

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

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2007**

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

JUNE 30, 2007

TABLE OF CONTENTS

	Page No.
Officials	1
Independent Auditor's Report	2-3
Required Supplementary Information - Part I: Management's Discussion and Analysis	4-12
Basic Financial Statements:	Exhibit
Government-wide Financial Statements:	
Statement of Net Assets	A 13
Statement of Activities	B 14-16
Governmental Fund Financial Statements:	
Balance Sheet	C 17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 18
Statement of Revenues, Expenditures and Changes in Fund Balances	E 19-20
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 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	27-39
Required Supplementary Information - Part II:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	40
Notes to Required Supplementary Information - Budgetary Reporting	41
Other Supplementary Information:	Schedule
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 42
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 43
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 44-45
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	4 46
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	5 47

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

TABLE OF CONTENTS (Continued)

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>	48-49
Schedule of Findings	50-53

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

OFFICIALS

Name -----	Title -----	Term Expires -----
Board of Education		
Paul Kregel	President	September 2008
Larry Freidlein	Vice-President	September 2009
Dan Berns	Board Member	September 2010
Greg Glawe	Board Member	September 2008
Darla Zittergruen	Board Member	September 2008
Kathy Ihde	Board Member	September 2009
JoLynn Moore	Board Member	September 2010
School Officials		
Allan Nelson	Superintendent	2007
Mary Seifert	Board Secretary	2007
David Schlueter	Business Manager/Treasurer	2007

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

CERTIFIED PUBLIC ACCOUNTANTS

G.L. HARDIN, CPA
W.H. LEGLAR, CPA
S.J. DOMEYER, CPA
M.A. KUEPERS, CPA
J.W. HANNAN, CPA
M.P. RUGGEBERG, CPA
P.C. McCARTHY, CPA
E.A. SCHILLING, CPA

INDEPENDENT AUDITOR'S REPORT

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Clayton Ridge 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 a report dated January 10, 2008, on our consideration of the Clayton Ridge Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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Management's Discussion and Analysis (pages 4 through 12) and the budgetary comparison information on pages 40 through 41 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 supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clayton Ridge Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

O' Connor, Brooks & Co, P.C.

Dubuque, Iowa
January 10, 2008

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

This section of the Clayton Ridge Community School District's Comprehensive Annual Financial Report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2007. The analysis focuses on District financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- A resolution was adopted in June 2004 asking the voters to approve a \$.51 Physical Plant and Equipment Levy for three years beginning with the fiscal 2006 budget year. The voters approved this levy at the September 14, 2004 election.
- General fund revenues decreased from \$6,279,111 in fiscal 2006 to \$6,064,264 in fiscal 2007 while general fund expenditures decreased from \$6,062,434 in fiscal 2006 to \$5,955,456 in fiscal 2007. The District's general fund balance increased from \$1,891,194 on June 30, 2006 to \$2,000,077 on June 30, 2007.
- General fund revenues decreased \$214,847 primarily due to following:
 1. Property taxes decreased \$70,659 due to reduced cash reserve levy.
 2. State aid decreased \$36,321 due to reduced spending authority as a result of declining enrollment.
 3. Special education tuition decreased \$20,523 due to declining student weightings and enrollment.
 4. Federal grants for Reading First and Star Schools were reduced by \$87,285.
 5. The reductions above are partially offset by increased funding for Title I, Educatory Salary Improvement plans and by interest income.
- General fund expenditures decreased \$106,978 primarily due to reduced Reading First expenditures resulting from reduced funding.
- Local option sales tax collections in Clayton County began on January 1, 2004. Total sales tax revenues for fiscal 2007 were \$391,383.
- The Board renewed the Instructional Support Levy in 2005. This levy generates an additional 10% of regular program district cost. The income surtax rate imposed for fiscal 2006 was 3%. The income surtax rate for fiscal 2007 was increased to 5%. The income surtax rate for fiscal 2008 was reduced to 3%.
- The fiscal 2007 budget enrollment decreased 8.4 students versus fiscal 2006.

Overview of Financial Statements

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

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

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

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

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

Government-wide Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

Financial Analysis of the District as a Whole

Net Assets. The table below provides a summary of the District's net assets at June 30, 2007 as compared to June 30, 2006.

Figure A-1 Condensed Statement of Net Assets (\$000) (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2007-2006
Current assets	\$ 6,769	\$ 6,419	\$ 80	\$ 72	\$ 6,849	\$ 6,491	5.5%
Capital assets	1,234	975	4	3	1,238	978	26.6%
Total assets	\$ 8,003	\$ 7,394	\$ 84	\$ 75	\$ 8,087	\$ 7,469	8.2%
Current liabilities	\$ 3,488	\$ 3,625	\$ -	\$ -	\$ 3,488	\$ 3,625	0.3%
Non-current liabilities	386	336	-	-	386	336	14.9%
Total liabilities	\$ 3,874	\$ 3,961	\$ -	\$ -	\$ 3,874	\$ 3,961	-2.1%
Net assets							
Invested in capital assets, net of related debt	\$ 1,234	\$ 975	\$ 4	\$ 3	\$ 1,238	\$ 978	26.6%
Restricted	1,321	968	-	-	1,321	968	36.4%
Unrestricted	1,574	1,490	80	72	1,654	1,562	5.9%
Total net assets	\$ 4,129	\$ 3,433	\$ 84	\$ 75	\$ 4,213	\$ 3,508	20.1%

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

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

Changes in net assets. The table below provides a summary of the changes in net assets at June 30, 2007 as compared to June 30, 2006.

