

CLEARFIELD COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2005

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Clearfield Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2004 Election)		
Bob Cameron	President	2005
Becky Kerns	Vice President	2005
Jennifer Williams	Board Member	2006
Michele Sobotka	Board Member	2006
Marcy Hancock	Board Member	2006
Board of Education (After September 2004 Election)		
Jennifer Williams	President	2006
Becky Kerns	Vice President	2005
Bob Cameron	Board Member	2005
Michele Sobotka	Board Member	2006
Marcy Hancock	Board Member (Resigned)	2006
Patricia Parrish	Board Member (Appointed)	2006
School Officials		
David Dudrey	Superintendent	2005
Pam Nickell	District Secretary/Treasurer	2005
Travis & Bonnett	Attorney	2005

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Clearfield Community School District, Clearfield, Iowa 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. 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 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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

In accordance with Government Auditing Standards, we have also issued our report dated September 29, 2005 on our consideration of the Clearfield Community School District's internal control over financial reporting and 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 compliance 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.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 35 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required 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 Clearfield Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

September 29, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clearfield Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 \$1,164,336 in fiscal 2004 to \$1,132,314 in fiscal 2005, while General Fund expenditures increased from \$1,130,280 in fiscal 2004 to \$1,284,860 in fiscal 2005. This resulted in a decrease in the District's General Fund balance from \$434,588 in fiscal 2004 to a balance of \$282,042 in fiscal 2005, a 35.1% increase from the prior year.
- The decrease in General Fund revenues was attributable to a decrease in state grant revenue in fiscal 2005. The increase in expenditures was due primarily to an increase in regular instruction and administration service expenditures.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

