

CLEAR LAKE COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2007

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	14-15
Statement of Activities	B	16-17
Governmental Fund Financial Statements:		
Balance Sheet	C	18
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	19
Statement of Revenues, Expenditures and Changes in Fund Balances	E	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	21
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	22
Statement of Revenues, Expenses, and Changes in Fund Net Assets	H	23
Statement of Cash Flows	I	24
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	25
Statement of Changes in Fiduciary Net Assets	K	26
Notes to Financial Statements		27-36
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		38
Notes to Required Supplementary Information - Budgetary Reporting		39
	<u>Schedule</u>	
Other Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	41
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	42
Nonmajor Enterprise Funds:		
Combining Schedule of Net Assets	3	43
Combining Schedule of Revenues, Expenses and Changes in Net Assets	4	44
Combining Schedule of Cash Flows	5	45
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	6	46-47
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7	48
Schedule of Expenditures of Federal Awards	8	49
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 <u>Government Auditing Standards</u>		50-51
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133		52-53
Schedule of Findings and Questioned Costs		54-59

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Independent Auditor's Report

To the Board of Education of
Clear Lake 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 Clear Lake Community School District, Clear Lake, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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.

The financial statements of Clear Lake Community School Foundation have not been audited, and we were not engaged to audit the Foundation financial statements as part of our audit of the Clear Lake Community School District's basic financial statements. The Foundation's financial statements are included in the District's financial statements as a discretely presented component unit. Because we were not engaged to audit the Foundation's financial statements and because we did not apply any auditing procedures to the Foundation's financial statements, we do not express an opinion on the discretely presented component unit.

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 Clear Lake Community School District at June 30, 2007, 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 our report dated February 1, 2008, on our consideration of Clear Lake Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract 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 38 through 39 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 Clear Lake 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). For 2006 and 2005 we did not issue an opinion on the discretely presented component unit and we issued unqualified opinions on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information. We issued unqualified opinions for 2004. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

February 1, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clear Lake 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.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$11,395,108 in fiscal 2006 to \$11,993,740 in fiscal 2007, while General Fund expenditures increased from \$11,356,830 in fiscal 2006 to \$11,571,263 in fiscal 2007. The District's General Fund balance increased from (\$179,657) in fiscal 2006 to \$242,820 in fiscal 2007.
- The increase in General Fund revenues was attributable to an increase in property tax revenues. The increase in expenditures was due to a combination of factors including higher salaries and employee benefits, higher energy costs and equipment replacements and repairs.

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 Clear Lake 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 Clear Lake 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 Clear Lake Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to 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. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

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

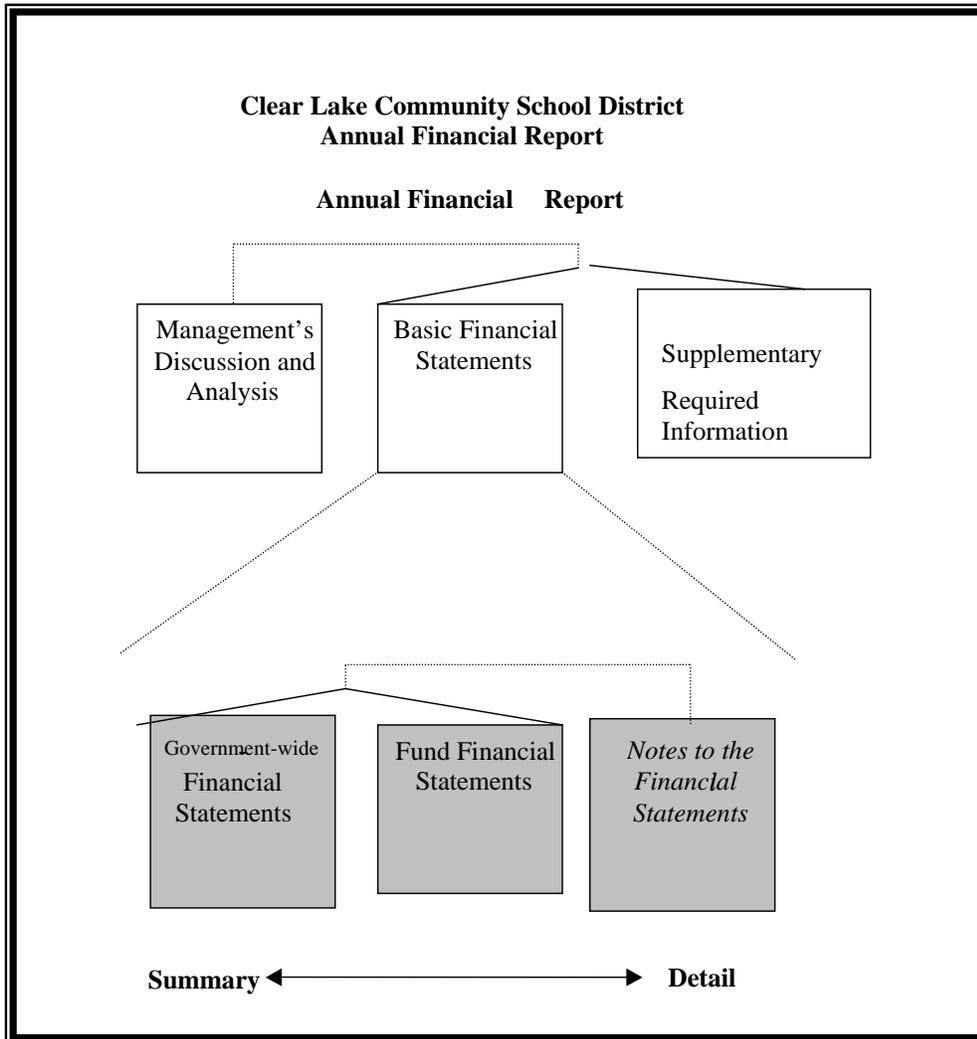


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary 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	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
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	All additions and deductions 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 financial 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 three 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, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures. The District does not have any agency funds at this time.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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		Change
	2007	2006	2007	2006	2007	2006	2006-2007
	\$	\$	\$	\$	\$	\$	\$
Current and other assets	12,847,874	11,391,204	162,323	161,634	13,010,197	11,552,838	1,457,359
Capital assets	11,812,665	10,680,102	66,355	53,537	11,879,020	10,733,639	1,145,381
Total assets	\$24,660,539	\$22,071,306	\$228,678	\$215,171	\$24,889,217	\$22,286,477	2,602,740
Long-term liabilities	3,861,457	4,175,000			3,861,457	4,175,000	(313,543)
Other liabilities	11,292,329	10,030,893	40,206	47,795	11,332,535	10,078,688	1,253,847
Total liabilities	\$15,153,786	\$14,205,893	40,206	47,795	15,193,992	14,253,688	940,304
Net Assets:							
Invested in capital assets, net of related debt	7,637,665	6,150,102	66,355	53,537	7,704,020	6,203,639	1,500,381
Restricted	1,395,567	1,685,086			1,395,567	1,685,086	(289,519)
Unrestricted	473,521	30,225	122,117	113,839	595,638	144,064	451,574
TOTAL NET ASSETS	\$9,506,753	\$7,865,413	\$188,472	\$167,376	9,695,225	8,032,789	1,662,436

The District's total net assets increased by nearly \$1,662,436, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$(289,519) 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 approximately \$451,574.

