

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
JUNE 30, 2006**

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**JUNE 30, 2006**

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**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Roger Balk	President	September 2006
M.J. Smith	Vice-President	September 2007
Dan Berns	Board Member	September 2007
Larry Freidlein	Board Member	September 2006
Greg Glawe	Board Member	September 2008
Paul Kregel	Board Member	September 2008
Darla Zittergruen	Board Member	September 2008
<b>School Officials</b>		
Allan Nelson	Superintendent	2006
Mary Seifert	Board Secretary	2006
David Schlueter	Business Manager/Treasurer	2006

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Education of the  
Clayton Ridge Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Clayton Ridge Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Clayton Ridge Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated August 17, 2006, on our consideration of the Clayton Ridge Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clayton Ridge Community School District's basic financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

O'CONNOR, BROOKS & CO., P.C.

Dubuque, Iowa  
August 17, 2006

## **Clayton Ridge Community School District**

### **Management's Discussion and Analysis**

For the Fiscal Year ended June 30, 2006

This section of the Clayton Ridge Community School District's Comprehensive Annual Financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2006. The analysis focuses on District financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Clayton Ridge was formed on July 1, 2005 as a result of a merger between Garnavillo Community School District and Guttenberg Community School District. Therefore, information is not easily comparable to prior years. In future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

#### **Financial Highlights**

- Citizen petitions asking for reorganization of the Guttenberg Community School District and Garnavillo Community School District were submitted to the AEA in February, 2004. This merger was approved by the voters on September 14, 2004 and took place on July 1, 2005. On July 11, 2005 the Boards of Directors for each district approved the termination of the 28E Whole Grade Sharing Agreement. They also approved the transfer of all assets and liabilities from each district to the Clayton Ridge Community School District.
- A resolution was adopted in June 2004 asking the voters to approve a \$.51 Physical Plant and Equipment Levy for three years beginning with the FY06 budget year. The voters approved this levy at the September 14, 2004 election.
- Unless noted, the following financial information for FY05 is calculated by adding together FY05 results for Garnavillo CSD plus Guttenberg CSD less inter-district transactions.
- General fund revenues increased from \$6,217,612 in FY05 to \$6,279,111 in FY06 while general fund expenditures increased from \$6,039,786 in FY05 to \$6,062,434 in FY06. The District's general fund balance increased from \$1,668,640 on June 30, 2005 to \$1,891,194 on June 30, 2006.
- General fund revenues increased \$61,499 primarily due to increases in interest income, state aid, funding for Title I, and a Star Schools grant. This increase was partially offset by decreases in property tax revenues and federal REAP funding. Property tax reductions and the increases in state aid are due to reorganization incentives from the State of Iowa.
- General fund expenditures increased \$22,648, or approximately .4%.

- Local option sales tax collections in Clayton County began on January 1, 2004. Total sales tax revenues for FY06 were \$321,997.
- The Board renewed the Instructional Support Levy in 2005. This levy generates an additional 10% of regular program district cost. The income surtax rate imposed for FY06 was 3%. The income surtax rate for FY07 was increased to 5%.
- The September, 2005 budget enrollment decreased 8.4 students versus September, 2004.

## **Overview of Financial Statements**

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The Statement of Net Assets and Statement of Activities provide information on a district-wide basis. The statements present an aggregate view of the District's finances. Government-wide statements contain useful long-term information as well as information for the just-completed fiscal year.

The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the Government-wide statements.

- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short and long-term financial information about the activities the District operates like businesses, such as food services.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

## **Government-wide statements**

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

The two Government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively. To assess the District's overall financial health, you need to consider

additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in the governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows.
- *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds. The District accounts for outside donations for specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

## Financial Analysis of the District as a Whole

**Net Assets.** The table below provides a summary of the District's net assets for the year ended June 30, 2006.

<b>Figure A-1</b>				
<b>Condensed Statement of Net Assets (\$000)</b>				
	<b>Governmental</b>		<b>Business-type</b>	
	<b>Activities</b>		<b>Activities</b>	<b>Total</b>
	<b>2006</b>		<b>2006</b>	<b>School District</b>
	<b>2006</b>		<b>2006</b>	<b>2006</b>
Current assets	\$ 6,419	\$	72	\$ 6,491
Capital assets	975		3	978
<b>Total assets</b>	<b>7,394</b>		<b>75</b>	<b>7,469</b>
Current liabilities	3,489		-	3,489
Non-current liabilities	472		-	472
<b>Total liabilities</b>	<b>3,961</b>		<b>-</b>	<b>3,961</b>
Net assets				
Invested in capital assets, net of related debt	975		3	978
Restricted	968		-	968
Unrestricted	1,490		72	1,562
<b>Total net assets</b>	<b>\$ 3,433</b>	<b>\$</b>	<b>75</b>	<b>\$ 3,508</b>

The District's total assets consists of approximately 43% cash, 40% is succeeding year property taxes receivable, 13% is invested in capital assets (land, buildings, equipment) with the other assets accounting for the remaining 4%.

Restricted net assets represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The district's restricted net assets consist primarily of fund balances in the Management, Physical Plant and Equipment Levy, and Capital Projects funds.

Unrestricted net assets can be used to finance day-to-day operations without constraints.

**Changes in net assets.** The table below shows the changes in net assets for the year ended June 30, 2006.

<b>Figure A-2</b>				
<b>Changes in Net Assets (\$000)</b>				
	<b>Governmental Activities 2006</b>	<b>Business-type Activities 2006</b>	<b>Total School District 2006</b>	
<b>Revenues</b>				
Program revenues:				
Charges for services	\$ 650	\$ 180	\$ 830	
Operating Grants and Contributions	767	108	875	
General revenues:				
Property taxes	2,884	-	2,884	
Local option sales tax	322	-	322	
Unrestricted state grants	2,453	-	2,453	
Other	255	-	255	
<b>Total Revenues</b>	<b>\$ 7,331</b>	<b>\$ 288</b>	<b>\$ 7,619</b>	
<b>Expenses</b>				
Instruction	\$ 4,561	\$ -	\$ 4,561	
Student and Instructional Services	466	-	466	
Administrative & Business	616	-	616	
Maintenance & Operations	298	-	298	
Transportation	534	-	534	
Other	434	265	699	
<b>Total Expenses</b>	<b>\$ 6,909</b>	<b>\$ 265</b>	<b>\$ 7,174</b>	
<b>Increase (decrease) in net assets</b>	<b>\$ 422</b>	<b>\$ 23</b>	<b>\$ 445</b>	

As shown in Figure A-2, property tax and state aid provide 73% of the funding required for governmental programs.