Figure A-2							
Changes in of Net Assets (\$000)							
(Expressed in Thousands)							
	Governmental		Business type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2007-2006
Revenues							
Program revenues:							
Charges for services	\$ 642	\$ 650	\$ 170	\$ 180	\$ 812	\$ 830	-2.20%
Operating Grants and Contributions	778	767	134	108	912	875	4.20%
General revenues:							
Property taxes	2,924	2,884	-	-	2,924	2,884	1.40%
Local option sales tax	391	322	-	-	391	322	21.40%
Unrestricted state grants	2,415	2,453	-	-	2,415	2,453	-1.50%
Other	401	255	-	-	401	255	57.30%
Total Revenues	\$ 7,551	\$ 7,331	\$ 304	\$ 288	\$ 7,855	\$ 7,619	3.10%
Expenses							
Instruction	\$ 4,500	\$ 4,561	\$ -	\$ -	\$ 4,500	\$ 4,561	-1.30%
Student and Instructional							
Services	429	466	-	-	429	466	-7.90%
Administrative & Business	671	616	-	-	671	616	8.90%
Maintenance & Operations	167	298	-	-	167	298	-43.90%
Transportation	414	534	-	-	414	534	-22.50%
Other	674	434	295	265	969	699	38.60%
Total Expenses	\$ 6,855	\$ 6,909	\$ 295	\$ 265	\$ 7,150	\$ 7,174	-0.30%
Increase (decrease) in net assets	\$ 696	\$ 422	\$ 9	\$ 23	\$ 705	\$ 445	58.42%

In fiscal 2007, property tax and state aid provide 71% of the funding required for governmental programs.

As shown in Figure A-2, the District as a whole experienced a 3.1% increase in revenue and a .3% decrease in expenses

Governmental Activities

Revenues for governmental activities were \$7,553,015 while total expenses were \$6,856,758. The table below presents the cost of six major district activities and each activity's net cost. Net cost shows the total cost less fees generated by the activities and intergovernmental aid provided for specific programs. The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

The total cost of all governmental activities in 2007 was \$6,856,758. The net cost is \$1,420,800 less due to funds received for instructional services provided to students from other districts, and due to funds received from the federal and state governments for certain programs they choose to subsidize (such as Title I.) Transportation aid is also received from the State for the non-public school in our district.

	Total Cost of Services			Net Cost of Services		
			Change			Change
	2007	2006	2006-2007	2007	2006	2006-2007
Instruction	\$ 4,500	\$ 4,561	1.3%	\$ 3,459	\$ 3,496	-1.1%
Student and Instructional Services	429	466	-7.9%	386	426	-9.3%
Administrative & Business	671	616	8.9%	671	616	8.9%
Maintenance & Operations	167	298	-43.9%	163	289	-43.6%
Transportation	414	534	-22.5%	350	468	-25.2%
Other	674	433	55.7%	405	197	105.6%
Total	\$ 6,855	\$ 6,908	-0.8%	\$ 5,434	\$ 5,492	1.0%

Business-Type Activities

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

Business-type activities revenues exceeded expenses by \$9,183. Charges for meals accounts for 55% of the total revenues, while contributions from the federal and state government for free and reduced meals and commodities accounts for the remaining 45%.

Fund Analysis of the District's Funds

Clayton Ridge Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

As of the end of fiscal 2007, the governmental funds reported combined ending fund balances of \$3,311,281. Approximately 99.7% of this balance is unreserved fund balance. The remainder is reserved for various state programs.

The general fund is the chief operating fund of the District. The fund balance increased from \$1,891,194 in fiscal 2006 to \$2,000,077 in fiscal 2007 primarily due to increased intergovernmental receivables and reduced accrued expenditures.

The management fund is used to account for health and retirement benefits for the employees of the district. The fund balance increased \$174,823 from fiscal 2006 primarily due to increased property tax rates. Participation in early retirement programs resulted in the district's decision to increase the fund balance for the liabilities created by these programs.

Proprietary Funds

The nutrition fund consists of revenues and expenditures related to the operation of the food services department. The net assets at the end of fiscal 2007 were \$84,349. This represented a \$9,183 increase from fiscal 2006.

Budgetary Highlights

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

Total receipts exceeded the budget by \$406,662, or 5.5%. Total disbursements were \$2,283,334 under budget, which is 24%.

The total expenditures were less than budget primarily due to the district's general fund, capital projects fund and PPEL fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the general fund. The District then controls general fund spending through its line-item budget. As a result, the certified budget should always exceed actual expenditures for the year, as required by law. The district also budgets to spend the entire balance in the capital projects and PPEL funds as it does with the general funds. Spending is controlled through the line item budgets. Other Expenditures exceeded budget due to a budget error. Budgeted Capital Projects expenditures of \$875,892 were incorrectly included in Noninstructional Programs rather than Facilities Acquisition and Construction. This error was discovered too late to correct with a budget amendment.

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets as of June 30, 2007 for its governmental and business-type activities was \$1,238,017 net accumulated depreciation. This investment includes land, buildings, and equipment. This represents a net increase of 27% from the prior year. Capital asset expenditures were made possible by increased sales tax revenues. Major expenditures included paving of parking lots, sidewalk and eavespouts replacements, installation of a new phone system, roof repairs, fire alarm upgrades and purchase of a Suburban. More detailed information about the districts' capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$108,557.

Figure A-4 Capital Assets (net of depreciation) (\$000) (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2007-2006
Land	\$ 55	\$ 55	\$ -	\$ -	\$ 55	\$ 55	0.0%
Construction in progress	58	17	-	-	58	17	241.2%
Buildings	724	615	-	-	724	615	17.7%
Improvements other than buildings	281	198	-	-	281	198	41.9%
Equipment & furniture	116	90	4	3	120	93	29.0%
Total	\$ 1,234	\$ 975	\$ 4	\$ 3	\$ 1,238	\$ 978	26.6%

Long-Term Debt

At June 30, 2007 the District has no long-term debt outstanding.