Figure A-4 shows the change in net assets for the years ended June 30, 2007 and 2006.

Figure A-4

	Change in Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Change 2006-2007	
	2007	2006	2007	2006	2007	2006		
	\$	\$	\$	\$	\$	\$	\$	
Revenues								
Program Revenues:								
Charges for services	\$1,276,288	\$1,172,762	\$442,572	\$403,343	\$1,718,860	\$1,576,105	\$142,755	
Operating grants & contributions	\$1,265,718	\$1,168,615	\$234,195	\$224,754	\$1,499,913	\$1,393,369	\$106,544	
Capital grants & contributions	\$24,600	\$67,041			\$24,600	\$67,041	(\$42,441)	
General Revenues:								
Property taxes	\$5,430,271	\$5,232,739			\$5,430,271	\$5,232,739	\$197,532	
Income Surtax	\$394,894	\$320,730			\$394,894	\$320,730	\$74,164	
Local option sales tax	\$1,602,894	\$1,503,563			\$1,602,894	\$1,503,563	\$99,331	
Unrestricted state grants	\$4,576,011	\$4,761,189			\$4,576,011	\$4,761,189	(\$185,178)	
Unrestricted investment earnings	\$275,609	\$129,241	\$6,391	\$3,788	\$282,000	\$133,029	\$148,971	
Other revenue		\$3,112				\$3,112	(\$3,112)	
Total Revenues	\$14,846,285	\$14,358,992	\$683,158	\$631,885	\$15,529,443	\$14,990,877	\$538,566	
Expenses:								
Instruction	\$8,095,453	\$7,837,684			\$8,095,453	\$7,837,684	\$257,769	
Support services	\$3,831,517	\$3,859,250			\$3,831,517	\$3,859,250	(\$27,733)	
Non-instructional programs			\$662,062	\$598,899	\$662,062	\$598,899	\$63,163	
Other expenditures	\$1,277,975	\$1,085,899			\$1,277,975	\$1,085,899	\$192,076	
Total expenses	\$13,204,945	\$12,782,833	\$662,062	\$598,899	\$13,867,007	\$13,381,732	\$485,275	
Change in net assets before transfers	\$1,641,340	\$1,576,159	\$21,096	\$32,986	\$1,662,436	\$1,609,145		
Transfers		(\$13,611)	\$0	\$13,611				
CHANGE IN NET ASSETS	\$1,641,340	\$1,562,548	\$21,096	\$46,597	\$1,662,436	\$1,609,145		
Net assets beginning of year	\$7,865,413	\$6,302,865	\$167,376	\$120,779	\$8,032,789	\$6,423,644		
Net assets end of year	<u>\$9,506,753</u>	<u>\$7,865,413</u>	<u>\$188,472</u>	<u>\$167,376</u>	<u>\$9,695,225</u>	<u>\$8,032,789</u>		

Property tax and unrestricted state grants account for 64% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for about 86% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$14,846,285 and expenses were \$13,204,945. Higher expenditures of the Operation and maintenance of plant services and Transportation services and higher salaries and employee benefits caused the increase in expenses between 2006 and 2007.

Business Type Activities

Revenues for business type activities were \$683,158 and expenses were \$662,062. The District's business type activities include the School Nutrition and Preschool Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Clear Lake 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 a combined fund balance of \$1,757,627 well above last year's ending fund balances of \$1,549,392. Part of the increase was due to the fund balance in Capitol projects increasing by \$51,832.

Governmental Fund Highlights

- The District's General Fund financial position increased by \$422,477 from the previous year.
- The General Fund balance increased from (\$179,657) in 2006 to \$242,830 in 2007, due in part to the budget cuts and a higher cash reserve.
- The Capital Projects Fund balance increased from \$1,045,705 in fiscal 2006 to \$1,097,537 in fiscal year 2007 this was due to the 1% local option tax. This balance will be used to repay notes payable and to finance future capital improvements and equipment purchases.
- The Physical Plant and Equipment Levy (PEEL) Fund balance decreased from \$418,827 in fiscal 2006 to \$50,630 in fiscal 2007. The district fund balance decrease was due to a purchase of a bus, technology equipment and copy machine lease.

Proprietary Fund Highlights

School Nutrition Fund balanced increased from \$167,376 at June 30, 2006 to \$188,472 at June 30, 2007, representing an increase of approximately 13%. For fiscal 2007, the Food Service Director works really hard at watching food costs and employee wages and benefits. The option of the salad and/or pasta bars at lunch continues to have great success which results in an increase in meals served and a related increase in revenue. Cash balances are being build up in anticipation of upcoming equipment purchases.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except blended component units, internal service funds, permanent funds and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on the GAAP basis.

School districts have two levels of budgetary control. One form of budgetary control exists through the "certified budget", which includes all funds of the District as noted above. This budget is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority.

The other level of budgetary control is the "unspent (maximum) authorized budget" and pertains only to the General Fund of the District. The maximum authorized budget is the total "spending authority" in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the "actual General

Fund cash". It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the District.

Over the course of the year, Clear Lake Community School District amended its annual budget one time to reflect additional construction costs in the other expenditures functional area.

However expenditures in the other expenditures still exceeded the amended amount due to year-end construction costs being more than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal 2007, the District had invested \$11,879,020 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers and audio-visual equipment, transportation equipment and administration office. This is a net increase of 11 percent from last year.

In April 2007 the District started construction on an addition to Clear Creek Elementary School. Costs of approximately \$1.1 million had been incurred at June 30, 2007 and the District anticipates spending approximately \$4.3 million more to complete the project. The project is being financed with \$6,000,000 of local option sales tax revenue bonds that were issued July 1, 2007.

Long-Term Debt

At year-end the District had \$4,395,019 in general obligation bonds and other long-term debt. This represents a decrease of approximately 5% from last year. No additional revenue bond anticipation notes were issued in the fiscal year ending June 30, 2007. See figure A-7.

**Figure A-7
Outstanding Long-Term Obligations**

	Total School District		Percentage
	2007	2006	Change
	\$	\$	%
General Obligation Bonds	\$4,175,000	\$4,530,000	-7.8
Early Retirement	\$180,356	\$42,018	329.2
Compensated Absences	\$39,663	\$38,556	2.9
TOTAL	\$4,395,019	\$4,610,574	-4.7

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of some existing circumstances that could significantly affect its financial health in the future. Some of these include declining enrollment of -17 students and employee salary and benefit increases for 2007-2008 of about \$372,000. We continue to seek any cost saving plans that we can implement.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and 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 Dwight Pierson Superintendent or Lorna Leerar, Business Manager/Board Secretary.

