

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

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

June 30, 2008

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		27-37
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		39
Notes to Required Supplementary Information - Budgetary Reporting		40
	<u>Schedule</u>	
Other Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	42
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	43
Nonmajor Enterprise Funds:		
Combining Schedule of Net Assets	3	44
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets	4	45
Combining Schedule of Cash Flows	5	46
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	6	47-48
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	7	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
Schedule of Findings and Responses		52-56

Gary E. Horton CPA

PO Box 384
902 Central Ave. East
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax

BETCO@mchsi.com E-mail

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, 2008, 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, 2008, 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 23, 2009, 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, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 39 through 40 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, 2007, (which are not presented herein). For 2007, 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. Other supplementary information included in Schedules 1 through 7 in 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 23, 2009

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, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

General Fund revenues increased from \$11,993,740 in fiscal 2007 to \$12,203,534 in fiscal 2008, while General Fund expenditures increased from \$11,571,263 in fiscal 2007 to \$11,993,118 in fiscal 2008. The District's General Fund balance increased from \$242,820 in fiscal 2007 to \$467,560 in fiscal 2008, a 92.5% increase.

- The increase in General Fund revenues was attributable to an increase in property tax and state and federal grant revenue in fiscal 2008. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance increased is because the budget cuts that were made.

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.

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

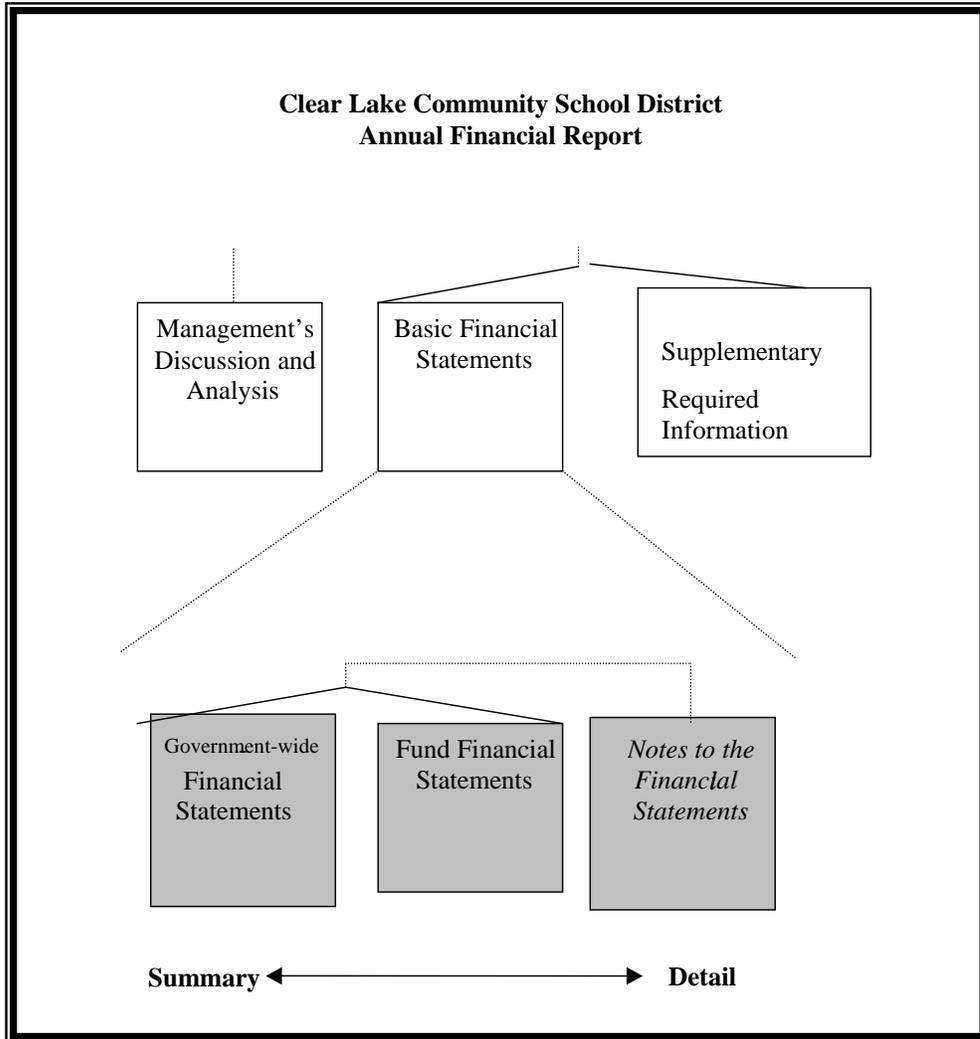


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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 two Enterprise Funds, the School Nutrition Fund and Pre-School. 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 monies behalf of other entities.

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, 2008 compared to June 30, 2007.

Figure A-3

	Condensed Statement of Net Assets						
	Governmental Activities		Business-type Activities		Total School District		Change
	2007	2008	2007	2008	2007	2008	2007-2008
	\$	\$	\$	\$	\$	\$	\$
Current and other assets	12,847,874	17,778,747	162,323	170,638	13,010,197	17,949,385	4,939,188
Capital assets	11,812,665	15,365,513	66,355	77,839	11,879,020	15,443,352	3,564,332
Total assets	\$24,660,539	\$33,144,260	\$228,678	\$248,477	\$24,889,217	\$33,392,737	8,503,520
Long-term liabilities	4,395,019	10,113,411			4,395,019	10,113,411	5,718,392
Other liabilities	10,758,767	11,771,181	40,206	42,405	10,798,973	11,813,586	1,014,613
Total liabilities	\$15,153,786	\$21,884,592	40,206	42,405	15,193,992	21,926,997	6,733,005
Net Assets:							
Invested in capital assets, net of related debt	7,637,665	7,739,718	66,355	77,839	7,704,020	7,817,557	113,537
Restricted	1,395,567	2,877,699			1,395,567	2,877,699	1,482,132
Unrestricted	473,521	642,251	122,117	128,233	595,638	770,484	174,846
TOTAL NET ASSETS	\$9,506,753	\$11,259,668	\$188,472	\$206,072	9,695,225	11,465,740	1,770,515

The District's combined total net assets increased by nearly 1,770,515, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$1,482,132 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 \$174,846.