Factors Bearing on the District's Future

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

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

- Reorganization incentives expire June 30, 2008. Incentives included supplemental weighting and reduced property tax rates.
- The District passed a resolution in November 2007 to reserve \$250,000 in the Local Option Sales Tax Fund for the athletic field complex.

Contacting the District's Financial Management

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

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

**BASIC
FINANCIAL
STATEMENTS**

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

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

	Governmental Activities -----	Business Type Activities -----	Total -----
Assets			
Cash and cash equivalents	\$ 3,506,701	\$ 70,322	\$ 3,577,023
Receivables:			
Property tax:			
Delinquent	41,466	---	41,466
Succeeding year	2,837,151	---	2,837,151
Income surtax	120,745	---	120,745
Accounts	652	---	652
Due from other governments	262,674	---	262,674
Inventories	---	10,148	10,148
Capital assets, net of depreciation	1,234,138	3,879	1,238,017
	-----	-----	-----
Total Assets	\$ 8,003,527	\$ 84,349	\$ 8,087,876
	-----	-----	-----
Liabilities			
Accounts payable	\$ 15,816	\$ ---	\$ 15,816
Salaries and benefits payable	484,157	---	484,157
Deferred revenue - other	239	---	239
Deferred revenue - succeeding year property tax	2,837,151	---	2,837,151
Long-term liabilities:			
Portion due within one year:			
Early retirement payable	151,462	---	151,462
Portion due after one year:			
Early retirement payable	385,530	---	385,530
	-----	-----	-----
Total Liabilities	\$ 3,874,355	\$ ---	\$ 3,874,355
	-----	-----	-----
Net Assets			
Invested in capital assets, net of related debt	\$ 1,234,138	\$ 3,879	\$ 1,238,017
Restricted for:			
Mentoring	1,932	---	1,932
Professional development	2,304	---	2,304
Teacher quality	5,078	---	5,078
Management levy	423,495	---	423,495
Athletic field	48,108	---	48,108
Physical plant and equipment levy	175,490	---	175,490
Other special revenue purposes	57,760	---	57,760
Local option sales and service tax	606,353	---	606,353
Unrestricted	1,574,514	80,470	1,654,984
	-----	-----	-----
Total Net Assets	\$ 4,129,172	\$ 84,349	\$ 4,213,521
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs							
Governmental Activities:							
Instruction:							
Regular instruction	\$ 2,627,259	\$ 91,895	\$ 328,538	\$ ---	\$ (2,206,826)	\$ ---	\$ (2,206,826)
Special instruction	937,602	185,449	115,780	---	(636,373)	---	(636,373)
Other instruction	934,943	319,192	---	---	(615,751)	---	(615,751)
	\$ 4,499,804	\$ 596,536	\$ 444,318	\$ ---	\$ (3,458,950)	\$ ---	\$ (3,458,950)
Support Services:							
Student services	\$ 186,394	\$ 38,280	\$ ---	\$ ---	\$ (148,114)	\$ ---	\$ (148,114)
Instructional staff services	242,148	---	4,613	---	(237,535)	---	(237,535)
Administration services	670,876	---	---	---	(670,876)	---	(670,876)
Operation and maintenance of plant services	166,580	4,175	---	---	(162,405)	---	(162,405)
Transportation services	413,946	3,346	60,417	---	(350,183)	---	(350,183)
	\$ 1,679,944	\$ 45,801	\$ 65,030	\$ ---	\$ (1,569,113)	\$ ---	\$ (1,569,113)
Non-instructional Programs	\$ 3,506	\$ ---	\$ ---	\$ ---	\$ (3,506)	\$ ---	\$ (3,506)

The accompanying notes are an integral part of these financial statements.

EXHIBIT "B" (Continued)

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Other Expenditures:						
Facilities acquisition	\$ 359,864	\$ 25,000	\$ ---	\$ (334,864)	\$ ---	\$ (334,864)
AEA flowthrough	244,114	244,114	---	---	---	---
Depreciation (unallocated)*	69,526	---	---	(69,526)	---	(69,526)
	<u>\$ 673,504</u>	<u>\$ 269,114</u>	<u>\$ ---</u>	<u>\$ (404,390)</u>	<u>\$ ---</u>	<u>\$ (404,390)</u>
Total Governmental Activities	\$ 6,856,758	\$ 778,462	\$ ---	\$ (5,435,959)	\$ ---	\$ (5,435,959)
Business Type Activities:						
Noninstructional Programs:						
Food service operations	\$ 296,369	\$ 133,475	\$ ---	\$ ---	\$ 6,567	\$ 6,567
Total	<u>\$ 7,153,127</u>	<u>\$ 911,937</u>	<u>\$ ---</u>	<u>\$ (5,435,959)</u>	<u>\$ 6,567</u>	<u>\$ (5,429,392)</u>

The accompanying notes are an integral part of these financial statements.