BASIC FINANCIAL STATEMENTS

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business- type Activities	Total	Component Unit Clear Lake Community School Foundation
	\$	\$	\$	\$
Assets				
Cash and cash equivalents:				
ISCAP	3,359,410	-	3,359,410	-
Other	3,211,221	131,055	3,342,276	331
Investments	-	-	-	411,117
Receivables:				
Property tax:				
Delinquent	51,632	-	51,632	-
Succeeding year	5,520,870	-	5,520,870	-
Accounts	1,407	781	2,188	-
Accrued interest:				
ISCAP	30,106	-	30,106	-
Due from other governments	640,328	-	640,328	-
Inventories	-	30,487	30,487	-
Unamortized bond issue costs	32,900	-	32,900	-
Capital assets, net of accumulated depreciation	11,812,665	66,355	11,879,020	-
Total assets	24,660,539	228,678	24,889,217	411,448
Liabilities				
Accounts payable	678,800	575	679,375	-
Salaries and benefits payable	1,053,953	30,321	1,084,274	-
Accrued interest payable	35,516	-	35,516	-
Deferred revenue:				
Succeeding year property tax	5,520,870	-	5,520,870	-
Other	-	9,310	9,310	-
ISCAP warrants payable	3,366,000	-	3,366,000	-
ISCAP accrued interest payable	24,148	-	24,148	-
ISCAP premium	19,480	-	19,480	-
Deposits payable	60,000	-	60,000	-
Long-term liabilities				
Portion due within one year:				
General obligation bonds payable	375,000	-	375,000	-
Termination benefits	118,899	-	118,899	-
Compensated absences	39,663	-	39,663	-
Portion due after one year:				
General obligation bonds payable	3,800,000	-	3,800,000	-
Termination benefits	61,457	-	61,457	-
Total liabilities	15,153,786	40,206	15,193,992	-

See notes to financial statements.

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business- type Activities	Total	Component Unit Clear Lake Community School Foundation
	\$	\$	\$	\$
Net assets				
Invested in capital assets, net of related debt	7,637,665	66,355	7,704,020	-
Restricted for:				
State categorical aid	54,517	-	54,517	-
Physical plant and equipment levy	50,630	-	50,630	-
Other special revenue purposes	187,599	-	187,599	-
Local option sales tax capital projects	1,097,537	-	1,097,537	-
Debt service	5,284	-	5,284	-
Unrestricted	473,521	122,117	595,638	411,448
Total net assets	<u>9,506,753</u>	<u>188,472</u>	<u>9,695,225</u>	<u>411,448</u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Statement of Activities
Year ended June 30, 2007

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	5,363,359	586,224	620,933	-
Special	1,666,542	247,400	77,689	-
Other	1,065,552	436,538	111,603	-
	<u>8,095,453</u>	<u>1,270,162</u>	<u>810,225</u>	<u>-</u>
Support services:				
Student	302,002	-	-	-
Instructional staff	431,875	-	-	-
Administration	1,319,282	-	-	-
Operation and maintenance of plant	1,286,713	4,925	-	-
Transportation	491,645	1,201	9,151	-
	<u>3,831,517</u>	<u>6,126</u>	<u>9,151</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	326,084	-	-	24,600
Long-term debt interest	227,650	-	-	-
AEA flowthrough	446,342	-	446,342	-
Depreciation (unallocated)*	277,899	-	-	-
	<u>1,277,975</u>	<u>-</u>	<u>446,342</u>	<u>24,600</u>
Total governmental activities	13,204,945	1,276,288	1,265,718	24,600
Business type activities:				
Non-instructional programs:				
Food service operations	627,109	407,619	234,195	-
Preschool	34,953	34,953	-	-
Total business-type activities	662,062	442,572	234,195	-
Total primary government	13,867,007	1,718,860	1,499,913	24,600
Component Unit:				
Clear Lake Community School Foundation	13,246	-	73,418	-
Total	13,880,253	1,718,860	1,573,331	24,600
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Total general revenues				

Change in net assets

Net assets beginning of year

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business Type Activities	Total	Component Unit
\$	\$	\$	\$
(4,156,202)	-	(4,156,202)	-
(1,341,453)	-	(1,341,453)	-
(517,411)	-	(517,411)	-
<u>(6,015,066)</u>	<u>-</u>	<u>(6,015,066)</u>	<u>-</u>
(302,002)	-	(302,002)	-
(431,875)	-	(431,875)	-
(1,319,282)	-	(1,319,282)	-
(1,281,788)	-	(1,281,788)	-
(481,293)	-	(481,293)	-
<u>(3,816,240)</u>	<u>-</u>	<u>(3,816,240)</u>	<u>-</u>
(301,484)	-	(301,484)	-
(227,650)	-	(227,650)	-
-	-	-	-
<u>(277,899)</u>	<u>-</u>	<u>(277,899)</u>	<u>-</u>
<u>(807,033)</u>	<u>-</u>	<u>(807,033)</u>	<u>-</u>
(10,638,339)	-	(10,638,339)	-
-	14,705	14,705	-
-	-	-	-
<u>-</u>	<u>14,705</u>	<u>14,705</u>	<u>-</u>
(10,638,339)	14,705	(10,623,634)	-
-	-	-	60,172
<u>(10,638,339)</u>	<u>14,705</u>	<u>(10,623,634)</u>	<u>60,172</u>
4,942,247	-	4,942,247	-
326,976	-	326,976	-
161,048	-	161,048	-
394,894	-	394,894	-
1,602,894	-	1,602,894	-
4,576,011	-	4,576,011	-
275,609	6,391	282,000	18,980
<u>12,279,679</u>	<u>6,391</u>	<u>12,286,070</u>	<u>18,980</u>
1,641,340	21,096	1,662,436	79,152
<u>7,865,413</u>	<u>167,376</u>	<u>8,032,789</u>	<u>332,296</u>
<u>9,506,753</u>	<u>188,472</u>	<u>9,695,225</u>	<u>411,448</u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2007

