CLEARFIELD COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2007

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Clearfield Community School District

Officials

Name	Title	Term Expires
	Board of Education (Before September 2006 Election)	
Becky Kerns	President	2008
Bob Cameron	Vice President	2008
Dean Spurrier	Board Member	2007
Michele Sobotka	Board Member	2006
Patricia Parrish	Board Member	2006
	Board of Education (After September 2006 Election)	
Becky Kerns	President	2008
Bob Cameron	Vice President	2008
Dean Spurrier	Board Member	2007
Patricia Parrish	Board Member	2009
Michelle Powell	Board Member	2009
	School Officials	
Joe Drake	Superintendent	2007
Pam Nickell	District Secretary/Treasurer	2007
Travis & Bonnett	Attorney	2007

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Clearfield Community School District, Clearfield, Iowa as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Clearfield Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 11, 2008 on our consideration of the Clearfield Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 31 through 32 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 Clearfield Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson P.C.

NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clearfield Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from $1,230,111 in fiscal 2006 to $1,171,859 in fiscal 2007, and General Fund expenditures decreased from $1,231,895 in fiscal 2006 to $1,132,326 in fiscal 2007. The District's General Fund balance increased from $280,258 in fiscal 2006 to a balance of $309,422 in fiscal 2007, an increase of less 10.41% from the prior year.

- The decrease in General Fund revenues was attributable to a decrease in federal grant revenue in fiscal 2007. The decrease in expenditures was due primarily to a decrease in regular instruction expenditures.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

