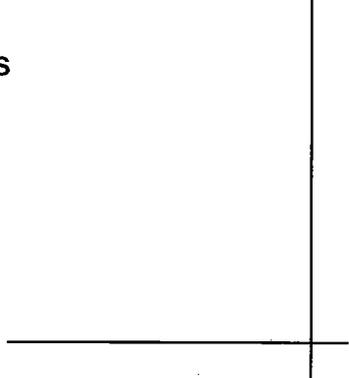


CLINTON COMMUNITY SCHOOL DISTRICT
Clinton, Iowa

FINANCIAL STATEMENTS
June 30, 2005



CLINTON COMMUNITY SCHOOL DISTRICT

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CLINTON COMMUNITY SCHOOL DISTRICT

OFFICIALS

| <u>Name</u> | <u>Title</u> | <u>Term</u> |
|--|--|----------------|
| Board of Education (Before September 2004 Election) | | |
| James Bruhn | President | September 2006 |
| Donald Flory | Vice President | September 2004 |
| Bruce Ingham | Board Member | September 2006 |
| Wendy Krajnovich | Board Member | September 2006 |
| Lester Shields | Board Member | September 2005 |
| James Tuisl | Board Member | September 2005 |
| Alma Mariano | Board Member | September 2004 |
| Board of Education (After September 2004 Election) | | |
| James Tuisl | President | September 2005 |
| Bruce Ingham | Vice President | September 2007 |
| Donald Flory | Board Member | September 2007 |
| Debra Olsen | Board Member | September 2007 |
| Wendy Krajnovich | Board Member | September 2006 |
| James Bruhn | Board Member | September 2006 |
| Lester Shields | Board Member | September 2005 |
| School Officials | | |
| Dr. Randall Clegg | Superintendent | 2005 |
| Gayle Isaac | District Secretary/Treasurer and Business Manager | 2005 |

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Clinton Community School District, Clinton, Iowa, as of and for the year ended June 30, 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 auditing standards generally accepted in the United States of America 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, business-type activities, each major fund, and the aggregate remaining fund information of Clinton Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2005, on our consideration of Clinton Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and 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 13 and 42 through 44 are not required parts of the basic financial statements, but are supplemental 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 supplemental 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 Clinton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 4, and the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in 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.

Clifton Henderson LLP

Clinton, Iowa
October 4, 2005

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

As management of the Clinton Community School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- General revenues accounted for \$34.3 million of the government-wide revenue, or 82.2% of all fiscal year 2005 revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$7.4 million or 17.8% of total fiscal year 2005 revenues.
- The District had approximately \$38.3 million in expenses related to governmental activities; of which \$5.6 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$34.3 million provided for the remaining costs of these programs.
- The General Fund had \$33.1 million in fiscal year 2005 revenues, which primarily consisted of state aid and property taxes, and \$34.8 million in expenditures. The General Fund's fund balance decreased by \$1.8 million.
- The District's solvency ratio (unreserved-undesignated general fund balance/general fund revenues) decreased from 11.6% to 4.3% (accrual based accounting). The State School Budget Review Committee recommends a solvency ratio of 5% - 10%.
- Interest rates increased from an average monthly yield rate of 0.704% in June 2004 to an average of 1.656% in June 2005. Even though the District increased spending, the rise in interest rates allowed interest earnings in the District to rise from \$179,427 in fiscal year 2004 to \$260,065 in fiscal year 2005.
- The District's total debt increased by approximately \$5.5 million during the current fiscal year. The total outstanding at the end of the fiscal year is \$13,850,000. This was due to the District entered into a refinancing transaction which will save the District approximately \$200,000 over the life of the bond.

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows of resources that can be spent, as well as on balances of resources that can be spent, that are available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 19 and 22, respectively.

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

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

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

Proprietary funds. Proprietary funds are used to account for activities that are similar to private business activities. Proprietary funds are reported in the same manner as the government-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provides more detail and additional information, such as cash flows. The District has two enterprise funds: School Nutrition and Student Construction. The District's internal service funds are used to account for health benefits for District employees and print shop activities. The internal service funds are allocated to the governmental activities column on the statement of activities. The basic proprietary fund financial statements can be found on pages 23-27 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 30-41 of this report.

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

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

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

The required supplemental information can be found on page 43-44 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$16.3 million as of June 30, 2005.

A portion of the District's net assets (55.2%) reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that are still outstanding. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The government-wide statements also include approximately \$14.0 million in long-term liabilities (see Note 5 on pages 37-39), including general obligation bonds, notes, and compensated absences.

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

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2005.

Condensed Statement of Net Assets (in millions of dollars)

| | Governmental Activities | | Business-type Activities | | Total School District | | Total Percentage Change |
|--|----------------------------|-------------|-----------------------------|-------------|--------------------------|-------------|-------------------------------|
| | <u>2004</u> | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004-2005</u> |
| Current and other assets | 30.3 | 29.1 | 1.0 | 1.1 | 31.3 | 30.2 | -3.5% |
| Capital assets | 8.9 | 16.4 | 0.2 | 0.5 | 9.1 | 16.9 | 85.7% |
| Total assets | 39.2 | 45.5 | 1.2 | 1.6 | 40.4 | 47.1 | 16.6% |
| Current and other liabilities | 17.5 | 16.7 | 0.0 | 0.0 | 17.5 | 16.7 | -4.6% |
| Long-term liabilities | 8.5 | 13.9 | 0.0 | 0.0 | 8.5 | 13.9 | 63.5% |
| Total liabilities | 26.0 | 30.6 | 0.0 | 0.0 | 26.0 | 30.6 | 17.7% |
| Invested in capital assets, net of related debt | 0.5 | 8.5 | 0.2 | 0.5 | 0.7 | 9.0 | 1185.7% |
| Unrestricted | 12.7 | 6.3 | 1.0 | 0.9 | 13.7 | 7.2 | -47.3% |
| Total net assets | 13.2 | 14.8 | 1.2 | 1.4 | 14.4 | 16.2 | 12.9% |

Note: totals may not add due to rounding

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2005 were \$41.8 million. The total cost of all programs and services was \$39.9 million. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005.

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

| | Governmental Activities | | Business-type Activities | | Total School District | | Total Percentage Change |
|--------------------------------------|----------------------------|-------------|-----------------------------|-------------|--------------------------|-------------|-------------------------------|
| | <u>2004</u> | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004-2005</u> |
| Revenues | | | | | | | |
| Program revenues | | | | | | | |
| Charges for services | 1.1 | 1.2 | 0.7 | 0.8 | 1.8 | 2.0 | 11.1% |
| Operating grants and contributions | 3.1 | 3.4 | 0.9 | 1.0 | 4.0 | 4.4 | 10.0% |
| Capital grants and contributions | - | 1.0 | - | - | 0.0 | 1.0 | 0.0% |
| General revenues | | | | | | | |
| Property and mobile home taxes | 9.7 | 9.8 | - | - | 9.7 | 9.8 | 1.0% |
| Local option sales taxes | 2.7 | 2.6 | - | - | 2.7 | 2.6 | -3.7% |
| AEA flowthrough | 1.3 | 1.3 | - | - | 1.3 | 1.3 | 0.0% |
| PPEL surtax | 0.3 | 0.1 | - | - | 0.3 | 0.1 | -66.7% |
| Unrestricted investment earnings | 0.2 | 0.3 | - | - | 0.2 | 0.3 | 50.0% |
| Unrestricted state aid | 18.0 | 18.8 | - | - | 18.0 | 18.8 | 4.4% |
| Other | 1.4 | 1.4 | 0.1 | 0.1 | 1.5 | 1.5 | 0.0% |
| Total revenues | 37.8 | 39.9 | 1.7 | 1.9 | 39.5 | 41.8 | 5.82% |
| Expenses | | | | | | | |
| Instruction | 24.1 | 24.8 | - | - | 24.1 | 24.8 | 2.9% |
| Support services | | | | | | | |
| Student services | 1.0 | 1.5 | - | - | 1.0 | 1.5 | 50.0% |
| Instructional staff services | 1.1 | 1.2 | - | - | 1.1 | 1.2 | 9.1% |
| Administration services | 2.3 | 2.5 | - | - | 2.3 | 2.5 | 8.7% |
| Plant operation and maintenance | 3.6 | 3.9 | - | - | 3.6 | 3.9 | 8.3% |
| Student transportation | 1.3 | 1.5 | - | - | 1.3 | 1.5 | 15.4% |
| Central support services | 0.7 | 0.8 | - | - | 0.7 | 0.8 | 14.3% |
| Non-instructional programs | 0.3 | 0.1 | 1.4 | 1.6 | 1.7 | 1.7 | 1.2% |
| Other expenditures | | | | | | | |
| Facilities acquisitions | 0.8 | 0.6 | - | - | 0.8 | 0.6 | -25.0% |
| Long-term debt interest | 0.3 | 0.1 | - | - | 0.3 | 0.1 | -66.7% |
| AEA flowthrough | 1.3 | 1.3 | - | - | 1.3 | 1.3 | 0.0% |
| Total expenses | 36.8 | 38.3 | 1.4 | 1.6 | 38.2 | 39.9 | 4.5% |
| Change in net assets | 1.0 | 1.6 | 0.3 | 0.3 | 1.3 | 1.9 | 44.5% |
| Net assets, beginning of year | 12.3 | 13.3 | 0.8 | 1.1 | 13.1 | 14.4 | |
| Net assets, end of year | 13.3 | 14.9 | 1.1 | 1.4 | 14.4 | 16.3 | 13.0% |