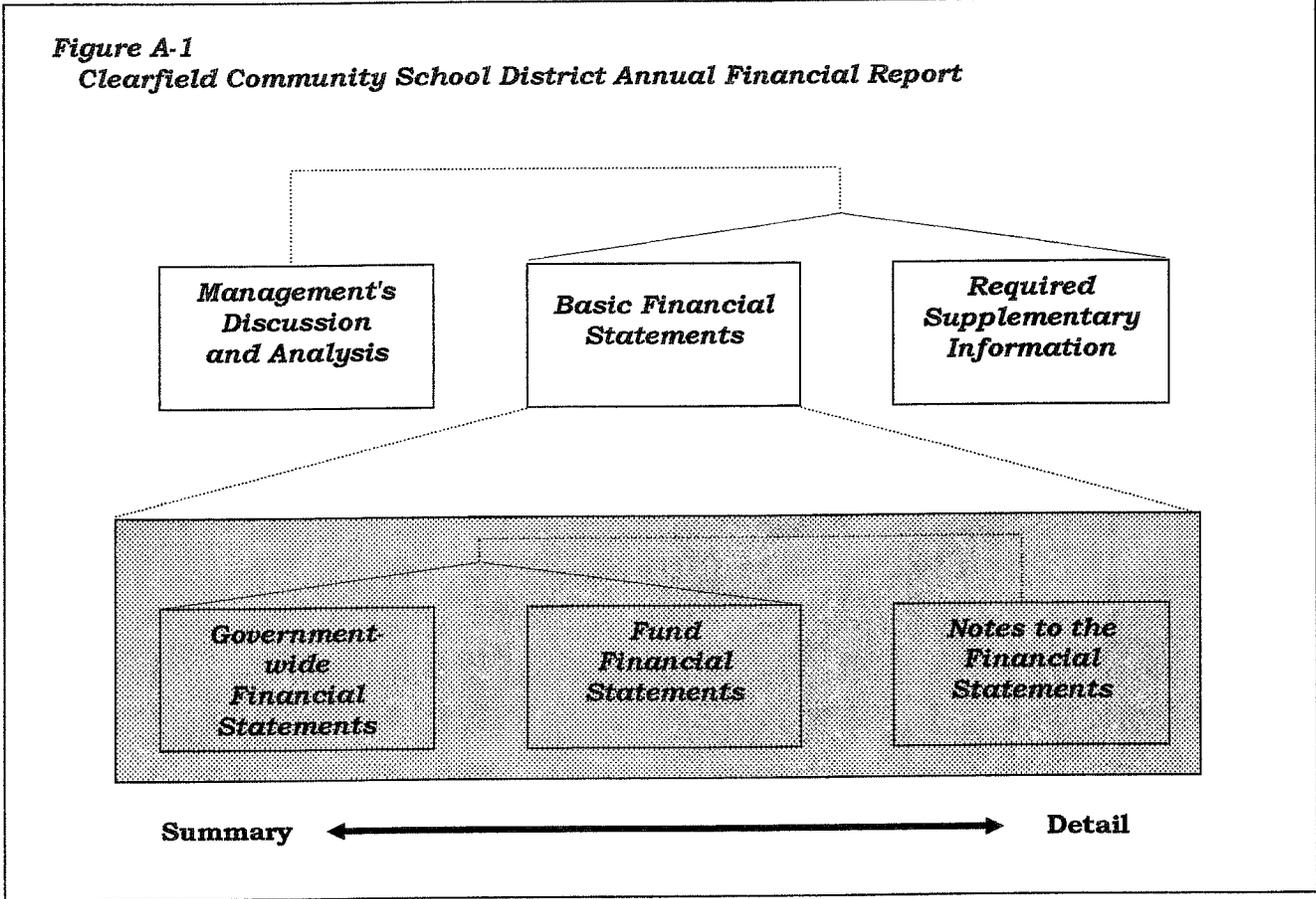


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3
Condensed Statement of Net Assets

	Governmental		Business-type		Total		Total Change 2004-05
	Activities		Activities		School District		
	2005	2004	2005	2004	2005	2004	
Current and other assets	\$ 963,961	1,100,789	2,896	8,466	966,857	1,109,255	-12.84%
Capital assets	92,190	86,057	1,753	1,992	93,943	88,049	6.69%
Total assets	1,056,151	1,186,846	4,649	10,458	1,060,800	1,197,304	-11.40%
Long-term obligations	300	300	0	0	300	300	0.00%
Other liabilities	508,622	485,185	23	0	508,645	485,185	4.84%
Total liabilities	508,922	485,485	23	0	508,945	485,485	4.83%
Net assets:							
Invested in capital assets, net of related debt	92,190	86,057	1,753	1,992	93,943	88,049	6.69%
Restricted	146,061	152,757	0	0	146,061	152,757	-4.38%
Unrestricted	308,978	462,547	2,873	8,466	311,851	471,013	-33.79%
Total net assets	\$ 547,229	701,361	4,626	10,458	551,855	711,819	-22.47%

The District's combined net assets decreased by 22.47%, or \$159,964, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$6,696, or 4.38% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$159,162, or 33.79%.

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

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Revenues:							
Program revenues:							
Charges for services	\$ 39,251	101,093	13,910	12,005	53,161	113,098	-53.00%
Operating grants and contributions and restricted interest	410,439	244,508	30,353	31,777	440,792	276,285	59.54%
General revenues:							
Property tax	469,700	475,967	0	0	469,700	475,967	-1.32%
Local option sales tax	43,686	18,076	0	0	43,686	18,076	141.68%
Unrestricted state grants	232,143	397,653	0	0	232,143	397,653	-41.62%
Other	9,091	5,319	1	1,357	9,092	6,676	36.19%
Total revenues	1,204,310	1,242,616	44,264	45,139	1,248,574	1,287,755	-3.04%
Program expenses:							
Governmental activities:							
Instructional	989,688	835,894	0	0	989,688	835,894	18.40%
Support services	327,515	288,846	0	0	327,515	288,846	13.39%
Non-instructional programs	4,196	0	50,096	50,591	54,292	50,591	7.32%
Other expenses	37,393	37,646	0	0	37,393	37,646	-0.67%
Total expenses	1,358,792	1,162,386	50,096	50,591	1,408,888	1,212,977	16.15%
Excess (deficiency) of revenues over (under) expenses	(154,482)	80,230	(5,832)	(5,452)	(160,314)	74,778	-314.39%
Other financing sources, net	350	0	0	0	350	0	100.00%
Change in net assets	(154,132)	80,230	(5,832)	(5,452)	(159,964)	74,778	-313.92%
Net assets beginning of year	701,361	621,131	10,458	15,910	711,819	637,041	11.74%
Net assets end of year	\$ 547,229	701,361	4,626	10,458	551,855	711,819	-22.47%

