CLINTON COMMUNITY SCHOOL DISTRICT
Clinton, Iowa

FINANCIAL STATEMENTS
June 30, 2006

CLINTON COMMUNITY SCHOOL DISTRICT

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CLINTON COMMUNITY SCHOOL DISTRICT

OFFICIALS

Name	Title	Term
	Board of Education (Before September 2005 Election)	
James Tuisl	President	September 2005
Bruce Ingham	Vice President	September 2007
Lester Shields	Board Member	September 2005
Wendy Krajnovich	Board Member	September 2006
James Bruhn	Board Member	September 2006
Donald Flory	Board Member	September 2007
Debra Olsen	Board Member	September 2007
	Board of Education (After September 2005 Election)	
James Tuisl	President	September 2008
Debra Olsen	Vice President	September 2007
Wendy Krajnovich	Board Member	September 2006
James Bruhn	Board Member	September 2006
Donald Flory	Board Member	September 2007
Bruce Ingham	Board Member	September 2007
Dave Frett	Board Member	September 2008
	School Officials	
Dr. Randall Clegg	Superintendent	2006
Gayle Isaac	District Secretary/Treasurer and Business Manager	2006

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, 2006, 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, 2006, 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 9, 2006, 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.

Offices in 15 states and Washington, DC

Member of HLB International

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, 2005 (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 Gunderson LLP

Clinton, Iowa
October 9, 2006

CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2006

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, 2006. We encourage readers to consider the information presented here in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- General revenues accounted for $ 35.7 million of the government-wide revenue, or 83.5 % of all fiscal year 2006 revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for $ 7.0 million or 16.5 % of total fiscal year 2006 revenues.

- The District had approximately $ 37.8 million in expenses related to governmental activities; of which $ 5.1 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of $32.7 million provided for the remaining costs of these programs.

- The General Fund had $ 35.3 million in fiscal year 2006 revenues, which primarily consisted of state aid and property taxes, and $ 36.9 million in expenditures. The General Fund's fund balance decreased by $ 1.6 million.

- The District's solvency ratio (unreserved-undesignated general fund balance/general fund revenues) decreased from 4.3% to 1.3% (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 1.656% in June 2005 to an average of 3.85% in June 2006. Even though the District increased spending, the rise in interest rates allowed interest earnings in the District to rise from $260,065 in fiscal year 2005 to $ 531,236 in fiscal year 2006.

- The District's total debt decreased by approximately $ .5 million during the current fiscal year. The total outstanding debt at the end of the fiscal year is $ 13,325,000.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

The District maintains eight 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 Service Funds which are considered to be major funds. Data from the other five 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 Net Assets Statement of Cash Flows	Statement of Fiduciary Net Assets Statement of Changes in Fiduciary Net Assets
Accounting basis and measure-ment focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or within specified periods after year end; expenditures when goods or services are received and liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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

The required supplemental information can be found on pages 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 $ 19.6 million as of June 30, 2006.

A portion of the District's net assets (72.1%) 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 $ 13.6 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, 2006.

Condensed Statement of Net Assets (in millions of dollars)

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2005	2006	2005	2006	2005	2006	2005-2006
Current and other assets	29.1	26.5	1.1	1.0	30.2	27.5	-8.9%
Capital assets	16.4	20.8	0.5	0.7	16.9	21.5	27.2%
Total assets	**45.5**	**47.3**	**1.6**	**1.7**	**47.1**	**49.0**	**4.0%**
Current and other liabilities	16.7	15.7	0.0	0.0	16.7	15.7	-6.0%
Long-term liabilities	13.9	13.6	0.0	0.0	13.9	13.6	-2.2%
Total liabilities	**30.6**	**29.3**	**0.0**	**0.0**	**30.6**	**29.3**	**-4.2%**
Invested in capital assets, net of related debt	8.5	13.5	0.5	0.7	9.0	14.2	57.8%
Unrestricted	6.3	4.5	0.9	1.0	7.2	5.5	-23.6%
Total net assets	**14.8**	**18.0**	**1.4**	**1.7**	**16.2**	**19.7**	**21.6%**

Note: totals may not add due to rounding

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2006 were $ 42.8 million. The total cost of all programs and services was $ 39.4 million. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2006.

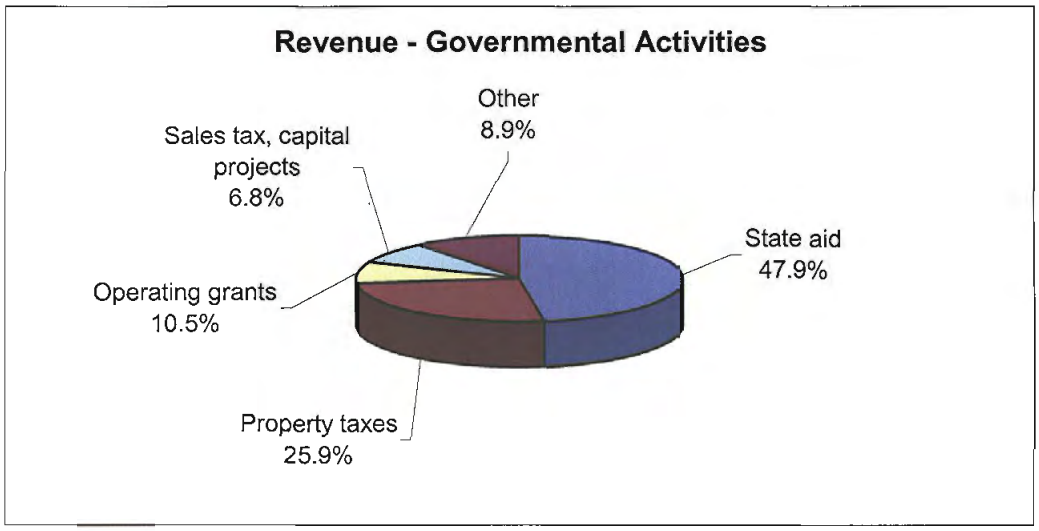
	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
Revenues	2005	2006	2005	2006	2005	2006	2005-2006
Program revenues							
Charges for services	1.2	0.8	0.8	0.7	2.0	1.5	-25.0%
Operating grants and contributions	3.4	4.3	1.0	1.0	4.4	5.3	20.5%
Capital grants and contributions	1.0	0.0	-	0.20	1.0	0.2	-80.0%
General revenues							
Property and mobile home taxes	9.8	10.6	-	-	9.8	10.6	8.2%
Local option sales taxes	2.6	2.8	-	-	2.6	2.8	7.7%
AEA flowthrough	1.3	1.3	-	-	1.3	1.3	0.0%
PPEL surtax	0.1	0.2	-	-	0.1	0.2	100.0%
Unrestricted investment earnings	0.3	0.5	-	-	0.3	0.5	66.7%
Unrestricted state aid	18.8	19.6	-	-	18.8	19.6	4.3%
Other	1.4	0.6	0.1	0.0	1.5	0.6	-60.0%
Total revenues	**39.9**	**40.7**	**1.9**	**1.9**	**41.8**	**42.6**	**1.91%**
Expenses							
Instruction	24.8	23.7	-	-	24.8	23.7	-4.4%
Support services							
Student services	1.5	2.5	-	-	1.5	2.5	66.7%
Instructional staff services	1.2	1.2	-	-	1.2	1.2	0.0%
Administration services	2.5	2.4	-	-	2.5	2.4	-4.0%
Plant operation and maintenance	3.9	3.0	-	-	3.9	3.0	-23.1%
Student transportation	1.5	1.3	-	-	1.5	1.3	-13.3%
Central support services	0.8	1.8	-	-	0.8	1.8	125.0%
Non-instructional programs	0.1	0.1	1.6	1.6	1.7	1.7	0.0%
Other expenditures							
Facilities acquisitions	0.6	0.0	-	-	0.6	0.0	-100.0%
Long-term debt interest	0.1	0.5	-	-	0.1	0.5	400.0%
AEA flowthrough	1.3	1.3	-	-	1.3	1.3	0.0%
Total expenses	**38.3**	**37.8**	**1.6**	**1.6**	**39.9**	**39.4**	**-1.3%**
Change in net assets	1.6	2.9	0.3	0.3	1.9	3.2	68.4%
Net assets, beginning of year	13.3	14.9	1.1	1.4	14.4	16.3	13.2%
Net assets, end of year	**14.9**	**17.8**	**1.4**	**1.7**	**16.3**	**19.5**	**19.6%**