Figure A-1
Clearfield Community School District Annual Financial Report

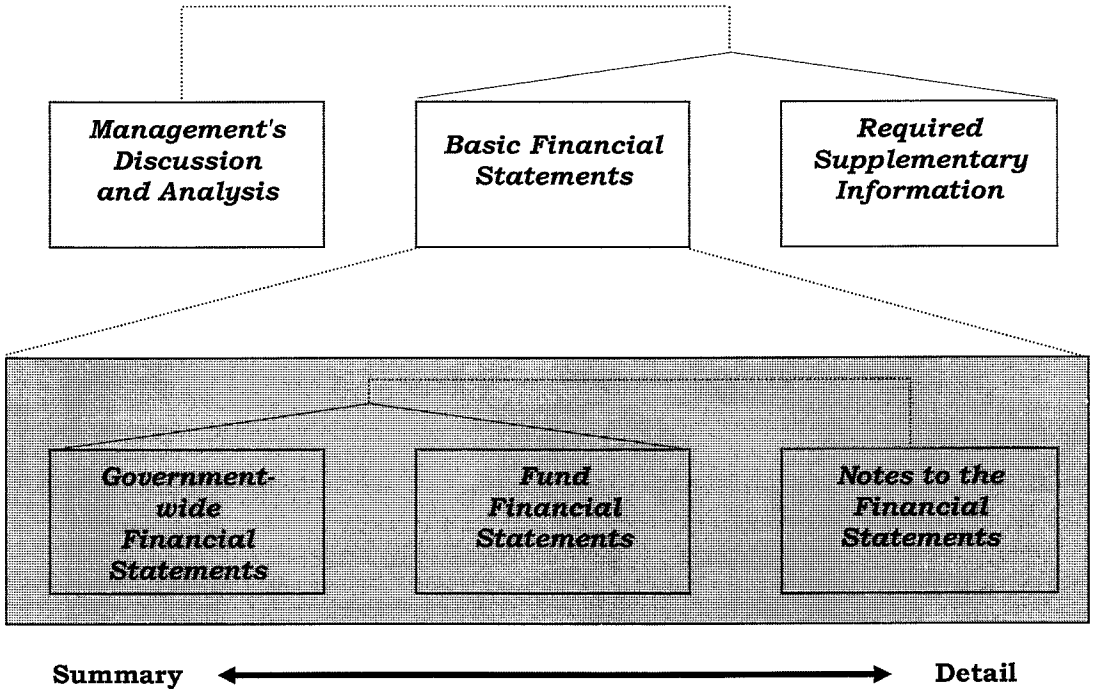

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	• 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
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	$ 1,093,092	963,692	1,558	1,433	1,094,650	965,125	13.42%
Capital assets	118,103	113,620	1,278	1,514	119,381	115,134	3.69%
Total assets	1,211,195	1,077,312	2,836	2,947	1,214,031	1,080,259	12.38%
Long-term obligations	0	338	0	0	0	338	-100.00%
Other liabilities	570,420	511,390	88	0	570,508	511,390	11.56%
Total liabilities	570,420	511,728	88	0	570,508	511,728	11.49%
Net assets:							
Invested in capital assets, net of related debt	118,103	113,620	1,278	1,514	119,381	115,134	3.69%
Restricted	199,626	140,002	0	0	199,626	140,002	42.59%
Unrestricted	323,046	311,962	1,470	1,433	324,516	313,395	3.55%
Total net assets	$ 640,775	565,584	2,748	2,947	643,523	568,531	13.19%

The District's combined net assets increased by 13.19%, or $74,992, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased $59,624, or 42.59% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased 3.55% or $11,121.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to June 30, 2006.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	$ 57,182	49,319	9,134	7,538	66,316	56,857	16.64%
Operating grants and contributions and restricted interest	367,727	402,175	25,940	25,406	393,667	427,581	-7.93%
General revenues:							
Property tax	481,396	480,334	0	0	481,396	480,334	0.22%
Local option sales and service tax	55,312	45,859	0	0	55,312	45,859	20.61%
Unrestricted state grants	317,814	332,968	0	0	317,814	332,968	-4.55%
Other	18,630	15,330	3	3	18,633	15,333	21.52%
Transfers	(10,369)	0	10,369	0	0	0	0.00%
Total revenues	1,287,692	1,325,985	45,446	32,947	1,333,138	1,358,932	-1.90%
Program expenses:							
Governmental activities:							
Instructional	803,445	870,868	0	0	803,445	870,868	-7.74%
Support services	329,440	371,163	0	0	329,440	371,163	-11.24%
Non-instructional programs	0	225	45,645	34,626	45,645	34,851	30.97%
Other expenses	79,616	65,374	0	0	79,616	65,374	21.79%
Total expenses	1,212,501	1,307,630	45,645	34,626	1,258,146	1,342,256	-6.27%
Change in net assets	75,191	18,355	(199)	(1,679)	74,992	16,676	349.70%
Net assets beginning of year	565,584	547,229	2,947	4,626	568,531	551,855	3.02%
Net assets end of year	$ 640,775	565,584	2,748	2,947	643,523	568,531	13.19%

In fiscal 2007, property tax and unrestricted state grants account for 62.07% of the revenue from governmental activities while charges for services and operating grants and contributions account for 77.18 of the revenue from business type activities.

The District's total revenues were approximately $1.33 million of which $1.29 million was for governmental activities and $0.04 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a decrease of 1.9% in revenues and a 6.27% decrease in expenses. The decrease in expenses was related to the decrease in support service costs during the year.

Governmental Activities

Revenues for governmental activities were $1,287,692 and expenses were $1,212,501. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

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

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	$ 803,445	870,868	-7.74%	414,508	454,204	-8.74%
Support services	329,440	371,163	-11.24%	329,440	371,163	-11.24%
Non-instructional programs	0	225	-100.00%	0	225	-100.00%
Other expenses	79,616	65,374	21.79%	43,644	30,544	42.89%
Totals	$ 1,212,501	1,307,630	-7.27%	787,592	856,136	-8.01%

- The cost financed by users of the District's programs was $57,182.
- Federal and state governments subsidized certain programs with grants and contributions totaling $367,727.
- The net cost of governmental activities was financed with $481,396 in property tax, $55,312 in local option sales tax, $317,814 in unrestricted state grants, and $18,630 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were $45,446 and expenses were $45,645. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of $498,849, above last year's ending fund balance of $419,491.