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Program Revenues			Capital Grants, Contributions and Restricted Interest		Governmental Activities		Business Type Activities		Total	Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total	Net (Expense) Revenue and Changes in Net Assets				
General Revenues											
Property tax levied for:											
General purposes							\$ 2,741,894	\$	---	\$ 2,741,894	
Capital outlay							182,892		---	182,892	
Local option sales and services tax							391,383		---	391,383	
Instructional support surtax							123,245		---	123,245	
Unrestricted state grants							2,414,786		---	2,414,786	
Unrestricted investment earnings							144,258		2,616	146,874	
Other							133,758		---	133,758	
Total General Revenues							\$ 6,132,216	\$	2,616	\$ 6,134,832	
Change in Net Assets							\$ 696,257	\$	9,183	\$ 705,440	
Net Assets Beginning of Year							3,432,915		75,166	3,508,081	
Net Assets End of Year							\$ 4,129,172	\$	84,349	\$ 4,213,521	

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

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	General	Management Levy	Nonmajor Governmental Funds	Total
	-----	-----	-----	-----
Assets				
Cash and cash equivalents	\$ 2,307,376	\$ 418,735	\$ 780,590	\$ 3,506,701
Receivables:				
Property tax:				
Delinquent	33,402	5,375	2,689	41,466
Succeeding year	2,216,197	425,000	195,954	2,837,151
Income surtax	120,745	---	---	120,745
Accounts	652	---	---	652
Due from other governments	158,242	---	104,432	262,674
	-----	-----	-----	-----
Total Assets	\$ 4,836,614	\$ 849,110	\$ 1,083,665	\$ 6,769,389
	=====	=====	=====	=====
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 15,816	\$ ---	\$ ---	\$ 15,816
Salaries and benefits payable	483,540	617	---	484,157
Deferred revenue:				
Succeeding year property tax	2,216,197	425,000	195,954	2,837,151
Income surtax	120,745	---	---	120,745
Other	239	---	---	239
	-----	-----	-----	-----
Total Liabilities	\$ 2,836,537	\$ 425,617	\$ 195,954	\$ 3,458,108
	-----	-----	-----	-----
Fund Balances:				
Reserved:				
Mentoring	\$ 1,933	\$ ---	\$ ---	\$ 1,933
Professional development	2,305	---	---	2,305
Teacher quality	5,078	---	---	5,078
Unreserved:				
Undesignated	1,990,761	423,493	887,711	3,301,965
	-----	-----	-----	-----
Total Fund Balances	\$ 2,000,077	\$ 423,493	\$ 887,711	\$ 3,311,281
	-----	-----	-----	-----
Total Liabilities and Fund Balances	\$ 4,836,614	\$ 849,110	\$ 1,083,665	\$ 6,769,389
	=====	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

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

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007**

Total fund balances of governmental funds (page 17)	\$ 3,311,281
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets of \$4,508,541, net of accumulated depreciation of (\$3,274,403) are not financial resources and, therefore, are not reported in the funds.	1,234,138
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	(536,992)
Income Surtaxes will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds	120,745
Net assets of governmental activities (page 13)	\$ 4,129,172

The accompanying notes are an integral part of these financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007**

	General	Management Levy	Nonmajor Governmental Funds	Total
	-----	-----	-----	-----
Revenues:				
Local sources:				
Local tax	\$ 2,424,629	\$ 378,198	\$ 584,570	\$ 3,387,397
Tuition	198,191	---	---	198,191
Other	230,418	36,581	414,537	681,536
State sources	2,994,020	358	182	2,994,560
Federal sources	217,006	---	25,000	242,006
	-----	-----	-----	-----
Total Revenues	\$ 6,064,264	\$ 415,137	\$ 1,024,289	\$ 7,503,690
	-----	-----	-----	-----
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,430,075	\$ 139,112	\$ ---	\$ 2,569,187
Special instruction	940,752	---	---	940,752
Other instruction	601,885	---	333,058	934,943
	-----	-----	-----	-----
	\$ 3,972,712	\$ 139,112	\$ 333,058	\$ 4,444,882
	-----	-----	-----	-----
Support Services:				
Student services	\$ 172,658	\$ 17,066	\$ ---	\$ 189,724
Instructional staff services	197,527	864	40,136	238,527
Administration services	632,710	6,505	---	639,215
Operation and maintenance of plant services	409,814	49,102	---	458,916
Transportation services	325,921	26,226	81,628	433,775
	-----	-----	-----	-----
	\$ 1,738,630	\$ 99,763	\$ 121,764	\$ 1,960,157
	-----	-----	-----	-----
Non-instructional Programs	\$ ---	\$ 1,439	\$ ---	\$ 1,439
	-----	-----	-----	-----

The accompanying notes are an integral part of these financial statements.

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007**

	General	Management Levy	Nonmajor Governmental Funds	Total
	-----	-----	-----	-----
Other Expenditures:				
Facilities acquisition	\$ ---	\$ ---	\$ 400,478	\$ 400,478
AEA flowthrough	244,114	---	---	244,114
	-----	-----	-----	-----
	\$ 244,114	\$ ---	\$ 400,478	\$ 644,592
	-----	-----	-----	-----
Total Expenditures	\$ 5,955,456	\$ 240,314	\$ 855,300	\$ 7,051,070
	-----	-----	-----	-----
Excess of Revenues Over Expenditures	\$ 108,808	\$ 174,823	\$ 168,989	\$ 452,620
	-----	-----	-----	-----
Other Financing Sources:				
Sale of equipment and materials	\$ 75	\$ ---	\$ ---	\$ 75
	-----	-----	-----	-----
Total Other Financing Sources	\$ 75	\$ ---	\$ ---	\$ 75
	-----	-----	-----	-----
Net Change in Fund Balances	\$ 108,883	\$ 174,823	\$ 168,989	\$ 452,695
	-----	-----	-----	-----
Fund Balances Beginning of Year	1,891,194	248,670	718,722	2,858,586
	-----	-----	-----	-----
Fund Balances End of Year	\$ 2,000,077	\$ 423,493	\$ 887,711	\$ 3,311,281
	=====	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

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

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

Net change in fund balances - total governmental funds (page 20) \$ 452,695

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$366,636 exceeded depreciation of (\$107,468) in the current period. 259,168

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This includes the net increase in the early retirement payable. (64,856)

Because income surtaxes will not be collected for several months after the district's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount this year. 49,250

Change in net assets of governmental activities (page 16) \$ 696,257

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

**STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2007**

	School Nutrition -----
Assets	
Cash and cash equivalents	\$ 70,322
Inventories	10,148
Capital assets, net of accumulated depreciation	3,879

Total Assets	\$ 84,349
	=====
Liabilities	
None	
Net Assets	
Invested in capital assets, net of related debt	\$ 3,879
Unrestricted	80,470

Total Net Assets	\$ 84,349
	=====

The accompanying notes are an integral part of these financial statements.