Property tax and unrestricted state grants account for 56.2% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 93.5% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$1,204,310 and expenses were \$1,358,792. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 989,688	573,052
Support services	327,515	327,515
Non-instructional	4,196	4,196
Other expenses	37,393	2,475
Totals	<u>\$ 1,358,792</u>	<u>907,238</u>

- The cost financed by users of the District's programs was \$39,251.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$410,439.
- The net cost of governmental activities was financed with \$469,700 in property tax, \$43,686 in local option sales tax, \$232,143 in unrestricted state grants, and \$9,091 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$44,264 and expenses were \$50,096. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$426,866, below last year's ending fund balances of \$586,642.

Governmental Fund Highlights

- The District's declining General Fund financial position is the product of many factors. Decrease in state grants resulted in a decrease in revenues. The decrease in revenues coupled with the increased General Fund expenditures ensured the decrease in the financial position of the District.
- The Management fund balance increased from \$34,434, in 2004, to \$36,869 in 2005, due to controlled spending in light of lesser revenues versus the previous year.
- The Physical Plant and Equipment Levy (PPEL) fund balance decreased from \$99,544 to \$46,685 due primarily to the purchase of a new bus for the District.
- The District's Capital Projects fund balance increased from \$18,076 to \$61,270 due primarily to increased local option sales tax revenues as well as limited spending of the funds balance during fiscal year 2005.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$10,458 at June 30, 2004 to 4,626 at June 30, 2005, representing a decrease of approximately 55.8%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$284,956 less than budgeted revenues, a variance of 18.8%. The most significant variance resulted from the District receiving less in federal sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$93,943, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 6.69% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$55,849.

The original cost of the District's capital assets was \$365,114. Governmental funds account for \$357,099 with the remainder of \$8,015 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$69,647 at June 30, 2004, compared to \$76,691 reported at June 30, 2005. This increase resulted primarily from the District purchasing a new bus for the transportation department.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-05
Land improvements	\$ 17,252	18,402	0	0	17,252	18,402	-6.25%
Machinery and equipment	74,938	67,655	1,753	1,992	76,691	69,647	10.11%
Total	\$ 92,190	86,057	1,753	1,992	93,943	88,049	6.69%

Long-Term Debt

At June 30, 2005, the District had long-term debt outstanding of \$300 in compensated absences. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2005	2004	
Compensated absences	\$ 300	300	0.0%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Declining enrollment is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Pam Nickell, District Board Secretary, Clearfield Community School District, P.O. Box 99, Clearfield, Iowa, 50840.