Total District revenues exceeded total expenses, thereby increasing net assets \$446,204. Business-type activities contributed \$23,331 to this increase, with the remaining \$442,873 coming from governmental activities.

Approximately 70% of the district's expenses are instruction costs. Administration expenses account for 9%; maintenance accounts for 4%; transportation accounts for 7%; food service accounts for 4%; with the remaining other expenses accounting for 6%.

## Governmental Activities

Revenues for governmental activities were \$7,331,150 while total expenses were \$6,908,277. The table below presents the cost of six major district activities and each activity's net cost. Net cost shows the total cost less fees generated by the activities and intergovernmental aid provided for specific programs. The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

**Figure A-3**  
**Net Cost of Governmental Activities (\$000)**

	<b>Total Cost of Services 2006</b>	<b>Net Cost of Services 2006</b>
Instruction	\$ 4,561	\$ 3,496
Student and Instructional Services	466	426
Administrative & Business	616	616
Maintenance & Operations	298	289
Transportation	534	468
Other	433	197
<b>Total</b>	<b>\$ 6,908</b>	<b>\$ 5,492</b>

The total cost of all governmental activities was \$6,908,277. The net cost is \$1,416,918 less due to funds received for instructional services provided to students from other districts, and due to funds received from the federal and state governments for certain programs they choose to subsidize (such as Title I.) Transportation aid is also received from the State for the non-public school in our district.

## Business-Type Activities

Revenues of the District's business-type activities (food service) were comprised of charges for meals, federal and state reimbursements, and interest earnings. (See Figure A-2.)

Business-type activities revenues exceeded expenses by \$23,331. Charges for meals accounts for 63% of the total revenues, while contributions from the federal and state government for free and reduced meals and commodities accounts for the remaining 37%.

## Fund Analysis of the District's Funds

Clayton Ridge Community School 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 spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2006, the governmental funds reported combined ending fund balances of \$2,858,586. Approximately 99.9% of this balance, \$2,857,728, is unreserved fund balance. The remainder of the fund balance is reserved to show that it is not available for new spending because it has already been committed for encumbrances, student activities, and other restricted purposes.

The general fund is the chief operating fund of the District. At the end of fiscal year 2006, unreserved fund balance of the general fund was \$1,890,336 and the total fund balance was \$1,891,194.

The capital projects fund consists of revenues from the Local Option Sales Tax and related expenditures. The fund balance at the end of fiscal year 2006 was \$533,934.

## ***Proprietary Funds***

The nutrition fund consists of revenues and expenditures related to the operation of the food services department. The fund balance at the end of fiscal year 2006 was \$75,166.

## **Budgetary Highlights**

The District adopts a budget in April for the following year. A comparison of the District's budget amounts compared to actual financial activity is provided in this report in the required supplementary information.

Total receipts exceeded the budget by \$252,853, or 3.4%. Total disbursements were \$2,490,511 under budget, which is 26%.

The total expenditures were less than budget primarily due to the district's general fund, capital projects fund and PPEL fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the general fund. The District then controls general fund spending through its line-item budget. As a result, the certified budget should always exceed actual expenditures for the year, as required by law. The district also budgets to spend the entire balance in the capital projects and PPEL funds as it does with the general funds. Spending is controlled through the line item budgets.

## **Capital Asset and Debt Administration**

### **Capital Assets**

The District's investment in capital assets as of June 30, 2006 for its governmental and business-type activities was \$977,760 net accumulated depreciation. This investment includes land, buildings, and equipment.

**Figure A-4**  
**Capital Assets (net of depreciation) (\$000)**

	<b>Governmental Activities 2006</b>	<b>Business-type Activities 2006</b>	<b>Total School District 2006</b>
Land	\$ 55	\$ -	\$ 55
Construction in progress	17	-	17
Buildings	615	-	615
Improvements other than buildings	198		198
Equipment & furniture	90	3	93
	<b>\$ 975</b>	<b>\$ 3</b>	<b>\$ 978</b>

### **Long-Term Debt**

At June 30, 2006 the District has no long-term debt outstanding.

### **Factors Bearing on the District's Future**

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

- Voters approved a ten year levy of \$.67 per \$1,000 of assessed valuation for Physical Plant and Equipment needs. This levy will begin with the July 1, 2008 budget year.
- The District anticipates that the trend of declining enrollment will continue. However, the September, 2006 enrollment increased by 7.3 students.
- The certified employees' bargaining unit contract is a one-year contract, and open for negotiation for next year. Salary and benefits represent 68% of general fund expenses. Since the district receives only minimal increase in spending authority, any increase in settlements causes an adverse effect on the general fund budget and related fund balance.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives.

If you have questions about this report or need additional financial information, contact David Schlueter, Clayton Ridge Community School District, PO Box 520, Guttenberg, Iowa, 52052.

**BASIC  
FINANCIAL  
STATEMENTS**

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**STATEMENT OF NET ASSETS  
JUNE 30, 2006**

	Governmental Activities	Business-Type Activities	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Assets</b>			
Cash and cash equivalents	\$ 3,142,895	\$ 63,793	\$ 3,206,688
Receivables:			
Property tax:			
Delinquent	46,613	-	46,613
Succeeding year	2,958,002	-	2,958,002
Income surtax	71,495	-	71,495
Accounts	14,854	-	14,854
Due from other governments	184,625	-	184,625
Inventories	-	8,583	8,583
Capital assets, net of depreciation	974,970	2,790	977,760
<b>Total Assets</b>	<u>\$ 7,393,454</u>	<u>\$ 75,166</u>	<u>\$ 7,468,620</u>
 <b>Liabilities</b>			
Accounts payable	\$ 10,230	\$ -	\$ 10,230
Salaries and benefits payable	513,352	-	513,352
Due to other governments	2,132	-	2,132
Deferred revenue - other	4,687	-	4,687
Deferred revenue - succeeding year property tax	2,958,002	-	2,958,002
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	135,421	-	135,421
Portion due after one year:			
Early retirement payable	336,715	-	336,715
<b>Total Liabilities</b>	<u>\$ 3,960,539</u>	<u>\$ -</u>	<u>\$ 3,960,539</u>

See notes to financial statements.