Figure A-4 shows the change in net assets for the years ended June 30, 2008 and 2007.

Figure A-4

	Change in Net Assets						
	Governmental		Business-type		Total		Change
	Activities		Activities		School District		
2007	2008	2007	2008	2007	2008	2007-2008	
	\$	\$	\$	\$	\$	\$	\$
Revenues							
Program Revenues:							
Charges for services	\$1,276,288	\$1,478,652	\$442,572	\$452,080	\$1,718,860	\$1,930,732	\$211,872
Operating grants & contributions	\$1,265,718	\$1,454,343	\$234,195	\$243,156	\$1,499,913	\$1,697,499	\$197,586
Capital grants & contributions	\$24,600	\$243,792			\$24,600	\$243,792	\$219,192
General Revenues:							
Property taxes	\$5,430,271	\$5,596,070			\$5,430,271	\$5,596,070	\$165,799
Income Surtax	\$394,894	\$399,954			\$394,894	\$399,954	\$5,060
Local option sales tax	\$1,602,894	\$1,708,947			\$1,602,894	\$1,708,947	\$106,053
Unrestricted state grants	\$4,576,011	\$4,737,484			\$4,576,011	\$4,737,484	\$161,473
Unrestricted investment earnings	\$275,609	\$238,474	\$6,391	\$4,639	\$282,000	\$243,113	\$(38,887)
Other revenue		\$33,720				\$33,720	\$33,720
Total Revenues	\$14,846,285	\$15,891,436	\$683,158	\$699,875	\$15,529,443	\$16,591,311	\$1,061,868
Expenses:							
Instruction	\$8,095,453	\$8,515,348			\$8,095,453	\$8,515,348	\$419,895
Support services	\$3,831,517	\$4,134,851			\$3,831,517	\$4,134,851	\$303,334
Non-instructional programs			\$662,062	\$720,746	\$662,062	\$720,476	\$58,684
Other expenditures	\$1,277,975	\$1,449,851			\$1,277,975	\$1,449,851	\$171,876
Total expenses	\$13,204,945	\$14,100,050	\$662,062	\$720,746	\$13,867,007	\$14,820,796	\$953,789
Change in net assets before transfers	\$1,641,340	\$1,791,386	\$21,096	\$(20,871)	\$1,662,436	\$1,770,515	
Transfers		(38,471)	\$0	\$38,471			
CHANGE IN NET ASSETS	\$1,641,340	\$1,752,915	\$21,096	\$17,600	\$1,662,436	\$1,770,515	
Net assets beginning of year	\$7,865,413	\$9,506,753	\$167,376	\$188,472	\$8,032,789	\$9,695,225	
Net assets end of year	<u>\$9,506,753</u>	<u>\$11,259,668</u>	<u>\$188,472</u>	<u>\$206,072</u>	<u>\$9,695,225</u>	<u>\$11,465,740</u>	

Property tax and unrestricted state grants account for 62% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 85% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$15,891,436 and expenses were \$14,100,050. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

Business Type Activities

Revenues for business type activities were \$699,875 and expenses were \$720,746. 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 \$5,770,616, well above last year's ending fund balances of \$1,757,627. However, most of the increase in combined fund balances was the increase to Capitol projects of \$2,436,873.

Governmental Fund Highlights

- The District's General Fund financial position increased by \$224,740 from the previous year.
- The General Fund balance increased from \$242,820 in 2007 to \$467,560 in 2008, due in part to the budget cuts and a higher cash reserve.
- The Capital Projects Fund balance increased from \$1,097,537 in fiscal 2007 to \$3,534,410 in fiscal year 2008 this was due to the Revenue bonds. This balance will be used to repay notes payable and to finance future capital improvements and equipment purchases.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$50,630 in fiscal 2007 to \$328,610 in fiscal 2008. The district fund balance increase was due to not having as many major projects.

Proprietary Fund Highlights

School Nutrition Fund balanced increased from \$188,472 at June 30, 2007 to \$204,037 at June 30, 2008, representing an increase of approximately 8%. For fiscal 2008, part of the increase was \$19,075 of equipment purchased by the Capital Projects for the School Nutrition Fund.

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.

The certified budget was exceeded in the instruction function area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal 2008, the District had invested \$15,443,352 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 30 percent from last year.

In April 2007 the District started construction on an addition to Clear Creek Elementary School. Costs of approximately \$4.7 million had been incurred through June 30, 2008 and the District anticipates spending approximately \$600,000 more to complete the project.

Long-Term debt

At year-end the District had \$3,800,000 in general obligation bonds. This represents a decrease of approximately 9% from last year. Revenue bond anticipation notes were issued in July 2007 in the amount of \$6,000,000. See figure A-7.

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

	Total School District		Percentage
	2007	2008	Change
			2007-2008
	\$	\$	
General Obligation Bonds	\$4,175,000	\$3,800,000	-9%
Revenue bonds (to be repaid with sales tax revenues)		\$6,000,000	100%
Early Retirement	\$180,356	\$288,153	60%
Compensated Absences	\$39,663	\$25,258	-36%
TOTAL	\$4,395,019	\$10,113,411	130%

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 employee salary and benefit increases for 2008-2009 of about \$394,000. 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, 2008

	Governmental Activities	Business- type Activities	Total	Component Unit - Clear Lake Community School Foundation
	\$	\$	\$	\$
Assets				
Cash and cash equivalents:				
ISCAP	3,978,263	-	3,978,263	-
Other	7,225,043	103,978	7,329,021	462
Investments	-	-	-	586,653
Receivables:				
Property tax:				
Delinquent	61,813	-	61,813	-
Succeeding year	5,740,391	-	5,740,391	-
Accounts	-	967	967	-
Accrued interest - ISCAP	30,381	-	30,381	-
Due from other governments	702,216	18,216	720,432	-
Inventories	-	47,477	47,477	-
Unamortized bond issue costs	40,640	-	40,640	-
Capital assets, net of accumulated depreciation	15,365,513	77,839	15,443,352	-
Total assets	33,144,260	248,477	33,392,737	587,115
Liabilities				
Accounts payable	794,400	-	794,400	-
Salaries and benefits payable	1,054,409	31,553	1,085,962	-
Accrued interest payable	148,549	-	148,549	-
Deferred revenue:				
Succeeding year property tax	5,740,391	-	5,740,391	-
Other	-	10,852	10,852	-
ISCAP warrants payable	3,956,000	-	3,956,000	-
ISCAP accrued interest payable	33,413	-	33,413	-
ISCAP premium	44,019	-	44,019	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	395,000	-	395,000	-
Revenue bonds payable	900,000	-	900,000	-
Termination benefits	200,818	-	200,818	-
Compensated absences	25,258	-	25,258	-
Portion due after one year:				
General obligation bonds payable	3,405,000	-	3,405,000	-
Revenue bonds payable	5,100,000	-	5,100,000	-
Termination benefits	87,335	-	87,335	-
Total liabilities	21,884,592	42,405	21,926,997	-