Governmental Fund Highlights

- The District's General Fund balance increased from $280,258 on June 30, 2006 to $309,422 on June 30, 2007. The fluctuation in the District's General Fund financial position is the product of many factors. The decrease in expenditures was due to the decrease in regular instruction expenditures. While both revenues and expenditures decreases, revenues exceeded expenditures ensuring the increase in the Districts financial position.
- The Management fund balance increased from $50,157 in 2006, to $94,945 in 2007, due to an increase in property taxes and other local sources of revenue during the year.
- The Physical Plant and Equipment Levy (PPEL) fund balance decreased from $6,141 to $1,089 due primarily to the expenses exceeding revenues.
- The District's Capital Projects fund balance increased from $82,935 to $93,393 due primarily to increased local option sales tax revenues during fiscal year 2007.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from $2,947 at June 30, 2006 to $2,478 at June 30, 2007, representing a decrease of approximately 6.75%.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District amended its annual budget one time to reflect additional expenditures associated in the other expenses function.

The District's revenues were $27,742 less than budgeted revenues, a variance of 2.03%. The most significant variance resulted from the District receiving less in federal sources than originally anticipated.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested $119,381, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 3.56% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was $27,314.

The original cost of the District's capital assets was $439,853. Governmental funds account for $431,838 with the remainder of $8,015 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the land improvements category. The District's land improvements totaled $56,170 at June 30, 2006, compared to $58,749 reported at June 30, 2006.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-07
Buildings	$ 0	0	0	0	0	0	0.00%
Land improvements	58,749	56,170	0	0	58,749	56,170	4.39%
Machinery and equipment	59,354	57,450	1,278	1,514	60,632	58,964	2.75%
Total	$ 118,103	113,620	1,278	1,514	119,381	115,134	3.56%

Long-Term Debt

At June 30, 2007, the District did not have any long-term debt outstanding.

Figure A-7
Outstanding Long-Term Obligations

	Total School District June 30,		Total Change June 30,
	2007	2006	2006-07
Compensated absences	$ 0	338	-100.00%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CLEARFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	$ 575,491	384	575,875
Receivables:			
Property tax:			
Delinquent	6,600	0	6,600
Succeeding year	439,198	0	439,198
Income surtax	23,823	0	23,823
Accounts	36,640	212	36,852
Due from other governments	11,340	0	11,340
Inventories	0	962	962
Capital assets, net of accumulated depreciation(Note 3)	118,103	1,278	119,381
Total Assets	1,211,195	2,836	1,214,031
Liabilities			
Accounts payable	130,695	88	130,783
Deferred revenue:			
Succeeding year property tax	439,198	0	439,198
Other	527	0	527
Total Liabilities	570,420	88	570,508
Net Assets			
Investment in capital assets, net of related debt	118,103	1,278	119,381
Restricted for:			
Early intervention	6,445	0	6,445
Talented and gifted	2,730	0	2,730
Beginning teacher mentoring	294	0	294
Market factor	730	0	730
Capital projects	93,393	0	93,393
Physical plant & equipment levy	1,089	0	1,089
Management levy	94,945	0	94,945
Unrestricted	323,046	1,470	324,516
Total Net Assets	$ 640,775	2,748	643,523

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit B

CLEARFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-Type Activities	Total
Governmental activities:						
Instruction:						
Regular instruction	$ 530,022	57,182	326,251	(146,589)	0	(146,589)
Special instruction	161,573	0	5,504	(156,069)	0	(156,069)
Other instruction	111,850	0	0	(111,850)	0	(111,850)
	803,445	57,182	331,755	(414,508)	0	(414,508)
Support services:						
Student services	988	0	0	(988)	0	(988)
Instructional staff services	13,479	0	0	(13,479)	0	(13,479)
Administration services	178,409	0	0	(178,409)	0	(178,409)
Operation and maintenance of plant services	79,513	0	0	(79,513)	0	(79,513)
Transportation services	57,051	0	0	(57,051)	0	(57,051)
	329,440	0	0	(329,440)	0	(329,440)
Other expenditures:						
Facilities acquisitions	37,752	0	0	(37,752)	0	(37,752)
Long-term debt interest	0	0	0	0	0	0
AEA flowthrough	35,972	0	35,972	0	0	0
Depreciation(unallocated)*	5,892	0	0	(5,892)	0	(5,892)
	79,616	0	35,972	(43,644)	0	(43,644)
Total governmental activities	1,212,501	57,182	367,727	(787,592)	0	(787,592)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	45,645	9,134	25,940	0	(10,571)	(10,571)
Total business-type activities	45,645	9,134	25,940	0	(10,571)	(10,571)
Total	$ 1,258,146	66,316	393,667	(787,592)	(10,571)	(798,163)
General Revenues and Transfers:						
Property tax levied for:						
General purposes				$ 470,242	0	470,242
Capital outlay				11,154	0	11,154
Local option sales and service tax				55,312	0	55,312
Unrestricted state grants				317,814	0	317,814
Unrestricted investment earnings				18,630	3	18,633
Tranfers				(10,369)	10,369	0
Total general revenues and transfers				862,783	10,372	873,155
Changes in net assets				75,191	(199)	74,992
Net assets beginning of year				565,584	2,947	568,531
Net assets end of year				$ 640,775	2,748	643,523