	General	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments:				
ISCAP	3,359,410	-	-	3,359,410
Other	1,337,768	1,455,017	418,436	3,211,221
Receivables:				
Property tax:				
Delinquent	45,091	-	6,541	51,632
Succeeding year	4,399,741	-	1,121,129	5,520,870
Accounts	815	-	592	1,407
Accrued interest - ISCAP	30,106	-	-	30,106
Due from other governments	375,251	265,077	-	640,328
	<u>9,548,182</u>	<u>1,720,094</u>	<u>1,546,698</u>	<u>12,814,974</u>
Total assets				
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	107,944	562,557	8,299	678,800
Salaries and benefits payable	1,053,953	-	-	1,053,953
ISCAP warrants payable	3,366,000	-	-	3,366,000
ISCAP accrued interest payable	24,148	-	-	24,148
ISCAP premium	19,480	-	-	19,480
Deposits payable	-	60,000	-	60,000
Deferred revenue:				
Succeeding year property tax	4,399,741	-	1,121,129	5,520,870
Other	334,096	-	-	334,096
Total liabilities	<u>9,305,362</u>	<u>622,557</u>	<u>1,129,428</u>	<u>11,057,347</u>
Fund balances:				
Reserved for:				
State categorical aid	54,517	-	-	54,517
Debt service	-	-	40,800	40,800
Unreserved reported in:				
General fund	188,303	-	-	188,303
Special revenue funds	-	-	376,470	376,470
Capital projects funds	-	1,097,537	-	1,097,537
Total fund balances	<u>242,820</u>	<u>1,097,537</u>	<u>417,270</u>	<u>1,757,627</u>
Total liabilities and fund balances	<u>9,548,182</u>	<u>1,720,094</u>	<u>1,546,698</u>	<u>12,814,974</u>

CLEAR LAKE 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 (Exhibit C)	1,757,627
<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.	11,812,665
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	334,096
Bond issue costs are expensed when incurred for governmental fund reporting, but are capitalized and expensed over the life of the bonds for government wide reporting.	32,900
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(35,516)
Long-term liabilities, including bonds payable, termination benefits and compensated absences liability are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(4,395,019)</u>
Net assets of governmental activities (Exhibit A)	<u><u>9,506,753</u></u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2007

	General	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	5,096,701	1,602,894	679,157	7,378,752
Tuition	777,788	-	-	777,788
Other	277,918	66,828	429,363	774,109
Intermediate sources	38	-	-	38
State sources	5,587,495	-	396	5,587,891
Federal sources	253,800	-	24,600	278,400
Total revenues	<u>11,993,740</u>	<u>1,669,722</u>	<u>1,133,516</u>	<u>14,796,978</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,137,861	-	43,457	5,181,318
Special	1,666,542	-	-	1,666,542
Other	690,234	-	372,097	1,062,331
	<u>7,494,637</u>	<u>-</u>	<u>415,554</u>	<u>7,910,191</u>
Support services:				
Student	302,002	-	-	302,002
Instructional staff	431,875	-	-	431,875
Administration	1,206,949	-	97,026	1,303,975
Operation and maintenance of plant	1,273,033	-	-	1,273,033
Transportation	416,425	-	165,407	581,832
	<u>3,630,284</u>	<u>-</u>	<u>262,433</u>	<u>3,892,717</u>
Other expenditures:				
Facilities acquisition	-	1,358,291	395,772	1,754,063
Long-term debt:				
Principal	-	-	355,000	355,000
Interest and fiscal charges	-	-	230,430	230,430
AEA flowthrough	446,342	-	-	446,342
	<u>446,342</u>	<u>1,358,291</u>	<u>981,202</u>	<u>2,785,835</u>
Total expenditures	<u>11,571,263</u>	<u>1,358,291</u>	<u>1,659,189</u>	<u>14,588,743</u>
Excess (deficiency) of revenues over (under) expenditures	<u>422,477</u>	<u>311,431</u>	<u>(525,673)</u>	<u>208,235</u>
Other financing sources (uses):				
Operating transfers in	-	-	259,599	259,599
Operating transfers out	-	(259,599)	-	(259,599)
Total other financing sources (uses)	<u>-</u>	<u>(259,599)</u>	<u>259,599</u>	<u>-</u>
Net change in fund balances	422,477	51,832	(266,074)	208,235
Fund balances beginning of year	(179,657)	1,045,705	683,344	1,549,392
Fund balances end of year	<u>242,820</u>	<u>1,097,537</u>	<u>417,270</u>	<u>1,757,627</u>

CLEAR LAKE 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 (Exhibit E)		208,235
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 Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	1,560,486	
Depreciation expense	<u>(427,923)</u>	1,132,563
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.		49,307
Bond issue costs are expensed when incurred for governmental fund reporting, but are capitalized and expensed over the life of the bonds for government wide reporting.		32,900
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		355,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		2,780
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:		
Termination benefits	(138,338)	
Compensated absences	<u>(1,107)</u>	<u>(139,445)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>1,641,340</u></u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Fund

June 30, 2007

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Cash and cash equivalents	131,055
Accounts receivable	781
Inventories	30,487
Capital assets, net of accumulated depreciation	<u>66,355</u>
Total assets	<u><u>228,678</u></u>
Liabilities	
Accounts payable	575
Salaries and benefits payable	30,321
Deferred revenue	<u>9,310</u>
Total liabilities	<u>40,206</u>
Net assets	
Invested in capital assets, net of related debt	66,355
Unrestricted	<u>122,117</u>
Total net assets	<u><u>188,472</u></u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2007

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>442,572</u>
Operating expenses:	
Salaries	258,606
Benefits	83,218
Purchased services	1,266
Supplies	311,115
Other expenses	100
Depreciation	<u>7,757</u>
	<u>662,062</u>
Operating loss	<u>(219,490)</u>
Non-operating revenues:	
State sources	7,231
Federal sources	226,964
Interest income	<u>6,391</u>
Total non-operating revenues	<u>240,586</u>
Change in net assets	21,096
Net assets beginning of year	<u>167,376</u>
Net assets end of year	<u><u>188,472</u></u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2007

	Nonmajor Enterprise Funds
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	406,668
Cash received from preschool services	34,953
Cash payments to employees for services	(348,824)
Cash payments to suppliers for goods or services	<u>(275,086)</u>
Net cash used by operating activities	<u>(182,289)</u>
Cash flows from non-capital financing activities:	
State grants received	7,231
Federal grants received	183,022
Net cash provided by non-capital financing activities	<u>190,253</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(20,571)</u>
Cash flows from investing activities:	
Interest on investments	<u>6,391</u>
Net increase (decrease) in cash and cash equivalents	(6,216)
Cash and cash equivalents at beginning of year	<u>137,271</u>
Cash and cash equivalents at end of year	<u><u>131,055</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(219,490)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	43,938
Depreciation	7,757
Decrease (increase) in inventories	(6,946)
Decrease (increase) in accounts receivable	41
(Decrease) increase in accounts payable	403
(Decrease) increase in salaries and benefits payable	(7,000)
(Decrease) increase in deferred revenue	<u>(992)</u>
Net cash used in operating activities	<u><u>(182,289)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$43,938 of federal commodities.