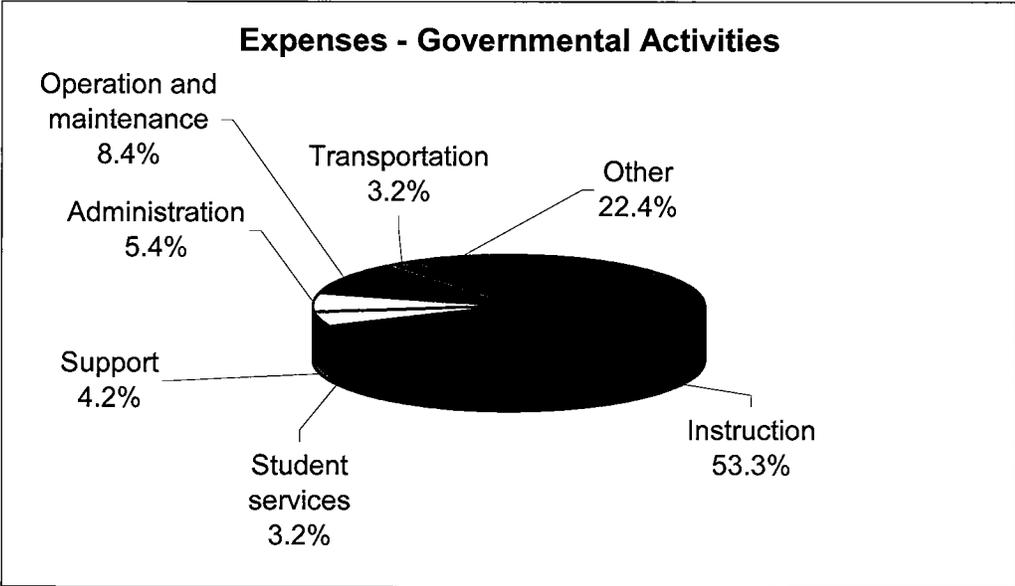
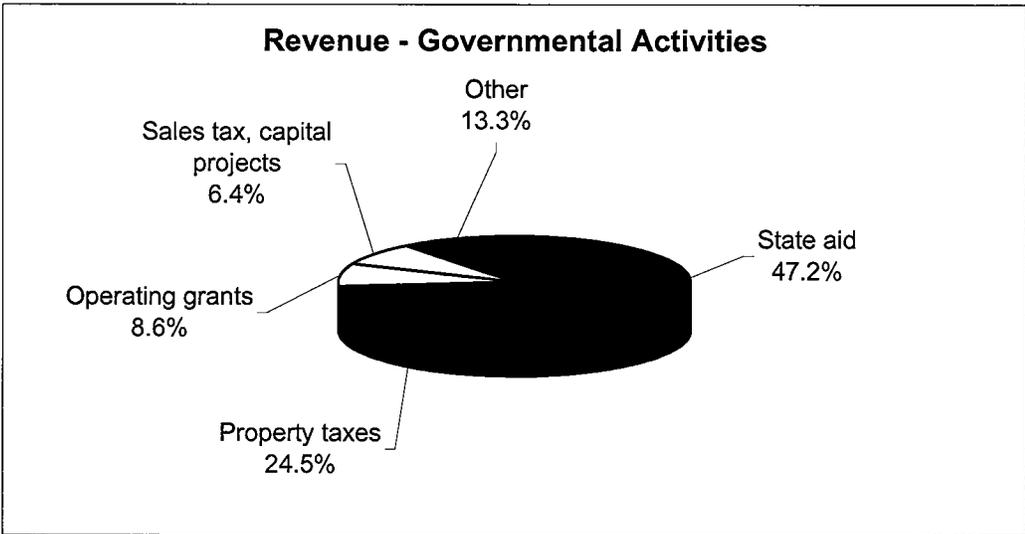
Note: totals may not add due to rounding

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

Governmental Activities

Unrestricted state aid, property taxes, and sales tax are the primary sources of revenue for the District. Sales tax revenue was \$109,300 more than the estimate established by the District due mostly to the upturn in the local economy. Economic conditions caused shortfalls in the budget for the State of Iowa.

Instruction constitutes the largest portion of expenditures at \$24.8 million or 53.3%. The District offers a wide array of programs including general education, special education, vocational and college preparatory classes. The purely administrative activities of the District accounted for 5.4% of total costs. Over 77% of the District's expenditures are salaries and benefits.



**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

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

Net Cost of Governmental Activities (in millions of dollars)

| | Total Cost of Services | | Percentage Change | Net Cost of Services | | Percentage Change |
|------------------------------------|-----------------------------------|-------------|------------------------------|---------------------------------|-------------|------------------------------|
| | 2004 | 2005 | 2004-2005 | 2004 | 2005 | 2004-2005 |
| Instruction | 24.1 | 24.8 | 2.9% | 20.3 | 20.6 | 1.5% |
| Student and Instructional Services | 2.1 | 2.7 | 28.6% | 1.9 | 2.4 | 26.3% |
| Administrative and Business | 2.3 | 2.5 | 8.7% | 2.3 | 2.5 | 8.7% |
| Maintenance and Operations | 3.6 | 3.9 | 8.3% | 3.6 | 3.9 | 8.3% |
| Transportation | 1.3 | 1.5 | 15.4% | 1.1 | 1.3 | 18.2% |
| Other | 3.5 | 4.5 | 28.6% | 3.5 | 2.0 | -42.9% |
| Total | 36.9 | 39.9 | 8.1% | 32.7 | 32.7 | 0.0% |

Note: totals may not add due to rounding

- The cost of all governmental activities this year was \$39.9 million.
- Federal and state governments and charges for services subsidized certain governmental activities with grants and contributions and other local revenues of \$5.6 million.
- Net cost of governmental activities (\$32.7 million) was financed by general revenues, which are made up of primarily property and local option sales tax (\$12.4 million) and state aid (\$20.2 million). Investment earnings, sale of equipment and miscellaneous sources accounted for \$1.9 million.

Business-type activities

Revenues of the District's business-type activities were \$1.9 million and expenses were \$1.6 million. The District's business-type activities include the Student Construction and School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and interest earnings.

The School Nutrition Fund primary expenses are staff and commodities. The District's free and reduced participation increased during the fiscal year, again due to the poor economy. The School Nutrition fund had a change in net assets of approximately \$123,000 for fiscal year 2005.

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$1.8 million. The General Fund balance is reserved or designated to indicate that it is not available for spending because it has already been committed, examples follow:

- \$118,065 for School Improvement Technology
- \$64,098 for Building Staff Development
- \$273,363 for Gifted and Talented Carryover
- \$192,196 for Decentralized Building Budget

The Local Option Sales Tax Fund balance is restricted for construction; the fund balance decreased by \$4.9 million, due mainly to the fact that the District has a new Jefferson Elementary school under construction at the present time.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Over the course of the year, the District did amend its annual operating budget. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplemental information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and other governmental funds are not presented in the budgetary comparison on pages 43-44.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$2.1 million more than the total budgeted receipts, a variance of 5.3%. The most significant change resulted in the District receiving more in taxes and state grants than originally anticipated, and budgeting for less local option sales tax revenue than realized.

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

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2005, the District had invested \$40.4 million in capital assets, including land, construction in progress, school buildings, athletic facilities, buses and other vehicles, computers, and other equipment. This amount represents a net increase prior to depreciation of approximately \$9,000,000 from last year, primarily due to new land, construction in progress, equipment and vehicles. Total depreciation expense for the year was \$1.3 million.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2005.

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

| | Governmental Activities | | Business-type Activities | | Total School District | | Total Percentage Change |
|--------------------------|------------------------------------|--------------------|-------------------------------------|--------------------|----------------------------------|--------------------|--|
| | <u>2004</u> | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004-2005</u> |
| Land | 0.9 | 1.0 | - | - | 0.9 | 1.0 | 0.0% |
| Construction in progress | - | 8.3 | - | 0.1 | 0.0 | 8.4 | 0.0% |
| Land improvements | 0.2 | 0.2 | - | - | 0.2 | 0.2 | 0.0% |
| Buildings | 6.5 | 6.1 | - | - | 6.5 | 6.1 | -6.2% |
| Equipment and furniture | 1.0 | 0.5 | 0.2 | 0.4 | 1.2 | 0.9 | -25.0% |
| Buses | 0.3 | 0.3 | - | - | 0.3 | 0.3 | 0.0% |
| Total Assets | 8.9 | 16.4 | 0.2 | 0.5 | 9.1 | 16.9 | 85.7% |

Note: totals may not add due to rounding

Additional information on the District's capital assets can be found in Note 4 on pages 36-37 of this report.

Debt Administration. At year-end, the District had \$13,850,000 in general obligation bonds and other long-term debt outstanding, of which \$525,000 is due within one year. The following table presents a summary of the District's outstanding long-term debt for the fiscal year ended June 30, 2005.

Outstanding Long-Term Debt (in millions of dollars)

| | Total School District | | Percentage Change |
|----------------------------|----------------------------------|-------------|------------------------------|
| | 2004 | 2005 | 2004-2005 |
| General obligation bonds | 7.2 | 12.7 | 76.4% |
| Quality zone academy bonds | 1.0 | 1.0 | 0.0% |
| PPEL notes | 0.2 | 0.1 | -50.0% |
| Compensated absences | 0.1 | 0.1 | 7.3% |
| Total | 8.5 | 13.9 | 63.5% |

Note: totals may not add due to rounding

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2005**

State statutes currently limit the amount of general obligation debt a district may issue to 5 percent of its total assessed valuation. The current debt limitation for the District is \$32,131,342, which is more than the District's outstanding general obligation debt.