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business- type Activities	Total	Component Unit - Clear Lake Community School Foundation
	\$	\$	\$	\$
Net assets				
Invested in capital assets, net of related debt	7,739,718	77,839	7,817,557	-
Restricted for:				
State categorical aid	47,467	-	47,467	-
Physical plant and equipment levy	328,610	-	328,610	-
Other special revenue purposes	217,071	-	217,071	-
Local option sales tax capital projects	744,332	-	744,332	-
Debt service	1,540,219	-	1,540,219	-
Unrestricted	<u>642,251</u>	<u>128,233</u>	<u>770,484</u>	<u>587,115</u>
Total net assets	<u><u>11,259,668</u></u>	<u><u>206,072</u></u>	<u><u>11,465,740</u></u>	<u><u>587,115</u></u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Statement of Activities
Year ended June 30, 2008

Functions/Programs	<u>Program Revenues</u>			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	5,574,218	625,067	771,377	-
Special	1,799,576	319,111	73,917	-
Other	1,141,554	528,045	117,270	-
	<u>8,515,348</u>	<u>1,472,223</u>	<u>962,564</u>	<u>-</u>
Support services:				
Student	270,689	-	-	-
Instructional staff	456,067	-	-	-
Administration	1,566,073	-	-	-
Operation and maintenance of plant	1,307,864	5,409	-	-
Transportation	534,158	1,020	9,053	-
	<u>4,134,851</u>	<u>6,429</u>	<u>9,053</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	247,474	-	-	243,792
Long-term debt interest	441,868	-	12,653	-
AEA flowthrough	470,073	-	470,073	-
Depreciation (unallocated)*	290,436	-	-	-
	<u>1,449,851</u>	<u>-</u>	<u>482,726</u>	<u>243,792</u>
Total governmental activities	14,100,050	1,478,652	1,454,343	243,792
Business type activities:				
Non-instructional programs:				
Food service operations	660,767	409,506	243,156	-
Preschool	59,979	42,574	-	-
Total business-type activities	720,746	452,080	243,156	-
Total primary government	14,820,796	1,930,732	1,697,499	243,792
Component Unit:				
Clear Lake Community School Foundation	12,364	-	147,824	-
Total	14,833,160	1,930,732	1,845,323	243,792
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				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				
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
\$	\$	\$	\$
(4,177,774)	-	(4,177,774)	-
(1,406,548)	-	(1,406,548)	-
(496,239)	-	(496,239)	-
<u>(6,080,561)</u>	<u>-</u>	<u>(6,080,561)</u>	<u>-</u>
(270,689)	-	(270,689)	-
(456,067)	-	(456,067)	-
(1,566,073)	-	(1,566,073)	-
(1,302,455)	-	(1,302,455)	-
(524,085)	-	(524,085)	-
<u>(4,119,369)</u>	<u>-</u>	<u>(4,119,369)</u>	<u>-</u>
(3,682)	-	(3,682)	-
(429,215)	-	(429,215)	-
-	-	-	-
(290,436)	-	(290,436)	-
<u>(723,333)</u>	<u>-</u>	<u>(723,333)</u>	<u>-</u>
(10,923,263)	-	(10,923,263)	-
-	(8,105)	(8,105)	-
-	(17,405)	(17,405)	-
-	(25,510)	(25,510)	-
<u>(10,923,263)</u>	<u>(25,510)</u>	<u>(10,948,773)</u>	<u>-</u>
-	-	-	135,460
<u>(10,923,263)</u>	<u>(25,510)</u>	<u>(10,948,773)</u>	<u>135,460</u>
4,764,396	-	4,764,396	-
333,021	-	333,021	-
498,653	-	498,653	-
399,954	-	399,954	-
1,708,947	-	1,708,947	-
4,737,484	-	4,737,484	-
238,474	4,639	243,113	40,207
33,720	-	33,720	-
<u>12,714,649</u>	<u>4,639</u>	<u>12,719,288</u>	<u>40,207</u>
(38,471)	38,471	-	-
<u>12,676,178</u>	<u>43,110</u>	<u>12,719,288</u>	<u>40,207</u>
1,752,915	17,600	1,770,515	175,667
9,506,753	188,472	9,695,225	411,448
<u>11,259,668</u>	<u>206,072</u>	<u>11,465,740</u>	<u>587,115</u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2008

	General	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments:				
ISCAP	3,978,263	-	-	3,978,263
Other	1,811,701	3,641,174	1,772,168	7,225,043
Receivables:				
Property tax:				
Delinquent	49,550	-	12,263	61,813
Succeeding year	4,562,128	-	1,178,263	5,740,391
Accrued interest - ISCAP	30,381	-	-	30,381
Due from other governments	380,625	321,591	-	702,216
	<u>10,812,648</u>	<u>3,962,765</u>	<u>2,962,694</u>	<u>17,738,107</u>
Total assets				
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	350,260	428,355	15,785	794,400
Salaries and benefits payable	1,054,409	-	-	1,054,409
ISCAP warrants payable	3,956,000	-	-	3,956,000
ISCAP accrued interest payable	33,413	-	-	33,413
ISCAP premium	44,019	-	-	44,019
Deferred revenue:				
Succeeding year property tax	4,562,128	-	1,178,263	5,740,391
Other	344,859	-	-	344,859
Total liabilities	<u>10,345,088</u>	<u>428,355</u>	<u>1,194,048</u>	<u>11,967,491</u>
Fund balances:				
Reserved for:				
State categorical aid	47,467	-	-	47,467
Debt service	-	615,873	1,072,895	1,688,768
Unreserved reported in:				
General fund	420,093	-	-	420,093
Special revenue funds	-	-	695,751	695,751
Capital projects funds	-	2,918,537	-	2,918,537
Total fund balances	<u>467,560</u>	<u>3,534,410</u>	<u>1,768,646</u>	<u>5,770,616</u>
	<u>10,812,648</u>	<u>3,962,765</u>	<u>2,962,694</u>	<u>17,738,107</u>
Total liabilities and fund balances				