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Fund

June 30, 2007

	Private Purpose Trust Scholarships
	<u>\$</u>
Assets	
Cash and pooled investments	225,416
Accrued interest receivable	<u>2,302</u>
Total assets	227,718
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>227,718</u></u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund

Year ended June 30, 2007

	Private Purpose Trust Scholarships
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	1,760
Investment revenue	<u>11,554</u>
Total additions	13,314
Deductions:	
Support services:	
Scholarships	<u>34,714</u>
Change in net assets	(21,400)
Net assets beginning of year	<u>249,118</u>
Net assets end of year	<u><u>227,718</u></u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

Year ended June 30, 2007

1. Summary of Significant Accounting Policies

Clear Lake Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Clear Lake, Iowa and the predominately agricultural territory in a portion of Cerro Gordo County. 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, Clear Lake 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 Clear Lake Community School Foundation is included in the financial statements as a discretely presented component unit, because of the nature and significance of its relationship with the Clear Lake Community School District.

The Clear Lake Community School Foundation was established to further develop, increase and extend the facilities and services of the Clear Lake Community School District by providing broader educational opportunities to its students, staff, faculty, and the residents of the geographical area which it serves. The Foundation financial statements are shown in the Statement of Net Assets and the Statement of Activities in separate columns. As explained in the Independent Auditor's Opinion, the Foundation financial statements have not been audited.

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 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 from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt 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 imposed by management, which 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 restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues 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 instruction, 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 District's proprietary funds include the Enterprise, School Nutrition Fund, which is used to account for the food service operation of the District, and the Enterprise Preschool Fund, which is used to account for the District's preschool.

The District also reports fiduciary funds which 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.

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 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 judgements, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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 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 financial statements:

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

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

Property Tax Receivable – Property tax in governmental funds is 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 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 became due and collectible in September and March of the fiscal year with a 1 ½% 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, 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 repair 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.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	20-50 years
Improvements other than buildings	15 years
Furniture and equipment	5-12 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements 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 receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. 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.

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 not available for appropriation or 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 are 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, expenditures in the other expenditures function exceeded the amount budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks 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 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, 2007, the District had the following investments:

	<u>Fair Value</u>
	\$
Hartford Advisors Fund Class A	9,750

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The District's investment in the Hartford Advisors Fund is 100% of the District's total investments.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007, is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Nonmajor Governmental Funds:		
Debt Service	Capital Projects Fund	259,599

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

4. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007, is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
			\$	\$	\$	\$
2006-07B	1/26/07	1/25/08	1,306,659	29,492	1,310,000	23,642
2007-08A	6/28/07	6/28/08	<u>2,052,751</u>	<u>614</u>	<u>2,056,000</u>	<u>506</u>
Total			<u>3,359,410</u>	<u>30,106</u>	<u>3,366,000</u>	<u>24,148</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant

proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2007, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	900,000	900,000	-

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2006-07A	4.500	5.676
2006-07B	4.250	5.315
2007-08A	4.500	5.455

5. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	19,800	1,118,833	19,800	1,118,833
Land	106,704	-	-	106,704
Total capital assets not being deprec.	<u>126,504</u>	<u>1,118,833</u>	<u>19,800</u>	<u>1,225,537</u>
Capital assets being depreciated:				
Buildings	13,073,760	94,945	-	13,168,705
Improvements other than buildings	535,705	7,485	-	543,190
Furniture and equipment	1,733,505	359,023	-	2,092,528
Total capital assets being deprec.	<u>15,342,970</u>	<u>461,453</u>	<u>-</u>	<u>15,804,423</u>
Less accumulated depreciation for:				
Buildings	3,140,181	264,659	-	3,404,840
Improvements other than buildings	364,837	13,240	-	378,077
Furniture and equipment	1,284,354	150,024	-	1,434,378
Total accumulated depreciation	<u>4,789,372</u>	<u>427,923</u>	<u>-</u>	<u>5,217,295</u>
Total capital assets being depreciated, net	<u>10,553,598</u>	<u>33,530</u>	<u>-</u>	<u>10,587,128</u>
Governmental activities capital assets, net	<u>10,680,102</u>	<u>1,152,363</u>	<u>19,800</u>	<u>11,812,665</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	165,096	20,571	-	185,667
Less accumulated deprec.	<u>111,559</u>	<u>7,753</u>	<u>-</u>	<u>119,312</u>
Business type activities Capital assets, net	<u>53,537</u>	<u>12,818</u>	<u>-</u>	<u>66,355</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	43,703
Other instruction	3,221
Support Services:	
Administration	14,200
Operation and maintenance of plant services	13,680
Transportation	<u>75,220</u>
	150,024
Unallocated depreciation	<u>277,899</u>
Total depreciation expense - governmental activities	<u>427,923</u>
Business type activities:	
Food service operations	<u>7,753</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	4,530,000	-	355,000	4,175,000	375,000
Compensated absences	38,556	39,663	38,556	39,663	39,663
Termination benefits	<u>42,018</u>	<u>176,036</u>	<u>37,698</u>	<u>180,356</u>	<u>118,899</u>
Total	<u>4,610,574</u>	<u>215,699</u>	<u>431,254</u>	<u>4,395,019</u>	<u>533,562</u>

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must be at least age fifty-five on or before June 30 in the calendar year in which early retirement commences and must have completed ten years of full-time service to the District. The application for early retirement is subject to approval by the Board of Education.

Early retirement benefits consist of 100% of the difference between the current salary less the BA Step One base on the current salary schedule and the District will pay health insurance premiums for up to four years.

At June 30, 2007, the District has obligations to twelve participants with a total liability of \$180,356. Actual early retirement expenditures for the year ended June 30, 2007 totaled \$37,698.

General Obligation Bonds Payable

On February 19, 1997, the District sold general obligation bonds that mature as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	%	\$	\$	\$
2008	5.00	375,000	213,095	588,095
2009	5.10	395,000	195,095	590,095
2010	5.20	415,000	175,543	590,543
2011	5.30	435,000	154,585	589,585
2012	5.40	460,000	132,400	592,400
2013-2016	5.45-5.60	2,095,000	279,240	2,374,240
		<u>4,175,000</u>	<u>1,149,958</u>	<u>5,324,958</u>

7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required 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 covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$416,457, \$395,313, and \$387,807 respectively, equal to the required contributions for each year.

8. Risk Management

Clear Lake 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 in any of the past three fiscal years.

9. 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 \$446,342 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.

10. Construction Commitment

The District has entered into a construction contract for \$4,934,900. As of June 30, 2007 costs of \$708,765 had been incurred against the contract. The balance remaining will be paid as work on the project progresses.

11. Lease Commitment

The District entered into a five-year agreement to lease copy machines in fiscal year 2006. The lease is being treated as an operating lease. The minimum payments the District will make over the next four years are as follows:

<u>Year Ended June 30</u>	<u>Lease Payment</u>
	\$
2008	54,000
2009	54,000
2010	54,000
2011	45,000

During the year ended June 30, 2007 the District paid rents of \$54,000.