Additional information on the District's long-term debt can be found in Note 5 on pages 37-39 of this report.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The proposed federal budget will cut a number of federal grants, some of which the District has relied on to provide programs for our students. These include the Carl Perkins grant and the Safe and Drug Free Schools grant.
- District enrollment increased in fiscal year 2004-2005 by 1 student, this positive note is offset by an increase in open enrolled students out of 37 students. Under Iowa's school funding formula, District funding is highly dependent upon District enrollments. Future enrollment stability is a critical element in maintaining a sound financial foundation.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2005

| | <u>Governmental</u> <u>Activities</u> | <u>Business-Type</u> <u>Activities</u> | <u>Total</u> |
|---|--|---|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 6,358,019 | \$ 1,070,092 | \$ 7,428,111 |
| Investments | 10,108,148 | -- | 10,108,148 |
| Property taxes receivable | | | |
| Current year delinquent | 183,897 | -- | 183,897 |
| Succeeding year | 10,790,000 | -- | 10,790,000 |
| Accrued interest receivable | 68,919 | -- | 68,919 |
| Other receivables | 13,687 | -- | 13,687 |
| Due from other governments | 1,591,225 | 12,031 | 1,603,256 |
| Inventories | -- | 52,933 | 52,933 |
| Other current assets | 49 | -- | 49 |
| Capital assets, net of accumulated depreciation | 16,415,567 | 476,797 | 16,892,364 |
| Total assets | <u>45,529,511</u> | <u>1,611,853</u> | <u>47,141,364</u> |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | 2,663,187 | 174,259 | 2,837,446 |
| Accrued payroll and deductions | 3,170,200 | -- | 3,170,200 |
| Accrued interest payable | 46,674 | -- | 46,674 |
| Deferred revenue | 10,790,000 | 11,085 | 10,801,085 |
| Long-term liabilities | | | |
| Portion due within one year: | | | |
| Bonds payable | 420,000 | -- | 420,000 |
| Capital loan notes | 105,000 | -- | 105,000 |
| Compensated absences | 130,928 | -- | 130,928 |
| Portion due after one year: | | | |
| Bonds payable | 13,325,000 | -- | 13,325,000 |
| Total liabilities | <u>30,650,989</u> | <u>185,344</u> | <u>30,836,333</u> |
| NET ASSETS | | | |
| Investment in capital assets, net of related debt | 8,540,587 | 476,797 | 9,017,384 |
| Restricted for: | | | |
| Physical plant and equipment | 165,950 | -- | 165,950 |
| Unrestricted | 6,171,985 | 949,712 | 7,121,697 |
| Total net assets | <u>\$ 14,878,522</u> | <u>\$ 1,426,509</u> | <u>\$ 16,305,031</u> |

See notes to financial statements.

**CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2005**

| Functions/Programs | Expenses | Charges for Service | Program Revenues | |
|---------------------------------------|----------------------|----------------------------|---|---|
| | | | Operating Grants, Contributions, and Restricted Interest | Capital Grants, Contributions, and Restricted Interest |
| Governmental activities: | | | | |
| Instruction | | | | |
| Regular instruction | \$ 14,587,667 | \$ 220,748 | \$ 2,141,685 | \$ -- |
| Special instruction | 8,076,416 | 231,227 | 948,784 | -- |
| Other instruction | 2,166,743 | 611,022 | 3,814 | -- |
| | <u>24,830,826</u> | <u>1,062,997</u> | <u>3,094,283</u> | <u>-</u> |
| Support services | | | | |
| Student services | 1,483,900 | -- | 284,637 | -- |
| Instructional staff services | 1,171,251 | -- | -- | -- |
| General administration | 527,096 | -- | -- | -- |
| Building administration | 1,588,919 | -- | -- | -- |
| Business administration | 396,443 | 3,134 | -- | -- |
| Plant operations and maintenance | 3,903,858 | 24,291 | -- | -- |
| Student transportation | 1,491,886 | 122,486 | 57,314 | -- |
| Central support services | 794,977 | -- | -- | -- |
| | <u>11,358,330</u> | <u>149,911</u> | <u>341,951</u> | <u>-</u> |
| Non-instructional programs | <u>121,067</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| Other expenditures | | | | |
| Facilities acquisition | 570,947 | -- | -- | 1,000,000 |
| Long-term debt interest | 121,419 | -- | -- | -- |
| AEA flowthrough | 1,339,758 | -- | -- | -- |
| | <u>2,032,124</u> | <u>--</u> | <u>--</u> | <u>1,000,000</u> |
| Total governmental activities | <u>38,342,347</u> | <u>1,212,908</u> | <u>3,436,234</u> | <u>1,000,000</u> |
| Business-type activities: | | | | |
| Non-instructional programs | | | | |
| Nutrition services | 1,541,016 | 687,226 | 977,050 | -- |
| Student construction | 124,282 | 135,189 | -- | -- |
| Total business-type activities | <u>1,665,298</u> | <u>822,415</u> | <u>977,050</u> | <u>--</u> |
| Total | <u>\$ 40,007,645</u> | <u>\$ 2,035,323</u> | <u>\$ 4,413,284</u> | <u>\$ 1,000,000</u> |

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

CHANGE IN NET ASSETS

NET ASSETS, BEGINNING OF YEAR

NET ASSETS, END OF YEAR

See notes to financial statements.

EXHIBIT B

Net (Expenses) Revenues
and Changes in Net Assets

| Governmental Activities | Business-Type Activities | Total |
|----------------------------|-----------------------------|----------------------|
| \$ (12,225,234) | \$ -- | \$ (12,225,234) |
| (6,896,405) | -- | (6,896,405) |
| (1,551,907) | -- | (1,551,907) |
| <u>(20,673,546)</u> | <u>--</u> | <u>(20,673,546)</u> |
| (1,199,263) | -- | (1,199,263) |
| (1,171,251) | -- | (1,171,251) |
| (527,096) | -- | (527,096) |
| (1,588,919) | -- | (1,588,919) |
| (393,309) | -- | (393,309) |
| (3,879,567) | -- | (3,879,567) |
| (1,312,086) | -- | (1,312,086) |
| (794,977) | -- | (794,977) |
| <u>(10,866,468)</u> | <u>--</u> | <u>(10,866,468)</u> |
| <u>(121,067)</u> | <u>--</u> | <u>(121,067)</u> |
| 429,053 | -- | 429,053 |
| (121,419) | -- | (121,419) |
| (1,339,758) | -- | (1,339,758) |
| <u>(1,032,124)</u> | <u>--</u> | <u>(1,032,124)</u> |
| <u>(32,693,205)</u> | <u>--</u> | <u>(32,693,205)</u> |
| -- | 123,260 | 123,260 |
| -- | 10,907 | 10,907 |
| -- | 134,167 | 134,167 |
| <u>(32,693,205)</u> | <u>134,167</u> | <u>(32,559,038)</u> |
| 9,805,217 | -- | 9,805,217 |
| 2,576,746 | -- | 2,576,746 |
| 136,930 | -- | 136,930 |
| 68,375 | -- | 68,375 |
| 18,852,397 | -- | 18,852,397 |
| 1,339,758 | -- | 1,339,758 |
| 260,065 | -- | 260,065 |
| (186,384) | 186,384 | - |
| 1,464,580 | -- | 1,464,580 |
| <u>34,317,684</u> | <u>186,384</u> | <u>34,504,068</u> |
| 1,624,479 | 320,551 | 1,945,030 |
| <u>13,254,043</u> | <u>1,105,958</u> | <u>14,360,001</u> |
| <u>\$ 14,878,522</u> | <u>\$ 1,426,509</u> | <u>\$ 16,305,031</u> |

CLINTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
 June 30, 2005

EXHIBIT C

| | General | Local Option | | | Debt Service Fund | Nonmajor Funds | Total |
|--|----------------------|---------------------|---------------------|---------------------|----------------------|----------------|-------|
| | | General | Sales Tax Fund | | | | |
| ASSETS | | | | | | | |
| Cash (overdrafts) and cash equivalents | \$ (397,949) | \$ (2,719,981) | \$ 6,117,215 | \$ (136,462) | \$ 2,862,823 | | |
| Investments | 4,769,232 | 5,338,498 | 418 | -- | 10,108,148 | | |
| Property taxes receivable | | | | | | | |
| Current year delinquent | 153,132 | -- | 13,822 | 16,943 | 183,897 | | |
| Succeeding year | 8,837,000 | -- | 832,000 | 1,121,000 | 10,790,000 | | |
| Accrued interest receivable | 45,492 | -- | 21,759 | 1,668 | 68,919 | | |
| Other receivables | 13,687 | -- | -- | -- | 13,687 | | |
| Due from other governments | 1,121,866 | 469,359 | -- | -- | 1,591,225 | | |
| Other current assets | 49 | -- | -- | -- | 49 | | |
| TOTAL ASSETS | \$ 14,542,509 | \$ 3,087,876 | \$ 6,985,214 | \$ 1,003,149 | \$ 25,618,748 | | |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities | | | | | | | |
| Accounts payable and accrued liabilities | \$ 457,848 | \$ 1,341,232 | \$ 10,500 | \$ 155,123 | \$ 1,964,703 | | |
| Accrued payroll and deductions | 3,170,200 | -- | -- | -- | 3,170,200 | | |
| Deferred revenue | 8,837,000 | -- | 832,000 | 1,121,000 | 10,790,000 | | |
| Total liabilities | 12,465,048 | 1,341,232 | 842,500 | 1,276,123 | 15,924,903 | | |
| Fund balances | | | | | | | |
| Reserved for: | | | | | | | |
| Special revenue fund carryover | 647,724 | -- | -- | -- | 647,724 | | |
| Debt service | -- | -- | 6,142,714 | -- | 6,142,714 | | |
| Unreserved | 1,429,737 | 1,746,644 | -- | (272,974) | 2,903,407 | | |
| Total fund balances | 2,077,461 | 1,746,644 | 6,142,714 | (272,974) | 9,693,845 | | |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 14,542,509 | \$ 3,087,876 | \$ 6,985,214 | \$ 1,003,149 | \$ 25,618,748 | | |

See notes to financial statements.

**CLINTON 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 18) \$ 9,693,845

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 16,403,342

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. (46,674)

The Internal Service Funds are used by management to charge the costs of self funding the District's health insurance benefit plan and print shop activities to individual funds.