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007**

	School Nutrition -----
Operating Revenue:	
Local sources:	
Charges for services	\$ 169,461

Operating Expenses:	
Non-instructional programs:	
Food service operations:	
Salaries and benefits	\$ 143,070
Purchased services	1,876
Supplies	149,146
Miscellaneous	460
Depreciation	1,817

Total Operating Expenses	\$ 296,369

Operating Loss	\$ (126,908)

Non-operating Revenue:	
State sources	\$ 3,979
Federal sources	129,496
Interest income	2,616

Total Non-Operating Revenues	\$ 136,091

Net Income	\$ 9,183

Net Assets Beginning of Year	75,166

Net Assets End of Year	\$ 84,349
	=====

The accompanying notes are an integral part of these financial statements.

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007**

	School Nutrition -----
Cash Flows From Operating Activities:	
Cash received from sale of lunches and breakfasts	\$ 169,461
Cash paid to employees for services	(143,070)
Cash paid to suppliers for goods and services	(133,453)

Net Cash Used by Operating Activities	\$ (107,062)

Cash Flows From Noncapital Financing Activities:	
State grants received	\$ 3,979
Federal grants received	109,902

Net Cash Provided by Noncapital Financing Activities	\$ 113,881

Cash Flows From Capital and Related Financing Activities:	
Purchases of equipment	\$ (2,906)

Cash Flows From Investing Activities:	
Interest on investments	\$ 2,616

Net Increase in Cash and Cash Equivalents	\$ 6,529

Cash and Cash Equivalents Beginning of Year	63,793

Cash and Cash Equivalents End of Year	\$ 70,322
	=====
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating loss	\$ (126,908)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	19,594
Depreciation	1,817
Increase in inventories	(1,565)

Net Cash Used by Operating Activities	\$ (107,062)
	=====
Non-Cash Investing, Capital and Financing Activities:	
During the year ended June 30, 2007, the District received \$19,594 of federal commodities.	

The accompanying notes are an integral part of these financial statements.

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2007

	Private Purpose Trust	
	Scholarship	Agency
	-----	-----
Assets		
Cash and pooled investments	\$ 36,445	\$ 2,604
	-----	-----
Liabilities		
Due to other governments	\$ ---	\$ 2,604
	-----	-----
Net Assets		
Reserved for scholarships	\$ 36,445	\$ ---
	=====	=====

The accompanying notes are an integral part of these financial statements.

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2007

	Private Purpose Trust ----- Scholarship -----
Additions:	
Local sources:	
Gifts and contributions	\$ 5,894
Interest income	1,063

Total Additions	\$ 6,957

Deductions:	
Support services:	
Scholarships awarded	7,453

Change in Net Assets	\$ (496)
Net Assets Beginning of Year	36,941

Net Assets End of Year	\$ 36,445
	=====

The accompanying notes are an integral part of these financial statements.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 - Summary of Significant Accounting Policies:

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-Wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

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

B. Basis of Presentation (Continued)

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

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

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

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

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, 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 that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

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

B. Basis of Presentation (Continued)

The District reports the following major governmental funds:

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

The Management Levy (Special Revenue) is used to account for health and retirement benefits for the employees of the district and general insurance costs of the District.

The District reports the following major proprietary fund:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

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

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

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

C. Measurement Focus and Basis of Accounting (Continued)

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 nonnegotiable certificates of deposit which are stated at cost.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

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

D. Assets, Liabilities and Fund Equity (Continued)

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

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

D. Assets, Liabilities and Fund Equity (Continued)

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

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

Compensated Absences - School District employees accumulate sick leave and vacation for subsequent use. These accumulations are not recognized as expenditures by the District until used. The District's policy prohibits payoff of accumulated benefits at termination of employment. Consequently, no liability at June 30, 2007 has been accrued.

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

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

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

D. Assets, Liabilities and Fund Equity (Continued)

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements in the other expenditures function area exceeded the amounts budgeted. The District did not exceed the General Fund unspent authorized budget.

Note 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:

	Carrying Amount	Fair Value	Maturity
	-----	-----	-----
Certificate of Deposits	\$ 18,450	\$ 18,450	Various
Savings Bonds	14,746	14,746	Various
	-----	-----	
Total	\$ 33,196	\$ 33,196	
	=====	=====	

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 2 - Cash and Pooled Investments: (Continued)