12. Subsequent Event

The District issued \$6,000,000 of local option sales tax revenue bonds on July 1, 2007.

REQUIRED SUPPLEMENTARY INFORMATION

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison of Revenues, Expenditures, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2007

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	8,930,649	448,963	9,379,612	8,538,796	8,538,796	840,816
Intermediate sources	38	-	38	-	-	38
State sources	5,587,891	7,231	5,595,122	5,582,290	5,582,290	12,832
Federal sources	278,400	226,964	505,364	528,000	528,000	(22,636)
Total revenues	<u>14,796,978</u>	<u>683,158</u>	<u>15,480,136</u>	<u>14,649,086</u>	<u>14,649,086</u>	<u>831,050</u>
Expenditures:						
Instruction	7,910,191	34,953	7,945,144	8,541,500	8,541,500	596,356
Support services	3,892,717	-	3,892,717	4,847,932	4,847,932	955,215
Non-instructional programs	-	627,109	627,109	700,000	700,000	72,891
Other expenditures	2,785,835	-	2,785,835	1,932,861	2,432,861	(352,974)
Total expenditures	<u>14,588,743</u>	<u>662,062</u>	<u>15,250,805</u>	<u>16,022,293</u>	<u>16,522,293</u>	<u>1,271,488</u>
Excess (deficiency) of revenues over (under) expenditures	208,235	21,096	229,331	(1,373,207)	(1,873,207)	2,102,538
Balance beginning of year	<u>1,549,392</u>	<u>167,376</u>	<u>1,716,768</u>	<u>1,854,607</u>	<u>1,854,607</u>	<u>(137,839)</u>
Balance end of year	<u><u>1,757,627</u></u>	<u><u>188,472</u></u>	<u><u>1,946,099</u></u>	<u><u>481,400</u></u>	<u><u>(18,600)</u></u>	<u><u>1,964,699</u></u>

CLEAR LAKE 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 Internal Service, 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.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year the District adopted one budget amendment increasing budgeted expenditures by \$500,000.

During the year ended June 30, 2007, expenditures in the other expenditures function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2007

Assets	Special Revenue Funds				
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Debt Service	Total
	\$	\$	\$	\$	\$
Cash and pooled investments	136,427	195,306	49,070	37,633	418,436
Receivables:					
Property tax:					
Delinquent	1,814	-	1,560	3,167	6,541
Succeeding year	299,999	-	492,331	328,799	1,121,129
Accounts	-	592	-	-	592
Total assets	438,240	195,898	542,961	369,599	1,546,698
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	-	8,299	-	-	8,299
Deferred revenue:					
Succeeding year property tax	299,999	-	492,331	328,799	1,121,129
Total liabilities	299,999	8,299	492,331	328,799	1,129,428
Fund balances:					
Reserved for debt service	-	-	-	40,800	40,800
Unreserved reported in:					
Special revenue funds	138,241	187,599	50,630	-	376,470
Total fund equity	138,241	187,599	50,630	40,800	417,270
Total liabilities and fund balances	438,240	195,898	542,961	369,599	1,546,698

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2007

	Special Revenue Funds				Total
	Management	Student	Physical	Debt Service	
	Levy	Activity Fund	Plant and Equipment Levy		
\$	\$	\$	\$	\$	
Revenues:					
Local sources:					
Local tax	191,133	-	161,048	326,976	679,157
Other	3,835	408,017	7,241	10,270	429,363
State sources	113	-	93	190	396
Federal sources	-	-	24,600	-	24,600
Total revenues	<u>195,081</u>	<u>408,017</u>	<u>192,982</u>	<u>337,436</u>	<u>1,133,516</u>
Expenditures:					
Current:					
Instruction:					
Regular	43,457	-	-	-	43,457
Other	-	372,097	-	-	372,097
Support services:					
Administration	97,026	-	-	-	97,026
Transportation	-	-	165,407	-	165,407
Other expenditures:					
Facilities acquisition	-	-	395,772	-	395,772
Long-term debt:					
Principal	-	-	-	355,000	355,000
Interest and fiscal charges	-	-	-	230,430	230,430
Total expenditures	<u>140,483</u>	<u>372,097</u>	<u>561,179</u>	<u>585,430</u>	<u>1,659,189</u>
Excess (deficiency) of revenues over (under) expenditures	54,598	35,920	(368,197)	(247,994)	(525,673)
Other financing sources (uses):					
Operating transfers in	-	-	-	259,599	259,599
Net change in fund balances	54,598	35,920	(368,197)	11,605	(266,074)
Fund balances beginning of year	<u>83,643</u>	<u>151,679</u>	<u>418,827</u>	<u>29,195</u>	<u>683,344</u>
Fund balances end of year	<u>138,241</u>	<u>187,599</u>	<u>50,630</u>	<u>40,800</u>	<u>417,270</u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2007

	School Nutrition	Preschool	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	131,055	-	131,055
Accounts receivable	781	-	781
Inventories	30,487	-	30,487
Capital assets, net of accumulated depreciation	66,355	-	66,355
	<u>228,678</u>	<u>-</u>	<u>228,678</u>
Liabilities			
Accounts payable	575	-	575
Salaries and benefits payable	30,321	-	30,321
Deferred revenue	9,310	-	9,310
	<u>40,206</u>	<u>-</u>	<u>40,206</u>
Net assets			
Invested in capital assets, net of related debt	66,355	-	66,355
Unrestricted	122,117	-	122,117
	<u>188,472</u>	<u>-</u>	<u>188,472</u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds

Year ended June 30, 2007

	Enterprise Funds		
	Nonmajor School Nutrition	Preschool	Total
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	407,619	34,953	442,572
Operating expenses:			
Salaries	239,532	19,074	258,606
Benefits	71,989	11,229	83,218
Purchased services	1,266	-	1,266
Supplies	306,465	4,650	311,115
Other expenses	100	-	100
Depreciation	7,757	-	7,757
	<u>627,109</u>	<u>34,953</u>	<u>662,062</u>
Operating loss	<u>(219,490)</u>	<u>-</u>	<u>(219,490)</u>
Non-operating revenue:			
State sources	7,231	-	7,231
Federal sources	226,964	-	226,964
Interest income	6,391	-	6,391
Total non-operating revenue	<u>240,586</u>	<u>-</u>	<u>240,586</u>
Change in net assets	21,096	-	21,096
Net assets beginning of year	<u>167,376</u>	<u>-</u>	<u>167,376</u>
Net assets end of year	<u><u>188,472</u></u>	<u><u>-</u></u>	<u><u>188,472</u></u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2007