The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

| | | |
|----------------------------------|------------------|-----------|
| Capital assets | 12,225 | |
| Remaining assets and liabilities | <u>2,796,712</u> | 2,808,937 |

Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (13,980,928)

Net assets of governmental activities (page 15) \$ 14,878,522

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 Year Ended June 30, 2005

| | General | Local Option Sales Tax Fund | Debt Service Fund | Nonmajor Governmental Funds | Total |
|----------------------------------|-------------------|-----------------------------------|----------------------|-----------------------------------|-------------------|
| REVENUES | | | | | |
| Local sources | | | | | |
| Taxes | \$ 8,208,682 | \$ 2,576,746 | \$ 785,019 | \$ 948,446 | \$ 12,518,893 |
| Intermediate sources | | | | | |
| Interest on investments | 81,541 | 130,753 | 36,563 | 11,208 | 260,065 |
| Miscellaneous | 748,713 | -- | 25,110 | 871,329 | 1,645,152 |
| State sources | 21,919,637 | -- | -- | -- | 21,919,637 |
| Federal sources | 2,141,686 | 1,000,000 | -- | -- | 3,141,686 |
| Total revenues | <u>33,100,259</u> | <u>3,707,499</u> | <u>846,692</u> | <u>1,830,983</u> | <u>39,485,433</u> |
| EXPENDITURES | | | | | |
| Current operating: | | | | | |
| Instruction | | | | | |
| Regular instruction | 13,461,049 | -- | -- | 368,843 | 13,829,892 |
| Special instruction | 8,072,964 | -- | -- | 3,452 | 8,076,416 |
| Other instruction | 1,414,467 | -- | -- | 752,276 | 2,166,743 |
| Total instruction | <u>22,948,480</u> | <u>--</u> | <u>--</u> | <u>1,124,571</u> | <u>24,073,051</u> |
| Support services | | | | | |
| Student services | 1,477,230 | -- | -- | 6,670 | 1,483,900 |
| Instructional staff services | 1,171,005 | -- | -- | 246 | 1,171,251 |
| General administration | 423,803 | -- | -- | 600 | 424,403 |
| Building administration | 1,589,125 | -- | -- | -- | 1,589,125 |
| Business administration | 396,758 | -- | -- | -- | 396,758 |
| Plant operations and maintenance | 3,048,208 | -- | -- | 917,137 | 3,965,345 |
| Student transportation | 1,456,090 | -- | -- | 45,134 | 1,501,224 |
| Central support services | 786,908 | -- | -- | 8,069 | 794,977 |
| Total support services | <u>10,349,127</u> | <u>--</u> | <u>--</u> | <u>977,856</u> | <u>11,326,983</u> |

EXHIBIT E
(CONTINUED)

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

| | General | Local Option Sales Tax Fund | Debt Service Fund | Nonmajor Governmental Funds | Total |
|---|---------------------|-----------------------------------|----------------------|-----------------------------------|---------------------|
| Non-instructional programs | \$ 114,934 | \$ -- | \$ -- | \$ 4,398 | \$ 119,332 |
| Other expenditures | -- | 8,646,226 | -- | 212,921 | 8,859,147 |
| Facilities acquisition | -- | -- | 495,000 | -- | 495,000 |
| Long-term debt | -- | -- | 408,953 | -- | 408,953 |
| Principal | -- | -- | -- | -- | -- |
| Interest and finance charges | -- | -- | 408,953 | -- | 408,953 |
| AEA flowthrough | 1,339,758 | -- | -- | -- | 1,339,758 |
| Total other expenditures | 1,339,758 | 8,646,226 | 903,953 | 212,921 | 11,102,858 |
| Total expenditures | 34,752,299 | 8,646,226 | 903,953 | 2,319,746 | 46,622,224 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(1,652,040)</u> | <u>(4,938,727)</u> | <u>(57,261)</u> | <u>(488,763)</u> | <u>(7,136,791)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Bond proceeds | -- | -- | 5,975,000 | -- | 5,975,000 |
| Transfers in | 1,000 | -- | 108,505 | -- | 109,505 |
| Transfers out | (186,384) | -- | -- | (109,505) | (295,889) |
| Total other financing sources (uses) | <u>(185,384)</u> | <u>--</u> | <u>6,083,505</u> | <u>(109,505)</u> | <u>5,788,616</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | <u>(1,837,424)</u> | <u>(4,938,727)</u> | <u>6,026,244</u> | <u>(598,268)</u> | <u>(1,348,175)</u> |
| FUND BALANCES, BEGINNING OF YEAR | 3,914,885 | 6,685,371 | 116,470 | 325,294 | 11,042,020 |
| FUND BALANCES, END OF YEAR | <u>\$ 2,077,461</u> | <u>\$ 1,746,644</u> | <u>\$ 6,142,714</u> | <u>\$ (272,974)</u> | <u>\$ 9,693,845</u> |

See notes to financial statements.

**CLINTON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2005**

Net change in fund balances - total governmental funds (page 21) **\$ (1,348,175)**

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

| | | |
|----------------------|--------------------|-----------|
| Capital outlays | \$ 8,721,343 | |
| Depreciation expense | <u>(1,212,195)</u> | 7,509,148 |

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 it reduces long-term liabilities in the Statement of Net Assets.

| | | |
|--------|----------------|-------------|
| Issued | (5,975,000) | |
| Repaid | <u>495,000</u> | (5,480,000) |

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

| | | |
|------------------------------------|--|---------|
| Change in accrued interest payable | | 287,534 |
|------------------------------------|--|---------|

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

| | | |
|--------------------------------|--|---------|
| Change in compensated absences | | (5,517) |
|--------------------------------|--|---------|

The Internal Service Funds are used by management to charge the costs of employee health benefits and printing to individual funds. The net revenue of the Internal Service Funds is reported with governmental activities.

| | | |
|-----------------------------------|----------------|----------------|
| Depreciation expense | (6,290) | |
| Net revenue of remaining accounts | <u>667,779</u> | <u>661,489</u> |

Change in net assets of governmental activities (page 17) **\$ 1,624,479**

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2005

| | Enterprise Fund | | | Internal Service Funds | | | Total Internal Service |
|--|---------------------|-------------------------|---------------------|------------------------|------------|------|------------------------------|
| | School Nutrition | Nonmajor | | Insurance | Print | Shop | |
| | | Student Construction | Total Enterprise | | | | |
| ASSETS | | | | | | | |
| Current assets: | | | | | | | |
| Cash and cash equivalents | \$ 976,097 | \$ 93,995 | \$ 1,070,092 | \$ 3,498,516 | \$ (3,320) | | \$ 3,495,196 |
| Due from other governments | 12,031 | -- | 12,031 | -- | -- | | -- |
| Inventories | 52,933 | -- | 52,933 | -- | -- | | -- |
| Total current assets | 1,041,061 | 93,995 | 1,135,056 | 3,498,516 | (3,320) | | 3,495,196 |
| Noncurrent assets: | | | | | | | |
| Land and construction in progress | -- | 104,209 | 104,209 | -- | -- | | -- |
| Furniture and equipment | 492,070 | -- | 492,070 | -- | 99,681 | | 99,681 |
| Less accumulated depreciation | (119,482) | -- | (119,482) | -- | (87,456) | | (87,456) |
| Total noncurrent assets | 372,588 | 104,209 | 476,797 | -- | 12,225 | | 12,225 |
| Total assets | 1,413,649 | 198,204 | 1,611,853 | 3,498,516 | 8,905 | | 3,507,421 |
| LIABILITIES | | | | | | | |
| Accounts payable and accrued liabilities | 173,346 | 913 | 174,259 | 48,993 | 4,602 | | 53,595 |
| Claims payable | -- | -- | -- | 644,889 | -- | | 644,889 |
| Deferred revenue | 11,085 | -- | 11,085 | -- | -- | | -- |
| Total liabilities | 184,431 | 913 | 185,344 | 693,882 | 4,602 | | 698,484 |
| NET ASSETS | | | | | | | |
| Invested in capital assets | 372,588 | 104,209 | 476,797 | -- | 12,225 | | 12,225 |
| Unrestricted | 856,630 | 93,082 | 949,712 | 2,804,634 | (7,922) | | 2,796,712 |
| Total net assets | \$ 1,229,218 | \$ 197,291 | \$ 1,426,509 | \$ 2,804,634 | \$ 4,303 | | \$ 2,808,937 |

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2005

EXHIBIT H

| | <u>Enterprise Funds</u> | | |
|--------------------------------------|-------------------------|---------------------------------------|-----------------------------------|
| | <u>School Nutrition</u> | <u>Nonmajor</u> | <u>Total</u> <u>Enterprise</u> |
| | | <u>Student</u> <u>Construction</u> | |
| OPERATING REVENUES | | | |
| Local sources | | | |
| Food service sales | \$ 687,226 | \$ -- | \$ 687,226 |
| Building trades house sale | -- | 135,189 | 135,189 |
| Charges to other funds | -- | -- | -- |
| Total operating revenues | <u>687,226</u> | <u>135,189</u> | <u>822,415</u> |
| OPERATING EXPENSES | | | |
| Non-instructional programs | | | |
| Food service operations | | | |
| Salaries | 529,806 | -- | 529,806 |
| Employee benefits | 148,891 | -- | 148,891 |
| Other purchased services | 75,263 | -- | 75,263 |
| Supplies | 752,359 | -- | 752,359 |
| Depreciation | 34,697 | -- | 34,697 |
| Construction | | | |
| Other purchased services | -- | 113,747 | 113,747 |
| Supplies | -- | 10,535 | 10,535 |
| Other operating costs | -- | -- | -- |
| Total operating expenses | <u>1,541,016</u> | <u>124,282</u> | <u>1,665,298</u> |
| Operating income (loss) | <u>(853,790)</u> | <u>10,907</u> | <u>(842,883)</u> |
| NON-OPERATING REVENUES | | | |
| State sources | 19,369 | -- | 19,369 |
| Federal sources | | | |
| Federal food commodities | 73,349 | -- | 73,349 |
| Federal subsidy | 866,523 | -- | 866,523 |
| Interest on investments | 17,809 | -- | 17,809 |
| Total non-operating revenues | <u>977,050</u> | <u>--</u> | <u>977,050</u> |
| OTHER FINANCING SOURCES | | | |
| Operating transfers in | -- | 186,384 | 186,384 |
| CHANGE IN NET ASSETS | 123,260 | 197,291 | 320,551 |
| NET ASSETS, BEGINNING OF YEAR | <u>1,105,958</u> | <u>--</u> | <u>1,105,958</u> |
| NET ASSETS, END OF YEAR | <u>\$ 1,229,218</u> | <u>\$ 197,291</u> | <u>\$ 1,426,509</u> |