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

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit C

CLEARFIELD COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Total
Assets					
Cash and pooled investments	$ 412,327	94,298	909	67,957	575,491
Receivables:					
Property tax					
Delinquent	6,600	0	0	0	6,600
Succeeding year	403,020	25,000	11,178	0	439,198
Income surtax	23,823	0	0	0	23,823
Accounts	10,377	647	180	25,436	36,640
Due from other governments	11,340	0	0	0	11,340
Total Assets	$ 867,487	119,945	12,267	93,393	1,093,092
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 130,695	0	0	0	130,695
Deferred revenue:					
Succeeding year property tax	403,020	25,000	11,178	0	439,198
Income surtax	23,823	0	0	0	23,823
Other	527	0	0	0	527
Total liabilities	558,065	25,000	11,178	0	594,243
Fund balances:					
Reserved for:					
Early intervention	6,445	0	0	0	6,445
Talented and gifted	2,730	0	0	0	2,730
Beginning teacher mentoring	294	0	0	0	294
Market factor	730	0	0	0	730
Unreserved	299,223	94,945	1,089	93,393	488,650
Total fund balances	309,422	94,945	1,089	93,393	498,849
Total Liabilities and Fund Balances	$ 867,487	119,945	12,267	93,393	1,093,092

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit D

CLEARFIELD COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

Total fund balances of governmental funds (page 15)	$ 498,849
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 in the governmental funds.	118,103
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	23,823
Net assets of governmental activites (page 13)	$ 640,775

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit E

CLEARFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	Manage-ment Levy	Physical Plant and Equipment Levy	Capital Projects	Total
REVENUES:					
Local sources:					
Local tax	$ 439,213	40,017	11,154	55,312	545,696
Tuition	14,793	0	0	0	14,793
Other	32,312	28,544	29	134	61,019
State sources	471,655	0	0	0	471,655
Federal sources	213,886	0	0	0	213,886
Total revenues	1,171,859	68,561	11,183	55,446	1,307,049
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	519,153	8,591	0	0	527,744
Special instruction	161,573	0	0	0	161,573
Other instruction	111,850	0	0	0	111,850
	792,576	8,591	0	0	801,167
Support services:					
Student services	988	0	0	0	988
Instructional staff services	13,479	0	0	0	13,479
Administration services	172,606	5,185	0	0	177,791
Operation and maintenance of plant services	75,866	6,447	0	0	82,313
Transportation services	40,839	3,550	15,000	0	59,389
	303,778	15,182	15,000	0	333,960
Other expenditures:					
Facilities acquisition	0	0	1,235	44,988	46,223
AEA flowthrough	35,972	0	0	0	35,972
	35,972	0	1,235	44,988	82,195
Total expenditures	1,132,326	23,773	16,235	44,988	1,217,322
Excess(deficiency) of revenues over(under) expenditures	39,533	44,788	(5,052)	10,458	89,727
Other financing uses:					
Transfer out	(10,369)	0	0	0	(10,369)
Net change in fund balances	29,164	44,788	(5,052)	10,458	79,358
Fund balance beginning of year	280,258	50,157	6,141	82,935	419,491
Fund balance end of year	$ 309,422	94,945	1,089	93,393	498,849

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit F

CLEARFIELD COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds (page 17)		$ 79,358
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 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 outlays expenditures exceeded depreciation expense in the current year, as follows:		
Capital expenditures	$ 31,561	
Depreciation expense	(27,078)	4,483
Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		(8,988)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in the governmental funds, as follows:		
Compensated absences		338
Changes in net assets of governmental activities (page 14)		$ 75,191