BASIC FINANCIAL STATEMENTS

CLEARFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 446,417	2,289	448,706
Receivables:			
Property tax:			
Delinquent	6,881	0	6,881
Succeeding year	442,705	0	442,705
Income surtax	27,122	0	27,122
Accounts	0	0	0
Accrued interest	0	0	0
Due from other governments	40,836	0	40,836
Inventories	0	607	607
Capital assets, net of accumulated depreciation(Note 3)	92,190	1,753	93,943
TOTAL ASSETS	1,056,151	4,649	1,060,800
LIABILITIES			
Due to other governments	58,905	0	58,905
Accounts payable	5,148	23	5,171
ISEBA assessment(Note 6)	1,864	0	1,864
Deferred revenue:			
Succeeding year property tax	442,705	0	442,705
Long-term liabilities(Note 4):			
Portion due within one year:			
Compensated absences	300	0	300
TOTAL LIABILITIES	508,922	23	508,945
NET ASSETS			
Investment in capital assets, net of related debt	92,190	1,753	93,943
Restricted for:			
Talented and gifted	1,237	0	1,237
Capital projects	61,270	0	61,270
Physical plant & equipment levy	46,685	0	46,685
Management levy	36,869	0	36,869
Unrestricted	308,978	2,873	311,851
TOTAL NET ASSETS	\$ 547,229	4,626	551,855

SEE NOTES TO FINANCIAL STATEMENTS.

CLEARFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

	Program Revenues		
	Expenses	Services	Operating Grants, Contributions Charges for and Restricted Interest
Functions/Programs			
Governmental activities:			
Instruction:			
Regular instruction	\$ 695,284	39,251	375,521
Special instruction	293,852	0	0
Other instruction	552	0	0
	<u>989,688</u>	<u>39,251</u>	<u>375,521</u>
Support services:			
Student services	11,500	0	0
Instructional staff services	8,300	0	0
Administration services	151,601	0	0
Operation and maintenance of plant services	79,986	0	0
Transportation services	76,128	0	0
	<u>327,515</u>	<u>0</u>	<u>0</u>
Non-instructional programs	4,196	0	0
Other expenditures:			
Facilities acquisitions	1,325	0	0
AEA flowthrough	34,918	0	34,918
Depreciation(unallocated)*	1,150	0	0
	<u>37,393</u>	<u>0</u>	<u>34,918</u>
Total governmental activities	1,358,792	39,251	410,439
Business-Type activities:			
Non-instructional programs:			
Nutrition services	50,096	13,910	30,353
Total business-type activities	<u>50,096</u>	<u>13,910</u>	<u>30,353</u>
Total	<u>\$ 1,408,888</u>	<u>53,161</u>	<u>440,792</u>

General Revenues:

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

Changes in net assets

Net assets beginning of year

Net assets end of year

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

SEE NOTES TO FINANCIAL STATEMENTS.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(280,512)	0	(280,512)
(293,852)	0	(293,852)
(552)	0	(552)
<u>(574,916)</u>	<u>0</u>	<u>(574,916)</u>
(11,500)	0	(11,500)
(8,300)	0	(8,300)
(151,601)	0	(151,601)
(79,986)	0	(79,986)
(76,128)	0	(76,128)
<u>(327,515)</u>	<u>0</u>	<u>(327,515)</u>
(4,196)	0	(4,196)
(1,325)	0	(1,325)
0	0	0
(1,150)	0	(1,150)
<u>(2,475)</u>	<u>0</u>	<u>(2,475)</u>
(909,102)	0	(909,102)
0	(5,833)	(5,833)
0	(5,833)	(5,833)
<u>(909,102)</u>	<u>(5,833)</u>	<u>(914,935)</u>
\$ 464,703	0	464,703
4,997	0	4,997
43,686	0	43,686
232,143	0	232,143
9,091	1	9,092
350	0	350
<u>754,970</u>	<u>1</u>	<u>754,971</u>
(154,132)	(5,832)	(159,964)
701,361	10,458	711,819
<u>\$ 547,229</u>	<u>4,626</u>	<u>551,855</u>

CLEARFIELD COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General	Other Governmental Funds	Total
ASSETS			
Cash and pooled investments	\$ 321,147	121,546	442,693
Receivables:			
Property tax			
Delinquent	6,495	386	6,881
Succeeding year	402,167	40,538	442,705
Income surtax	27,122	0	27,122
Due from other governments	16,529	24,307	40,836
TOTAL ASSETS	\$ 773,460	186,777	960,237
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other governments	\$ 58,905	0	58,905
Accounts payable	3,224	1,415	4,639
Deferred revenue:			
Succeeding year property tax	402,167	40,538	442,705
Income surtax	27,122	0	27,122
Total liabilities	491,418	41,953	533,371
Fund balances:			
Reserved for:			
Talented and gifted	1,237	0	1,237
Unreserved:			
Undesignated	280,805	144,824	425,629
Total fund balances	282,042	144,824	426,866
TOTAL LIABILITIES AND FUND BALANCES	\$ 773,460	186,777	960,237

SEE NOTES TO FINANCIAL STATEMENTS.