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2005

EXHIBIT H
(CONTINUED)

| | Internal Service Funds | | |
|--------------------------------------|------------------------|------------|------------------------|
| | Insurance | Print Shop | Total Internal Service |
| OPERATING REVENUES | | | |
| Local sources | | | |
| Food service sales | \$ -- | \$ -- | \$ -- |
| Building trades house sale | -- | -- | -- |
| Charges to other funds | 5,026,626 | 53,043 | 5,079,669 |
| Total operating revenues | 5,026,626 | 53,043 | 5,079,669 |
| OPERATING EXPENSES | | | |
| Non-instructional programs | | | |
| Food service operations | | | |
| Salaries | -- | -- | -- |
| Employee benefits | -- | -- | -- |
| Other purchased services | -- | -- | -- |
| Supplies | -- | -- | -- |
| Depreciation | -- | -- | -- |
| Construction | | | |
| Other purchased services | -- | -- | -- |
| Supplies | -- | -- | -- |
| Other operating costs | 4,400,725 | 67,254 | 4,467,979 |
| Total operating expenses | 4,400,725 | 67,254 | 4,467,979 |
| Operating income (loss) | 625,901 | (14,211) | 611,690 |
| NON-OPERATING REVENUES | | | |
| State sources | -- | -- | -- |
| Federal sources | | | |
| Federal food commodities | -- | -- | -- |
| Federal subsidy | -- | -- | -- |
| Interest on investments | 49,799 | -- | 49,799 |
| Total non-operating revenues | 49,799 | -- | 49,799 |
| OTHER FINANCING SOURCES | | | |
| Operating transfers in | -- | -- | -- |
| CHANGE IN NET ASSETS | 675,700 | (14,211) | 661,489 |
| NET ASSETS, BEGINNING OF YEAR | 2,128,934 | 18,514 | 2,147,448 |
| NET ASSETS, END OF YEAR | \$ 2,804,634 | \$ 4,303 | \$ 2,808,937 |

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Year Ended June 30, 2005

| | Enterprise Funds | | | Internal Service Funds | | | Total Internal Service |
|---|------------------|----------------------|-----------|------------------------|------------|---------------------|------------------------------|
| | School Nutrition | Nonmajor | | Insurance | Print Shop | Total Enterprise | |
| | | Student Construction | | | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | |
| Cash received from sale of lunches and breakfasts | \$ 687,055 | \$ -- | -- | \$ -- | -- | \$ 687,055 | \$ -- |
| Cash received from sale of building trades house | -- | 135,189 | | -- | -- | 135,189 | -- |
| Cash received from operating fund reimbursements | -- | 186,384 | | 5,026,626 | 53,043 | 186,384 | 5,079,669 |
| Cash payments to employees for services | (673,936) | -- | -- | -- | -- | (673,936) | -- |
| Cash payments to suppliers for goods and services | (583,051) | (123,369) | | (4,282,523) | (56,363) | (706,420) | (4,338,886) |
| Net cash provided by (used in) operating activities | (569,932) | 198,204 | | 744,103 | (3,320) | (371,728) | 740,783 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | | | | | |
| Operating grants received | 885,736 | -- | | -- | -- | 885,736 | -- |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | | |
| Purchase of equipment | (254,135) | | (104,209) | -- | -- | (358,344) | -- |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | |
| Interest on investments | 17,809 | -- | | 49,799 | -- | 17,809 | 49,799 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 79,478 | 93,995 | | 793,902 | (3,320) | 173,473 | 790,562 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 896,619 | -- | | 2,704,614 | -- | 896,619 | 2,704,614 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 976,097 | \$ 93,995 | | \$ 3,498,516 | \$ (3,320) | \$ 1,070,092 | \$ 3,495,196 |

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2005

| | Enterprise Funds | | | Internal Service Funds | | | Total Internal Service |
|--------------|------------------|-------------------------------------|---------------------|------------------------|---------------|------------|------------------------------|
| | School Nutrition | Nonmajor Student Construction | Total Enterprise | Insurance | Print Shop | | |
| \$ (853,790) | \$ 10,907 | \$ (842,883) | \$ 625,901 | \$ (14,211) | \$ 611,690 | | |
| 82,276 | -- | 82,276 | -- | -- | -- | -- | |
| 34,697 | -- | 34,697 | -- | 6,289 | 6,289 | 6,289 | |
| -- | 186,384 | 186,384 | -- | -- | -- | -- | |
| -- | -- | -- | -- | -- | -- | -- | |
| 7,086 | -- | 7,086 | -- | -- | -- | -- | |
| 159,970 | 913 | 160,883 | 28,310 | 4,602 | 32,912 | 32,912 | |
| -- | -- | -- | 89,892 | -- | 89,892 | 89,892 | |
| (171) | -- | (171) | -- | -- | -- | -- | |
| \$ (569,932) | \$ 198,204 | \$ (371,728) | \$ 744,103 | \$ (3,320) | \$ 740,783 | \$ 740,783 | |

RECONCILIATION OF OPERATING INCOME (LOSS) TO
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

Operating income (loss)
Adjustments to reconcile operating income (loss)
to net cash provided by (used in) operating activities:
Commodities used
Depreciation
Transfers from other funds
Decrease in other receivables
Increase in inventories
Increase in accounts payable
Increase in accrued liabilities
Increase in deferred revenues

Net cash provided by (used in) operating activities

NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

During the year ended June 30, 2005, the District received \$73,349 of federal commodities.

See notes to financial statements.

**CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2005**

| | <u>Private Purpose Trust Scholarship</u> | <u>Agency Fund</u> |
|-----------------------------|--|------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 357,598 | \$ 6,471 |
| Accrued interest receivable | 7,085 | -- |
| Total assets | <u>364,683</u> | <u>6,471</u> |
| LIABILITIES | | |
| Accounts payable | 11,910 | -- |
| Due to other groups | -- | 6,471 |
| Total liabilities | <u>11,910</u> | <u>6,471</u> |
| NET ASSETS | | |
| Reserved for scholarships | <u>\$ 352,773</u> | <u>\$ --</u> |

See notes to financial statements.

**CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2005**

| | <u>Private Purpose Trust Scholarship</u> |
|--------------------------------------|---|
| ADDITIONS | |
| Local sources | |
| Interest | \$ 14,279 |
| Memorials/contributions | <u>2,000</u> |
| Total additions | <u>16,279</u> |
| DEDUCTIONS | |
| Support services | |
| Scholarships | <u>11,910</u> |
| CHANGE IN NET ASSETS | 4,369 |
| NET ASSETS, BEGINNING OF YEAR | <u>348,404</u> |
| NET ASSETS, END OF YEAR | <u><u>\$ 352,773</u></u> |

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

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

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

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

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

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

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

The District reports the following major governmental funds:

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

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

The Debt Service Fund is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt.

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

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

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

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

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

D. Assets, Liabilities, and Fund Equity

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

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| | |
|-------------------------|--------|
| Land | \$ 500 |
| Land improvements | 500 |
| Buildings | 500 |
| Furniture and equipment | 500 |

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

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

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

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

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

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplemental Information. During the year ended June 30, 2005, disbursements in the support services, non-instructional programs and other expenditures functional areas exceeded the amounts budgeted.

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

NOTE 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.

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

| | <u>Amortized Cost</u> |
|-----------------------|---------------------------|
| Diversified Portfolio | <u>\$10,108,148</u> |

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

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

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

NOTE 3 - INTERFUND TRANSFERS

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

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|-----------------------------------|---------------------|----------------------|
| General fund | \$ 1,000 | \$ 186,384 |
| Debt service fund | 108,505 | -- |
| Nonmajor governmental funds | | |
| Management fund | -- | 1,000 |
| Physical plant and equipment fund | -- | 108,505 |
| Nonmajor proprietary funds | | |
| Student construction fund | <u>186,384</u> | <u>--</u> |
| Total | <u>\$ 295,889</u> | <u>\$ 295,889</u> |

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

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 4 - CAPITAL ASSETS

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

| | Balance June 30, 2004 | Additions | Deletions | Balance June 30, 2005 |
|---|--------------------------------------|---------------------|-------------------|--------------------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 898,550 | \$ 125,290 | \$ -- | \$ 1,023,840 |
| Construction in progress | -- | 8,288,200 | -- | 8,288,220 |
| Total capital assets not being depreciated | 898,550 | 8,413,490 | -- | 9,312,060 |
| Capital assets being depreciated: | | | | |
| Land improvements | 989,429 | -- | -- | 989,429 |
| Buildings | 20,025,949 | -- | -- | 20,025,949 |
| Furniture and equipment | 7,173,838 | 158,323 | -- | 7,332,161 |
| Buses and other pupil transportation equipment | 2,080,226 | 149,530 | (58,652) | 2,171,104 |
| Total capital assets being depreciated | 30,269,442 | 307,853 | (58,652) | 30,518,643 |
| Less accumulated depreciation for: | | | | |
| Land improvements | 767,658 | 37,689 | -- | 805,347 |
| Buildings | 13,534,651 | 354,530 | -- | 13,889,181 |
| Furniture and equipment | 6,154,824 | 691,482 | -- | 6,846,306 |
| Buses and other pupil transportation equipment | 1,798,150 | 134,784 | (58,652) | 1,874,282 |
| Total accumulated depreciation | 22,255,283 | 1,218,485 | (58,652) | 23,415,116 |
| Total capital assets being depreciated, net | 8,014,159 | (910,632) | -- | 7,103,527 |
| Governmental activities capital assets, net | \$ 8,912,709 | \$ 7,502,858 | \$ -- | \$16,415,587 |
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Construction in progress | \$ -- | \$ 104,209 | \$ -- | \$ 104,209 |
| Capital assets being depreciated: | | | | |
| Furniture and equipment | 259,279 | 254,135 | (21,344) | 492,070 |
| Less accumulated depreciation | 104,351 | 34,697 | (19,566) | 119,482 |
| Capital assets being depreciated, net: | 154,928 | 219,438 | (1,778) | 372,588 |
| Business-type activities capital assets, net | \$ 154,928 | \$ 323,647 | \$ (1,778) | \$ 476,797 |