**EXHIBIT "A" (Continued)**

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**STATEMENT OF NET ASSETS  
JUNE 30, 2006**

	Governmental Activities	Business-Type Activities	Total
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 974,970	\$ 2,790	\$ 977,760
Restricted for:			
Phase III	858	-	858
Management levy	248,670	-	248,670
Physical plant and equipment levy	114,978	-	114,978
Other special revenue purposes	69,810	-	69,810
Local option sales and service tax	533,934		533,934
Unrestricted	1,489,695	72,376	1,562,071
<b>Total Net Assets</b>	<b>\$ 3,432,915</b>	<b>\$ 75,166</b>	<b>\$ 3,508,081</b>

See notes to financial statements.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
<b>Functions/Programs</b>							
Governmental activities:							
Instruction:							
Regular instruction	\$ 2,776,629	\$ 93,651	\$ 366,926	\$ -	\$ (2,316,052)	\$ -	\$ (2,316,052)
Special instruction	957,899	223,831	97,337	-	(636,731)	-	(636,731)
Other instruction	826,543	283,741	-	-	(542,802)	-	(542,802)
	<u>\$ 4,561,071</u>	<u>\$ 601,223</u>	<u>\$ 464,263</u>	<u>\$ -</u>	<u>\$ (3,495,585)</u>	<u>\$ -</u>	<u>\$ (3,495,585)</u>
Support Services:							
Student services	\$ 173,154	\$ 36,539	\$ -	\$ -	\$ (136,615)	\$ -	\$ (136,615)
Instructional staff services	292,906	-	3,936	-	(288,970)	-	(288,970)
Administration services	615,579	-	-	-	(615,579)	-	(615,579)
Operation and maintenance of plant services	297,967	8,800	-	-	(289,167)	-	(289,167)
Transportation services	533,953	3,289	62,685	-	(467,979)	-	(467,979)
	<u>\$ 1,913,559</u>	<u>\$ 48,628</u>	<u>\$ 66,621</u>	<u>\$ -</u>	<u>\$ (1,798,310)</u>	<u>\$ -</u>	<u>\$ (1,798,310)</u>
Non-instructional Programs	<u>\$ 1,893</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,893)</u>	<u>\$ -</u>	<u>\$ (1,893)</u>

See notes to financial statements.

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Other Expenditures:							
Facilities acquisition	\$ 134,409	\$ -	\$ -	\$ -	\$ (134,409)	\$ -	\$ (134,409)
AEA flowthrough	236,183	-	236,183	-	-	-	-
Depreciation (unallocated)*	61,162	-	-	-	(61,162)	-	(61,162)
	<u>\$ 431,754</u>	<u>\$ -</u>	<u>\$ 236,183</u>	<u>\$ -</u>	<u>\$ (195,571)</u>	<u>\$ -</u>	<u>\$ (195,571)</u>
Total Governmental Activities	<u>\$ 6,908,277</u>	<u>\$ 649,851</u>	<u>\$ 767,067</u>	<u>\$ -</u>	<u>\$ (5,491,359)</u>	<u>\$ -</u>	<u>\$ (5,491,359)</u>
Business-Type Activities:							
Non-instructional programs:							
Food service operations	\$ 265,579	\$ 179,598	\$ 107,906	\$ -	\$ -	\$ 21,925	\$ 21,925
Total	<u>\$ 7,173,856</u>	<u>\$ 829,449</u>	<u>\$ 874,973</u>	<u>\$ -</u>	<u>\$ (5,491,359)</u>	<u>\$ 21,925</u>	<u>\$ (5,469,434)</u>

See notes to financial statements.

**EXHIBIT "B" (Continued)**

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
<b>General Revenues:</b>							
Property tax levied for:							
General purposes					\$ 2,701,482	\$ -	\$ 2,701,482
Capital outlay					182,892	-	182,892
Local option sales and services tax					321,997	-	321,997
Instructional support surtax					80,194	-	80,194
Unrestricted state grants					2,452,666	-	2,452,666
Unrestricted investment earnings					99,360	1,406	100,766
Other					75,641	-	75,641
<b>Total General Revenues</b>					<b>\$ 5,914,232</b>	<b>\$ 1,406</b>	<b>\$ 5,915,638</b>
 Change in Net Assets					 \$ 422,873	 \$ 23,331	 \$ 446,204
 Net Assets Beginning of Year					 \$ 3,596,218	 \$ 61,166	 \$ 3,657,384
Prior Period Adjustment					(586,176)	(9,331)	(595,507)
 Net Assets Beginning of Year, Restated					 \$ 3,010,042	 \$ 51,835	 \$ 3,061,877
 Net Assets End of Year					 \$ 3,432,915	 \$ 75,166	 \$ 3,508,081

