net of related debt	1,277,581	3,578	1,281,159
Restricted for:			
Management levy	14,153	-	14,153
Physical plant and equipment levy	46,642	-	46,642
Debt service	(267)	-	(267)
Capital projects	116,953	-	116,953
Unrestricted	<u>316,046</u>	<u>11,494</u>	<u>327,540</u>
Total net assets	<u>1,771,108</u>	<u>15,072</u>	<u>1,786,180</u>

See notes to financial statements.

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

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	Program Revenues					Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
	\$	\$	\$	\$	\$	\$
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	1,424,673	65,374	147,831	(1,211,468)	-	(1,211,468)
Special instruction	456,430	21,254	114,402	(320,774)	-	(320,774)
Other instruction	318,930	-	102,920	(216,010)	-	(216,010)
	<u>2,200,033</u>	<u>86,628</u>	<u>365,153</u>	<u>(1,748,252)</u>	<u>-</u>	<u>(1,748,252)</u>
Support services:						
Student services	34,192	-	1,808	(32,384)	-	(32,384)
Instructional staff services	45,576	-	-	(45,576)	-	(45,576)
Administration services	413,221	-	-	(413,221)	-	(413,221)
Operation and maintenance of plant services	192,084	-	1,997	(190,087)	-	(190,087)
Transportation services	79,184	15,442	-	(63,742)	-	(63,742)
	<u>764,257</u>	<u>15,442</u>	<u>3,805</u>	<u>(745,010)</u>	<u>-</u>	<u>(745,010)</u>
Non-instructional programs:						
Food service operations	1,441	-	-	(1,441)	-	(1,441)
Other expenditures:						
AEA flowthrough	110,505	-	110,505	-	-	-
Long-term debt interest	33,579	-	2,396	(31,183)	-	(31,183)
Facilities acquisition and construction	-	-	-	-	-	-
Depreciation (unallocated)*	94,103	-	-	(94,103)	-	(94,103)
	<u>238,187</u>	<u>-</u>	<u>112,901</u>	<u>(125,286)</u>	<u>-</u>	<u>(125,286)</u>
Total governmental activities	3,203,918	102,070	481,859	(2,619,989)	-	(2,619,989)

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

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	Program Revenues			Governmental Activities	Business-Type Activities	Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest			
	\$	\$	\$	\$	\$	\$
Business-Type activities:						
Non-instructional programs:						
Nutrition services	136,688	85,754	59,341	-	8,407	8,407
Total	<u>3,340,606</u>	<u>187,824</u>	<u>541,200</u>	(2,619,989)	8,407	(2,611,582)
General revenues:						
Property tax levied for:						
General purposes				886,655	-	886,655
Management levy				50,053	-	50,053
Debt service				99,492	-	99,492
Capital outlay				22,402	-	22,402
Income surtax:						
General purposes				98,606	-	98,606
Capital outlay				157,767	-	157,767
School infrastructure local option sales tax				158,576		158,576
Unrestricted state grants				1,334,028	-	1,334,028
Unrestricted investment earnings				10,442	-	10,442
Other				7,509	-	7,509
Total general revenue				<u>2,825,530</u>	-	<u>2,825,530</u>
Change in net assets				205,541	8,407	213,948
Net assets beginning of year				<u>1,565,567</u>	<u>6,665</u>	<u>1,572,232</u>
Net assets end of year				<u>1,771,108</u>	<u>15,072</u>	<u>1,786,180</u>

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

See notes to financial statements.