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

 Regular \$ 933,097

Support services:

 General administration 129,071

 Plant operations and maintenance 14,713

 Student transportation 139,869

 Non-instructional 1,735

Total depreciation expense - governmental activities \$ 1,218,485

Business-type activities:

School nutrition:

 Food service operations \$ 34,697

NOTE 5 - LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

| | <u>Balance Beginning of Year</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance End of Year</u> | <u>Due Within One Year</u> |
|--------------------------|--|---------------------|---------------------|------------------------------------|------------------------------------|
| General obligation bonds | \$ 8,165,000 | \$ 5,975,000 | \$ (395,000) | \$ 13,745,000 | \$ 420,000 |
| Capital loan notes | 205,000 | -- | (100,000) | 105,000 | 105,000 |
| Compensated absences | <u>125,413</u> | <u>174,670</u> | <u>(169,155)</u> | <u>130,928</u> | <u>130,928</u> |
| Total | <u>\$ 8,495,413</u> | <u>\$ 6,149,670</u> | <u>\$ (664,155)</u> | <u>\$ 13,980,928</u> | <u>\$ 655,928</u> |

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five on or before June 30 of the current school year. Employees must complete an application and a written resignation that is required to be accepted by the Board of Education. The early retirement incentive for each eligible employee is equal to \$500 for each year of service the employee has provided to the District to be applied to the payment of the participant's premiums under the District's health insurance plan. An employee will only be allowed to continue participation in the District's health insurance plan as long as there are funds available to pay the premiums or until age 65, whichever comes first. The adoption of the plan does not vest any rights in any employee whether or not the employee is currently eligible for early retirement. Early retirement benefits paid during the year ended June 30, 2005 totaled \$93,271.

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

Bonds Payable

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

| <u>Year Ending June 30,</u> | <u>Bond Issue of 1998 Series A</u> | | | <u>Infrastructure LOST Revenue Bonds 2002</u> | | |
|-------------------------------------|------------------------------------|--------------------------|----------------------------|---|---------------------|----------------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2006 | \$ 420,000 | \$ 304,622 | \$ 724,622 | \$ -- | \$ -- | \$ -- |
| 2007 | 6,350,000 | 286,772 | 6,636,772 | -- | -- | -- |
| 2008 | -- | -- | -- | -- | -- | -- |
| 2009 | -- | -- | -- | -- | -- | -- |
| 2010 | -- | -- | -- | -- | -- | -- |
| 2011-15 | -- | -- | -- | 1,000,000 | -- | 1,000,000 |
| 2016-17 | -- | -- | -- | -- | -- | -- |
| Total | <u>\$ 6,770,000</u> | <u>\$ 591,394</u> | <u>\$ 7,361,394</u> | <u>\$ 1,000,000</u> | <u>\$ --</u> | <u>\$ 1,000,000</u> |

| <u>Year Ending June 30,</u> | <u>General Obligation School Refunding Bond Issue of 2005</u> | | | <u>Total</u> | | |
|-------------------------------------|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2006 | \$ -- | \$ 233,217 | \$ 233,217 | \$ 420,000 | \$ 537,839 | \$ 957,839 |
| 2007 | -- | 215,278 | 215,278 | 6,350,000 | 502,050 | 6,852,050 |
| 2008 | 495,000 | 215,278 | 710,278 | 495,000 | 215,278 | 710,278 |
| 2009 | 515,000 | 200,180 | 715,180 | 515,000 | 200,180 | 715,180 |
| 2010 | 535,000 | 183,958 | 718,958 | 535,000 | 183,958 | 718,958 |
| 2011-15 | 3,030,000 | 627,344 | 3,657,344 | 4,030,000 | 627,344 | 4,657,344 |
| 2016-17 | <u>1,400,000</u> | <u>84,973</u> | <u>1,484,973</u> | <u>1,400,000</u> | <u>84,973</u> | <u>1,484,973</u> |
| Total | <u>\$ 5,975,000</u> | <u>\$ 1,760,228</u> | <u>\$ 7,735,228</u> | <u>\$13,745,000</u> | <u>\$ 2,351,622</u> | <u>\$16,096,622</u> |

General Obligation Refunding Bonds

On May 1, 2005, the District issued \$5,975,000 of general obligation refunding bonds, with interest rates ranging from 3.05% to 4.05%, for a crossover refunding of a portion of the general obligation bonds issued February 1, 1998. The District entered in to an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. Securities. These securities were placed in an escrow account for the express purpose of paying the \$5,910,000 principal on the refunded general obligation bonds when they become callable on June 1, 2007 and the interest from May 1, 2005 to and including June 1, 2007 on the refunding bonds. After the principal and interest on all of the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the District. The transactions, balances and liabilities of the escrow account are recorded by the District since the refunded debt is not considered extinguished.

The District refunded the bonds to reduce its total debt service payments by approximately \$310,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$257,000.

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

Capital Loan Notes

During the year ended June 30 1998, the District issued School Capital Loan Notes to provide funds for a portion of the costs for certain capital improvements. The notes mature serially in amounts ranging from \$80,000 to \$105,000 per year from June 1, 1998, through June 1, 2006, plus interest at rates ranging from 3.90% to 5.60% and are payable from the General Fund, Physical Plant and Equipment Fund, or the Local Option Sales Tax Fund. Details of the District's indebtedness under the agreements at June 30, 2005 are as follows:

| <u>Year Ending June 30,</u> | <u>Capital Loan Series 1998 B</u> | | |
|-------------------------------------|-----------------------------------|-----------------|--------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2006 | \$ 105,000 | \$ 4,305 | \$ 109,305 |

During the year ended June 30, 2005, the District made principal and interest payments totaling \$108,355 under the agreement.

NOTE 6 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments by fund as of June 30, 2005 are as follows:

| | <u>General Fund</u> |
|---|----------------------------|
| State appropriations | |
| State aid | \$ 42,453 |
| Transportation aid - nonpublic students | 36,650 |
| Vocational aid | 12,285 |
| Special education - IDEA Part B | 124,795 |
| Youth mentoring | 9,991 |
| Other | 551 |
| Total state appropriations | <u>226,725</u> |
| Federal appropriations | |
| Youth mentoring | 4,944 |
| Elementary counseling | 96,467 |
| Title I | 145,418 |
| Title V | 25,178 |
| Perkins grant | 78,447 |
| 21 st Century | 251,325 |
| Drug free schools | 14,973 |
| Total federal appropriations | <u>616,752</u> |
| Miscellaneous | |
| Special education tuition | 149,464 |
| State withholding tax | 127,065 |
| Other | 1,860 |
| Total miscellaneous | <u>278,389</u> |
| Total due from other governments | <u>\$ 1,121,866</u> |

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

NOTE 6 - DUE FROM OTHER GOVERNMENTS (CONTINUED)

| | |
|----------------------------------|--|
| | Local Option Sales Tax Fund |
| | <u> </u> |
| Miscellaneous | |
| Local option sales tax | \$ 369,359 |
| Iowa demonstration grant | <u>100,000</u> |
| | <u> </u> |
| Total due from other governments | <u>\$ 469,359</u> |
| | School Nutrition Fund |
| | <u> </u> |
| Federal appropriations | |
| Summer feeding | <u>\$ 12,031</u> |

NOTE 7 - PENSION AND RETIREMENT BENEFITS

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

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$1,156,139, \$1,118,381, and \$1,106,876, respectively, equal to the required contributions for each year.

NOTE 8 - CONTINGENT LIABILITIES

As of June 30, 2005, the District is contingently liable for the unvested portion of sick leave, which totals approximately \$9,627,000, and the unused portion of early retirement, which totals approximately \$132,000.

NOTE 9 - COMMITTED CONSTRUCTION

As of June 30, 2005, the District had the following committed construction projects:

| <u>Project</u> | <u>Total Contract Amount</u> | <u>Portion at June 30, 2005</u> | |
|-------------------------|----------------------------------|---------------------------------|---------------------|
| | | <u>Completed</u> | <u>Committed</u> |
| Jefferson improvements | \$ 8,917,570 | \$ 8,169,297 | \$ 748,273 |
| CHS science lab remodel | <u>516,000</u> | <u>118,923</u> | <u>397,077</u> |
| Total | <u>\$ 9,433,570</u> | <u>\$ 8,288,220</u> | <u>\$ 1,145,350</u> |

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

NOTE 10 - RISK MANAGEMENT

Clinton Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. There have been no significant reductions in insurance coverage from coverage in the prior year. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses. That reserve was \$3,498,516 at June 30, 2005. Changes in the aggregate claims liability for the current year is as follows:

| | 2005 |
|-----------------------------------|----------------------------|
| Balance, beginning of year | \$ 2,042,735 |
| Incurred claims (including IBNRs) | 5,026,626 |
| Claim payments | <u>(4,400,725)</u> |
| Balance, end of year | <u>\$ 2,668,636</u> |

NOTE 11 - AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,339,758 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.