	Enterprise Funds		
	Nonmajor School Nutrition	Preschool	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	406,668	-	406,668
Cash received from preschool services	-	34,953	34,953
Cash payments to employees for services	(318,521)	(30,303)	(348,824)
Cash payments to suppliers for goods or services	(270,436)	(4,650)	(275,086)
Net cash used by operating activities	<u>(182,289)</u>	<u>-</u>	<u>(182,289)</u>
Cash flows from non-capital financing activities:			
State grants received	7,231	-	7,231
Federal grants received	183,022	-	183,022
Net cash provided by non-capital financing activities	<u>190,253</u>	<u>-</u>	<u>190,253</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(20,571)</u>	<u>-</u>	<u>(20,571)</u>
Cash flows from investing activities:			
Interest on investments	<u>6,391</u>	<u>-</u>	<u>6,391</u>
Net increase (decrease) in cash and cash equivalents	(6,216)	-	(6,216)
Cash and cash equivalents at beginning of year	<u>137,271</u>	<u>-</u>	<u>137,271</u>
Cash and cash equivalents at end of year	<u><u>131,055</u></u>	<u><u>-</u></u>	<u><u>131,055</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:			
Operating gain (loss)	(219,490)	-	(219,490)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	43,938	-	43,938
Depreciation	7,757	-	7,757
Decrease (increase) in inventories	(6,946)	-	(6,946)
Decrease (increase) in accounts receivable	41	-	41
(Decrease) increase in accounts payable	403	-	403
(Decrease) increase in salaries and benefits payable	(7,000)	-	(7,000)
(Decrease) increase in deferred revenue	(992)	-	(992)
Net cash used in operating activities	<u>(182,289)</u>	<u>-</u>	<u>(182,289)</u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
Activity tickets	25	16,005	-	(16,030)	-
American field service	879	-	-	-	879
Athletic towel	212	1,158	710	(660)	-
Athletics concessions	-	20,247	15,509	(4,738)	-
Academic exe.	2,445	6,966	5,812	-	3,599
Band	75	8,734	9,837	1,028	-
Band trip	5,657	10,235	7,743	-	8,149
Band uniforms	-	5,225	5,000	-	225
Baseball	50	2,727	5,049	2,527	255
Baseball concession	156	5,917	3,093	(1,321)	1,659
Baseball camp	2,579	5,748	5,763	792	3,356
Boys basketball	10	7,601	3,693	(3,918)	-
Boys basketball camp	6,689	7,382	7,764	-	6,307
Boys golf	-	903	2,035	1,132	-
Boys golf camp	282	5,295	4,471	-	1,106
Boys soccer camp	1,635	1,956	1,635	-	1,956
Boys tennis	-	79	240	161	-
Boys tennis camp	155	75	17	-	213
Boys track	-	1,043	1,183	140	-
Boys track camp	310	75	215	-	170
Central book fair	152	1,734	1,755	-	131
Clear Creek building	2,389	7,210	7,154	(209)	2,236
Cheerleading	-	301	907	606	-
Cheerleading camp fund	5,091	9,703	15,954	1,524	364
Clear Creek playground	1,610	-	471	-	1,139
Cross country	-	1,590	1,942	352	-
Cross country camp	104	609	568	-	145
Dance team	2,675	31,085	27,008	-	6,752
Drama	-	612	738	126	-
Drum & bugle	6,253	7,113	5,827	-	7,539
Excel	689	451	-	-	1,140
Football	-	28,362	14,887	(13,475)	-
Football camp	2,293	23,060	17,652	(105)	7,596
French trip	50	1,338	1,338	-	50
General athletics	34,948	12,520	21,083	36,397	62,782
Girls basketball	-	6,096	6,593	497	-
Girls basketball camp	7,161	15,375	14,306	-	8,230
Girls golf	-	777	1,593	816	-
Girls golf camp	855	255	843	-	267
Girls soccer	75	1,205	2,397	1,117	-
Girls soccer camp	2,124	150	971	-	1,303
Girls tennis	-	-	220	220	-
Girls tennis camp	262	75	172	-	165
Girls track	-	1,009	839	(170)	-

See accompanying independent auditor's report.

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-Fund Transfers</u>	<u>Balance End of Year</u>
Girls track camp	-	733	257	163	639
Hall of pride	567	-	-	-	567
HS building	3,245	4,399	4,665	-	2,979
Interest	-	8,789	-	(8,789)	-
JH athletics	-	584	7,073	6,489	-
JH band	(3,938)	6,531	1,874	(341)	378
JH building	2,119	2,575	5,261	567	-
Jump rope for heart	1,429	-	536	-	893
Lincoln building	836	3,256	3,120	-	972
Lion tamers	-	-	105	105	-
Magazine campaign	10,237	20,585	11,543	(6,714)	12,565
Middle school art club	178	-	-	-	178
Mock trial fund	-	-	150	150	-
Model United Nations	380	10,262	11,549	907	-
Musical fund	-	4,864	6,765	1,901	-
National Honor Society	-	-	216	216	-
Outdoor classroom fund	5,634	50	309	-	5,375
Primary book fair	871	2,641	2,716	-	796
Prom	7,135	3,189	3,145	-	7,179
Soccer	75	2,533	1,793	(815)	-
Softball	280	4,404	6,594	2,344	434
Softball resale	2,268	5,383	3,462	(3,535)	654
Softball camp	1,229	727	2,083	2,121	1,994
Spanish club	12	503	503	-	12
Speech	-	425	1,433	1,008	-
Student council	5,459	6,360	9,188	-	2,631
Sunset building	(491)	1,665	926	209	457
Tour of homes	3,977	6,440	10,209	-	208
Tim Tjaden fund	220	280	170	-	330
Values for youth today fund	897	-	-	-	897
Vocal	(845)	4,512	5,024	1,357	-
Vocal music trip	60	24	-	-	84
Volleyball	-	2,796	3,020	224	-
Volleyball camp	2,548	11,977	6,823	-	7,702
Washington D.C. trip	-	1,674	553	(844)	277
Wrestling	275	10,276	6,593	(3,958)	-
Wrestling camp	188	3,320	3,934	426	-
Yearbook	19,314	19,936	19,858	-	19,392
June 30, 2006 accrual entries	(370)	(2,269)	(2,639)	-	-
June 30, 2007 accrual entries	-	592	8,299	-	(7,707)
Totals	151,679	408,017	372,097	-	187,599