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2008

	\$
Total fund balances of governmental funds (Exhibit C)	5,770,616
<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.	15,365,513
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	344,859
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.	40,640
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.	(148,549)
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>(10,113,411)</u>
Net assets of governmental activities (Exhibit A)	<u><u>11,259,668</u></u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	General	Capital Projects	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	4,849,461	1,708,947	1,135,800	7,694,208
Tuition	899,344	-	-	899,344
Other	276,192	243,792	554,243	1,074,227
State sources	5,926,732	-	637	5,927,369
Federal sources	251,805	-	-	251,805
Total revenues	<u>12,203,534</u>	<u>1,952,739</u>	<u>1,690,680</u>	<u>15,846,953</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,297,161	-	107,857	5,405,018
Special	1,799,576	-	-	1,799,576
Other	642,301	-	496,032	1,138,333
	<u>7,739,038</u>	<u>-</u>	<u>603,889</u>	<u>8,342,927</u>
Support services:				
Student	270,689	-	-	270,689
Instructional staff	456,067	-	-	456,067
Administration	1,301,659	7,500	256,491	1,565,650
Operation and maintenance of plant	1,291,820	-	-	1,291,820
Transportation	463,772	-	108,785	572,557
	<u>3,784,007</u>	<u>7,500</u>	<u>365,276</u>	<u>4,156,783</u>
Other expenditures:				
Facilities acquisition	-	3,818,295	356,375	4,174,670
Long-term debt:				
Principal	-	-	375,000	375,000
Interest and fiscal charges	-	-	329,479	329,479
AEA flowthrough	470,073	-	-	470,073
	<u>470,073</u>	<u>3,818,295</u>	<u>1,060,854</u>	<u>5,349,222</u>
Total expenditures	<u>11,993,118</u>	<u>3,825,795</u>	<u>2,030,019</u>	<u>17,848,932</u>
Excess (deficiency) of revenues over (under) expenditures	<u>210,416</u>	<u>(1,873,056)</u>	<u>(339,339)</u>	<u>(2,001,979)</u>
Other financing sources (uses):				
Compensation for loss of fixed assets	33,720	-	-	33,720
Proceeds from issuance of long-term debt	-	6,000,000	-	6,000,000
Accrued interest on bonds issued	-	644	-	644
Operating transfers in	-	-	1,690,715	1,690,715
Operating transfers out	(19,396)	(1,690,715)	-	(1,710,111)
Total other financing sources (uses)	<u>14,324</u>	<u>4,309,929</u>	<u>1,690,715</u>	<u>6,014,968</u>
Net change in fund balances	224,740	2,436,873	1,351,376	4,012,989
Fund balances beginning of year	<u>242,820</u>	<u>1,097,537</u>	<u>417,270</u>	<u>1,757,627</u>
Fund balances end of year	<u><u>467,560</u></u>	<u><u>3,534,410</u></u>	<u><u>1,768,646</u></u>	<u><u>5,770,616</u></u>

See notes to financial statements.

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, 2008

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		4,012,989
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
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	4,043,021	
Depreciation expense	<u>(490,173)</u>	3,552,848
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.		10,763
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.		7,740
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.		375,000
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.		(113,033)
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	(107,797)	
Compensated absences	<u>14,405</u>	(93,392)
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		<u>(6,000,000)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>1,752,915</u></u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Fund

June 30, 2008

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Cash and cash equivalents	103,978
Accounts receivable	967
Due from other governments	18,216
Inventories	47,477
Capital assets, net of accumulated depreciation	<u>77,839</u>
Total assets	<u>248,477</u>
Liabilities	
Salaries and benefits payable	31,553
Deferred revenue	<u>10,852</u>
Total liabilities	<u>42,405</u>
Net assets	
Invested in capital assets, net of related debt	77,839
Unrestricted	<u>128,233</u>
Total net assets	<u><u>206,072</u></u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>452,080</u>
Operating expenses:	
Salaries	289,627
Benefits	80,229
Purchased services	4,342
Supplies	338,592
Other expenses	365
Depreciation	7,591
Total operating expenses	<u>720,746</u>
Operating loss	<u>(268,666)</u>
Non-operating revenues:	
State sources	7,401
Federal sources	235,755
Interest income	4,639
Total non-operating revenues	<u>247,795</u>
Changes in net assets before contributed capital and transfers	(20,871)
Transfers from General Fund	19,396
Contributed capital	<u>19,075</u>
Change in net assets	17,600
Net assets beginning of year	<u>188,472</u>
Net assets end of year	<u><u>206,072</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	411,007
Cash received from preschool services	42,429
Cash payments to employees for services	(368,624)
Cash payments to suppliers for goods or services	<u>(318,160)</u>
Net cash used by operating activities	<u>(233,348)</u>
Cash flows from non-capital financing activities:	
Transfer from General Fund	19,396
State grants received	7,401
Federal grants received	174,835
Net cash provided by non-capital financing activities	<u>201,632</u>
Cash flows from capital and related financing activities:	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>4,639</u>
Net increase (decrease) in cash and cash equivalents	(27,077)
Cash and cash equivalents at beginning of year	<u>131,055</u>
Cash and cash equivalents at end of year	<u><u>103,978</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(268,666)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	42,704
Depreciation	7,591
Decrease (increase) in inventories	(16,990)
Decrease (increase) in accounts receivable	(186)
(Decrease) increase in accounts payable	(575)
(Decrease) increase in salaries and benefits payable	1,232
(Decrease) increase in deferred revenue	<u>1,542</u>
Net cash used by operating activities	<u><u>(233,348)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received \$42,704 of federal commodities.