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit G

CLEARFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2007

	School Nutrition
Assets	
Cash and cash equivalents	$ 384
Receivables:	
Accounts	212
Inventories	962
Capital assets, net of accumulated depreciation	1,278
Total Assets	2,836
Liabilities	
Accounts payable	88
Total Liabilities	88
Net Assets	
Invested in capital assets, net of related debt	1,278
Unrestricted	1,470
Total Net Assets	$ 2,748

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit H

CLEARFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

	School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	$ 9,134
TOTAL OPERATING REVENUES	9,134
OPERATING EXPENSES:	
Non-instructional programs:	
Salaries	25,109
Benefits	4,207
Services	50
Supplies	15,810
Other	233
Depreciation	236
TOTAL OPERATING EXPENSES	45,645
OPERATING LOSS	(36,511)
NON-OPERATING REVENUES:	
Interest	3
State sources	1,074
Federal sources	24,866
TOTAL NON-OPERATING REVENUES	25,943
Net loss before other financing sources	(10,568)
OTHER FINANCING SOURCES	
Transfer from General Fund	10,369
TOTAL OTHER FINANCING SOURCES	10,369
Change in net assets	(199)
Net assets beginning of year	2,947
Net assets end of year	$ 2,748

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit I

CLEARFIELD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	$ 9,167
Cash received from miscellaneous operating activities	84
Cash payments to employees for services	(29,316)
Cash payments to suppliers for goods or services	(13,796)
Net cash used in operating activities	(33,861)
Cash flows from non-capital financing activities:	
Transfer from General fund	10,369
State grants received	1,074
Federal grants received	22,387
Net cash provided by non-capital financing activities	33,830
Cash flows from investing activities:	
Interest on investments	3
Net decrease in cash and cash equivalents	(28)
Cash and cash equivalents at beginning of year	412
Cash and cash equivalents at end of year	$ 384
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (36,511)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	2,479
Depreciation	236
Increase in inventories	(270)
Decrease in accounts receivable	117
Increase in accounts payable	88
Net cash used in operating activities	$ (33,861)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	$ 384

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at $2,479.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Special Revenue - Management Fund is utilized to account for the payment of property insurance and early retirement benefits.

The Special Revenue - Physical Plant and Equipment Levy(PPEL) Fund is used to account for resources used in building improvements and equipment purchases.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Balances

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

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

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

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

Asset Class	Amount
Land	$ 3,000
Buildings	3,000
Land improvements	3,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	3,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, no expenditures exceeded the amount budgeted.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	$ 366,849

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

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

(3) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets being depreciated:				
Buildings	$ 142,542	0	0	142,542
Land improvements	66,180	8,471	0	74,651
Machinery and equipment	191,555	23,090	0	214,645
Total capital assets being depreciated	400,277	31,561	0	431,838
Less accumulated depreciation for:				
Buildings	142,542	0	0	142,542
Land improvements	10,010	5,892	0	15,902
Machinery and equipment	134,105	21,186	0	155,291
Total accumulated depreciation	286,657	27,078	0	313,735
Governmental activities capital assets, net	$ 113,620	4,483	0	118,103

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	$ 8,015	0	0	8,015
Less accumulated depreciation	6,501	236	0	6,737
Business-type activities capital assets, net	$ 1,514	(236)	0	1,278

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	$ 2,616
Support services:	
Administration	618
Operation and maintenance of plant	700
Transportation	17,252
	21,186
Unallocated depreciation	5,892
Total governmental activities depreciation expense	$ 27,078
Business-type activities:	
Food services	$ 236

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Compensated absences	$ 338	0	338	0	0

(5) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were $29,478, $31,894 and $33,171, respectively, equal to the required contributions for each year.