CLEARFIELD 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 (page 16)	\$	426,866
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not report as assets in in the governmental funds.		92,190
Blending of the Internal Service Funds to be reflected on an entity-wide basis.		3,215
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.		27,122
ISEBA assessment payable, is not yet due and payable in the current period due to the completion of a lawsuit settlement and, therefore, is not reported as a liability in the governmental funds.		(1,864)
Compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		(300)
 Net assets of governmental activites (page 13)	 \$	 <u>547,229</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CLEARFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General	Other Governmental Funds	Total
REVENUES:			
Local sources:			
Local tax	\$ 444,714	24,986	469,700
LOSST	0	43,686	43,686
Tuition	13,944	0	13,944
Other	31,074	3,324	34,398
State sources	387,081	0	387,081
Federal sources	255,501	0	255,501
Total revenues	<u>1,132,314</u>	<u>71,996</u>	<u>1,204,310</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular instruction	683,393	4,236	687,629
Special instruction	291,320	0	291,320
Other instruction	552	0	552
	<u>975,265</u>	<u>4,236</u>	<u>979,501</u>
Support services:			
Student services	10,989	511	11,500
Instructional staff services	7,789	511	8,300
Administration services	141,300	7,829	149,129
Operation and maintenance of plant services	70,627	9,359	79,986
Transportation services	40,287	55,294	95,581
	<u>270,992</u>	<u>73,504</u>	<u>344,496</u>
Non-instructional programs	<u>3,685</u>	<u>511</u>	<u>4,196</u>
Other expenditures:			
Facilities acquisition	0	1,325	1,325
AEA flowthrough	34,918	0	34,918
	<u>34,918</u>	<u>1,325</u>	<u>36,243</u>
Total expenditures	<u>1,284,860</u>	<u>79,576</u>	<u>1,364,436</u>
Deficiency of revenues under expenditures	(152,546)	(7,580)	(160,126)
Other financing sources:			
Sale of equipment	0	350	350
Net change in fund balances	(152,546)	(7,230)	(159,776)
Fund balance beginning of year	434,588	152,054	586,642
Fund balance end of year	<u>\$ 282,042</u>	<u>144,824</u>	<u>426,866</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CLEARFIELD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds (page 18) \$ (159,776)

*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. Capital outlays expenditures exceeded depreciation expense in the current year, as follows:

Capital expenditures	\$ 61,743	
Depreciation expense	<u>(55,610)</u>	6,133

Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis. 1,375

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in the governmental funds, as follows:

ISEBA Assessment	<u>(1,864)</u>
------------------	----------------

Changes in net assets of governmental activities (page 15) \$ (154,132)

SEE NOTES TO FINANCIAL STATEMENTS.

CLEARFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	Business-Type	
	Activities:	
	Enterprise	Governmental
	Fund	Activities:
	School	Internal
	Nutrition	Service Fund
ASSETS		
Cash and cash equivalents	\$ 2,289	3,724
Receivables:		
Accounts	0	0
Inventories	607	0
Capital assets, net of accumulated depreciation	1,753	0
TOTAL ASSETS	4,649	3,724
LIABILITIES		
Payables:		
Accounts	23	509
NET ASSETS		
Invested in capital assets, net of related debt	1,753	0
Unrestricted	2,873	3,215
TOTAL NET ASSETS	\$ 4,626	3,215

SEE NOTES TO FINANCIAL STATEMENTS.

CLEARFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	Business-Type	
	Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Other local sources:		
Sale of lunches and breakfasts:		
Students	\$ 9,552	0
Adults	1,940	0
A la carte	8	0
Miscellaneous	2,410	3,417
TOTAL OPERATING REVENUES	<u>13,910</u>	<u>3,417</u>
OPERATING EXPENSES:		
Salaries	24,473	0
Benefits	5,309	2,042
Services	124	0
Supplies	19,892	0
Other	59	0
Depreciation	239	0
TOTAL OPERATING EXPENSES	<u>50,096</u>	<u>2,042</u>
OPERATING LOSS (INCOME)	(36,186)	1,375
NON-OPERATING REVENUES:		
Interest	1	0
State sources	507	0
Federal sources	29,846	0
TOTAL NON-OPERATING REVENUES	<u>30,354</u>	<u>0</u>
Change in net assets	(5,832)	1,375
Net assets beginning of year	<u>10,458</u>	<u>1,840</u>
Net assets end of year	<u>\$ 4,626</u>	<u>3,215</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CLEARFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	Business-Type	
	Activities:	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 13,063	0
Cash received from miscellaneous operating activities	2,410	3,417
Cash payments to employees for services	(29,782)	(2,042)
Cash payments to suppliers for goods or services	(17,036)	509
Net cash provided by (used) in operating activities	(31,345)	1,884
Cash flows from non-capital financing activities:		
State grants received	507	0
Federal grants received	27,512	0
Net cash provided by non-capital financing activities	28,019	0
Cash flows from investing activities:		
Interest on investments	1	0
Net cash provided by investing activities	1	0
Net increase (decrease) in cash and cash equivalents	(3,325)	1,884
Cash and cash equivalents at beginning of year	5,614	1,840
Cash and cash equivalents at end of year	\$ 2,289	3,724
Reconciliation of operating loss to net cash used in operating activities:		
Operating gain (loss)	\$ (36,186)	1,375
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	2,334	0
Depreciation	239	0
Decrease in inventories	682	0
Decrease in accounts receivable	1,563	0
Increase in accounts payable	23	509
Net cash provided by (used) in operating activities	\$ (31,345)	1,884
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	\$ 2,289	3,724

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2005, the District received Federal commodities valued at \$2,334.

SEE NOTES TO FINANCIAL STATEMENTS.

CLEARFIELD COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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, various shared revenues, grants and reimbursements from other governments.

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

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

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

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Machinery and equipment	5-12 years

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

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

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

Compensated absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, no disbursements exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits 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 of 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.

At June 30, 2005, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 463,105

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets being depreciated:				
Buildings	\$ 142,542	0	0	142,542
Land improvements	23,002	0	0	23,002
Machinery and equipment	129,812	61,743	0	191,555
Total capital assets being depreciated	295,356	61,743	0	357,099
Less accumulated depreciation for:				
Buildings	142,542	0	0	142,542
Land improvements	4,600	1,150	0	5,750
Machinery and equipment	62,157	54,460	0	116,617
Total accumulated depreciation	209,299	55,610	0	264,909
Governmental activities capital assets, net	\$ 86,057	6,133	0	92,190
Business-type activities:				
Machinery and equipment	\$ 8,015	0	0	8,015
Less accumulated depreciation	6,023	239	0	6,262
Business-type activities capital assets, net	\$ 1,992	(239)	0	1,753

Depreciation expense was charged by the District as follows:

Governmental activities:		
Instruction:		
Regular		\$ 7,166
Special		2,532
Support services:		
Administration services		2,472
Transportation		42,290
		54,460
Unallocated depreciation		1,150
Total governmental activities depreciation expense		\$ 55,610
Business-type activities:		
Food services		\$ 239

(4) Long-Term Liabilities

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

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

(5) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$33,171, \$34,081, and \$30,639, respectively, equal to the required contributions for each year.