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
	\$	\$	\$	\$	\$
Assets					
Cash	118,664	84,731	2	98,600	301,997
Receivables:					
Property tax:					
Current year	18,407	-	2,065	1,504	21,976
Succeeding year	946,252	-	43,410	89,925	1,079,587
Income surtax - succeeding year	48,552	-	-	77,684	126,236
Due from other governments	13,400	73,772	-	-	87,172
Other receivables	30	-	-	-	30
Total assets	<u>1,145,305</u>	<u>158,503</u>	<u>45,477</u>	<u>267,713</u>	<u>1,616,998</u>
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	-	39,471	-	-	39,471
Retainage payable	-	2,079	-	-	2,079
Deferred revenue:					
Succeeding year property tax	946,252	-	43,410	89,925	1,079,587
Succeeding year income surtax	48,552	-	-	77,684	126,236
Total liabilities	<u>994,804</u>	<u>41,550</u>	<u>43,410</u>	<u>167,609</u>	<u>1,247,373</u>
Fund balances:					
Reserved for debt service	-	-	2,067	-	2,067
Unreserved	150,501	116,953	-	100,104	367,558
Total fund equity and other credits	<u>150,501</u>	<u>116,953</u>	<u>2,067</u>	<u>100,104</u>	<u>369,625</u>
Total liabilities and fund balances	<u>1,145,305</u>	<u>158,503</u>	<u>45,477</u>	<u>267,713</u>	<u>1,616,998</u>

See notes to financial statements.

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

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

June 30, 2005

Total fund balances of governmental funds (Exhibit C)		\$	369,625
Amounts reported for governmental activities in the statement of net assets are different because:			
Income surtax receivable at June 30, 2005 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Net Assets.			126,236
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.			1,895,581
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.			(2,334)
Long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.			
General obligation bonds	(610,000)		
Van notes payable	(8,000)		
			<u>(618,000)</u>
Net assets of governmental activities (Exhibit A)		\$	<u>1,771,108</u>

See notes to financial statements.

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund Types

Year ended June 30, 2005

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources					
Local tax	936,709	158,576	99,492	152,538	1,347,315
Tuition	86,628	-	-	-	86,628
Other	55,780	427	2,285	96,708	155,200
State sources	1,569,857	-	111	81	1,570,049
Federal sources	124,031	-	-	-	124,031
Total revenues	<u>2,773,005</u>	<u>159,003</u>	<u>101,888</u>	<u>249,327</u>	<u>3,283,223</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	1,414,267	-	-	10,406	1,424,673
Special instruction	456,430	-	-	-	456,430
Other instruction	226,970	-	-	95,595	322,565
	<u>2,097,667</u>	<u>-</u>	<u>-</u>	<u>106,001</u>	<u>2,203,668</u>
Support services:					
Student services	34,192	-	-	-	34,192
Instructional staff services	45,576	-	-	16,431	62,007
Administration services	399,043	-	-	14,178	413,221
Operation and maintenance of plant services	192,331	-	-	16,450	208,781
Transportation services	67,114	-	-	4,885	71,999
	<u>738,256</u>	<u>-</u>	<u>-</u>	<u>51,944</u>	<u>790,200</u>
Non-instructional programs:					
Food service operations	-	-	-	1,441	1,441

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund Types

Year ended June 30, 2005

	General	Capital Projects	Debt Service	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Other expenditures:					
AEA flowthrough	110,505	0	-	-	110,505
Long-term debt:					
Principal	-	-	139,000	-	139,000
Interest	-	-	34,085	-	34,085
Facilities acquisition and construction	-	41,550	-	58,950	100,500
	<u>110,505</u>	<u>41,550</u>	<u>173,085</u>	<u>58,950</u>	<u>384,090</u>
Total expenditures	<u>2,946,428</u>	<u>41,550</u>	<u>173,085</u>	<u>218,336</u>	<u>3,379,399</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(173,423)</u>	<u>117,453</u>	<u>(71,197)</u>	<u>30,991</u>	<u>(96,176)</u>
Other financing sources (uses):					
Operating transfers in	-	-	4,500	-	4,500
Operating transfers out	-	(500)	-	(4,000)	(4,500)
	<u>-</u>	<u>(500)</u>	<u>4,500</u>	<u>(4,000)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(173,423)</u>	<u>116,953</u>	<u>(66,697)</u>	<u>26,991</u>	<u>(96,176)</u>
Fund balances beginning of year	<u>323,924</u>	<u>-</u>	<u>68,764</u>	<u>73,113</u>	<u>465,801</u>
Fund balances end of year	<u>150,501</u>	<u>116,953</u>	<u>2,067</u>	<u>100,104</u>	<u>369,625</u>

See notes to financial statements.