During the year ended June 30, 2008, the School Nutrition Fund received \$19,075 of equipment that was purchased by other funds

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Fund

June 30, 2008

	Private Purpose Trust <u>Scholarships</u> \$
Assets	
Cash and pooled investments	220,253
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>220,253</u></u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund

Year ended June 30, 2008

	Private Purpose Trust Scholarships
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	1,660
Investment revenue	<u>7,272</u>
Total additions	8,932
Deductions:	
Support services:	
Scholarships	<u>16,397</u>
Change in net assets	(7,465)
Net assets beginning of year	<u>227,718</u>
Net assets end of year	<u><u>220,253</u></u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

Year ended June 30, 2008

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 attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted net assets consist of net assets not meeting 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 the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as

soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and 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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

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 Lives</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, 2008. 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, 2008, expenditures in the instruction function exceeded the amount budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2008 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, 2008, the District had the following investments:

	<u>Fair Value</u>
	\$
Hartford Advisors Fund Class A	8,713
Goldman Sachs Financial Square Treasury Obligation Fund	1,640,156

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	3,024,734

The Iowa Schools Joint Investment Trust investment is valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk: The investments in the Iowa Schools Joint Investment Trust and in Goldman Sachs Financial Square Treasury Obligation Fund were rated Aaa by Moody's Investors Service.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008, is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Nonmajor Governmental Funds: Debt Service	Capital Projects Fund	1,390,715
Nonmajor Governmental Funds: Physical Plant and Equipment Levy	Capital Projects Fund	300,000
Nonmajor Enterprise Funds: Preschool	General Fund	19,396

These transfers 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, 2008, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2007-08B	1/23/08	1/23/09	2,026,484	29,641	2,020,000	32,670
2008-09A	6/26/08	6/25/09	1,951,779	740	1,936,000	743
Total			<u>3,978,263</u>	<u>30,381</u>	<u>3,956,000</u>	<u>33,413</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 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, 2008, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	700,000	700,000	-

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
	%	%
2007-08A	4.500	5.455
2007-08B	3.750	3.451
2008-09A	3.500	3.469

5. Capital Assets

Capital assets activity for the year ended June 30, 2008, was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	1,118,833	3,694,548	73,233	4,740,148
Land	106,704	-	-	106,704
Total capital assets not being deprec.	<u>1,225,537</u>	<u>3,694,548</u>	<u>73,233</u>	<u>4,846,852</u>
Capital assets being depreciated:				
Buildings	13,168,705	22,039	-	13,190,744
Improvements other than buildings	543,190	143,867	-	687,057
Furniture and equipment	2,092,528	255,800	-	2,348,328
Total capital assets being deprec.	<u>15,804,423</u>	<u>421,706</u>	<u>-</u>	<u>16,226,129</u>

Less accumulated depreciation for:				
Buildings	3,404,840	266,933	-	3,671,773
Improvements other than buildings	378,077	23,503	-	401,580
Furniture and equipment	1,434,378	199,737	-	1,634,115
Total accumulated depreciation	<u>5,217,295</u>	<u>490,173</u>	-	<u>5,707,468</u>
Total capital assets being depreciated, net	<u>10,587,128</u>	<u>(68,467)</u>	-	<u>10,518,661</u>
Governmental activities capital assets, net	<u>11,812,665</u>	<u>3,626,081</u>	<u>73,233</u>	<u>15,365,513</u>
	Balance			Balance End of
	Beginning of			Year
	Year	Increases	Decreases	
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	185,667	19,075	-	204,742
Less accumulated deprec.	<u>119,312</u>	<u>7,591</u>	-	<u>126,903</u>
Business type activities Capital assets, net	<u>66,355</u>	<u>11,484</u>	-	<u>77,839</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	61,403
Other instruction	3,221
Support services:	
Administration	14,200
Operation and maintenance of plant services	16,044
Transportation	<u>104,869</u>
	199,737
Unallocated depreciation	<u>290,436</u>
	<u>490,173</u>
Business type activities:	
Food service operations	<u>7,591</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008, are summarized as follows:

	Balance			Balance End	Due Within
	Beginning of	Additions	Reductions	of Year	One Year
	Year				
	\$	\$	\$	\$	\$
General obligation bonds	4,175,000	-	375,000	3,800,000	395,000
Local option sales tax revenue bonds	-	6,000,000	-	6,000,000	900,000
Compensated absences	39,663	25,258	39,663	25,258	25,258
Termination benefits	<u>180,356</u>	<u>230,537</u>	<u>122,740</u>	<u>288,153</u>	<u>200,818</u>
Total	<u>4,395,019</u>	<u>6,255,795</u>	<u>537,403</u>	<u>10,113,411</u>	<u>1,521,076</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.

Under the plan the District will pay cost of health insurance for up to four years. The District will also make a payment to the employee's 403(b) account for an amount calculated as 100% of the difference between the employee's current salary less the BA Step One base salary.

At June 30, 2008, the District has obligations to sixteen participants with a total liability of \$288,153. Actual early retirement expenditures for the year ended June 30, 2008 totaled \$122,740.

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>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
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	5.45	485,000	108,940	593,940
2014-2016	5.50-5.60	<u>1,610,000</u>	<u>170,300</u>	<u>1,780,300</u>
		<u>3,800,000</u>	<u>936,863</u>	<u>4,736,863</u>

Revenue Bonds

Details of the District's July 1, 2007 local option sales and services tax revenue bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2009	3.750	900,000	215,190	1,115,190
2010	3.800	940,000	180,455	1,120,455
2011	3.850	980,000	143,730	1,123,730
2012	3.875	1,020,000	105,103	1,125,103
2013	3.900	1,060,000	64,670	1,124,670
2014	4.000	<u>1,100,000</u>	<u>22,000</u>	<u>1,122,000</u>
		<u>6,000,000</u>	<u>731,148</u>	<u>6,731,148</u>

The District has pledged future local option sales and services tax revenues to repay the \$6,000,000 bonds issued in July 2007. The bonds were issued for the purpose of financing a school building addition. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 70 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$6,731,148. For the current year, \$116,033 of interest was paid on the bonds and total local option sales and services tax revenues were \$1,708,947.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$600,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

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 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$444,185, \$416,457, and \$395,313 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 \$470,073 for the year ended June 30, 2008, 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, 2008 costs of \$4,322,546 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 three years are as follows:

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

During the year ended June 30, 2008 the District paid rents of \$54,000.