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

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	General	Capital Projects	Nonmajor Governmental Funds	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 2,269,346	\$ 446,968	\$ 426,581	\$ 3,142,895
Receivables:				
Property tax:				
Delinquent	39,187	-	7,426	46,613
Succeeding year	2,384,627	-	573,375	2,958,002
Income Surtax	71,495	-	-	71,495
Accounts	14,815	-	39	14,854
Due from other governments	97,659	86,966	-	184,625
<b>Total Assets</b>	<b>\$ 4,877,129</b>	<b>\$ 533,934</b>	<b>\$ 1,007,421</b>	<b>\$ 6,418,484</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 10,230	\$ -	\$ -	\$ 10,230
Salaries and benefits payable	512,764	-	588	513,352
Due to other governments	2,132	-	-	2,132
Deferred revenue:				
Succeeding year property tax	2,384,627	-	573,375	2,958,002
Income Surtax	71,495	-	-	71,495
Other	4,687	-	-	4,687
<b>Total Liabilities</b>	<b>\$ 2,985,935</b>	<b>\$ -</b>	<b>\$ 573,963</b>	<b>\$ 3,559,898</b>
Fund Balances:				
Reserved for:				
Phase III	\$ 858	\$ -	\$ -	\$ 858
Unreserved:				
Undesignated	1,890,336	533,934	433,458	2,857,728
<b>Total Fund Balances</b>	<b>\$ 1,891,194</b>	<b>\$ 533,934</b>	<b>\$ 433,458</b>	<b>\$ 2,858,586</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,877,129</b>	<b>\$ 533,934</b>	<b>\$ 1,007,421</b>	<b>\$ 6,418,484</b>

See notes to financial statements.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2006**

<b>Total fund balances of governmental funds (page 17)</b>	\$	2,858,586
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		974,970
Long-term liabilities are not due and payable in the current period and are not reported in the funds.		(472,136)
Income Surtaxes will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds		71,495
<b>Net assets of governmental activities (page 13)</b>	<b>\$</b>	<b>3,432,915</b>

**EXHIBIT "E"**

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2006**

	General	Capital Projects	Nonmajor Governmental Funds	Total
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 2,561,984	\$ 321,997	\$ 462,279	\$ 3,346,260
Tuition	236,340	-	-	236,340
Other	218,464	20,869	302,898	542,231
State sources	2,975,176	-	419	2,975,595
Federal sources	287,147	-	-	287,147
<b>Total Revenues</b>	<b>\$ 6,279,111</b>	<b>\$ 342,866</b>	<b>\$ 765,596</b>	<b>\$ 7,387,573</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular instruction	\$ 2,554,888	\$ -	\$ 129,792	\$ 2,684,680
Special instruction	963,683	-	-	963,683
Other instruction	544,510	-	282,033	826,543
	<b>\$ 4,063,081</b>	<b>\$ -</b>	<b>\$ 411,825</b>	<b>\$ 4,474,906</b>
Support Services:				
Student services	\$ 173,535	\$ -	\$ 2,949	\$ 176,484
Instructional staff services	247,636	-	41,323	288,959
Administration services	612,092	-	3,487	615,579
Operation and maintenance of plant services	377,786	-	41,186	418,972
Tranportation services	352,121	-	114,940	467,061
	<b>\$ 1,763,170</b>	<b>\$ -</b>	<b>\$ 203,885</b>	<b>\$ 1,967,055</b>
Non-instructional Programs	\$ -	\$ -	\$ 1,893	\$ 1,893
Other Expenditures:				
Facilities acquisition	\$ -	\$ 131,928	\$ 19,787	\$ 151,715
AEA flowthrough	236,183	-	-	236,183
	<b>\$ 236,183</b>	<b>\$ 131,928</b>	<b>\$ 19,787</b>	<b>\$ 387,898</b>
<b>Total Expenditures</b>	<b>\$ 6,062,434</b>	<b>\$ 131,928</b>	<b>\$ 637,390</b>	<b>\$ 6,831,752</b>

See notes to financial statements.

**EXHIBIT "E" (Continued)**  
**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT**  
**GUTTENBERG, IOWA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2006**

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Excess of Revenues Over Expenditures	\$ 216,677	\$ 210,938	\$ 128,206	\$ 555,821
Other Financing Sources:				
Sale of equipment and materials	\$ 5,877	\$ -	\$ -	\$ 5,877
Net Change in Fund Balances	\$ 222,554	\$ 210,938	\$ 128,206	\$ 561,698
Fund Balances Beginning of Year	1,668,640	322,996	305,252	2,296,888
Fund Balances End of Year	<u>\$ 1,891,194</u>	<u>\$ 533,934</u>	<u>\$ 433,458</u>	<u>\$ 2,858,586</u>

See notes to financial statements.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**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 20)** \$ 561,698

*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 not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in

Expenditures for capital assets	\$ 158,390	
Depreciation expense	<u>(115,901)</u>	42,489

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. This includes the net increase in the early retirement payable. (119,014)

Because income surtaxes will not be collected for several months after the district's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues decreased by this amount this year (62,300)

**Change in net assets of governmental activities (page 16)** \$ 422,873

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2006**

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 63,793
Inventories	8,583
Capital assets, net of accumulated depreciation	2,790
<b>Total Assets</b>	<u>\$ 75,166</u>
<b>Liabilities</b>	
None	
<b>Net Assets</b>	
Invested in capital assets, net of related debt	\$ 2,790
Unrestricted	72,376
<b>Total Net Assets</b>	<u>\$ 75,166</u>

See notes to financial statements.

## EXHIBIT "H"

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2006**

	<u>School Nutrition</u>
Operating Revenue:	
Local sources:	
Charges for service	\$ 179,598
Operating Expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	\$ 136,664
Purchased services	67
Supplies	127,181
Miscellaneous	272
Depreciation	1,395
Total Operating Expenses	\$ 265,579
Operating Loss	\$ (85,981)
Non-Operating Revenues:	
State sources	\$ 4,090
Federal sources	103,816
Interest income	1,406
Total Non-Operating Revenues	\$ 109,312
Net income	\$ 23,331
Net Assets Beginning of Year	\$ 61,166
Prior Period Adjustment	(9,331)
Net Assets Beginning of Year, as restated	\$ 51,835
Net Assets End of Year	\$ 75,166

See notes to financial statements.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2006**

	<u>School Nutrition</u>
<b>Cash Flows From Operating Activities:</b>	
Cash received from sale of lunches and breakfasts	\$ 180,182
Cash paid to employees for services	(136,664)
Cash paid to suppliers for goods and services	(102,038)
Net Cash Used by Operating Activities	<u>\$ (58,520)</u>
<b>Cash Flows From Noncapital Financing Activities:</b>	
State grants received	\$ 4,090
Federal grants received	80,936
Net Cash Provided by Noncapital Financing Activities	<u>\$ 85,026</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>	
None	<u>\$ -</u>
<b>Cash Flows From Investing Activities:</b>	
Interest on investments	<u>\$ 1,406</u>
Net increase in cash and cash equivalents	\$ 27,912
Cash and Cash Equivalents Beginning of Year	<u>35,881</u>
Cash and Cash Equivalents End of Year	<u><u>\$ 63,793</u></u>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities:</b>	
Operating loss	\$ (85,981)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	22,880
Depreciation	1,395
Decrease in inventories	2,602
Decrease in Accounts Receivable	584
Net Cash Provided by Operating Activities	<u><u>\$ (58,520)</u></u>

**Non-Cash Investing, Capital and Financing Activities:**

During the year ended June 30, 2006, the District received \$22,880 of federal commodities.