CLARKSVILLE 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, 2005

Net change in fund balances - total governmental funds (Exhibit E) \$ (96,176)

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

Income surtax receivable at June 30, 2005 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities. 126,236

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	149,263
Depreciation expense	(101,288)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	(12,000)	
Repaid	<u>139,000</u>	127,000

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. 506

Change in net assets of governmental activities (Exhibit B) \$ 205,541

See notes to financial statements.

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Fund

Year ended June 30, 2005

	School Nutrition
	\$
Operating revenue:	
Local sources:	
Charges for services	<u>85,754</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	54,034
Benefits	7,356
Services	4,731
Supplies	67,872
Depreciation	<u>2,695</u>
Total operating expenses	<u>136,688</u>
Operating (loss)	<u>(50,934)</u>
Non-operating revenues:	
State sources	1,948
Federal sources	57,258
Interest income	<u>135</u>
	<u>59,341</u>
Changes in net assets	8,407
Net assets beginning of year	<u>6,665</u>
Net assets end of year	<u><u>15,072</u></u>

See notes to financial statements.

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Fund

Year ended June 30, 2005

	School Nutrition
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	85,608
Cash payments to employees for services	(61,390)
Cash payments to suppliers for goods or services	(64,522)
Net cash (used in) operating activities	<u>(40,304)</u>
Cash flows from non-capital financing activities:	
State grants received	1,948
Federal grants received	48,002
Net cash provided by non-capital financing activities	<u>49,950</u>
Cash flows from investing activities:	
Interest on investments	<u>135</u>
Net (increase) in cash and cash equivalents	9,781
Cash and cash equivalents beginning of year	<u>-</u>
Cash and cash equivalents end of year	<u><u>9,781</u></u>
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating (loss)	(50,934)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	2,695
Commodities used	9,256
(Increase) in other receivables	(146)
(Increase) in inventory	(398)
(Decrease) in accounts payable	(777)
	<u>(40,304)</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash	<u><u>9,781</u></u>
Non-cash investing, capital and financing activities:	

During the year ended June 30, 2005, the District received federal commodities valued at \$9,256.

See notes to financial statements.

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2005

	Private Purpose Trusts
	<u>Scholarships</u>
	\$
Assets	
Cash	58,665
Total assets	<u>58,665</u>
Net Assets	
Reserved for scholarships	58,665
Total net assets	<u><u>58,665</u></u>

See notes to financial statements.

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year ended June 30, 2005

	Private Purpose Trusts <u>Scholarships</u>
	\$
Additions:	
Local sources:	
Miscellaneous	<u>1,579</u>
Total additions	<u>1,579</u>
Deductions:	
Support services:	
Scholarships	<u>2,600</u>
Total deductions	<u>2,600</u>
Change in net assets	(1,021)
Net assets beginning of year	<u>59,686</u>
Net assets end of year	<u><u>58,665</u></u>

See notes to financial statements.

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

The Clarksville Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the City of Clarksville, Iowa, and agricultural area in Butler County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those 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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major 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 Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The District reports the following major proprietary fund:

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

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Funds are used to account for assets held by the District under trust agreements which require income earned to be used for scholarship payments.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary 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 with 60 days after year end.

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' 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 sale 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 statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

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 non-negotiable certificates of deposit which are stated at cost.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa and grants from other governments.

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

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	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

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

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

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

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

Compensated Absences - District employees accumulated 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 is deemed to be immaterial at June 30, 2005.

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The District had no investments at June 30, 2005.