NOTE 12 - FUND BALANCE DEFICIT

At June 30, 2005, the Special Revenue Fund - Capital Projects Fund, Student Activity Fund and Management Fund had fund balance deficits of \$92,164, \$279,122 and \$137,233, respectively, resulting from current operating expenses in excess of total revenues. It is expected that revenues and transfers in for the next year will provide a positive fund balance.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

CLINTON COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTAL INFORMATION
Year Ended June 30, 2005

| | Governmental Fund Types Actual | Proprietary Fund Type Actual | Total Actual | Budgeted Amounts | | Final to Actual Variance - Positive (Negative) |
|--|--------------------------------------|------------------------------------|----------------------|----------------------|---------------------|--|
| | | | | Original | Final | |
| RECEIPTS | | | | | | |
| Local sources | | | | | | |
| Taxes | \$ 12,518,893 | \$ -- | \$ 12,518,893 | \$ 10,911,126 | \$ 10,911,126 | \$ 1,607,767 |
| Other local sources | -- | 822,415 | 822,415 | 595,000 | 595,000 | 227,415 |
| Intermediate sources | | | | | | |
| Interest on investments | 260,065 | 17,809 | 277,874 | 257,000 | 257,000 | 20,874 |
| Miscellaneous | 1,705,102 | -- | 1,705,102 | 4,236,000 | 4,236,000 | (2,530,898) |
| State sources | 21,919,637 | 19,369 | 21,939,006 | 21,725,300 | 21,725,300 | 213,706 |
| Federal sources | 3,141,686 | 939,872 | 4,081,558 | 1,540,000 | 1,540,000 | 2,541,558 |
| Total receipts | <u>39,545,383</u> | <u>1,799,465</u> | <u>41,344,848</u> | <u>39,264,426</u> | <u>39,264,426</u> | <u>2,080,422</u> |
| DISBURSEMENTS | | | | | | |
| Instruction | 24,073,051 | -- | 24,073,051 | 23,643,000 | 23,643,000 | (430,051) |
| Support services | 11,326,983 | -- | 11,326,983 | 9,644,500 | 11,100,000 | (226,983) |
| Non-instructional programs | 119,332 | 1,665,298 | 1,784,630 | 1,355,500 | 1,440,000 | (344,630) |
| Other expenditures | 11,102,858 | -- | 11,102,858 | 2,299,040 | 7,685,400 | (3,417,458) |
| Total disbursements | <u>46,622,224</u> | <u>1,665,298</u> | <u>48,287,522</u> | <u>36,942,040</u> | <u>43,868,400</u> | <u>(4,419,122)</u> |
| EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS | (7,076,841) | 134,167 | (6,942,674) | 2,322,386 | (4,603,974) | (2,338,700) |
| OTHER FINANCING SOURCES (USES), NET | | | | | | |
| | <u>5,728,666</u> | <u>186,384</u> | <u>5,915,050</u> | <u>--</u> | <u>--</u> | <u>5,915,050</u> |
| EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES | (1,348,175) | 320,551 | (1,027,624) | 2,322,386 | (4,603,974) | 3,576,350 |
| BALANCES, BEGINNING OF YEAR | <u>11,042,020</u> | <u>1,105,958</u> | <u>12,147,978</u> | <u>11,884,052</u> | <u>11,884,052</u> | <u>263,926</u> |
| BALANCES, END OF YEAR | <u>\$ 9,693,845</u> | <u>\$ 1,426,509</u> | <u>\$ 11,120,354</u> | <u>\$ 14,206,438</u> | <u>\$ 7,280,078</u> | <u>\$ 3,840,276</u> |

See accompanying independent auditor's report.

CLINTON COMMUNITY SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTAL INFORMATION - BUDGETARY REPORTING
June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards 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. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$6,926,360.

During the year ended June 30, 2005, disbursements in the instruction, support services, non-instructional programs, and other expenditures functions exceeded the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

OTHER SUPPLEMENTAL INFORMATION

CLINTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2005

| | Capital Projects Fund | Student Activity Fund | Management | Physical Plant and Equipment Fund | Helen O. Stoddard Bequest | Margaret N. Kracht Gift | Total |
|--|-----------------------------|-----------------------------|-------------------|---|---------------------------------|-------------------------------|---------------------|
| ASSETS | | | | | | | |
| Cash (overdrafts) and cash equivalents | \$ (92,164) | \$ (260,936) | \$ (121,841) | \$ 270,552 | \$ 66,854 | \$ 1,073 | \$ (136,462) |
| Property taxes receivable | -- | -- | 10,682 | 6,261 | -- | -- | 16,943 |
| Current year delinquent | -- | -- | 750,000 | 371,000 | -- | -- | 1,121,000 |
| Succeeding year | -- | -- | -- | -- | 1,642 | 26 | 1,668 |
| Accrued interest receivable | -- | -- | -- | -- | -- | -- | -- |
| TOTAL ASSETS | <u>\$ (92,164)</u> | <u>\$ (260,936)</u> | <u>\$ 638,841</u> | <u>\$ 647,813</u> | <u>\$ 68,496</u> | <u>\$ 1,099</u> | <u>\$ 1,003,149</u> |
| LIABILITIES AND FUND BALANCES (DEFICIT) | | | | | | | |
| Liabilities | | | | | | | |
| Accounts payable and accrued liabilities | \$ -- | \$ 18,186 | \$ 26,074 | \$ 110,863 | \$ -- | \$ -- | \$ 155,123 |
| Deferred revenue | -- | -- | 750,000 | 371,000 | -- | -- | 1,121,000 |
| Total liabilities | -- | 18,186 | 776,074 | 481,863 | -- | -- | 1,276,123 |
| Fund balances (deficit): | | | | | | | |
| Unreserved | (92,164) | (279,122) | (137,233) | 165,950 | 68,496 | 1,099 | (272,974) |
| TOTAL LIABILITIES AND FUND BALANCES (DEFICIT) | <u>\$ (92,164)</u> | <u>\$ (260,936)</u> | <u>\$ 638,841</u> | <u>\$ 647,813</u> | <u>\$ 68,496</u> | <u>\$ 1,099</u> | <u>\$ 1,003,149</u> |

CLINTON COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (DEFICIT) - NONMAJOR SPECIAL REVENUE FUNDS
 Year Ended June 30, 2005

| | Capital Projects Fund | Student Activity Fund | Management | Physical Plant and Equipment Fund | Helen O. Stoddard Bequest | Margaret N. Kracht Gift | Total |
|-------------------------|-----------------------------|-----------------------------|------------|---|---------------------------------|-------------------------------|------------|
| REVENUES | | | | | | | |
| Taxes | \$ -- | \$ -- | \$ 478,962 | \$ 469,484 | \$ -- | \$ -- | \$ 948,446 |
| Interest on investments | 82 | -- | 916 | 6,984 | 3,200 | 26 | 11,208 |
| Miscellaneous | | | | | | | |
| Student activities | -- | 611,022 | -- | -- | -- | -- | 611,022 |
| Donations | -- | 18,906 | -- | -- | -- | -- | 18,906 |
| Other | -- | 49,376 | 17,553 | 174,472 | -- | -- | 241,401 |
| Total miscellaneous | -- | 679,304 | 17,553 | 174,472 | -- | -- | 871,329 |
| Total revenues | 82 | 679,304 | 497,431 | 650,940 | 3,200 | 26 | 1,830,983 |

| | Capital Projects Fund | Student Activity Fund | Management | Physical Plant and Equipment Fund | Helen O. Stoddard Bequest | Margaret N. Kracht Gift | Total |
|----------------------------------|-----------------------------|-----------------------------|------------|---|---------------------------------|-------------------------------|-----------|
| EXPENDITURES | | | | | | | |
| Current operating: | | | | | | | |
| Instruction | | | | | | | |
| Regular instruction | -- | -- | 368,843 | -- | -- | -- | 368,843 |
| Special instruction | -- | -- | 3,452 | -- | -- | -- | 3,452 |
| Other instruction | -- | 750,757 | -- | -- | 1,519 | -- | 752,276 |
| Total instructions | -- | 750,757 | 372,295 | -- | 1,519 | -- | 1,124,571 |
| Support services | | | | | | | |
| Student services | -- | -- | 6,670 | -- | -- | -- | 6,670 |
| Instructional staff services | -- | -- | 246 | -- | -- | -- | 246 |
| General administration | -- | -- | 600 | -- | -- | -- | 600 |
| Plant operations and maintenance | 9,065 | -- | 279,628 | 628,444 | -- | -- | 917,137 |
| Student transportation | -- | -- | 45,134 | -- | -- | -- | 45,134 |
| Central support services | -- | -- | 8,069 | -- | -- | -- | 8,069 |
| Total support services | 9,065 | -- | 340,347 | 628,444 | -- | -- | 977,856 |

CLINTON COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (DEFICIT) - NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2005

| | Capital Projects Fund | Student Activity Fund | Management | Physical Plant and Equipment Fund | Helen O. Stoddard Bequest | Margaret N. Kracht Gift | Total |
|---|-----------------------------|-----------------------------|---------------------|---|---------------------------------|-------------------------------|---------------------|
| Other expenditures | | | | | | | |
| Facilities acquisition | \$ 14,731 | -- | \$ -- | \$ 198,190 | \$ -- | \$ -- | \$ 212,921 |
| Non-instructional programs | -- | -- | 4,398 | -- | -- | -- | 4,398 |
| Total expenditures | 23,796 | 750,757 | 717,040 | 826,634 | 1,519 | -- | 2,319,746 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(23,714)</u> | <u>(71,453)</u> | <u>(219,609)</u> | <u>(175,694)</u> | <u>1,681</u> | <u>26</u> | <u>(488,763)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Operating transfers out | -- | -- | (1,000) | (108,505) | -- | -- | (109,505) |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES | <u>(23,714)</u> | <u>(71,453)</u> | <u>(220,609)</u> | <u>(284,199)</u> | <u>1,681</u> | <u>26</u> | <u>(598,268)</u> |
| FUND BALANCES (DEFICIT), BEGINNING OF YEAR | <u>(68,450)</u> | <u>(207,669)</u> | <u>83,376</u> | <u>450,149</u> | <u>66,815</u> | <u>1,073</u> | <u>325,294</u> |
| FUND BALANCES (DEFICIT), END OF YEAR | <u>\$ (92,164)</u> | <u>\$ (279,122)</u> | <u>\$ (137,233)</u> | <u>\$ 165,950</u> | <u>\$ 68,496</u> | <u>\$ 1,099</u> | <u>\$ (272,974)</u> |