See notes to financial statements.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2006**

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets</b>		
Cash and pooled investments	\$ 36,941	\$ 2,661
<b>Liabilities</b>		
Due to other governments	\$ -	\$ 2,661
<b>Net Assets</b>		
Reserved for scholarships	<u>\$ 36,941</u>	<u>\$ -</u>

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2006**

		Private Purpose Trust
		Scholarship
Additions:		
Local sources:		
Gifts and contributions	\$	3,506
Interest income		735
Total Additions	\$	4,241
 Deductions:		
Support services:		
Scholarships awarded		5,714
 Change in Net Assets	\$	(1,473)
 Net Assets Beginning of Year		38,414
 Net Assets End of Year	\$	36,941

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 1 - Summary of Significant Accounting Policies:**

The Clayton Ridge Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

During fiscal year 2005, the Guttenberg and Garnavillo school districts held a vote which approved the merger of these districts to the newly formed Clayton Ridge Community School District which commenced operations on July 1, 2005.

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

**A. Reporting Entity**

For financial reporting purposes, Clayton Ridge 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 Clayton Ridge Community School District has no component units that 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 Clayton County Assessor'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

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**B. Basis of Presentation (Continued)**

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 services.

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 activities:

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

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

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

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

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

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**B. Basis of Presentation (Continued)**

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 expenditures, including instructional, support and other costs.

The Local Option Sales Tax Fund (Capital Projects) is used to account for resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

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

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

The Private-Purpose Trust 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.

**C. Measurement Focus and Basis of Accounting**

The government-wide, 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.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

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 non-operating revenues and expenses

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

**D. Assets, Liabilities and Fund Equity**

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

**Cash, Pooled Investments and Cash Equivalents** - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for nonnegotiable certificates of deposit which are stated at cost.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year 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.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**D. Assets, Liabilities and Fund Equity (Continued)**

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1-1/2% 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** - Inventory items are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

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

Land	All
Buildings	1,500
Improvements other than buildings	1,500
Furniture and equipment:	
School Nutrition Fund equipment	1,500
Other furniture and equipment	1,500

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**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 years
Furniture and equipment	5 years

**Compensated Absences** - School District employees accumulate sick leave and vacation for subsequent use. These accumulations are not recognized as expenditures by the District until used. The District's policy prohibits payoff of accumulated benefits at termination of employment. Consequently, no liability at June 30, 2006 has been accrued.

**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 collectible within the current period or 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, the succeeding year property tax receivable, income surtax, as well as delinquent property tax receivable and other receivables not collected within sixty days after year-end.

**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.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 1 - Summary of Significant Accounting Policies: (Continued)**

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements did not exceed the amounts budgeted at the functional level or exceed the General Fund unspent authorized budget.

**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 the following investments:

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Maturity</u>
Certificate of Deposit	\$ 2,018,450	\$ 2,018,450	Various
Savings Bonds	15,746	15,746	Various
Total	<u>\$ 2,034,196</u>	<u>\$ 2,034,196</u>	

**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.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 3 - Capital Assets:**

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

	Balance Beginning of Year	Prior Period Adjustments	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 188,605	\$ (133,270)	\$ -	\$ -	\$ 55,335
Construction in progress	-	-	17,306	-	17,306
Total capital assets, not being depreciated	<u>\$ 188,605</u>	<u>\$ (133,270)</u>	<u>\$ 17,306</u>	<u>\$ -</u>	<u>\$ 72,641</u>
Capital assets, being depreciated:					
Buildings	\$2,666,340	\$ (199,764)	\$ -	\$ -	\$2,466,576
Improvements other than buildings	87,569	336,159	80,420	-	504,148
Furniture and equipment	1,982,999	(907,250)	60,664	-	1,136,413
Total capital assets being depreciated	<u>\$4,736,908</u>	<u>\$ (770,855)</u>	<u>\$ 141,084</u>	<u>\$ -</u>	<u>\$4,107,137</u>
Less accumulated depreciation for:					
Buildings	\$1,870,537	\$ (52,159)	\$ 33,155	\$ -	\$1,851,533
Improvements other than buildings	73,912	211,580	20,291	-	305,783
Furniture and equipment	1,462,407	(477,370)	62,455	-	1,047,492
Total accumulated depreciation	<u>\$3,406,856</u>	<u>\$ (317,949)</u>	<u>\$ 115,901</u>	<u>\$ -</u>	<u>\$3,204,808</u>
Total capital assets, being depreciated, net	<u>\$1,330,052</u>	<u>\$ (452,906)</u>	<u>\$ 25,183</u>	<u>\$ -</u>	<u>\$ 902,329</u>
Total Governmental activities capital assets, net	<u>\$1,518,657</u>	<u>\$ (586,176)</u>	<u>\$ 42,489</u>	<u>\$ -</u>	<u>\$ 974,970</u>
			Add: accumulated depreciation		<u>\$3,204,808</u>
			Total Capital Assets		<u>\$4,179,778</u>
<b>Business-type activities:</b>					
Furniture and equipment	\$ 115,584	\$ (4,844)	\$ -	\$ -	\$ 110,740
Less accumulated depreciation	102,068	4,487	1,395	-	107,950
Business-type activities capital assets, net	<u>\$ 13,516</u>	<u>\$ (9,331)</u>	<u>\$ (1,395)</u>	<u>\$ -</u>	<u>\$ 2,790</u>

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 3 - Capital Assets: (Continued)**

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular instruction	\$ 12,369
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Support services:

Instructional staff support services	6,899
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Operation and maintenance of plant services	2,927
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Transportation services	32,544
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Unallocated	61,162
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Total depreciation expense - governmental activities	\$ 115,901
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Business type activities:

Food services	\$ 1,395
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**Note 4 - Long-Term Liabilities:**

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

	Early Retirement
Balance Beginning of Year	\$ 353,122
Additions	209,557
Reductions	(90,543)
	472,136
Balance End of Year	\$ 472,136

Early Retirement:

The District offers a voluntary early retirement plan to its certified and non-certified employees. The employee is eligible to participate in the early retirement program if the following conditions are met at June 30, 2006.