(6) Risk Management

The District was a member in the Iowa School Employee Benefits Association (ISEBA), an Iowa Code Chapter 28E organization until June 30, 2004. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members that terminated from ISEBA on June 30, 2004 received an assessment in December 2004 which is due July 1, 2005. The total assessment for terminated members is approximately \$3.9 million. The District's share of this assessment was \$1,864 which is recorded as a liability as of June 30, 2005.

The 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.

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

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$34,918 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

CLEARFIELD COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF RECEIPTS, DISBURSEMENTS AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types Actual	Proprietary Fund Type Actual
Receipts:		
Local sources	\$ 548,866	15,474
State sources	383,554	507
Federal sources	253,276	27,512
Total receipts	<u>1,185,696</u>	<u>43,493</u>
Disbursements:		
Instruction	921,289	0
Support services	342,364	0
Non-instructional programs	4,197	46,818
Other expenditures	36,243	0
Total disbursements	<u>1,304,093</u>	<u>46,818</u>
Deficiency of receipts under disbursements	(118,397)	(3,325)
Other financing sources, net	<u>350</u>	<u>0</u>
Deficiency of receipts under disbursements	(118,047)	(3,325)
Balance beginning of year	<u>560,740</u>	<u>5,614</u>
Balance end of year	<u>\$ 442,693</u>	<u>2,289</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
564,340	597,887	597,887	(33,547)
384,061	464,258	464,258	(80,197)
280,788	452,000	452,000	(171,212)
<u>1,229,189</u>	<u>1,514,145</u>	<u>1,514,145</u>	<u>(284,956)</u>
921,289	1,125,000	1,125,000	203,711
342,364	415,000	415,000	72,636
51,015	65,000	65,000	13,985
36,243	38,008	38,008	1,765
<u>1,350,911</u>	<u>1,643,008</u>	<u>1,643,008</u>	<u>292,097</u>
(121,722)	(128,863)	(128,863)	(7,141)
350	0	0	(350)
(121,372)	(128,863)	(128,863)	(7,491)
566,354	389,949	389,949	176,405
<u>444,982</u>	<u>261,086</u>	<u>261,086</u>	<u>168,914</u>

CLEARFIELD COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE-
 BUDGET TO GAAP RECONCILIATION
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2005

	Governmental Fund Types		
	Cash Basis	Accrual	
		Adjust- ments	Accrual Basis
Revenues	\$ 1,185,696	18,614	1,204,310
Expenses	1,304,093	60,343	1,364,436
Net	(118,397)	(41,729)	(160,126)
Other financing sources, net	350	0	350
Beginning fund balances	560,740	25,902	586,642
Ending fund balances	\$ 442,693	(15,827)	426,866

	Proprietary Fund Type		
	Enterprise		
	Cash Basis	Accrual	
Adjust- ments		Accrual Basis	
Revenues	\$ 43,493	771	44,264
Expenses	46,818	3,278	50,096
Net	(3,325)	(2,507)	(5,832)
Beginning net assets	5,614	4,844	10,458
Ending net assets	\$ 2,289	2,337	4,626

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

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

OTHER SUPPLEMENTAL INFORMATION

CLEARFIELD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2005

	Special Revenue Funds				
	Manage- ment	Physical Plant & Equipment Levy	Total Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
ASSETS					
Cash and pooled investments	\$ 36,560	48,023	84,583	36,963	121,546
Receivables:					
Property tax:					
Current year delinquent	309	77	386	0	386
Succeeding year	30,000	10,538	40,538	0	40,538
Due from other governments	0	0	0	24,307	24,307
TOTAL ASSETS	\$ 66,869	58,638	125,507	61,270	186,777
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable	\$ 0	1,415	1,415	0	1,415
Deferred revenue:					
Succeeding year property tax	30,000	10,538	40,538	0	40,538
	\$ 30,000	11,953	41,953	0	41,953
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	36,869	46,685	83,554	61,270	144,824
Total fund balances	36,869	46,685	83,554	61,270	144,824
TOTAL LIABILITIES AND FUND EQUITY	\$ 66,869	58,638	125,507	61,270	186,777