(3) **Cash and Pooled Investments**

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 9,505	-	-	9,505
Capital assets being depreciated:				
Land improvements	50,557	-	-	50,557
Buildings	3,314,936	104,437	-	3,419,373
Machinery and equipment	391,338	12,670	15,115	388,893
Construction in progress	4,027	36,183	4,027	36,183
Total capital assets being depreciated	<u>3,760,858</u>	<u>153,290</u>	<u>19,142</u>	<u>3,895,006</u>
Less accumulated depreciation for:				
Land improvements	39,602	1,049	-	40,651
Buildings	1,578,390	88,876	15,115	1,652,151
Machinery and equipment	304,765	11,363	-	316,128
Total accumulated depreciation	<u>1,922,757</u>	<u>101,288</u>	<u>15,115</u>	<u>2,008,930</u>
Total capital assets being depreciated, net	<u>1,838,101</u>	<u>52,002</u>	<u>4,027</u>	<u>1,886,076</u>
Governmental activities, capital assets, net	<u>1,847,606</u>	<u>52,002</u>	<u>4,027</u>	<u>1,895,581</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	32,346	-	-	32,346
Less accumulated depreciation	<u>26,073</u>	<u>2,695</u>	<u>-</u>	<u>28,768</u>
Business type activities capital assets, net	<u>\$ 6,273</u>	<u>(2,695)</u>	<u>-</u>	<u>3,578</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Support services:

Transportation

Unallocated

7,185
94,103
\$ 101,288

Business Type activities:

Food service operations

\$ 2,695

(4) Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2006	4.50%	\$140,000	28,010	168,010
2007	4.55	150,000	21,710	171,710
2008	4.60	155,000	14,885	169,885
2009	4.70	<u>165,000</u>	<u>7,755</u>	<u>172,755</u>
Total		<u>\$610,000</u>	<u>72,360</u>	<u>682,360</u>

(5) 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 \$110,505 for year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(6) Risk Management

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

(7) Commitments

The District has approved contracts exceeding \$270,000 for renovation of existing building facilities. At June 30, 2006, approximately \$42,000 of the contract had been completed (including stored materials). Funds for this project are coming from existing PPEL property tax levy and sales tax revenues.

(8) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2005 is as follows:

	<u>General Obligation Bonds</u>	<u>Van Note Payable</u>	<u>Total</u>
Balance beginning of year	\$745,000	12,000	757,000
Additions	-	-	-
Reductions	<u>135,000</u>	<u>4,000</u>	<u>139,000</u>
Balance end of year	<u>\$610,000</u>	<u>8,000</u>	<u>618,000</u>

(9) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$91,345, \$84,329, and \$83,411 respectively, equal to the required contributions for each year.

(10) Van Note Payable

The District purchased a 2001 Ford Van during the year ending June 30, 2002. The amount borrowed was \$20,000 and will be paid in 5 equal installments of \$4,000. The first payment was made in fiscal 2003. There is no interest due on this obligation.

(11) Interfund Transfers

The detail of Interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 500
	Special Revenue:	
	Physical Plant and Equipment Levy	<u>4,000</u>
		<u>\$4,500</u>