REQUIRED SUPPLEMENTARY INFORMATION

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 200

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	9,667,779	456,719	10,124,498	9,285,249	9,285,249	839,249
State sources	5,927,369	7,401	5,934,770	5,765,857	5,765,857	168,913
Federal sources	251,805	235,755	487,560	480,000	480,000	7,560
Total revenues	<u>15,846,953</u>	<u>699,875</u>	<u>16,546,828</u>	<u>15,531,106</u>	<u>15,531,106</u>	<u>1,015,722</u>
Expenditures/Expenses:						
Instruction	8,342,927	59,979	8,402,906	8,342,531	8,342,531	(60,375)
Support services	4,156,783	-	4,156,783	4,250,000	4,250,000	93,217
Non-instructional programs	-	660,767	660,767	800,000	800,000	139,233
Other expenditures	5,349,222	-	5,349,222	7,564,492	7,564,492	2,215,270
Total expenditures/expenses	<u>17,848,932</u>	<u>720,746</u>	<u>18,569,678</u>	<u>20,957,023</u>	<u>20,957,023</u>	<u>2,387,345</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(2,001,979)	(20,871)	(2,022,850)	(5,425,917)	(5,425,917)	3,403,067
Other financing sources net	<u>6,014,968</u>	<u>38,471</u>	<u>6,053,439</u>	<u>3,400,000</u>	<u>3,400,000</u>	<u>2,653,439</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	4,012,989	17,600	4,030,589	(2,025,917)	(2,025,917)	6,056,506
Balance beginning of year	<u>1,757,627</u>	<u>188,472</u>	<u>1,946,099</u>	<u>2,174,849</u>	<u>2,174,849</u>	<u>(228,750)</u>
Balance end of year	<u>5,770,616</u>	<u>206,072</u>	<u>5,976,688</u>	<u>148,932</u>	<u>148,932</u>	<u>5,827,756</u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2008

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. The District did not amend its budget during the year.

During the year ended June 30, 2008, expenditures in the instruction function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2008

Assets	Special Revenue Funds				Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Debt Service	
	\$	\$	\$	\$	
Cash and pooled investments	147,008	222,544	333,278	1,069,338	1,772,168
Receivables:					
Property tax:					
Delinquent	3,379	-	5,327	3,557	12,263
Succeeding year	319,998	-	528,173	330,092	1,178,263
Total assets	470,385	222,544	866,778	1,402,987	2,962,694
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	317	5,473	9,995	-	15,785
Deferred revenue:					
Succeeding year property tax	319,998	-	528,173	330,092	1,178,263
Total liabilities	320,315	5,473	538,168	330,092	1,194,048
Fund balances:					
Reserved for debt service	-	-	-	1,072,895	1,072,895
Unreserved reported in:					
Special revenue funds	150,070	217,071	328,610	-	695,751
Total fund equity	150,070	217,071	328,610	1,072,895	1,768,646
Total liabilities and fund balances	470,385	222,544	866,778	1,402,987	2,962,694

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Special Revenue Funds				Total
	Management	Student	Physical	Debt	
	Levy	Activity	Plant and	Service	
		Equipment			
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	304,126	-	498,653	333,021	1,135,800
Other	2,375	525,504	13,711	12,653	554,243
State sources	175	-	277	185	637
Total revenues	<u>306,676</u>	<u>525,504</u>	<u>512,641</u>	<u>345,859</u>	<u>1,690,680</u>
Expenditures:					
Current:					
Instruction:					
Regular	107,857	-	-	-	107,857
Other	-	496,032	-	-	496,032
Support services:					
Administration	186,990	-	69,501	-	256,491
Transportation	-	-	108,785	-	108,785
Other expenditures:					
Facilities acquisition	-	-	356,375	-	356,375
Long-term debt:					
Principal	-	-	-	375,000	375,000
Interest and fiscal charges	-	-	-	329,479	329,479
Total expenditures	<u>294,847</u>	<u>496,032</u>	<u>534,661</u>	<u>704,479</u>	<u>2,030,019</u>
Excess (deficiency) of revenues over (under) expenditures	11,829	29,472	(22,020)	(358,620)	(339,339)
Other financing sources (uses):					
Operating transfers in	-	-	300,000	1,390,715	1,690,715
Net change in fund balances	11,829	29,472	277,980	1,032,095	1,351,376
Fund balances beginning of year	<u>138,241</u>	<u>187,599</u>	<u>50,630</u>	<u>40,800</u>	<u>417,270</u>
Fund balances end of year	<u><u>150,070</u></u>	<u><u>217,071</u></u>	<u><u>328,610</u></u>	<u><u>1,072,895</u></u>	<u><u>1,768,646</u></u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2008

	Enterprise Funds		
	School		Total
	Nutrition	Preschool	
	\$	\$	\$
Assets			
Cash and cash equivalents	102,088	1,890	103,978
Accounts receivable	822	145	967
Due from other governments	18,216	-	18,216
Inventories	47,477	-	47,477
Capital assets, net of accumulated depreciation	77,839	-	77,839
Total assets	<u>246,442</u>	<u>2,035</u>	<u>248,477</u>
Liabilities			
Salaries and benefits payable	31,553	-	31,553
Deferred revenue	10,852	-	10,852
Total liabilities	<u>42,405</u>	<u>-</u>	<u>42,405</u>
Net assets			
Invested in capital assets, net of related debt	77,839	-	77,839
Unrestricted	126,198	2,035	128,233
Total net assets	<u>204,037</u>	<u>2,035</u>	<u>206,072</u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2008

	Enterprise Funds		
	Nonmajor School Nutrition	Preschool	Total
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	409,506	42,574	452,080
Operating expenses:			
Salaries	245,837	43,790	289,627
Benefits	67,577	12,652	80,229
Purchased services	4,342	-	4,342
Supplies	335,055	3,537	338,592
Other expenses	365	-	365
Depreciation	7,591	-	7,591
	<u>660,767</u>	<u>59,979</u>	<u>720,746</u>
Operating loss	<u>(251,261)</u>	<u>(17,405)</u>	<u>(268,666)</u>
Non-operating revenue:			
State sources	7,401	-	7,401
Federal sources	235,755	-	235,755
Interest income	4,595	44	4,639
Total non-operating revenue	<u>247,751</u>	<u>44</u>	<u>247,795</u>
Changes in net assets before contributed capital and transfers	(3,510)	(17,361)	(20,871)
Transfers from General Fund	-	19,396	19,396
Contributed capital	<u>19,075</u>	<u>-</u>	<u>19,075</u>
Change in net assets	15,565	2,035	17,600
Net assets beginning of year	<u>188,472</u>	<u>-</u>	<u>188,472</u>
Net assets end of year	<u><u>204,037</u></u>	<u><u>2,035</u></u>	<u><u>206,072</u></u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2008