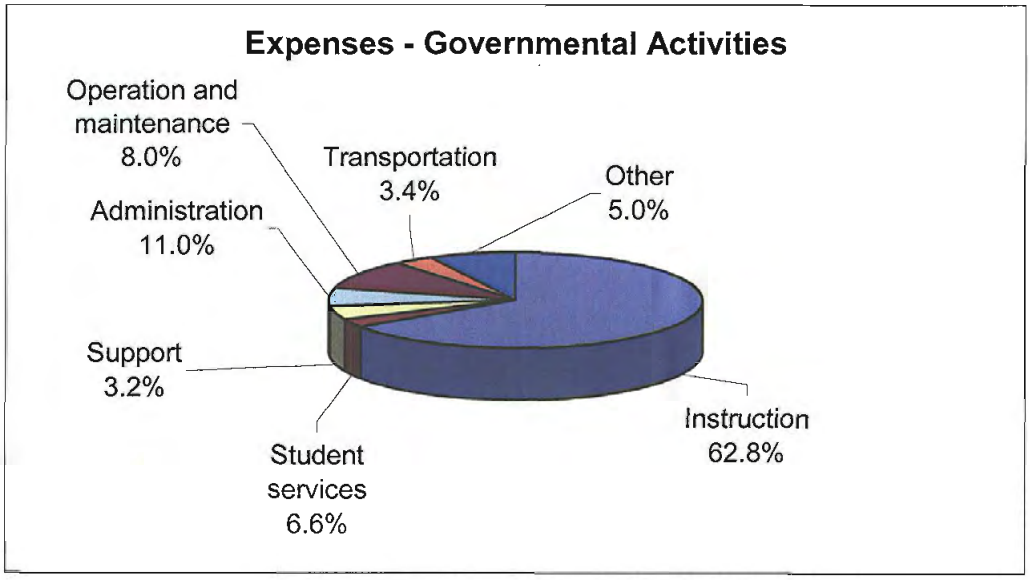
Note: totals may not add due to rounding

Governmental Activities

Unrestricted state aid, property taxes, and sales tax are the primary sources of revenue for the District. Sales tax revenue was $ 250,000 more than the estimate established by the District due mostly to the upturn in the local economy.

Instruction constitutes the largest portion of expenditures at $ 23.7 million or 62.6%. 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 11% of total costs. Over 75% of the District's expenditures are salaries and benefits.





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

Net Cost of Governmental Activities (in millions of dollars)

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2005	2006	2005-2006	2005	2006	2005-2006
Instruction	24.8	23.7	-4.4%	20.6	18.9	-8.3%
Student and Instructional Services	2.7	3.7	37.0%	2.4	3.5	45.8%
Administrative and Business	2.5	4.2	68.0%	2.5	4.2	68.0%
Maintenance and Operations	3.9	3.0	-23.1%	3.9	3.0	-23.1%
Transportation	1.5	1.3	-13.3%	1.3	1.2	-7.7%
Other	4.5	1.9	-57.8%	2.0	1.9	-5.0%
Total	**39.9**	**37.8**	**-5.3%**	**32.7**	**32.7**	**0.0%**

Note: totals may not add due to rounding

- The cost of all governmental activities this year was $ 37.8 million.
- Federal and state governments and charges for services subsidized certain governmental activities with grants and contributions and other local revenues of $ 5.17 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 ($ 13.4 million) and state aid ($ 19.6 million). Investment earnings, sale of equipment and miscellaneous sources accounted for $ 2.7 million.

Business-type activities

Revenues of the District's business-type activities were $ 1.87 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. The School Nutrition fund had a change in net assets of approximately $ 276,000 for fiscal year 2006.

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 $ 1.6 million. This reduction was due to conscious decisions to spend down the fund balance rather than make budget reductions. These expenditures among others were textbook adoptions and the purchase of new computers for the teachers. The fund balance will be refunded for the computer expenditures by reducing the budgets for the schools over the next three years.

The Local Option Sales Tax Fund balance is restricted for construction; the fund balance decreased by $ .9 million, due mainly to the fact that the District completed construction on Jefferson Elementary and began construction on the new Eagle Heights Elementary school.

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 $ .7 million more than the total budgeted receipts, a variance of 1.6%. 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.

The District's total actual expenditures were approximately 3.6 million less than the total budgeted expenditures, a variance of 7.3%

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2006, the District had invested $ 43.9 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 $ 4.1 million from last year, primarily due to a new school, construction in progress, equipment and vehicles. Total depreciation expense for the year was $ 1.4 million.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2006.