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

Note 3 - 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:				
Land	\$ 55,335	\$ ---	\$ ---	\$ 55,335
Construction in progress	17,306	57,920	(17,306)	57,920
	-----	-----	-----	-----
Total capital assets not being depreciated	\$ 72,641	\$ 57,920	\$ (17,306)	\$ 113,255
	-----	-----	-----	-----
Capital assets being depreciated:				
Buildings	\$ 2,466,576	\$ 146,873	\$ ---	\$ 2,613,449
Improvements other than buildings	504,148	107,364	(4,098)	607,414
Furniture and equipment	1,136,413	71,785	(33,775)	1,174,423
	-----	-----	-----	-----
Total capital assets being depreciated	\$ 4,107,137	\$ 326,022	\$ (37,873)	\$ 4,395,286
	-----	-----	-----	-----
Less accumulated depreciation for:				
Buildings	\$ 1,851,533	\$ 42,432	\$ (4,098)	\$ 1,889,867
Improvements other than buildings	305,783	20,437	---	326,220
Furniture	1,047,492	44,599	(33,775)	1,058,316
	-----	-----	-----	-----
Total accumulated depreciation	\$ 3,204,808	\$ 107,468	\$ (37,873)	\$ 3,274,403
	-----	-----	-----	-----
Total capital assets being depreciated, net	\$ 902,329	\$ 218,554	\$ ---	\$ 1,120,883
	-----	-----	-----	-----
Total Governmental activities capital assets, net	\$ 974,970	\$ 276,474	\$ (17,306)	\$ 1,234,138
	=====	=====	=====	=====

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 3 - Capital Assets: (Continued)

	Balance Beginning of Year -----	Increases -----	Decreases -----	Balance End of Year -----
Business-type activities:				
Furniture and equipment	\$ 110,740	\$ 2,906	\$ ---	\$ 113,646
Less accumulated depreciation	107,950	1,817	---	109,767
	-----	-----	-----	-----
Business-type activities capital assets, net	\$ 2,790	\$ 1,089	\$ ---	\$ 3,879
	=====	=====	=====	=====

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular instruction \$ 10,343

Support services:

Instructional staff support services 6,175

Operation and maintenance of plant services 2,167

Transportation services 19,257

Unallocated 69,526

Total depreciation expense - governmental activities \$ 107,468

Business type activities:

Food services \$ 1,817

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 4 - Long-Term Liabilities:

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

	Early Retirement -----
Balance Beginning of Year	\$ 472,136
Additions	215,252
Reductions	(150,396) -----
Balance End of Year	\$ 536,992 =====

Early Retirement:

The District offers a voluntary early retirement plan to its certified and non-certified employees. The employee is eligible to participate in the early retirement program if the following conditions are met at June 30, 2007.

- 1) The employee has reached a minimum age of 55.
- 2) The employee has completed at least 15 years (10 years for management) of full service to the Clayton Ridge Community School District and/or the Garnavillo Community School District and/or the Guttenberg Community School District.

The eligible employee must submit an application of early retirement to the Board of Education. The Board has sole discretion over the approval of early retirement and may not approve more than six applications for teachers for the fiscal year ended June 30, 2007.

Early retirement benefits are equal to a one time payment of approximately 15% of the employee's contracted salary in effect during the last year of employment. The employee shall also be eligible for an additional payment based on a percentage of unused sick leave at June 30, 2007. The District will continue to pay the employee's health insurance premium on a monthly basis for up to \$325 a month for teachers and administrators for a maximum period of ten years.

Early retirement benefits paid during the year ended June 30, 2007 totaled \$150,396.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 5 - Pension and Retirement Benefits:

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007 and 2006. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2007 and 2006 were \$218,966 and \$197,887, respectively, equal to the required contributions for each year.

Note 6 - Related Party Transaction:

The District had business transactions between the District and an immediate family member of a board member for facility maintenance totaling \$2,824.

Note 7 - Risk Management:

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

Note 8 - Area Education Agency:

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$244,114 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.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 9 - Operating Lease Commitment:

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

Future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2007, are as follows:

Year Ending June 30 -----	
2008	\$ 58,456
2009	33,530
2010	33,530

Total	\$ 125,516 =====

Note 10 - Construction Commitments:

The District has entered into various contracts totaling \$520,166 for remodeling projects and other capital assets. As of June 30, 2007, costs of \$57,920 had been incurred against these contracts. The balance of \$462,246 remaining at June 30, 2007, will be paid as work on the projects progress.

Note 11 - Athletic Complex/Subsequent Events:

A fund drive was initiated at the end of fiscal 2007 to build an athletic complex in memoriam of a local citizen. At June 30, 2007, the District had raised \$48,108 towards the project. Subsequent to fiscal 2007, the District adopted a resolution to reserve \$ 250,000 towards the project from the Local Option Sales Tax Fund to fulfill grant matching requirements and for costs relating to the project.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

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

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN BALANCES - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007**

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Receipts:						
Local sources	\$ 4,267,124	\$ 172,077	\$ 4,439,201	\$ 4,114,297	\$ 4,114,297	\$ 324,904
State sources	2,994,560	3,979	2,998,539	3,000,983	3,000,983	(2,444)
Federal sources	242,006	129,496	371,502	287,300	287,300	84,202
Total Receipts	\$ 7,503,690	\$ 305,552	\$ 7,809,242	\$ 7,402,580	\$ 7,402,580	\$ 406,662
Disbursements:						
Instruction	\$ 4,444,882	---	\$ 4,444,882	\$ 5,771,922	\$ 5,771,922	\$ 1,327,040
Support services	1,960,157	---	1,960,157	2,145,000	2,145,000	184,843
Non-instructional programs	1,439	296,369	297,808	1,199,147	1,199,147	901,339
Other expenditures	644,592	---	644,592	514,704	514,704	(129,888)
Total Disbursements	\$ 7,051,070	\$ 296,369	\$ 7,347,439	\$ 9,630,773	\$ 9,630,773	\$ 2,283,334
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ 452,620	\$ 9,183	\$ 461,803	\$ (2,228,193)	\$ (2,228,193)	\$ 2,689,996
Other Financing Sources Net	75	---	75	---	---	75
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	\$ 452,695	\$ 9,183	\$ 461,878	\$ (2,228,193)	\$ (2,228,193)	\$ 2,690,071
Balances Beginning of Year	2,858,586	75,166	2,933,752	2,923,064	2,923,064	10,688
Balances End of Year	\$ 3,311,281	\$ 84,349	\$ 3,395,630	\$ 694,871	\$ 694,871	\$ 2,700,759

See accompanying independent auditor's report.