	Enterprise Funds		
	Nonmajor School Nutrition	Preschool	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	411,007	-	411,007
Cash received from preschool services	-	42,429	42,429
Cash payments to employees for services	(312,182)	(56,442)	(368,624)
Cash payments to suppliers for goods or services	(314,623)	(3,537)	(318,160)
Net cash used by operating activities	<u>(215,798)</u>	<u>(17,550)</u>	<u>(233,348)</u>
Cash flows from non-capital financing activities:			
Transfers from General Fund	-	19,396	19,396
State grants received	7,401	-	7,401
Federal grants received	174,835	-	174,835
Net cash provided by non-capital financing activities	<u>182,236</u>	<u>19,396</u>	<u>201,632</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Interest on investments	<u>4,595</u>	<u>44</u>	<u>4,639</u>
Net increase (decrease) in cash and cash equivalents	(28,967)	1,890	(27,077)
Cash and cash equivalents at beginning of year	<u>131,055</u>	<u>-</u>	<u>131,055</u>
Cash and cash equivalents at end of year	<u><u>102,088</u></u>	<u><u>1,890</u></u>	<u><u>103,978</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:			
Operating gain (loss)	(251,261)	(17,405)	(268,666)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	42,704	-	42,704
Depreciation	7,591	-	7,591
Decrease (increase) in inventories	(16,990)	-	(16,990)
Decrease (increase) in accounts receivable	(41)	(145)	(186)
(Decrease) increase in accounts payable	(575)	-	(575)
(Decrease) increase in salaries and benefits payable	1,232	-	1,232
(Decrease) increase in deferred revenue	1,542	-	1,542
Net cash used by operating activities	<u><u>(215,798)</u></u>	<u><u>(17,550)</u></u>	<u><u>(233,348)</u></u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End
	Beginning of Year				of Year
	\$	\$	\$	\$	\$
Activity tickets	-	15,285	-	(15,285)	-
American field service	879	-	-	-	879
Athletic towel	-	1,124	970	(154)	-
Athletics concessions	-	16,489	11,551	(4,938)	-
Academic exe.	3,599	4,519	5,933	-	2,185
Band	-	4,163	5,239	1,076	-
Band trip	8,149	63,444	63,609	(6,143)	1,841
Band uniforms	225	2,000	-	-	2,225
Baseball	255	4,935	7,149	2,327	368
Baseball concession	1,659	6,080	4,493	(2,247)	999
Baseball camp	3,356	7,912	8,177	1,348	4,439
Boys basketball	-	4,967	5,464	497	-
Boys basketball camp	6,307	6,167	8,204	-	4,270
Boys golf	-	137	1,730	1,593	-
Boys golf camp	1,106	512	1,571	-	47
Boys soccer camp	1,956	3,364	3,182	-	2,138
Boys tennis	-	26	281	255	-
Boys tennis camp	213	475	481	-	207
Boys track	-	2,769	2,110	(401)	258
Boys track camp	170	75	-	-	245
Central band fund	-	6	51	45	-
Central book fair	131	1,923	1,846	-	208
Clear Creek building	2,236	5,864	5,689	(158)	2,253
Cheerleading	-	-	798	798	-
Cheerleading camp fund	364	8,887	8,846	(6)	399
Clear Creek playground	1,139	-	-	-	1,139
Cross country	-	970	735	(235)	-
Cross country camp	145	75	243	23	-
Dance team	6,752	29,593	35,093	-	1,252
Drama	-	1,726	2,534	808	-
Drum & bugle	7,539	2,630	1,869	-	8,300
Excel	1,140	309	87	-	1,362
Football	-	23,467	21,514	(1,953)	-
Football camp	7,596	15,646	18,578	-	4,664
French trip	50	2,567	1,445	-	1,172
General athletics	62,782	14,396	12,531	22,096	86,743
Girls basketball	-	3,461	3,152	(309)	-
Girls basketball camp	8,230	16,109	16,942	-	7,397
Girls golf	-	27	1,395	1,368	-
Girls golf camp	267	4,295	3,685	-	877
Girls soccer	-	1,554	1,886	332	-
Girls soccer camp	1,303	2,917	3,238	-	982
Girls tennis	-	-	184	184	-
Girls tennis camp	165	600	610	-	155

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End
	Beginning of Year				of Year
	\$	\$	\$	\$	\$
Girls track	-	986	2,718	2,009	277
Girls track camp	639	1,800	2,618	180	1
Hall of pride	567	-	-	-	567
HS building	2,979	6,531	5,334	-	4,176
Interest	-	7,703	-	(7,703)	-
JH athletics	-	525	7,354	6,829	-
JH band	378	4,272	5,002	351	(1)
JH building	-	4,035	1,645	-	2,390
Jump rope for heart	893	-	121	-	772
Lincoln building	972	1,880	2,965	112	(1)
Magazine campaign	12,565	20,418	12,450	(7,180)	13,353
Middle school art club	178	-	-	-	178
Mock trial fund	-	-	181	181	-
Model United Nations	-	21,988	18,620	(906)	2,462
National Honor Society	-	-	364	364	-
Outdoor classroom fund	5,375	200	5	-	5,570
Primary book fair	796	2,494	2,494	-	796
Prom	7,179	3,184	2,431	-	7,932
Soccer	-	1,470	1,682	212	-
Softball	434	2,345	4,115	1,436	100
Softball resale	654	3,317	1,927	(954)	1,090
Softball camp	1,994	307	1,268	572	1,605
Spanish club	12	80	-	-	92
Speech	-	82	1,319	1,237	-
Student council	2,631	5,280	4,034	-	3,877
Sunset building	457	2,242	735	-	1,964
Tour of homes	208	2,398	-	-	2,606
Tim Tjaden fund	330	170	340	-	160
Values for youth today fund	897	-	-	-	897
Vocal	-	3,041	4,134	1,094	1
Vocal music trip	84	-	6,226	6,143	1
Volleyball	-	2,810	2,185	(625)	-
Volleyball camp	7,702	12,187	8,428	-	11,461
Washington D.C. trip	277	91,931	91,067	-	1,141
Wrestling	-	11,285	7,938	(3,347)	-
Wrestling camp	-	7,038	5,610	(926)	502
Yearbook	19,392	22,632	20,453	-	21,571
June 30, 2008 accrual entries	-	-	5,473	-	(5,473)
June 30, 2007 accrual entries	(7,707)	(592)	(8,299)	-	-
Totals	187,599	525,504	496,032	-	217,071