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

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2005	2006	2005	2006	2005	2006	2005-2006
Land	1.0	1.0	-	-	1.0	1.0	0.0%
Construction in progress	8.3	2.7	0.1	0.0	8.4	2.7	0.0%
Land improvements	0.2	0.1	-	-	0.2	0.1	-50.0%
Buildings	6.1	15.5	-	-	6.1	15.5	154.1%
Equipment and furniture	0.5	1.1	0.4	0.5	0.9	1.6	77.8%
Buses	0.3	0.3	-	-	0.3	0.3	0.0%
Total Assets	**16.4**	**20.7**	**0.5**	**0.5**	**16.9**	**21.2**	**25.4%**

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 $ 13.0 million in general obligation bonds and other long-term debt outstanding, of which $ 6.3 million 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, 2006.

Outstanding Long-Term Debt (in millions of dollars)

	Total School District		Percentage Change
	2005	2006	2005-2006
General obligation bonds	12.7	12.3	-3.1%
Quality zone academy bonds	1.0	1.0	0.0%
PPEL notes	0.1	0.0	-100.0%
Compensated absences	0.1	0.3	127.3%
Total	**13.9**	**13.6**	**-2.4%**

Note: totals may not add due to rounding

State statutes currently limit the amount of general obligation debt a district may issue to 5 percent of its total assessed valuation. The current debt limitation for the District is $ 31.3 million, 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 four 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, the Safe and Drug Free Schools grant, and Title V Innovative Programs grant.

- District enrollment decreased in fiscal year 2005-2006 by nearly 50 students, this negative note is exacerbated by an increase in newly enrolled students of 65 students since student count day. Under Iowa's school funding formula, District funding for the next year is highly dependent upon the District's enrollment on student count day in September. Future enrollment stability is a critical element in maintaining a sound financial foundation.

- The District's Board of Education in July of 2006 approved the issuance of revenue bonds totaling $11.4 million spread over 2 issues. These funds will be used to complete the construction of a new Eagle Heights elementary school. Eagle Heights will enable the District to close two elementary schools and consolidate them into one building in the summer of 2007. The revenue bonds will be repaid by the Local Option Sales and Service Tax revenues over the remaining life of the tax, which ends in June of 2011.

- The economic growth of Clinton is very positive, with industrial expansion and the establishment of new businesses in the area. This has been confirmed by the recent sales tax revenue projections which have been increased by nearly $2 million over the next 5 years.

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

EXHIBIT A

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2006

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 1,246,319	$ 959,014	$ 2,205,333
Investments	11,902,945	--	11,902,945
Property taxes receivable			
Current year delinquent	222,389	--	222,389
Succeeding year	10,517,000	--	10,517,000
Accrued interest receivable	86,021	--	86,021
Other receivables	920,244	260	920,504
Due from other governments	1,600,145	15,953	1,616,098
Inventories	--	52,587	52,587
Other current assets	3,954	--	3,954
Capital assets, net of accumulated depreciation	20,839,051	710,878	21,549,929
Total assets	47,338,068	1,738,692	49,076,760
LIABILITIES			
Accounts payable and accrued liabilities	1,811,393	24,918	1,836,311
Accrued payroll and deductions	3,377,149	--	3,377,149
Accrued interest payable	41,838	--	41,838
Deferred revenue	10,517,000	10,896	10,527,896
Long-term liabilities			
Portion due within one year:			
Bonds payable	6,350,000	--	6,350,000
Compensated absences	283,835	--	283,835
Portion due after one year:			
Bonds payable	6,975,000	--	6,975,000
Total liabilities	29,356,215	35,814	29,392,029
NET ASSETS			
Investment in capital assets, net of related debt	13,489,051	710,878	14,199,929
Restricted for:			
Physical plant and equipment	167,709	--	167,709
Unrestricted	4,325,093	992,000	5,317,093
Total net assets	$ 17,981,853	$ 1,702,878	$ 19,684,731

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues: Charges for Service	Program Revenues: Operating Grants, Contributions, and Restricted Interest	Program Revenues: Capital Grants, Contributions, and Restricted Interest
Governmental activities:				
Instruction				
Regular instruction	$ 14,232,761	$ 122,122	$ 2,831,392	$ --
Special instruction	7,932,419	294,444	1,250,522	--
Other instruction	1,584,446	357,774	4,060	--
	23,749,626	774,340	4,085,974	--
Support services				
Student services	2,505,360	--	176,543	--
Instructional staff services	1,213,007	--	--	--
General administration	499,682	--	--	--
Building administration	1,914,628	--	--	--
Business administration	1,756,211	--	--	--
Plant operations and maintenance	3,026,125	36,309	--	--
Student transportation	1,271,704	40,591	52,627	--
	12,186,717	76,900	229,170	--
Non-instructional programs	15,117	--	--	--
Other expenditures				
Long-term debt interest	538,238	--	--	--
AEA flowthrough	1,356,906	--	--	--
	1,895,144	--	--	--
Total governmental activities	37,846,604	851,240	4,315,144	--
Business-type activities:				
Non-instructional programs				
Nutrition services	1,595,643	693,016	996,110	182,886
Student construction	--	--	--	--
Total business-type activities	1,595,643	693,016	996,110	182,886
Total	$ 39,442,247	$ 1,544,256	$ 5,311,254	$ 182,886

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

CHANGE IN NET ASSETS

NET ASSETS, BEGINNING OF YEAR

NET ASSETS, END OF YEAR

See notes to financial statements.