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLEARFIELD COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2005

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Physical Plant & Equipment Levy	Total Special Revenue	Capital Projects		
REVENUES:					
Local sources:					
Local tax	\$ 19,989	4,997	24,986	0	24,986
LOSST	0	0	0	43,686	43,686
Other	2,572	752	3,324	0	3,324
TOTAL REVENUES	<u>22,561</u>	<u>5,749</u>	<u>28,310</u>	<u>43,686</u>	<u>71,996</u>
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	4,236	0	4,236	0	4,236
Support services:					
Student services	511	0	511	0	511
Instructional staff services	511	0	511	0	511
Administration services	7,829	0	7,829	0	7,829
Operation and maintenance of plant services	2,977	6,382	9,359	0	9,359
Transportation services	3,551	51,743	55,294	0	55,294
	<u>15,379</u>	<u>58,125</u>	<u>73,504</u>	<u>0</u>	<u>73,504</u>
Non-instructional programs	511	0	511	0	511
Other expenditures:					
Facilities acquisitions	0	833	833	492	1,325
TOTAL EXPENDITURES	<u>20,126</u>	<u>58,958</u>	<u>79,084</u>	<u>492</u>	<u>79,576</u>
Excess (deficiency) of revenues over (under) expenditures before other financing sources	2,435	(53,209)	(50,774)	43,194	(7,580)
OTHER FINANCING SOURCES:					
Sale of equipment	0	350	350	0	350
Excess (deficiency) of revenues over (under) expenditures after other financing sources	2,435	(52,859)	(50,424)	43,194	(7,230)
Fund balance beginning of year	34,434	99,544	133,978	18,076	152,054
Fund balance end of year	<u>\$ 36,869</u>	<u>46,685</u>	<u>83,554</u>	<u>61,270</u>	<u>144,824</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis			
	Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 513,386	503,541	521,607	500,613
Tuition	13,944	66,207	38,752	39,247
Other	34,398	40,205	30,560	25,936
State sources	387,081	547,407	474,106	495,355
Federal sources	255,501	94,754	92,611	70,450
	<hr/>			
Total	\$ 1,204,310	1,252,114	1,157,636	1,131,601
<hr/>				
Expenditures:				
Instruction:				
Regular instruction	\$ 687,629	520,774	470,562	434,819
Special instruction	291,320	317,857	348,565	353,723
Other instruction	552	0	38	0
Support services:				
Student services	11,500	10,304	1,715	56
Instructional staff services	8,300	18,095	16,033	12,475
Administration services	149,129	123,122	122,823	114,892
Operation and maintenance of plant services	79,986	79,342	77,373	82,911
Transportation services	95,581	49,553	45,954	72,264
Non-instructional:				
Food service	4,196	0	1,398	10,540
Other expenditures:				
Facilities acquisition	1,325	0	0	0
AEA flow-through	34,918	36,496	37,760	38,452
	<hr/>			
Total	\$ 1,364,436	1,155,543	1,122,221	1,120,132
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SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

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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
Clearfield 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 Clearfield 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 September 29, 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 Clearfield 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 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 I-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clearfield Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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

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express an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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 Clearfield Community School District and other parties to whom Clearfield 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 Clearfield Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Nolte, Cornman, Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

September 29, 2005

CLEARFIELD 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:

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

CLEARFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part II: Other Findings Related to Statutory Reporting

- II-A-05 Official Depositories - A resolution naming official depositories have been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- II-B-05 Certified Budget - District disbursements for the year ended June 30, 2005, did not exceed the amount budgeted.
- II-C-05 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-D-05 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-05 Business Transactions - No business transactions between the District and District officials were noted.
- II-F-05 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-05 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-H-05 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-I-05 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-05 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.