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007**

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

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

During the year ended June 30, 2007, disbursements in the other expenditures function area exceeded the amounts budgeted. The District did not exceed its General Fund unspent authorized budget.

**OTHER
SUPPLEMENTARY
INFORMATION**

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

	Special Revenue		Capital Projects		Total Nonmajor Governmental Funds
	Student Activity	Physical Plant and Equipment Levy	Local Option Sales Tax	Athletic Complex	
Assets					
Cash and pooled investments	\$ 57,760	\$ 172,801	\$ 501,921	\$ 48,108	\$ 780,590
Receivables:					
Property tax:					
Delinquent	---	2,689	---	---	2,689
Succeeding year	---	195,954	---	---	195,954
Due from other governments	---	---	104,432	---	104,432
Total Assets	<u>\$ 57,760</u>	<u>\$ 371,444</u>	<u>\$ 606,353</u>	<u>\$ 48,108</u>	<u>\$ 1,083,665</u>
Liabilities and Fund Balances					
Deferred revenue:					
Succeeding year property tax	\$ ---	\$ 195,954	\$ ---	\$ ---	\$ 195,954
Total Liabilities	<u>\$ ---</u>	<u>\$ 195,954</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 195,954</u>
Unreserved Fund Balances	<u>\$ 57,760</u>	<u>\$ 175,490</u>	<u>\$ 606,353</u>	<u>\$ 48,108</u>	<u>\$ 887,711</u>
Total Liabilities and Fund Balances	<u>\$ 57,760</u>	<u>\$ 371,444</u>	<u>\$ 606,353</u>	<u>\$ 48,108</u>	<u>\$ 1,083,665</u>

See accompanying independent auditor's report.

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	Special Revenue		Capital Projects		Total Nonmajor Governmental Funds
	Student Activity	Physical Plant and Equipment Levy	Local Option Sales Tax	Athletic Field	
Revenues:					
Local Sources:					
Local tax	\$ ---	\$ 193,187	\$ 391,383	\$ ---	\$ 584,570
Other	321,008	7,516	37,905	48,108	414,537
State sources	---	182	---	---	182
Federal sources	---	---	25,000	---	25,000
Total Revenues	\$ 321,008	\$ 200,885	\$ 454,288	\$ 48,108	\$ 1,024,289
Expenditures:					
Current:					
Instruction:					
Other instruction	\$ 333,058	\$ ---	\$ ---	\$ ---	\$ 333,058
Support Services:					
Instructional staff services	---	40,136	---	---	40,136
Transportation services	---	81,628	---	---	81,628
Other Expenditures:					
Facilities acquisition	---	18,609	381,869	---	400,478
Total Expenditures	\$ 333,058	\$ 140,373	\$ 381,869	\$ ---	\$ 855,300
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (12,050)	\$ 60,512	\$ 72,419	\$ 48,108	\$ 168,989
Fund Balances Beginning of Year	69,810	114,978	533,934	---	718,722
Fund Balances End of Year	\$ 57,760	\$ 175,490	\$ 606,353	\$ 48,108	\$ 887,711

See accompanying independent auditor's report.

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

**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND,
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2007**

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
"A" Team	\$ 605	\$ 1,959	\$ 2,327	\$ 237
Adult Pop	909	4,170	3,254	1,825
Athletic Club	(486)	486	---	---
Athletics	(1,972)	44,170	47,852	(5,654)
Baseball	(929)	807	2,093	(2,215)
Board and Administration Gifts	(123)	329	117	89
Boys Basketball	874	3,692	4,375	191
Cheerleading	(73)	1,630	1,391	166
Class of 2007	15,025	40,974	54,296	1,703
Class of 2008	7,764	13,704	5,580	15,888
Class of 2009	2,412	7,032	3,807	5,637
Class of 2010	685	6,914	4,566	3,033
Cross Country	---	160	180	(20)
DARE	1,661	---	552	1,109
Drama	3,827	2,837	2,354	4,310
Drill Team	3,069	19,319	19,259	3,129
Elementary Assemblies	4,055	3,159	3,608	3,606
Elementary Safety Patrol	48	---	48	---
FCCLA	829	495	521	803
FFA Environment Grant	2,216	---	87	2,129
FFA Memorial	4,391	3,218	2,234	5,375
FFA Project	1,630	19	1,095	554
FFA Trip	---	14,958	16,208	(1,250)
Fine Arts	357	230	40	547
Football	716	10,076	9,454	1,338
Girls Basketball	765	1,181	1,293	653
High School Assemblies	1,796	2,602	812	3,586
High School National Honor Society	441	2,633	2,550	524
Junior High Football	390	---	---	390
Junior High Student Council	5,261	8,838	11,676	2,423

See accompanying independent auditor's report.