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

Required Supplementary Information

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2005

	Governmental	Proprietary	Total	Budgeted Amounts		Final to
	Fund Types	Fund Type		Original	Final	Actual
	Actual	Actual	Actual			Variance -
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	1,589,143	85,889	1,675,032	1,596,349	1,596,349	78,683
State sources	1,570,049	1,948	1,571,997	1,594,356	1,594,356	(22,359)
Federal sources	124,031	57,258	181,289	334,500	334,500	(153,211)
Total revenues	<u>3,283,223</u>	<u>145,095</u>	<u>3,428,318</u>	<u>3,525,205</u>	<u>3,525,205</u>	<u>(96,887)</u>
Expenditures:						
Instruction	2,203,668	-	2,203,668	2,248,000	2,400,000	196,332
Support services	790,200	-	790,200	747,745	800,000	9,800
Non-instructional programs	1,441	136,688	138,129	163,537	175,000	36,871
Other expenditures	384,090	-	384,090	508,225	533,225	149,135
Total expenditures	<u>3,379,399</u>	<u>136,688</u>	<u>3,516,087</u>	<u>3,667,507</u>	<u>3,908,225</u>	<u>392,138</u>
Excess (deficiency) of revenues over (under) expenditures	(96,176)	8,407	(87,769)	(142,302)	(383,020)	295,251
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(96,176)	8,407	(87,769)	(142,302)	(383,020)	295,251
Balance beginning of year	<u>465,801</u>	<u>6,665</u>	<u>472,466</u>	<u>581,184</u>	<u>581,184</u>	<u>(108,718)</u>
Balance end of year	<u><u>369,625</u></u>	<u><u>15,072</u></u>	<u><u>384,697</u></u>	<u><u>438,882</u></u>	<u><u>198,164</u></u>	<u><u>186,533</u></u>

See accompanying independent auditor's report.

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2005

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$240,718.

During the year ended June 30, 2005, expenditures did not exceed the amount budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2005

	Management	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Assets				
Cash	13,114	39,309	46,177	98,600
Property tax receivable:				
Current year	1,039	-	465	1,504
Succeeding year	58,000	-	31,925	89,925
Income surtax	-	-	77,684	77,684
	<u>72,153</u>	<u>39,309</u>	<u>156,251</u>	<u>267,713</u>
Total assets				
	<u>72,153</u>	<u>39,309</u>	<u>156,251</u>	<u>267,713</u>
Liabilities and Fund Equity				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	58,000	-	31,925	89,925
Succeeding year income surtax	-	-	77,684	77,684
	<u>58,000</u>	<u>-</u>	<u>109,609</u>	<u>167,609</u>
Fund equity:				
Unreserved, undesignated fund balance	<u>14,153</u>	<u>39,309</u>	<u>46,642</u>	<u>100,104</u>
	<u>72,153</u>	<u>39,309</u>	<u>156,251</u>	<u>267,713</u>
Total liabilities and fund equity				

See accompanying independent auditor's report.

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances

Nonmajor Special Revenue Funds

Year ended June 30, 2005

	<u>Management</u>	<u>Student</u>	<u>Physical</u>	
	\$	\$	Plant and Equipment Levy	<u>Total</u>
			\$	\$
Revenues:				
Local sources:				
Local tax	50,053	-	102,485	152,538
Other	508	95,219	981	96,708
State sources	56	-	25	81
Federal sources	-	-	-	-
Total revenues	<u>50,617</u>	<u>95,219</u>	<u>103,491</u>	<u>249,327</u>
Expenditures:				
Instruction:				
Regular instruction	10,406	-	-	10,406
Co-curricular instruction	-	95,595	-	95,595
Support services:				
Instructional support services	-	-	16,431	16,431
Administration services	4,879	-	9,299	14,178
Plant operation and maintenance	32,522	-	8,928	41,450
Student transportation	4,885	-	-	4,885
Non-instructional programs:				
Food service operations	1,441	-	-	1,441
Other expenditures:				
Facility acquisition and construction services	-	-	33,950	33,950
Total expenditures	<u>54,133</u>	<u>95,595</u>	<u>68,608</u>	<u>218,336</u>
Excess (deficiency) of revenues over (under) expenditures	(3,516)	(376)	34,883	30,991
Other financing (uses):				
Operating transfers out	-	-	(4,000)	(4,000)
Excess (deficiency) of revenues over (under) expenditures and financing uses	(3,516)	(376)	30,883	26,991
Fund balances beginning of year	<u>17,669</u>	<u>39,685</u>	<u>15,759</u>	<u>73,113</u>
Balance end of year	<u>14,153</u>	<u>39,309</u>	<u>46,642</u>	<u>100,104</u>

See accompanying independent auditor's report.