Net (Expenses) Revenues and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
$ (11,279,247)	$ --	$ (11,279,247)
(6,387,453)	--	(6,387,453)
(1,222,612)	--	(1,222,612)
(18,889,312)	--	(18,889,312)
(2,328,817)	--	(2,328,817)
(1,213,007)	--	(1,213,007)
(499,682)	--	(499,682)
(1,914,628)	--	(1,914,628)
(1,756,211)	--	(1,756,211)
(2,989,816)	--	(2,989,816)
(1,178,486)	--	(1,178,486)
(11,880,647)	--	(11,880,647)
(15,117)	--	(15,117)
(538,238)	--	(538,238)
(1,356,906)	--	(1,356,906)
(1,895,144)	--	(1,895,144)
(32,680,220)	--	(32,680,220)
--	276,369	276,369
--	--	--
--	276,369	276,369
(32,680,220)	276,369	(32,403,851)
10,629,301	--	10,629,301
2,812,427	--	2,812,427
220,768	--	220,768
70,638	--	70,638
19,633,661	--	19,633,661
1,356,906	--	1,356,906
531,236	--	531,236
528,614	--	528,614
35,783,551	--	35,783,551
3,103,331	276,369	3,379,700
14,878,522	1,426,509	16,305,031
$ 17,981,853	$ 1,702,878	$ 19,684,731

EXHIBIT C

CLINTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	General	Local Option Sales Tax Fund	Debt Service Fund	Nonmajor Funds	Total
ASSETS					
Cash (overdrafts) and cash equivalents	$ (2,720,231)	$ 423,935	$ 187,759	$ (283,562)	$ (2,392,099)
Investments	5,192,428	807,463	5,903,054	--	11,902,945
Property taxes receivable					
Current year delinquent	182,933	--	15,473	23,983	222,389
Succeeding year	8,657,000	--	838,000	1,022,000	10,517,000
Accrued interest receivable	67,938	--	18,083	--	86,021
Other receivables	338,135	--	--	1,663	339,798
Due from other governments	1,013,543	586,602	--	--	1,600,145
Other current assets	3,954	--	--	--	3,954
TOTAL ASSETS	$ 12,735,700	$ 1,818,000	$ 6,962,369	$ 764,084	$ 22,280,153
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued liabilities	$ 228,235	$ 1,008,925	$ --	$ 37,151	$ 1,274,311
Accrued payroll and deductions	3,377,149	--	--	--	3,377,149
Deferred revenue	8,657,000	--	838,000	1,022,000	10,517,000
Total liabilities	12,262,384	1,008,925	838,000	1,059,151	15,168,460
Fund balances					
Reserved for:					
Debt service	--	--	6,124,369	--	6,124,369
Unreserved	473,316	809,075	--	(295,067)	987,324
Total fund balances	473,316	809,075	6,124,369	(295,067)	7,111,693
TOTAL LIABILITIES AND FUND BALANCES	$ 12,735,700	$ 1,818,000	$ 6,962,369	$ 764,084	$ 22,280,153

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2006

Total fund balances of governmental funds (page 18)		$ 7,111,693
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.		20,833,116
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.		(41,838)
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	$ 5,935	
Remaining assets and liabilities	3,681,782	3,687,717
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.		(13,608,835)
Net assets of governmental activities (page 15)		$ 17,981,853

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	General	Local Option Sales Tax Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
REVENUES					
Local sources					
Taxes	$ 8,850,669	$ 2,812,427	$ 697,897	$ 1,301,502	$ 13,662,495
Intermediate sources					
Interest on investments	260,416	47,850	221,828	1,142	531,236
Miscellaneous	968,949	80,459	20,719	434,358	1,504,485
State sources	22,411,152	--	--	--	22,411,152
Federal sources	2,840,567	--	--	--	2,840,567
Total revenues	35,331,753	2,940,736	940,444	1,737,002	40,949,935
EXPENDITURES					
Current operating:					
Instruction					
Regular instruction	13,812,775	--	--	362,933	14,175,708
Special instruction	8,125,015	--	--	1,083	8,126,098
Other instruction	1,169,187	--	--	453,945	1,623,132
Total instruction	23,106,977	--	--	817,961	23,924,938
Support services					
Student services	2,534,969	--	--	31,562	2,566,531
Instructional staff services	1,229,121	--	--	13,503	1,242,624
General administration	473,740	38,072	--	71	511,883
Building administration	1,892,744	--	--	--	1,892,744
Business administration	1,633,595	467	--	30,951	1,665,013
Plant operations and maintenance	3,508,478	--	--	309,209	3,817,687
Student transportation	1,192,814	--	--	56,368	1,249,182
Total support services	12,465,461	38,539	--	441,664	12,945,664

EXHIBIT E
(CONTINUED)

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	General	Local Option Sales Tax Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Non-instructional programs	$ 9,194	$ --	$ --	$ 2,225	$ 11,419
Other expenditures					
Facilities acquisition	--	3,747,602	--	477,464	4,225,066
Long-term debt					
Principal	--	--	525,000	--	525,000
Interest and finance charges	--	--	543,094	--	543,094
AEA flowthrough	1,356,906	--	--	--	1,356,906
Total other expenditures	1,356,906	3,747,602	1,068,094	477,464	6,650,066
Total expenditures	36,938,538	3,786,141	1,068,094	1,739,314	43,532,087
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(1,606,785)	(845,405)	(127,650)	(2,312)	(2,582,152)
OTHER FINANCING SOURCES (USES)					
Transfers in	3,019	--	109,305	92,543	204,867
Transfers out	(379)	(92,164)	--	(112,324)	(204,867)
Total other financing sources (uses)	2,640	(92,164)	109,305	(19,781)	--
NET CHANGE IN FUND BALANCES	(1,604,145)	(937,569)	(18,345)	(22,093)	(2,582,152)
FUND BALANCES, BEGINNING OF YEAR	2,077,461	1,746,644	6,142,714	(272,974)	9,693,845
FUND BALANCES, END OF YEAR	$ 473,316	$ 809,075	$ 6,124,369	$ (295,067)	$ 7,111,693

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, 2006

Net change in fund balances - total governmental funds (page 21)		$ (2,582,152)
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	$ 4,952,151	
Depreciation expense	(522,397)	4,429,754
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.		
Repaid		525,000
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		4,856
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		(152,907)
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	885,070	878,780
Change in net assets of governmental activities (page 17)		$ 3,103,331

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2006

	Enterprise Fund			Internal Service Funds		
	School Nutrition	Nonmajor Student Construction	Total Enterprise	Insurance	Print Shop	Total Internal Service
ASSETS						
Current assets:						
Cash (overdrafts) and cash equivalents	$ 947,657	$ 11,357	$ 959,014	$ 3,658,675	$ (20,257)	$ 3,638,418
Other receivables	260	--	260	580,446	--	580,446
Due from other governments	15,953	--	15,953	--	--	--
Inventories	52,587	--	52,587	--	--	--
Total current assets	1,016,457	11,357	1,027,814	4,239,121	(20,257)	4,218,864
Noncurrent assets:						
Land and construction in progress	--	185,966	185,966	--	--	--
Furniture and equipment	688,074	--	688,074	--	99,681	99,681
Less accumulated depreciation	(163,162)	--	(163,162)	--	(93,746)	(93,746)
Total noncurrent assets	524,912	185,966	710,878	--	5,935	5,935
Total assets	1,541,369	197,323	1,738,692	4,239,121	(14,322)	4,224,799
LIABILITIES						
Accounts payable and accrued liabilities	24,886	32	24,918	10,560	872	11,432
Claims payable	--	--	--	525,650	--	525,650
Deferred revenue	10,896	--	10,896	--	--	--
Total liabilities	35,782	32	35,814	536,210	872	537,082
NET ASSETS						
Invested in capital assets	524,912	185,966	710,878	--	5,935	5,935
Unrestricted	980,675	11,325	992,000	3,702,911	(21,129)	3,681,782
Total net assets	$ 1,505,587	$ 197,291	$ 1,702,878	$ 3,702,911	$ (15,194)	$ 3,687,717

See notes to financial statements.