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	7,378,752	7,085,360	7,102,629	6,517,071
Tuition	777,788	653,066	551,059	578,747
Other	774,109	656,568	538,311	597,615
Intermediate sources	38	-	-	-
State sources	5,587,891	5,648,453	5,497,907	5,583,902
Federal sources	278,400	342,766	430,622	1,170,412
	<u>14,796,978</u>	<u>14,386,213</u>	<u>14,120,528</u>	<u>14,447,747</u>
Expenditures:				
Instruction:				
Regular	5,181,318	5,080,574	5,350,921	5,103,892
Special	1,666,542	1,629,080	1,606,248	1,669,377
Other	1,062,331	1,126,853	767,184	827,780
Support services:				
Student	302,002	296,249	350,707	352,392
Instructional staff	431,875	430,435	408,423	351,026
Administration	1,303,975	1,313,135	1,185,912	1,252,502
Operation and maintenance of plant	1,273,033	1,275,457	1,209,981	1,084,470
Transportation	581,832	412,492	481,040	354,789
Other expenditures:				
Facilities acquisition	1,754,063	769,713	876,919	3,235,345
Long-term debt:				
Principal	355,000	810,000	995,000	300,000
Interest and other charges	230,430	250,854	282,548	289,799
AEA flowthrough	446,342	429,501	426,920	433,697
	<u>14,588,743</u>	<u>13,824,343</u>	<u>13,941,803</u>	<u>15,255,069</u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures \$</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
National School Lunch Program	10.555	FY07	153,599
School Breakfast Program	10.553	FY07	<u>29,428</u>
			183,027
Food Donation (Non-cash Expenditure)	10.550	FY07	43,938
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Education Agencies	84.010	1233-G-07	109,220
Improving Teacher Quality State Grants	84.367	FY07	50,144
Grants for State Assessments and Related Activities	84.369	FY07	9,828
State Grants for Innovative Programs	84.298	FY07	1,647
Safe & Drug Free Schools and Communities - State Grant	84.186	FY07	4,305
Fund for the Improvement of Education	84.215	FY07	24,600
Northern Trails Area Education Agency:			
Vocational Education - Basic Grants to States	84.048	FY07	967
Special Education Grants to States	84.027	FY07	<u>72,366</u>
Total			<u><u>500,042</u></u>

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

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

To the Board of Education of
Clear Lake 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 Clear Lake Community School District 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, and have issued our report thereon dated February 1, 2008. We did not issue an opinion on the Clear Lake Community School Foundation, which is included as a discretely presented component unit, because we were not engaged to and did not audit the Foundation. 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 Clear Lake Community School District's 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 Clear Lake Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clear Lake 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 Clear Lake 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 Clear Lake Community School District's financial statements that is more than inconsequential will not be prevented or detected by Clear Lake Community School District's internal control. We consider the deficiencies in

internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs 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 Clear Lake 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 items 07-II-A, 07-II-B and 07-II-C are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clear Lake 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 IV of the accompanying Schedule of Findings and Questioned Costs.

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.

Clear Lake Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Clear Lake 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 Clear Lake Community School District and other parties to whom Clear Lake 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 Clear Lake 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

February 1, 2008

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

To the Board of Education of
Clear Lake Community School District:

Compliance

We have audited the compliance of Clear Lake Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Clear Lake Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Clear Lake Community School District's management. Our responsibility is to express an opinion on Clear Lake Community School District's compliance based on our audit.

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

In our opinion, Clear Lake Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

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

on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Clear Lake Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 07-III-A to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 07-III-A to be a material weakness.

Clear Lake Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Clear Lake 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 Clear Lake Community School District and other parties to whom Clear Lake 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.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

February 1, 2008

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 20, 2007

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information. The discretely presented component unit was not audited and no opinion was issued for it.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.010 Title I Grants to Local Education Agencies
 - Clustered Programs:
 - CFDA Number 10.553 School Breakfast Program
 - CFDA Number 10.555 National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Clear Lake Community School did not qualify as a low-risk auditee.

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 20, 2007

Part II: Findings Related to the Financial Statements:

Significant deficiencies:

07-II-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

07-II-B Financial Reporting: During the audit, we identified material amounts of receivables, payables and bond deposit payable not recorded in the District's financial records. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation: The District should implement procedures to ensure all receivables and liabilities are identified and included in the District's financial statements.

District Response: We will double check these in the future to avoid missing any receivables or liabilities.

Conclusion: Response accepted.

07-II-C Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that w

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 20, 2007

Part II: Findings Related to the Financial Statements (continued):

would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 20, 2007

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance:

No matters were reported.

Significant deficiencies:

CFDA Number 84.010: Title I Grants to Local Education Agencies

Federal Award Year: 2007

U.S. Department of Education

Passed through the Iowa Department of Education

CFDA Number 10.553: School Breakfast Program

CFDA Number 10.555: National School Lunch Program

Federal Award Year: 2007

U.S. Department of Agriculture

Passed through the Iowa Department of Education

07-III-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

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

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 20, 2007

Part IV: Other Findings Related to Statutory Reporting:

07-IV-A Certified Budget: Expenditures for the year ended June 30, 2007, exceeded the amount budgeted in the other expenditures function.

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

District Response: We did amend the budget, but year-end construction costs were more than anticipated.

Conclusion: Response accepted.

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

07-IV-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. We did note \$305 of cash advances to coaches for meals at tournaments. Schools may not make cash advances to employees for travel expenses.

Recommendation: Coaches and other District employees should submit a claim for reimbursement, along with the related receipts after returning from the trip.

District Response: We will no longer give coaches cash advances for meals.

Conclusion: Response accepted.

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

07-IV-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.

07-IV-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.

07-IV-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.

07-IV-H Deposits and Investments: The District received a donation of stock in July 2000. After the stock was transferred to the District the stock was sold and the proceeds were invested in a mutual fund. All dividends are being reinvested in the mutual fund. A broker is investing the funds for the District.

The type of investments that a school may have is limited by the Code of Iowa and the District's investment policy. The District may accept a gift of stock, however the reinvestment of the proceeds from the sale of the stock in a mutual fund and the additional purchase of

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 20, 2007

Part IV: Other Findings Related to Statutory Reporting (Continued):

mutual fund shares with dividends is not allowed by the District's investment policy and may not be allowed by the Code of Iowa. The Code of Iowa also requires a public funds custodial agreement with entities that are investing the District's monies.

Recommendation: The District should consult with its attorney to determine if the District is in compliance with the Code of Iowa in regard to this investment.

District Response: The donation of the stock and reinvestment was handled in accordance with the wishes of the donor. We will contact our attorney to determine if there should be changes in the way the investment is being handled.

Conclusion: Response accepted.

07-IV-I Certified Annual Report (CAR): The CAR was certified to the Iowa Department of Education timely.

07-IV-J Reclassification of Student Activity Fund Accounts: The Student Activity Fund is to be used to account for extracurricular student activities, clubs and organizations. We noted accounts in the Student Activity Fund that did not appear to be student activities or clubs.

Recommendation: We recommend these accounts be reviewed and transferred to the proper fund.

District Response: We will review the accounts and make any necessary adjustments.

Conclusion: Response accepted.

07-IV-K Interest Rate on Certificates of Deposit: We noted two trust fund certificates of deposit that had interest rates below the minimum rate set by the State of Iowa.

Recommendation: The District should contact the bank to get the rate adjusted.

District Response: We have already done this.

Conclusion: Response accepted.