(6) Risk Management

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

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled $35,972 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CLEARFIELD COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
Revenues:						
Local sources	$ 621,508	9,137	630,645	601,074	601,074	29,571
State sources	471,655	1,074	472,729	489,794	489,794	(17,065)
Federal sources	213,886	24,866	238,752	279,000	279,000	(40,248)
Total revenues	1,307,049	35,077	1,342,126	1,369,868	1,369,868	(27,742)
Expenditures:						
Instruction	801,167	0	801,167	874,543	874,543	73,376
Support services	333,960	0	333,960	356,000	356,000	22,040
Non-instructional programs	0	45,645	45,645	55,200	55,200	9,555
Other expenditures	82,195	0	82,195	88,077	88,077	5,882
Total expenditures	1,217,322	45,645	1,262,967	1,373,820	1,373,820	110,853
Deficiency of revenues under expenditures	89,727	(10,568)	79,159	(3,952)	(3,952)	(83,111)
Other financing sources, net	(10,369)	10,369	0	0	0	0
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	79,358	(199)	79,159	(3,952)	(3,952)	(83,111)
Balance beginning of year	419,491	2,947	422,438	437,665	437,665	(15,227)
Balance end of year	$ 498,849	2,748	501,597	433,713	433,713	(98,338)

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLEARFIELD COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

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

OTHER SUPPLEMENTARY INFORMATION

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

	Modified Accrual Basis			
	Years Ended June 30,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	$ 545,696	520,504	513,386	503,541
Tuition	14,793	18,964	13,944	66,207
Other	61,019	45,685	34,398	40,205
State sources	471,655	477,752	387,081	547,407
Federal sources	213,886	257,391	255,501	94,754
Total	$ 1,307,049	1,320,296	1,204,310	1,252,114
Expenditures:				
Instruction:				
Regular instruction	$ 527,744	603,571	687,629	520,774
Special instruction	161,573	161,014	291,320	317,857
Other instruction	111,850	101,859	552	0
Support services:				
Student services	988	1,000	11,500	10,304
Instructional staff services	13,479	36,623	8,300	18,095
Administration services	177,791	180,102	149,129	123,122
Operation and maintenance of plant services	82,313	95,620	79,986	79,342
Transportation services	59,389	43,365	95,581	49,553
Non-instructional:				
Food service	0	225	4,196	0
Other expenditures:				
Facilities acquisition	46,223	69,462	1,325	0
AEA flow-through	35,972	34,830	34,918	36,496
Total	$ 1,217,322	1,327,671	1,364,436	1,155,543

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Clearfield Community School District of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 11, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clearfield Community School District internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Clearfield Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clearfield Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Clearfield Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Clearfield Community School District's financial statements that is more than inconsequential will not be prevented or detected by Clearfield Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Clearfield Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 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.

Clearfield Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Clearfield Community School District's responses and, accordingly, we express no opinion on them.

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

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

Nolte, Cornman & Johnson P.C.

NOLTE, CORNMAN & JOHNSON, P.C.

March 11, 2008

CLEARFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

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

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

Conclusion - Response accepted.

I-B-07 Authorized Check Signatures - We noted during our audit, one instance of only one signature on a District's Nutrition Fund check.

Recommendation - Chapter 291.1 of the Code of Iowa requires the Board President and Board Secretary to sign all checks. Also pursuant to this section, the Board President may designate an individual to sign warrants on his/her behalf. However, the Board Secretary may not designate an individual to sign in their absence. The Board should implement procedures so each check is signed appropriately.

Response - We will comply.

Conclusion - Response accepted.

CLEARFIELD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting

II-A-07 Certified Budget - District expenditures for the year ended June 30, 2007, did not exceed the amount budgeted.

II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-07 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-07 Business Transactions - Business transactions between the District and District officials were noted as follow:

Name, Title and Business Connection	Transaction Description	Amount
Dean Spurrier, Board Member Son owns Spurrier's Station	Fuel	$7,343
Amy Whittington, Principal Spouse owns Power and Repair	Services	$993
Bob Cameron, Board Member Owns Cameron Computer	Services	$1,705
Jacquie Bennett, Para Spouse owns Kab Electric	Services	$1,939

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the family members of the District's employees and board members do not appear to represent a conflict of interest.

In accordance with 279.7A of the Code of Iowa, the above transactions with Bob Cameron does not appear to represent a conflict of interest.

II-E-07 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-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-07 Certified Enrollment - We noted no variance in the basic enrollment data certified to the Department of Education.

II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-J-07 Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response - Our bank is now providing images of both the front and back of each cancelled check as required.

Conclusion - Response accepted.