EXHIBIT H

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2006

	Enterprise Funds		
		Nonmajor	
	School Nutrition	Student Construction	Total Enterprise
OPERATING REVENUES			
Local sources			
Food service sales	$ 693,016	$ --	$ 693,016
Charges to other funds	--	--	--
Total operating revenues	693,016	--	693,016
OPERATING EXPENSES			
Non-instructional programs			
Food service operations			
Salaries	558,537	--	558,537
Employee benefits	146,377	--	146,377
Other purchased services	33,398	--	33,398
Supplies	804,022	--	804,022
Depreciation	53,309	--	53,309
Other operating costs	--	--	--
Total operating expenses	1,595,643	--	1,595,643
Operating income (loss)	(902,627)	--	(902,627)
NON-OPERATING REVENUES			
State sources	18,578	--	18,578
Federal sources			
Federal food commodities	65,182	--	65,182
Federal subsidy	912,350	--	912,350
Total non-operating revenues	996,110	--	996,110
OTHER FINANCING SOURCES			
Capital contributions	182,886	--	182,886
NET INCOME (LOSS)	276,369	--	276,369
NET ASSETS, BEGINNING OF YEAR	1,229,218	197,291	1,426,509
NET ASSETS, END OF YEAR	$ 1,505,587	$ 197,291	$ 1,702,878

See notes to financial statements.

EXHIBIT H
(CONTINUED)

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2006

	Internal Service Funds		
	Insurance	Print Shop	Total Internal Service
OPERATING REVENUES			
Local sources			
Food service sales	$ --	$ --	$ --
Charges to other funds	5,176,276	83,663	5,259,939
Total operating revenues	5,176,276	83,663	5,259,939
OPERATING EXPENSES			
Non-instructional programs			
Food service operations			
Salaries	--	--	--
Employee benefits	--	--	--
Other purchased services	--	--	--
Supplies	--	--	--
Depreciation	--	--	--
Other operating costs	4,277,999	103,160	4,381,159
Total operating expenses	4,277,999	103,160	4,381,159
Operating income (loss)	898,277	(19,497)	878,780
NON-OPERATING REVENUES			
State sources	--	--	--
Federal sources			
Federal food commodities	--	--	--
Federal subsidy	--	--	--
Total non-operating revenues	--	--	--
OTHER FINANCING SOURCES			
Capital contributions	--	--	--
NET INCOME (LOSS)	898,277	(19,497)	878,780
NET ASSETS, BEGINNING OF YEAR	2,804,634	4,303	2,808,937
NET ASSETS, END OF YEAR	$ 3,702,911	$ (15,194)	$ 3,687,717

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2006

	Enterprise Funds			Internal Service Funds		
	School Nutrition	Nonmajor Student Construction	Total Enterprise	Insurance	Print Shop	Total Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from sale of lunches and breakfasts	$ 692,567	$ –	$ 692,567	$ –	$ –	$ –
Cash received from operating fund reimbursements	–	–	–	4,595,830	83,663	4,679,493
Cash payments to employees for services	(704,914)	–	(704,914)	–	–	–
Cash payments to suppliers for goods and services	(917,724)	(881)	(918,605)	(4,435,671)	(100,600)	(4,536,271)
Net cash provided by (used in) operating activities	(930,071)	(881)	(930,952)	160,159	(16,937)	143,222
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Operating grants received	927,006	–	927,006	–	–	–
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of equipment/construction in progress	(25,375)	(81,757)	(107,132)	–	–	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(28,440)	(82,638)	(111,078)	160,159	(16,937)	143,222
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	976,097	93,995	1,070,092	3,498,516	(3,320)	3,495,196
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 947,657	$ 11,357	$ 959,014	$ 3,658,675	$ (20,257)	$ 3,638,418

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2006

	Enterprise Funds			Internal Service Funds		
	School Nutrition	Nonmajor Student Construction	Total Enterprise	Insurance	Print Shop	Total Internal Service
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Operating income (loss)	$ (902,627)	$ -	$ (902,627)	$ 898,277	$ (19,497)	$ 878,780
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Commodities used	70,845	–	70,845	–	–	–
Depreciation	53,309	–	53,309	–	6,290	6,290
Loss on disposal of equipment	2,628	–	2,628	–	–	–
Increase in other receivables	(260)	–	(260)	(580,446)	–	(580,446)
Increase in inventories	(5,317)	–	(5,317)	–	–	–
Decrease in accounts payable and accrued liabilities	(148,460)	(881)	(149,341)	(38,433)	(3,730)	(42,163)
Decrease in claims payable	–	–	–	(119,239)	–	(119,239)
Decrease in deferred revenues	(189)	–	(189)	–	–	–
Net cash provided by (used in) operating activities	$ (930,071)	$ (881)	$ (930,952)	$ 160,159	$ (16,937)	$ 143,222

NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

During the year ended June 30, 2006, the District received $65,182 of federal commodities.

During the year ended June 30, 2006, the District received $182,886 of capital contributions for equipment.

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2006

	Private Purpose Trust Scholarship	Agency Fund
ASSETS		
Cash and cash equivalents	$ 371,085	$ 7,342
LIABILITIES		
Accounts payable	5,544	--
Due to other groups	--	7,342
Total liabilities	5,544	7,342
NET ASSETS		
Reserved for scholarships	$ 365,541	$ --

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2006

	Private Purpose Trust Scholarship
ADDITIONS	
Local sources	
Interest	$ 5,269
Memorials/contributions	21,381
Total additions	26,650
DEDUCTIONS	
Support services	
Scholarships	13,882
CHANGE IN NET ASSETS	12,768
NET ASSETS, BEGINNING OF YEAR	352,773
NET ASSETS, END OF YEAR	$ 365,541

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

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

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

The District reports the following major governmental funds:

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

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

The 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

D. Assets, Liabilities, and Fund Equity

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

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. 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, 2006, expenditures in all functional areas did not exceed the amounts budgeted.