SCHEDULE "3" (Continued)

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND,
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Merit Trip	\$ ---	\$ 5,033	\$ 4,496	\$ 537
Middle School Drama	730	1,736	1,237	1,229
Middle School Flower Fund	129	---	129	---
Middle School Library Reading	782	3,538	4,100	220
Middle School Assemblies	---	2,052	51	2,001
Middle School Reading	1,380	---	276	1,104
Parent Advisory Committee	507	---	335	172
Philanthropist Club	123	808	795	136
Random Acts of Kindness	77	---	38	39
Reading Month	2,183	---	211	1,972
Secondary Projects	2,234	24,765	26,999	---
Softball	(50)	50	---	---
Spanish Club	173	3,677	3,578	272
Student Senate	2,713	27,524	29,875	362
Tri-Star FFA	10	37,680	40,760	(3,070)
Volleyball	4,355	6,252	7,041	3,566
Wrestling	330	611	214	727
Yearbook	(2,009)	11,690	11,294	(1,613)
Total	\$ 69,810	\$ 321,008	\$ 333,058	\$ 57,760

See accompanying independent auditor's report.

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUND
YEAR ENDED JUNE 30, 2007

	Balance Beginning of Year -----		Additions -----		Deductions -----		Balance End of Year -----
Assets:							
Cash and deposits	\$ 2,661	\$	93	\$	150	\$	2,604
	<u>2,661</u>		<u>93</u>		<u>150</u>		<u>2,604</u>
Liabilities:							
Payable to others	\$ 2,661	\$	93	\$	150	\$	2,604
	<u>2,661</u>		<u>93</u>		<u>150</u>		<u>2,604</u>

See accompanying independent auditor's report.

SCHEDULE "5"

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

**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TWO YEARS**

	Modified Accrual Basis	
	2007	2006
Revenues:		
Local Sources:		
Local tax	\$ 3,387,397	\$ 3,346,260
Tuition	198,191	236,340
Other	681,536	542,231
State Sources	2,994,560	2,975,595
Federal Sources	242,006	287,147
Total	\$ 7,503,690	\$ 7,387,573
Expenditures:		
Instruction:		
Regular instruction	\$ 2,569,187	\$ 2,684,680
Special instruction	940,752	963,683
Other instruction	934,943	826,543
Support Services:		
Student services	189,724	176,484
Instructional staff services	238,527	288,959
Administration services	639,215	615,579
Operation and maintenance of plant services	458,916	418,972
Transportation services	433,775	467,061
Non-Instruction Programs	1,439	1,893
Other Expenditures:		
Facilities acquisition	400,478	151,715
AEA flowthrough	244,114	236,183
Total	\$ 7,051,070	\$ 6,831,752

See accompanying independent auditor's report.

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

CERTIFIED PUBLIC ACCOUNTANTS

G.L. HARDIN, CPA
W.H. LEGLAR, CPA
S.J. DOMEYER, CPA
M.A. KUEPERS, CPA
J.W. HANNAN, CPA
M.P. RUGGEBERG, CPA
P.C. MCCARTHY, CPA
E.A. SCHILLING, CPA

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Clayton Ridge Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 10, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. In addition, our report includes a disclaimer of opinion on the required supplementary information.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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

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 the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. 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 the District's internal control.

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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, we believe the significant deficiencies described at item I-A-07 and I-B-07 are also material weaknesses. Item I-A-07 was noted in a prior year audit.

Compliance and Other Matters

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

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

The District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit the 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 the Clayton Ridge Community School District and other parties to whom Clayton Ridge Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

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

O'Connor, Brooks & Co., P.C.

Dubuque, Iowa
January 10, 2008

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were reported.

MATERIAL WEAKNESSES:

I-A-07 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling incompatible duties. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

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

Response - We will consider this.

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

I-B-07 Adjusting Journal Entries - Several adjusting journal entries were proposed to management to represent a fair presentation of the financial statements. Significant adjustments included the income surtax receivable and the deferred revenue account.

Recommendation - We recommend that the District implement procedures to reasonably assure that account balances are fairly stated.

Response - We will consider this.

Conclusion - Accept response.

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

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007**

Part II: Other Findings Related to Statutory Reporting:

II-A-07 Certified Budget - Expenditures for the year ended June 30, 2007, exceeded the certified budget in the other expenditures function. The District did not exceed its General Fund unspent authorized budget.

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.

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

Conclusion - Response accepted.

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

II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-07 Business Transactions - Business transactions between the District and District officials or employees were detailed as follows:

Name, Title, Business Connection -----	Description -----	Amount -----
Jeff Freidlein, son of Board Member	Maintenance	\$ 2,824

The transactions do not appear to represent a conflict of interest in accordance with Chapter 279.7A of the Code of Iowa since the transaction was not directly entered into by the District, but rather through a third party authorized by the District.

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

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

SCHEDULE OF FINDINGS
JUNE 30, 2007

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

II-F-07 Board Minutes - We noted one transaction requiring Board approval which had not been approved by the Board as required by Chapter 279.29 of the Code of Iowa.

Recommendation - All expenditures should be approved by the Board and sufficient documentation should be maintained to evidence proper Board approval prior to payment of expenditures.

Response - All expenditures will be approved by the Board prior to payment in the future.

Conclusion - Response accepted.

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

II-H-07 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, however, we noted that the ending fund balances reported on the Certified Annual Report and the financial statements differ in the Student Activity Fund and the General Fund by \$13,821 and \$12,114, respectively.

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

Response - We will correct these adjustments on the 2008 Certified Annual Report.

Conclusion - Response accepted.

CLAYTON RIDGE COMMUNITY SCHOOL DISTRICT
GUTTENBERG, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

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

II-J-07 Deficit Balances - The Student Activity Fund had six accounts with deficit balances at June 30, 2007.

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

Response - We will continue to monitor these accounts.

Conclusion - Response accepted.

II-K-07 Authorized Check Signers - An authorized check signer for one of the District's depositories included a former board member.

Recommendation - Depository information should be updated to include only current employee/board members as authorized signers.

Response - We will update the depository information.

Conclusion - Response accepted.