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUND
Year Ended June 30, 2005**

| | <u>Balance, June 30, 2004</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance, June 30, 2005</u> |
|---------------------------|-----------------------------------|------------------|------------------|-----------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | <u>\$ 24,760</u> | <u>\$ --</u> | <u>\$ 18,289</u> | <u>\$ 6,471</u> |
| LIABILITIES | | | | |
| Due to other groups | <u>\$ 24,760</u> | <u>\$ --</u> | <u>\$ 18,289</u> | <u>\$ 6,471</u> |

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

| | Modified Accrual Basis | | | |
|----------------------------------|-------------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2005 | 2004 | 2003 | 2002 |
| REVENUES | | | | |
| Local sources | \$ 12,518,893 | \$ 12,722,834 | \$ 12,760,713 | \$ 9,951,662 |
| Intermediate sources | 1,965,167 | 1,730,164 | 1,595,305 | 4,000,297 |
| State sources | 21,919,637 | 20,601,507 | 21,074,476 | 20,319,461 |
| Federal sources | 3,141,686 | 1,875,296 | 1,731,519 | 1,145,602 |
| TOTAL REVENUES | <u>\$ 39,545,383</u> | <u>\$ 36,929,801</u> | <u>\$ 37,162,013</u> | <u>\$ 35,417,022</u> |
| EXPENDITURES | | | | |
| Instruction | \$ 24,073,051 | \$ 23,259,448 | \$ 22,762,499 | \$ 21,798,988 |
| Support services | | | | |
| Student services | 1,483,900 | 1,029,640 | 940,944 | 998,531 |
| Instructional staff services | 1,171,251 | 1,063,808 | 932,782 | 1,001,930 |
| General administration | 424,403 | 317,858 | 303,965 | 281,811 |
| Building administration | 1,589,125 | 1,476,661 | 1,560,723 | 1,671,158 |
| Business administration | 396,758 | 434,251 | 360,447 | 463,884 |
| Plant operations and maintenance | 3,965,345 | 3,604,006 | 3,732,438 | 2,917,711 |
| Student transportation | 1,501,224 | 1,230,300 | 1,208,200 | 1,051,895 |
| Central support services | 794,977 | 686,826 | 617,288 | 525,491 |
| Non-instructional programs | 119,332 | 332,125 | 305,474 | 347,225 |
| Other expenditures | 11,102,858 | 2,942,719 | 2,491,775 | 3,439,124 |
| TOTAL EXPENDITURES | <u>\$ 46,622,224</u> | <u>\$ 36,377,642</u> | <u>\$ 35,216,535</u> | <u>\$ 34,497,748</u> |



**Clifton
Gunderson LLP**

Certified Public Accountants & Consultants

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

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Clinton Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated October 4, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clinton Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. There were no prior year reportable conditions.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clinton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 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 the statutes. There were no prior year statutory comments.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the Clinton Community School District and other parties to whom the Clinton 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 Clinton 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.

Clifton Gunderson LLP

Clinton, Iowa
October 4, 2005

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

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

Compliance

We have audited the compliance of Clinton Community School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Clinton Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Clinton Community School District's management. Our responsibility is to express an opinion on Clinton Community School District's compliance based on our audit.

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

In our opinion, Clinton Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

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

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Clinton Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. The reportable condition is described as item III-A-05 in the accompanying Schedule of Findings and Questioned Costs.

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 noncompliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe item III-A-05 is not a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the Clinton Community School District and other parties to whom the District may report, 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.

Clifton Henderson LLP

Clinton, Iowa
October 4, 2005

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2005**

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>CFDA Number</u> | <u>Grant Number</u> | <u>Expenditures</u> |
|---|------------------------|-------------------------|----------------------------|
| Indirect: | | | |
| Department of Agriculture | | | |
| Iowa Department of Education | | | |
| Food Distribution (noncash) | 10.550 | FY 05 | \$ 73,349 |
| School Nutrition Cluster Programs | | | |
| School Breakfast Program | 10.553 | FY 05 | 179,144 |
| After School Snack Program | 10.555 | FY 05 | 21,557 |
| National School Lunch Program | 10.555 | FY 05 | <u>665,823</u> |
| | | | <u>866,524</u> |
| | | | <u>939,873</u> |
| Department of Education | | | |
| Iowa Department of Education | | | |
| Title I Grants to Local Educational Agencies | 84.010 | FY 04 | 530,538 |
| Title I Grants to Local Educational Agencies | 84.010 | FY 05 | <u>192,560</u> |
| | | | <u>723,098</u> |
| Vocational Education - Basic Grant | 84.048 | FY 05 | <u>78,447</u> |
| Innovative Education Program Strategies (Title IV Program) | 84.298 | FY 05 | <u>25,178</u> |
| Safe and Drug Free Schools and Communities - Drug Free Schools | 84.186 | FY 05 | 34,017 |
| Drug and Violence Prevention | 84.186 | FY 05 | <u>65,235</u> |
| | | | <u>99,252</u> |
| Fund for the Improvement of Education - Elementary Counseling | 84.215 | FY 05 | 239,127 |
| Iowa Demonstration | 84.215 | FY 05 | <u>1,000,000</u> |
| | | | <u>1,239,127</u> |
| 21 st Century Community Learning Centers | 84.287 | FY 05 | <u>343,520</u> |
| Special Education - State Grants | 84.027 | FY 05 | <u>249,590</u> |
| Grants for Assessments | 84.369 | FY 05 | <u>25,758</u> |
| Transition Alliance | 84.126 | FY 05 | <u>42,026</u> |
| Title IIA Federal Teacher Quality | 84.367 | FY 05 | <u>254,606</u> |
| | | | <u>3,080,602</u> |
| Department of Justice | | | |
| Iowa Department of Justice | | | |
| Juvenile Mentoring Grant | 16.726 | FY 05 | <u>54,381</u> |
| Department of Health and Human Services | | | |
| Iowa Department of Education | | | |
| Abstinence Education | 93.235 | FY 05 | <u>2,216</u> |
| Total | | | <u>\$ 4,077,072</u> |

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

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005**

Section I: Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Number 84.215

Fund for the Improvement of Education

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

Auditee qualified as low-risk auditee? x yes no

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005**

Section II: Financial Statement Findings:

INSTANCES OF NONCOMPLIANCE:

None

REPORTABLE CONDITIONS:

None

Section III: Federal Award Findings and Questioned Costs:

INSTANCES OF NONCOMPLIANCE:

None

REPORTABLE CONDITIONS:

**CFDA Number 84.215: Fund for the Improvement of Education - Elementary Counseling Grant
Federal Award Year: 2005
U.S. Department of Education
Passed through the Iowa Department of Education**

III-A-05 Inaccurate Reporting of Expenditures - The District reported that 2.2 FTE elementary school counselors were paid using grant funds, but the expenditures presented included only 1.2 FTE counselors. Required reporting also stated that the District had increased the counselor student ratio with 2 FTE social workers and .25 FTE psychologists. Expenditures of the grant support only 1.2 FTE counselors being paid with the grant funds.

Recommendation - The District should ensure that all grant reporting is accurate and that grant funds are being used for the purpose they were intended. The District should verify the accuracy of all reporting prior to its submission.

Response and Corrective Action Planned - The District has begun implementing procedures where the Business Office is reviewing or completing the financial portions of grant reports before being submitted to the grantor agency.

Conclusion - Response accepted.

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005**

Section IV: Other Findings Related to Required Statutory Reporting:

IV-A-05 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.

IV-B-05 Certified Budget - Disbursements for the year ended June 30, 2005 exceeded the amount budgeted in the instruction, support services, non-instructional programs and other expenditures functional areas.

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

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

Conclusion - Response accepted.

IV-C-05 Questionable Expenditures - No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-D-05 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted.

IV-E-05 Business Transactions - No business transactions between the District and District officials or employees were noted.

IV-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 ensure that coverage is adequate for current operations.

IV-G-05 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-H-05 Certified Enrollment - No instances of noncompliance was noted in the basic enrollment data certified to the Department of Education.

IV-I-05 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-05 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

**CLINTON COMMUNITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
Year Ended June 30, 2005**

| <u>Comment Reference</u> | <u>Comment Title</u> | <u>Status</u> | <u>If not corrected, please provide planned corrective action or other explanation</u> |
|---------------------------------|-----------------------------|----------------------|---|
|---------------------------------|-----------------------------|----------------------|---|

None

**CLINTON COMMUNITY SCHOOL DISTRICT
CORRECTIVE ACTION PLAN FOR FEDERAL AUDIT FINDINGS
Year Ended June 30, 2005**

| <u>Comment Number</u> | <u>Comment Title</u> | <u>Corrective Action Plan</u> | <u>Contact Person, Title Phone Number</u> | <u>Anticipated Date of Completion</u> |
|------------------------------|--------------------------------------|---|--|--|
| III-A-05 | Inaccurate Reporting of Expenditures | The District has begun implementing procedures where the Business Office is reviewing or completing the financial portions of grant reports before being submitted to the grantor agency. | Mr. Gayle Isaac, Business Manager 563-243-9600 | Immediately |