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			
	2008	2007	2006	2005
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	7,694,208	7,378,752	7,085,360	7,102,629
Tuition	899,344	777,788	653,066	551,059
Other	1,074,227	774,109	656,568	538,311
Intermediate sources	-	38	-	-
State sources	5,927,369	5,587,891	5,648,453	5,497,907
Federal sources	251,805	278,400	342,766	430,622
Total revenues	<u>15,846,953</u>	<u>14,796,978</u>	<u>14,386,213</u>	<u>14,120,528</u>
Expenditures:				
Instruction:				
Regular	5,405,018	5,181,318	5,080,574	5,350,921
Special	1,799,576	1,666,542	1,629,080	1,606,248
Other	1,138,333	1,062,331	1,126,853	767,184
Support services:				
Student	270,689	302,002	296,249	350,707
Instructional staff	456,067	431,875	430,435	408,423
Administration	1,565,650	1,303,975	1,313,135	1,185,912
Operation and maintenance of plant	1,291,820	1,273,033	1,275,457	1,209,981
Transportation	572,557	581,832	412,492	481,040
Other expenditures:				
Facilities acquisition	4,174,670	1,754,063	769,713	876,919
Long-term debt:				
Principal	375,000	355,000	810,000	995,000
Interest and other charges	329,479	230,430	250,854	282,548
AEA flowthrough	470,073	446,342	429,501	426,920
Total expenditures	<u>17,848,932</u>	<u>14,588,743</u>	<u>13,824,343</u>	<u>13,941,803</u>

Gary E. Horton CPA

PO Box 384
902 Central Ave. East
Clarion, IA 50525-0384
(515)532-6681 Phone
(515) 532-2405 Fax
BETCO@mchsi.com E-mail

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, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 23, 2009. 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 I of the accompanying Schedule of Findings and Responses 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 08-I-A, 08-I-B and 08-I-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 II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 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 Responses. 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 23, 2009

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 20, 2008

Part I: Findings Related to the Financial Statements:

Significant deficiencies:

08-I-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: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

08-I-B Financial Reporting: During the audit, we identified material amounts of payables, bond sinking fund and Iowa Schools Joint Investment Trust transactions 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 liabilities and transactions in the bond sinking fund and Iowa Schools Joint Investment Trust are identified and included in the District's financial statements.

District Response: We will double check these in the future to avoid missing any liabilities or any ISJIT and sinking fund transactions.

Conclusion: Response accepted.

08-I-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.

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 20, 2008

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

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

Conclusion: Response accepted.

08-I-D Vehicle and Trailer Titles: We noted that the District did not have controls in place to ensure that all vehicles and trailers are properly titled in the Clear Lake Community School District's name. We noted three trailers that were not titled in the District's name. One of the trailers was stolen during the year and the District's insurance provider would not cover the theft due to the lack of a title.

Recommendation: The District should designate a specific individual to be responsible for filing the application for titles and should designate a separate individual to track the progress of the application and maintain control of vehicle and trailer titles.

District Response: We have obtained titles for all trailers and vehicles and have implemented the above recommended procedures.

Conclusion: Response accepted.

08-I-E Controls over the use of Fuel: The District purchases bulk diesel fuel and gasoline, which is stored in tanks on the District's property. We reviewed fuel invoices for the past four years and summarized the gallons of fuel purchased.

<u>Year ended June 30,</u>	<u>Gallons of Gasoline Purchased</u>	<u>Gallons of Diesel Fuel Purchased</u>
2005	5,200	13,023
2006	6,827	17,003
2007	10,491	19,846
2008	11,308	22,091

We noted that District employees logged the gallons of fuel used in transportation equipment, but did not log fuel used in pickups, mowers and other grounds and maintenance equipment. We also noted that the fuel logs were thrown away after annual transportation reports were completed. Without these procedures the District can not track and control the use of all fuel.

Recommendation: The District should implement procedures that require District employees to log all gallons of fuel as it is used and designate a person to monitor the monthly fuel usage. The number of gallons purchased should be compared to the fuel logs monthly. The fuel logs should be kept on file for at least five years.

District Response: We have implemented the above procedures and we have also purchased security cameras to monitor the fuel tanks and bus garage area.

Conclusion: Response accepted.

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 20, 2008

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

Instances of Noncompliance:

No matters were reported.

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 20, 2008

Part II: Other Findings Related to Statutory Reporting:

08-II-A Certified Budget: Expenditures for the year ended June 30, 2008, exceeded the amount budgeted in the instruction 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: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

08-II-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.

08-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. We did note one employee that turned in monthly mileage for reimbursement, but did not include an itemization with date, place, number of miles and business purpose.

Recommendation: All mileage reimbursement requests should list each trip with the date, place, number of miles and business purpose.

District Response: We will require this documentation in the future.

Conclusion: Response accepted.

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

08-II-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.

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

08-II-G Certified Enrollment: The calculations for supplemental weighting on line 12 of the October, 2007 Certified Enrollment Form included one open enrollment in student. Open enrollment in students may not be counted for supplemental weighting.

Recommendation: The District should develop procedures to identify open enrollment in students and eliminate them from the calculation for supplemental weighting

District Response: We do have procedures for this, but missed one student.

Conclusion: Response accepted.

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 20, 2008

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

08-II-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 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.

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

08-II-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.

08-II-K Physical Plant and Equipment Levy Fund: The Physical Plant and Equipment Levy Fund may be used to purchase equipment with a unit cost exceeding \$500. We noted that expenditures from this fund included approximately \$1,791 for individual items of equipment with a unit cost of less than \$500.

Recommendation: The District should be aware of the limitation on types of expenditures allowed from this fund and consider reimbursing the Physical Plant and Equipment Fund for the purchases.

District Response: We will monitor the expenditures from this fund and have General Fund make the reimbursement.

Conclusion: Response accepted.