- 1) The employee has reached a minimum age of 55.
- 2) The employee has completed at least 15 years of full service to the Clayton Ridge Community School District and/or the Garnavillo Community School District and/or the Guttenberg Community School District.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 4 - Long-Term Liabilities: (Continued)**

The eligible employee must submit an application of early retirement to the Board of Education. The Board has sole discretion over the approval of early retirement and may not approve more than six applications for the fiscal year ended June 30, 2006.

Early retirement benefits are equal to a one time payment of 15% (20% for teachers) of the employee's contracted salary in effect during the last year of employment. The employee shall also be eligible for an additional payment based on a percentage of unused sick leave at June 30, 2006. The District will continue to pay the employee's health insurance premium on a monthly basis for up to \$325 a month for teachers and administrators for a maximum period of ten years.

Early retirement benefits paid during the year ended June 30, 2006 totaled \$90,543.

**Note 5 - Pension and Retirement Benefits:**

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006. Contribution requirements are established by state statute. The District's contribution to IPERS for the year ended June 30, 2006 was \$197,887, equal to the required contribution for the year.

**Note 6 - Related Party Transaction:**

The District had business transactions between the District and a District officials totaling \$110 during the year ended June 30, 2006.

**Note 7 - Risk Management:**

Clayton Ridge Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the fiscal year ended June 30, 2006.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 8 - 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 \$236,183 for the year ended June 30, 2006, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**Note 9 - Operating Lease Commitment:**

The District has entered into noncancellable operating leases for six school buses.

Future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2006, are as follows:

<u>Year Ending June 30</u>	
2007	\$ 49,956
2008	<u>24,925</u>
Total	<u>\$ 74,881</u>

**Note 10 - Construction Commitments:**

The District has entered into various contracts totaling \$204,743 for remodeling projects and other capital assets. As of June 30, 2006, costs of \$17,306 had been incurred against these contracts. The balance of \$184,437 remaining at June 30, 2006, will be paid as work on the projects progress.

**Note 11 - Prior Period Adjustment:**

During the current fiscal year, it was noted that the District's net capital assets for governmental activities and business type activities were overstated by \$586,176 and \$9,331, respectively at July 1, 2005. This was mainly due to numerous items included on the capital asset listing that did not meet the District's capitalization policy and, therefore, should not have been included. The prior period adjustment reduced net capital assets for governmental and business type activities to \$936,666 at July 1, 2005.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 12 - Combination of Guttenberg and Garnavillo School District:**

The districts of Guttenberg and Garnavillo combined to form a new district, Clayton Ridge Community School District, effective July 1, 2005. Assets and liabilities were assumed by the newly formed district. The beginning balances of Clayton Ridge Community School District have been derived from the ending balances of the Guttenberg and Garnavillo Districts at June 30, 2005 as follows:

***Government-wide Financial Statements:***

(Governmental activities)

	Guttenberg Schools	Garnavillo Schools	Clayton Ridge Schools
Net assets, June 30, 2005*	\$ 1,160,717	\$ 1,269,966	\$ 2,430,683
Capital assets, net of accumulated depreciation	733,349	785,308	1,518,657
Long term liabilities	(189,161)	(163,961)	(353,122)
Net assets, July 1, 2005, restated for Clayton Ridge Schools			\$ 3,596,218

\*Since the Government-wide financial statements are reported using the economic resources measurement focus of accounting, certain assets are recorded on the Government-wide financial statements and not on the fund financial statements. These assets would include the income surtax recorded as a receivable at June 30, 2005 of \$48,000 in Guttenberg CSD and \$85,795 in Garnavillo CSD.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 12 - Combination of Guttenberg and Garnavillo School District: (Continued)**

*Fund Financial Statements:*

	Guttenberg Schools <u>6/30/2005</u>	Garnavillo Schools <u>6/30/2005</u>	Clayton Ridge Schools <u>7/1/2005</u>
Governmental Funds:			
General fund	\$ 656,772	\$ 1,011,868	\$ 1,668,640
Student activity	59,842	14,306	74,148
Management	106,418	41,356	147,774
Physical, plant, and equipment levy	57,969	25,361	83,330
Capital projects	<u>231,716</u>	<u>91,280</u>	<u>322,996</u>
Total Governmental Funds	<u>\$ 1,112,717</u>	<u>\$ 1,184,171</u>	<u>\$ 2,296,888</u>
Proprietary Funds:			
Nutrition fund	<u>\$ 45,122</u>	<u>\$ 16,044</u>	<u>\$ 61,166</u>
Fiduciary Funds:			
Private purpose trust	\$ 38,414	\$ -	\$ 38,414
Agency	<u>2,719</u>	<u>-</u>	<u>2,719</u>
Total Fiduciary Funds	<u>\$ 41,133</u>	<u>\$ -</u>	<u>\$ 41,133</u>

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND  
CHANGES IN BALANCES - BUDGET AND ACTUAL  
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2006**