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Interest	2,908	1,672	2,632	1,948
Athletics	12	28,231	26,685	1,558
Instrumental Music	3,739	6,478	8,062	2,155
Vocal Music	766	2,840	3,240	366
Drill Team	288	1,317	906	699
Drama/Speech	805	1,543	1,176	1,172
School Store	5,274	3,015	4,481	3,808
Industrial Technology	107	1,003	1,110	-
Get a Grip	699	-	157	542
Elementary Projects	213	2,516	2,729	-
National Honor Society	1,881	778	1,104	1,555
Spanish Club	906	2,288	1,655	1,539
Home Economics	508	826	826	508
Special Clearing	-	1,004	1,004	-
Senior Class	-	1,643	587	1,056
Junior Class	165	8,062	7,913	314
Sophomore Class	296	-	29	267
Freshman Class	222	-	148	74
8th Grade Class	142	-	114	28
7th Grade Class	-	-	-	-
Recycling Project	1,520	1,243	1,114	1,649
Jump Rope for Heart	134	-	-	134
Special Donations	1,379	6,800	3,523	4,656
JH Magazines	12,397	5,890	9,277	9,010
JH Math	116	-	-	116
JH Student Council	546	-	-	546
SH Student Council	4,662	8,096	8,069	4,689
Cheerleaders	-	924	707	217
Yearbook	-	9,050	8,347	703
Total	39,685	95,219	95,595	39,309

See accompanying independent auditor's report.

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Private Purpose Trusts

Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Asher Scholarship	12,432	332	300	12,464
Weinberg Scholarship	37,415	985	2,000	36,400
Winkey Scholarship	7,021	186	300	6,907
Eslinger Scholarship	<u>2,818</u>	<u>76</u>	<u>-</u>	<u>2,894</u>
Total	<u>59,686</u>	<u>1,579</u>	<u>2,600</u>	<u>58,665</u>

See accompanying independent auditor's report.

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Comparison of Taxes and Intergovernmental Funds

	Modified Accrual Basis			
	2005	2004	2003	2002
	\$	\$	\$	\$
Local sources:				
General	936,709	1,022,619	976,711	750,758
Capital projects	158,576	-	-	-
Special revenue/debt service	252,030	280,265	192,274	231,671
	<u>1,347,315</u>	<u>1,302,884</u>	<u>1,168,985</u>	<u>982,429</u>
State sources:				
General	1,569,857	1,473,963	1,555,865	1,692,730
Special revenue/debt service	192	214	207	274
School nutrition	1,948	2,113	2,194	2,385
	<u>1,571,997</u>	<u>1,476,290</u>	<u>1,558,266</u>	<u>1,695,389</u>
Federal sources:				
General	124,031	133,763	125,537	65,119
Special revenue	-	113,750	-	-
School nutrition	57,258	64,640	60,791	58,585
	<u>181,289</u>	<u>312,153</u>	<u>186,328</u>	<u>123,704</u>
Total	<u>3,100,601</u>	<u>3,091,327</u>	<u>2,913,579</u>	<u>2,801,522</u>

See accompanying independent auditor's report.

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Clarksville Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 25, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A material weakness is a reportable 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 05-I-A is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clarksville 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, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance 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, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

BRUCE D. FRINK
Certified Public Accountant

October 25, 2005

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

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

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

05-I-A SEGREGATION OF DUTIES

Comment - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

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

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

Part II: Other Findings Related to Required Statutory Reporting:

- 05-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.
- 05-II-B Certified Budget - Expenditures for the year ended June 30, 2005, did not exceed the amended certified budget amount in any of the four functions.
- 05-II-C Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 05-II-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 05-II-E Business Transactions - No business transactions between the District and District officials or employees were noted.
- 05-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 05-II-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

CLARKSVILLE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2005

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

- 05-II-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 05-II-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 05-II-J Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.