NOTE 2 - CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2006 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, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	$ 6,000,954

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

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

At June 30, 2006, the District also had investments in U.S. Treasury State and Local Government Series Notes dated May 25, 2005, 3.738%, due June 1, 2007, with a carrying amount and fair value of $5,901,991.

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.

NOTE 3 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

	Transfers In	Transfers Out
General fund	$ 3,019	$ 379
Local option sales tax fund	--	92,164
Debt service fund	109,305	--
Nonmajor governmental funds		
Capital projects fund	92,164	--
Student activity fund	379	3,019
Physical plant and equipment fund	--	109,305
Total	$ 204,867	$ 204,867

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

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 1,023,840	$ --	$ --	$ 1,023,840
Construction in progress	8,288,220	2,691,986	(8,288,220)	2,691,986
Total capital assets not being depreciated	9,312,060	2,691,986	(8,288,220)	3,715,826
Capital assets being depreciated:				
Land improvements	989,429	--	--	989,429
Buildings	20,025,949	9,848,913	--	29,874,862
Furniture and equipment	7,431,842	611,035	(789,990)	7,252,887
Buses and other pupil transportation equipment	2,171,104	76,212	(34,199)	2,213,117
Total capital assets being depreciated	30,618,324	10,536,160	(824,189)	40,330,295
Less accumulated depreciation for:				
Land improvements	805,347	37,689	--	843,036
Buildings	13,889,181	453,019	--	14,342,200
Furniture and equipment	6,933,762	(18,977)	(789,990)	6,124,795
Buses and other pupil transportation equipment	1,874,282	56,956	(34,199)	1,897,039
Total accumulated depreciation	23,502,572	528,687	(824,189)	23,207,070
Total capital assets being depreciated, net	7,115,752	10,007,473	--	17,123,225
Governmental activities capital assets, net	$16,427,812	$12,699,459	$(8,288,220)	$20,839,051
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	$ 104,209	$ 81,757	$ --	$ 185,966
Capital assets being depreciated:				
Furniture and equipment	492,070	208,261	(12,257)	688,074
Less accumulated depreciation	119,482	53,309	(9,629)	163,162
Capital assets being depreciated, net:	372,588	154,952	(2,628)	524,912
Business-type activities capital assets, net	$ 476,797	$ 236,709	$ (2,628)	$ 710,878

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged by the District as follows:	
Governmental activities:	
Instruction:	
Regular	$ 378,828
Support services:	
General administration	67,227
Plant operations and maintenance	26,426
Student transportation	52,508
Non-instructional	3,698
Total depreciation expense - governmental activities	$ 528,687
Business-type activities:	
School nutrition:	
Food service operations	$ 53,309

NOTE 5 - LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	$13,745,000	$ --	$ (420,000)	$ 13,325,000	$ 6,350,000
Capital loan notes	105,000	--	(105,000)	--	--
Compensated absences	130,928	417,178	(264,271)	283,835	283,385
Total	$13,980,928	$ 417,178	$ (789,271)	$ 13,608,835	$ 6,633,385

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, 2006 totaled $127,520.

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of 1998 Series A			Infrastructure LOST Revenue Bonds 2002		
	Principal	Interest	Total	Principal	Interest	Total
2007	$ 6,350,000	$ 286,772	$ 6,636,772	$ --	$ --	$ --
2008	--	--	--	--	--	--
2009	--	--	--	--	--	--
2010	--	--	--	--	--	--
2011	--	--	--	1,000,000	--	1,000,000
2012-16	--	--	--	--	--	--
2017	--	--	--	--	--	--
Total	$ 6,350,000	$ 286,772	$ 6,636,772	$ 1,000,000	$ --	$ 1,000,000

Year Ending June 30,	General Obligation School Refunding Bond Issue of 2005			Total		
	Principal	Interest	Total	Principal	Interest	Total
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	555,000	166,303	721,303	1,555,000	166,303	1,721,303
2012-16	3,160,000	517,056	3,677,056	3,160,000	517,056	3,677,056
2017	715,000	28,958	743,958	715,000	28,958	743,958
Total	$ 5,975,000	$ 1,527,011	$ 7,502,011	$13,325,000	$ 1,813,783	$15,138,783

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.

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. There is no remaining balance under the agreement at June 30, 2006. During the year ended June 30, 2006, the District made principal and interest payments totaling $109,305 under the agreement.

NOTE 6 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments by fund as of June 30, 2006 are as follows:

	General Fund
State appropriations	
Transportation aid - nonpublic students	$ 18,589
Counseling grant	167,927
Vocational aid	11,965
Jump	6,862
Other	156
Total state appropriations	205,499
Federal appropriations	
Youth mentoring	6,496
Title I	167,464
Perkins grant	79,418
Drug free	21,208
21st Century	504,456
TAP	13,449
Drug and violence	4,303
Hurricane relief	11,250
Total federal appropriations	808,044
Total due from other governments	$ 1,013,543

	Local Option Sales Tax Fund
Miscellaneous	
Local option sales tax	$ 586,602

	School Nutrition Fund
Federal appropriations	
Summer feeding	$ 15,953

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, 2006, 2005, and 2004. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were $1,212,674, $1,156,139, and $1,118,381, respectively, equal to the required contributions for each year.

NOTE 8 - CONTINGENT LIABILITIES

As of June 30, 2006, the District is contingently liable for the unvested portion of sick leave, which totals approximately $11,283,000, and the unused portion of early retirement, which totals approximately $118,000.

NOTE 9 - COMMITTED CONSTRUCTION

As of June 30, 2006, the District had the following committed construction projects:

Project	Total Contract Amount	Portion at June 30, 2006 Completed	Portion at June 30, 2006 Committed
North End Elementary	$12,254,300	$ 1,773,140	$10,481,160

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.

NOTE 10 - RISK MANAGEMENT (CONTINUED)

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 $3,702,911 at June 30, 2006. Changes in the aggregate claims liability for the current year is as follows:

	2006
Balance, beginning of year	$ 644,889
Incurred claims (including IBNRs)	4,158,760
Claim payments	4,277,999
Balance, end of year	$ 525,650

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 $1,356,906 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

NOTE 12 - FUND BALANCE DEFICIT

At June 30, 2006, the Internal Service Fund - Print Shop had a deficit balance of $15,194; and the Special Revenue Funds - Student Activity Fund and Management Fund had fund balance deficits of $383,218 and $148,222, 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.