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Fund Types	Fund Type		Original	Final	
	Actual	Actual	Actual			
<b>Receipts:</b>						
Local sources	\$ 4,124,831	\$ 181,004	\$ 4,305,835	\$ 4,019,883	\$ 4,019,883	\$ 285,952
Intermediate sources	-	-	-	5,000	5,000	(5,000)
State sources	2,975,595	4,090	2,979,685	3,028,747	3,028,747	(49,062)
Federal sources	287,147	103,816	390,963	370,000	370,000	20,963
Total Receipts	<u>\$ 7,387,573</u>	<u>\$ 288,910</u>	<u>\$ 7,676,483</u>	<u>\$ 7,423,630</u>	<u>\$ 7,423,630</u>	<u>\$ 252,853</u>
<b>Disbursements:</b>						
Instruction	\$ 4,474,906	\$ -	\$ 4,474,906	\$ 6,202,094	\$ 6,202,094	\$ 1,727,188
Support services	1,967,055	-	1,967,055	2,259,000	2,259,000	291,945
Non-instructional programs	1,893	265,579	267,472	292,017	292,017	24,545
Other expenditures	387,898	-	387,898	834,731	834,731	446,833
Total Disbursements	<u>\$ 6,831,752</u>	<u>\$ 265,579</u>	<u>\$ 7,097,331</u>	<u>\$ 9,587,842</u>	<u>\$ 9,587,842</u>	<u>\$ 2,490,511</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ 555,821	\$ 23,331	\$ 579,152	\$ (2,164,212)	\$ (2,164,212)	\$ 2,743,364
Other Financing Sources, Net	<u>5,877</u>	<u>-</u>	<u>5,877</u>	<u>-</u>	<u>-</u>	<u>5,877</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	\$ 561,698	\$ 23,331	\$ 585,029	\$ (2,164,212)	\$ (2,164,212)	\$ 2,749,241
Balances Beginning of Year	<u>2,296,888</u>	<u>51,835</u>	<u>2,348,723</u>	<u>2,182,792</u>	<u>2,182,792</u>	<u>165,931</u>
Balances End of Year	<u>\$ 2,858,586</u>	<u>\$ 75,166</u>	<u>\$ 2,933,752</u>	<u>\$ 18,580</u>	<u>\$ 18,580</u>	<u>\$ 2,915,172</u>

See accompanying independent auditor's report.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -  
BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2006**

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on 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, noninstructional 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 ended June 30, 2006, the District did not exceed its General Fund unspent authorized budget.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	Special Revenue Funds			
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Total
<b>Assets</b>				
Cash and pooled investments	\$ 244,803	\$ 69,810	\$ 111,968	\$ 426,581
Receivables:				
Property tax:				
Delinquent	4,432	-	2,994	7,426
Succeeding year	380,000	-	193,375	573,375
Accounts	23	-	16	39
Total Assets	\$ 629,258	\$ 69,810	\$ 308,353	\$ 1,007,421
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Wage and benefit payable	\$ 588	\$ -	\$ -	\$ 588
Deferred revenue:				
Succeeding year property tax	380,000	-	193,375	573,375
Total Liabilities	\$ 380,588	\$ -	\$ 193,375	\$ 573,963
Unreserved fund balances	\$ 248,670	\$ 69,810	\$ 114,978	\$ 433,458
Total Liabilities and Fund Balances	\$ 629,258	\$ 69,810	\$ 308,353	\$ 1,007,421

See accompanying independent auditor's report.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2006**

	Special Revenue Funds			Total
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	
<b>Revenues:</b>				
Local Sources:				
Local tax	\$ 275,036	\$ -	\$ 187,243	\$ 462,279
Other	22,201	277,695	3,002	302,898
State sources	249	-	170	419
Total Revenues	<u>\$ 297,486</u>	<u>\$ 277,695</u>	<u>\$ 190,415</u>	<u>\$ 765,596</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular instruction	\$ 129,792	\$ -	\$ -	\$ 129,792
Other instruction	-	282,033	-	282,033
Support Services:				
Student services	2,949	-	-	2,949
Instructional staff services	799	-	40,524	41,323
Administration services	3,487	-	-	3,487
Operation and maintenance of plant services	41,186	-	-	41,186
Transportation services	16,484	-	98,456	114,940
Non-instructional Programs	1,893	-	-	1,893
Other Expenditures:				
Facilities acquisition	-	-	19,787	19,787
Total Expenditures	<u>\$ 196,590</u>	<u>\$ 282,033</u>	<u>\$ 158,767</u>	<u>\$ 637,390</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 100,896</u>	<u>\$ (4,338)</u>	<u>\$ 31,648</u>	<u>\$ 128,206</u>
Fund Balances Beginning of Year	<u>\$ 147,774</u>	<u>\$ 74,148</u>	<u>\$ 83,330</u>	<u>\$ 305,252</u>
Fund Balances End of Year	<u><u>\$ 248,670</u></u>	<u><u>\$ 69,810</u></u>	<u><u>\$ 114,978</u></u>	<u><u>\$ 433,458</u></u>

See accompanying independent auditor's report.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND,  
STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2006**

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
"A" Team	\$ 1,433	\$ 2,348	\$ 3,176	\$ 605
Adult Pop	764	3,452	3,307	909
Athletic Club	(486)	-	-	(486)
Athletics	3,133	34,783	39,888	(1,972)
Baseball	(1,019)	90	-	(929)
Board and Administration Gifts	12	-	135	(123)
Boys Basketball	519	1,641	1,286	874
Cheerleading	(181)	548	440	(73)
Class of 2007	10,263	11,247	6,485	15,025
Class of 2008	2,169	10,305	4,710	7,764
Class of 2009	1,956	2,727	2,271	2,412
Class of 2010	15,306	29,341	43,962	685
Cross Country	-	270	270	-
DARE	3,059	211	1,609	1,661
Drama	2,667	4,185	3,025	3,827
Drill Team	3,464	23,087	23,482	3,069
Elementary Assemblies	3,183	3,364	2,492	4,055
Elementary Safety Patrol	48	-	-	48
FCCLA	1,023	418	612	829
FFA Environment Grant	3,143	-	927	2,216
FFA Memorial	3,375	3,290	2,274	4,391
FFA Project	979	651	-	1,630
FFA Trip	(1,100)	8,275	7,175	-
Fine Arts	357	-	-	357
Football	(682)	2,266	868	716
Girls Basketball	1,568	348	1,151	765
High School Assemblies	(472)	4,100	1,832	1,796
High School National Honor Society	214	2,213	1,986	441
Junior High Football	484	377	471	390
Junior High Student Council	2,051	8,456	5,246	5,261

See accompanying independent auditor's report.

**SCHEDULE "3" (Continued)**

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND,  
STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2006**

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance End of Year</u>
Mass Media	\$ 173	\$ -	\$ -	\$ 173
Merit Trip	1,225	6,644	7,869	-
Middle School Drama	641	2,093	2,004	730
Middle School Flower Fund	154	-	25	129
Middle School Library Reading	1,120	1,011	1,349	782
Middle School Pop	105	355	460	-
Middle School Reading	1,123	257	-	1,380
Parent Advisory Committee	72	2,329	1,894	507
Philanthropist Club	19	829	725	123
Random Acts of Kindness	57	1,210	1,190	77
Reading Month	1,401	884	102	2,183
Secondary Projects	5,703	22,778	26,247	2,234
Softball	(50)	-	-	(50)
Student Senate	3,366	27,769	28,422	2,713
Tri-Star FFA	(246)	31,875	31,619	10
Volleyball	3,262	10,402	9,309	4,355
Wrestling	689	466	825	330
Yearbook	(1,896)	10,800	10,913	(2,009)
<b>Total</b>	<b>\$ 74,148</b>	<b>\$ 277,695</b>	<b>\$ 282,033</b>	<b>\$ 69,810</b>

See accompanying independent auditor's report.

SCHEDULE "4"

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
AGENCY FUND  
YEAR ENDED JUNE 30, 2006**

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<b>Assets:</b>				
Cash and deposits	\$ 2,719	\$ 92	\$ 150	\$ 2,661
<b>Liabilities:</b>				
Payable to others	\$ 2,719	\$ 92	\$ 150	\$ 2,661

See accompanying independent auditor's report.

SCHEDULE "5"

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS**

	Modified Accrual Basis
	2006
Revenues:	
Local Sources:	
Local tax	\$ 3,346,260
Tuition	236,340
Other	542,231
State Sources	2,975,595
Federal Sources	287,147
Total	\$ 7,387,573
Expenditures:	
Instruction:	
Regular instruction	\$ 2,684,680
Special instruction	963,683
Other instruction	826,543
Support Services:	
Student services	176,484
Instructional staff services	288,959
Administration services	615,579
Operation and maintenance of plant services	418,972
Transportation services	467,061
Non-Instructional Programs	1,893
Other Expenditures:	
Facilities acquisition	151,715
AEA flowthrough	236,183
Total	\$ 6,831,752

See accompanying independent auditor's report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the  
Clayton Ridge Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Clayton Ridge Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 17, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. In addition, our report includes a disclaimer of opinion on the required supplementary information.

**Internal Control Over Financial Reporting**

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

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal

control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-06 and I-B-06 are material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Clayton Ridge 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 are described in Part II of the accompanying Schedule of Findings.

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

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

O'CONNOR, BROOKS & CO., P.C.

Dubuque, Iowa  
August 17, 2006

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2006**

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NONCOMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

I-A-06 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling incompatible duties. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - We will consider this.

Conclusion - Response acknowledged. The District could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-06 Credit Cards - The District has credit cards for use by various employees while on District business. The District has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Recommendation - The District should adopt a formal written policy regulating the use of District credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response - We presently have unwritten guidelines. However, we have not established a formal written policy detailing specifics on the use of District credit cards. We will review procedures and guidelines and establish a written policy.

Conclusion - Response accepted.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2006**

**Part II: Other Findings Related to Statutory Reporting:**

- II-A-06 Certified Budget - Expenditures for the year ended June 30, 2006, did not exceed the amount budgeted.
- II-B-06 Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-06 Business Transactions - Business transactions between the District and District officials or employees were detailed as follows:

Name, Title, Business Connection	Transaction Description	Amount
Paul Kregel , Board Member Construction	Parking lot lettering	\$110

In accordance with Chapter 279.7A of the Code of Iowa, the transactions do not appear to represent a conflict of interest since the cumulative transaction total for each official did not exceed \$2,500.

- II-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 insure that the coverage is adequate for current operations.
- II-F-06 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board. However, we noted that when the Board met in closed session, the specific exemption for holding the closed session and the action taken in the closed sessions was not documented in accordance with Chapter 21.5 of the Code of Iowa.

Recommendation - The District should document the reason that a closed session was held and the action taken in the closed session, in accordance with Chapter 21.5 of the Code of Iowa.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2006**

**Part II: Other Findings Related to Statutory Reporting: (Continued)**

Response - We will document this in the future.

Conclusion - Response accepted.

II-G-06 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-06 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, however, we noted that the ending fund balances reported on the Certified Annual Report and the financial statements differ in the Capital Projects Fund and the General Fund by \$1,992 and \$110 respectively.

Recommendation - The District should accurately report their ending fund balances on the Certified Annual Report.

Response - We will correct these adjustments on the 2007 Certified Annual Report.

Conclusion - Response accepted.

II-J-06 Deficit Balances - The Student Activity Fund had seven accounts with deficit balances at June 30, 2006.

Recommendation - The District should continue to monitor these accounts and investigate alternatives to eliminate these deficits.

Response - We will continue to monitor these accounts

Conclusion - Response accepted.

II-K-06 Public Hearings - The District did not hold a hearing to adopt proposed plans, specifications, and form of contract for a public improvement project exceeding \$25,000 in accordance with Chapter 73A.2 Code of Iowa.

**CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT  
GUTTENBERG, IOWA**

**SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2006**

**Part II: Other Findings Related to Statutory Reporting: (Continued)**

Recommendation - The Board should hold a hearing to adopt plans and specifications of the contract for projects exceeding \$25,000 in accordance with Chapter 73A.2 Code of Iowa.

Response - We will hold hearings in the future.

Conclusion - Response accepted.

II-L-06 Retention of Electronic Records - Electronically retained check images (both front and back) were not being kept by the District in accordance with Chapter 554D.1114(s) Code of Iowa.

Recommendation - The District should contact their financial institution to inquire about availability of electronically retained check images.

Response - We will contact the financial institutions.

Conclusion - Response accepted.