NOTE 13 - SUBSEQUENT EVENT

On July 6, 2006 the District received $6,000,000 from the issuance of Subordinate School Infrastructure Sales and Service Tax Revenue Bonds. Beginning July 1, 2006 and monthly thereafter the District is required to use 100% of all SILO receipts to retire the bonds. This will continue until the bonds are retired.

NOTE 14 - NEW PRONOUNCEMENT

As of June 30, 2006, the Governmental Accounting Standards Board had issued the following statements not yet implemented by the District. The Statements, which might impact the District, are as follows:

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued April 2004, will be effective for the District beginning with its year ending June 30, 2008. The Statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB) and supersedes existing guidance.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the District beginning with its year ending June 30, 2009. The Statement requires governments to report any liability associated with providing employee benefits other than pensions subsequent to their employment with the District that have not been fully funded.

The District's management has not yet determined the effect these Statements will have on the District's financial statements.

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

REQUIRED SUPPLEMENTAL INFORMATION

CLINTON COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTAL INFORMATION
Year Ended June 30, 2006

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance - Positive (Negative)
REVENUES						
Local sources						
Taxes	$ 13,662,495	$ --	$13,662,495	$ 11,539,116	$11,539,116	$ 2,123,379
Other local sources	--	693,016	693,016	650,000	650,000	43,016
Intermediate sources						
Interest on investments	531,236	--	531,236	143,000	143,000	388,236
Miscellaneous	1,504,485	--	1,504,485	3,997,000	3,997,000	(2,492,515)
State sources	22,411,152	18,578	22,429,730	22,157,905	22,157,905	271,825
Federal sources	2,840,567	977,532	3,818,099	3,466,068	3,466,068	352,031
Total revenues	40,949,935	1,689,126	42,639,061	41,953,089	41,953,089	685,972
EXPENDITURES						
Instruction	23,924,938	--	23,924,938	26,058,852	25,356,908	1,431,970
Support services	12,945,664	--	12,945,664	10,057,164	13,096,599	150,935
Non-instructional programs	11,419	1,595,643	1,607,062	1,665,279	1,948,655	341,593
Other expenditures	6,650,066	--	6,650,066	10,936,030	8,315,163	1,665,097
Total expenditures	43,532,087	1,595,643	45,127,730	48,717,325	48,717,325	3,589,595
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,582,152)	93,483	(2,488,669)	(6,764,236)	(6,764,236)	4,275,567
OTHER FINANCING SOURCES (USES), NET	--	182,886	182,886	--	--	182,886
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(2,582,152)	276,369	(2,305,783)	(6,764,236)	(6,764,236)	4,458,453
BALANCES, BEGINNING OF YEAR	9,693,845	1,229,218	10,923,063	7,751,342	7,751,342	3,171,721
BALANCES, END OF YEAR	$ 7,111,693	$1,505,587	$ 8,617,280	$ 987,106	$ 987,106	$ 7,630,174

See accompanying independent auditor's report.

CLINTON COMMUNITY SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTAL INFORMATION - BUDGETARY REPORTING
June 30, 2006

This budgetary comparison is presented as Required Supplemental 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 a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. 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 which reallocated the budgeted expenditures between the functional areas but did not increase total budgeted expenditures.

During the year ended June 30, 2006, expenditures did not exceed the amounts budgeted for any functional area and the District did not exceed its General Fund unspent authorized budget.

OTHER SUPPLEMENTAL INFORMATION

SCHEDULE 1

CLINTON COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2006

	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	$ --	$(379,060)	$ (153,204)	$ 180,038	$ 67,568	$ 1,096	$ (283,562)
Property taxes receivable							
Current year delinquent	--	--	16,198	7,785	--	--	23,983
Succeeding year	--	--	800,000	222,000	--	--	1,022,000
Other receivables	--	1,663	--	--	--	--	1,663
TOTAL ASSETS	$ --	$(377,397)	$ 662,994	$ 409,823	$ 67,568	$ 1,096	$ 764,084
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable and accrued liabilities	$ --	$ 5,821	$ 11,216	$ 20,114	$ --	$ --	$ 37,151
Deferred revenue	--	--	800,000	222,000	--	--	1,022,000
Total liabilities	--	5,821	811,216	242,114	--	--	1,059,151
Fund balances							
Unreserved	--	(383,218)	(148,222)	167,709	67,568	1,096	(295,067)
TOTAL LIABILITIES AND FUND BALANCES	$ --	$(377,397)	$ 662,994	$ 409,823	$ 67,568	$ 1,096	$ 764,084

CLINTON COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICIT) - NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2006

	Capital Projects Fund	Student Activity Fund	Management	Physical Plant and Equipment Fund	Helen O. Stoddard Bequest	Margaret N. Kracht Gift	Total
REVENUES							
Taxes	$ --	$ --	$ 724,072	$ 577,430	$ --	$ --	$ 1,301,502
Interest on investments	--	--	--	--	1,142	--	1,142
Miscellaneous							
Student activities	--	357,774	--	--	--	--	357,774
Donations	--	18,780	--	--	--	--	18,780
Other	--	23,790	22,682	11,332	--	--	57,804
Total miscellaneous	--	400,344	22,682	11,332	--	--	434,358
Total revenues	--	400,344	746,754	588,762	1,142	--	1,737,002
EXPENDITURES							
Current operating:							
Instruction							
Regular instruction	--	--	362,933	--	--	--	362,933
Special instruction	--	--	1,083	--	--	--	1,083
Other instruction	--	451,872	--	--	2,070	3	453,945
Total instructions	--	451,872	364,016	--	2,070	3	817,961
Support services							
Student services	--	1,939	29,623	--	--	--	31,562
Instructional staff services	--	13,503	--	--	--	--	13,503
General administration	--	71	--	--	--	--	71
Business administration	--	22,657	8,060	234	--	--	30,951
Plant operations and maintenance	--	7,853	301,356	--	--	--	309,209
Student transportation	--	3,905	52,463	--	--	--	56,368
Total support services	--	49,928	391,502	234	--	--	441,664

CLINTON COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (DEFICIT) - NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2006

	Capital Projects Fund	Student Activity Fund	Management	Physical Plant and Equipment Fund	Helen O. Stoddard Bequest	Margaret N. Kracht Gift	Total
Non-instructional programs	$ --	$ --	$ 2,225	$ --	$ --	$ --	$ 2,225
Other expenditures							
Facilities acquisition	--	--	--	477,464	--	--	477,464
Total expenditures	--	501,800	757,743	477,698	2,070	3	1,739,314
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	--	(101,456)	(10,989)	111,064	(928)	(3)	(2,312)
OTHER FINANCING SOURCES (USES)							
Transfers in	92,164	379	--	--	--	--	92,543
Transfers out	--	(3,019)	--	(109,305)	--	--	(112,324)
Total other financing sources (uses)	92,164	(2,640)	--	(109,305)	--	--	(19,781)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	92,164	(104,096)	(10,989)	1,759	(928)	(3)	(22,093)
FUND BALANCES, BEGINNING OF YEAR	(92,164)	(279,122)	(137,233)	165,950	68,496	1,099	(272,974)
FUND BALANCES, END OF YEAR	$ --	$ (383,218)	$ (148,222)	$ 167,709	$ 67,568	$ 1,096	$ (295,067)

CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND
Year Ended June 30, 2006

	Balance, June 30, 2005	Additions	Deletions	Balance, June 30, 2006
ASSETS				
Cash and cash equivalents	$ 6,471	$ 871	$ --	$ 7,342
LIABILITIES				
Due to other groups	$ 6,471	$ 871	$ --	$ 7,342

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			
	2006	2005	2004	2003
REVENUES				
Local sources	$ 13,662,495	$ 12,518,893	$ 12,722,834	$ 12,760,713
Intermediate sources	2,035,721	1,905,217	1,730,164	1,595,305
State sources	22,411,152	21,919,637	20,601,507	21,074,476
Federal sources	2,840,567	3,141,686	1,875,296	1,731,519
TOTAL REVENUES	$ 40,949,935	$ 39,485,433	$ 36,929,801	$ 37,162,013
EXPENDITURES				
Instruction	$ 23,924,938	$ 24,073,051	$ 23,259,448	$ 22,762,499
Support services				
Student services	2,566,531	1,483,900	1,029,640	940,944
Instructional staff services	1,242,624	1,171,251	1,063,808	932,782
General administration	511,883	424,403	317,858	303,965
Building administration	1,892,744	1,589,125	1,476,661	1,560,723
Business administration	1,665,013	396,758	434,251	360,447
Plant operations and maintenance	3,817,687	3,965,345	3,604,006	3,732,438
Student transportation	1,249,182	1,501,224	1,230,300	1,208,200
Central support services	--	794,977	686,826	617,288
Non-instructional programs	11,419	119,332	332,125	305,474
Other expenditures	6,650,066	11,102,858	2,942,719	2,491,775
TOTAL EXPENDITURES	$ 43,532,087	$ 46,622,224	$ 36,377,642	$ 35,216,535

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, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents, and have issued our report thereon dated October 9, 2006. 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.

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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Clinton Community School District in a separate letter dated October 9, 2006.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 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.

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 9, 2006

Offices in 15 states and Washington, DC

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Certified Public Accountants & Consultants

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

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, 2006. 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, 2006.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Offices in 15 states and Washington, DC

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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 Gunderson LLP

Clinton, Iowa
October 9, 2006

CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grant Number	Expenditures
Indirect:			
Department of Agriculture			
Iowa Department of Education			
Food Distribution (noncash)	10.550	FY 06	$ 70,845
School Nutrition Cluster Programs			
School Breakfast Program	10.553	FY 06	189,416
After School Snack Program	10.555	FY 06	11,934
National School Lunch Program	10.555	FY 06	707,078
			908,428
Department of Education			
Iowa Department of Education			
Title I Grants to Local Educational Agencies	84.010	FY 05	6,995
Title I Grants to Local Educational Agencies	84.010	FY 06	784,414
			791,409
Vocational Education - Basic Grant	84.048	FY 06	79,437
Innovative Education Program Strategies (Title IV Program)	84.298	FY 06	16,415
Safe and Drug Free Schools and Communities - Drug Free Schools	84.186	FY 06	30,727
Fund for the Improvement of Education - Elementary Counseling	84.215	FY 06	272,661
21st Century Community Learning Centers	84.287	FY 06	940,778
Special Education - State Grants	84.027	FY 06	266,666
Grants for Assessments	84.369	FY 06	25,416
Rehabilitation Services	84.126	FY 06	54,697
Title IIA Federal Teacher Quality	84.367	FY 06	254,496
Title III English Language Acquisitions State Grant	84.365	FY 06	1,996
Advanced Placement Program	84.330	FY 06	624
Elementary and Secondary Education Hurricane Relief	84.938	FY 06	15,750
Department of Justice			
Iowa Department of Justice			
Juvenile Mentoring Grant	16.726	FY 06	23,351
Department of Health and Human Services			
Iowa Department of Education			
Drug Abuse Research	93.279	FY 06	52,332
Environmental Protection Agency			
Iowa Department of Education			
Clean School Bus Program	66.034	FY 06	5,472
Total			$ 3,811,500

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, 2006

Section I: Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Number 84.010	Title I - Grants to Local Educational Agencies
CFDA Number 84.367	Title IIA - Improving Teacher Quality

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, 2006

Section II: Financial Statement Findings:

None

Section III: Federal Award Findings and Questioned Costs:

None

CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

Section IV: Other Findings Related to Required Statutory Reporting:

IV-A-06 Certified Budget - Expenditures for the year ended June 30, 2006 did not exceed the amount budgeted in any functional area.

IV-B-06 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-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted.

IV-D-06 Business Transactions - No business transactions between the District and District officials or employees were noted.

IV-E-06 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-F-06 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-06 Certified Enrollment - No instances of noncompliance were noted in the basic enrollment data certified to the Department of Education.

IV-H-06 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-I-06 Certified Annual Report - The Certified Annual Report was certified with the Iowa Department of Education timely.

IV-J-06 Deficit Balances - Several student activity accounts have significant deficit balances at June 30, 2006.

Recommendation - The District should investigate alternatives to eliminate these deficits and return the accounts to a sound financial condition.

Response - The District will begin the process of addressing the deficits and develop a work-out plan.

Conclusion - Response accepted.

CLINTON COMMUNITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
Year Ended June 30, 2006

Comment Reference	Comment Title	Status	If not corrected, please provide planned corrective action or other explanation
III-A-05	Inaccurate Reporting of Expenditures	Corrective action has been taken	