



CLINTON COMMUNITY SCHOOL DISTRICT
Clinton, Iowa

FINANCIAL STATEMENTS
June 30, 2008



CLINTON COMMUNITY SCHOOL DISTRICT

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CLINTON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term</u>
Board of Education (Before September 2007 Election)		
Debra Olsen	President	September 2007
Dave Frett	Vice President	September 2008
Donald Flory	Board Member	September 2007
James Tuisl	Board Member	September 2008
Thea Engelson	Board Member	September 2009
Wendy Krajnovich	Board Member	September 2009
Marcia Wolf	Board Member	September 2009
Board of Education (After September 2007 Election)		
James Tuisl	President	September 2008
Dave Frett	Vice President	September 2008
Thea Engelson	Board Member	September 2009
Joani Kittoe	Board Member	September 2010
Wendy Krajnovich	Board Member	September 2009
Stephen Teney	Board Member	September 2010
Mercia Wolf	Board Member	September 2009
School Officials		
Dr. Randall Clegg	Superintendent	2008
Gayle Isaac	District Secretary/Treasurer and Business Manager	2008

Independent Auditor's Report

To the Board of Education
Clinton Community School District
Clinton, Iowa

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Clinton Community School District, Clinton, 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.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Clinton Community School District as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2009, on our consideration of Clinton Community School District's internal control over financial reporting and on 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 13 and 44 through 46 are not required parts of the basic financial statements, but are supplemental 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 supplemental 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 Clinton 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) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 4, and the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Clifton Henderson LLP

Clinton, Iowa
March 25, 2009

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

As management of the Clinton Community School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- General revenues accounted for \$39.2 million of the government-wide revenue, or 85.0% of all fiscal year 2008 revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$6.9 million or 15.0% of total fiscal year 2008 revenues.
- The District had approximately \$43.0 million in expenses related to governmental activities; of which \$5.1 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$39.2 million provided for the remaining costs of these programs.
- The General Fund had \$39.8 million in fiscal year 2008 revenues, which primarily consisted of state aid and property taxes, and \$40.0 million in expenditures. The General Fund's fund balance decreased by \$.1 million.
- The District's solvency ratio (unreserved-undesignated general fund balance/general fund revenues) decreased from 1.8% to 1.5% (accrual based accounting). The State School Budget Review Committee recommends a solvency ratio of 5% - 10%.
- Interest rates decreased slightly from an average monthly yield rate of 4.98% in June 2007 to an average of 3.58% in June 2008.
- The District's total debt decreased by approximately \$2.8 million during the current fiscal year. The total outstanding debt at the end of the fiscal year is \$14,666,004.

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains required supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation, and maintenance of plant, student transportation, operation of non-instructional services, and capital construction. The business-type activities of the District include food services.

The government-wide financial statements can be found on pages 15 through 17 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows of resources that can be spent, as well as on balances of resources that can be spent, that are available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 19 and 22, respectively.

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

The District maintains eight individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Local Option Sales Tax, and Debt Service Funds which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 18 and 20-21 of this report.

Proprietary funds. Proprietary funds are used to account for activities that are similar to private business activities. Proprietary funds are reported in the same manner as the government-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provides more detail and additional information, such as cash flows. The District has two enterprise funds: School Nutrition and Student Construction. The District's internal service funds are used to account for health benefits for District employees and print shop activities. The internal service funds are allocated to the governmental activities column on the statement of activities. The basic proprietary fund financial statements can be found on pages 23-27 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 30-43 of this report.

Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	Activities of the District that are not proprietary or fiduciary, such as instruction, administration, and building maintenance	Activities the District operates similar to private businesses such as school nutrition and childcare	Activities in which the District administers resources on behalf of someone else, such as scholarships
Required financial statements	Statement of Net Assets Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Assets Statement of Revenues, Expenses, and Changes in Net Assets Statement of Cash Flows	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 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
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 within specified periods after year end; expenditures when goods or services are received and liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the District's budget process. The District adopts an annual expenditure budget for all governmental funds. A budgetary comparison statement has been provided as required supplemental information.

The required supplemental information can be found on pages 45-46 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$26.0 million as of June 30, 2008.

A portion of the District's net assets (87.7%) reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that are still outstanding. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The government-wide statements also include approximately \$15.0 million in long-term liabilities (see Note 5 on pages 37-40), including general obligation bonds, notes, and compensated absences.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition, refinancing and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2008.

Condensed Statement of Net Assets (in millions of dollars)

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007-2008</u>
Current and other assets	26.4	24.5	1.1	1.3	27.5	25.8	-6.2%
Capital assets	29.7	31.4	0.7	0.6	30.4	32.0	5.3%
Total assets	56.1	55.9	1.8	1.9	57.9	57.8	-0.2%
Current and other liabilities	15.7	16.8	0.0	0.1	15.7	16.9	7.6%
Long-term liabilities	17.7	15.0	0.0	0.0	17.7	15.0	-15.3%
Total liabilities	33.4	31.8	0.0	0.1	33.4	31.9	-4.5%
Invested in capital assets, net of related debt	18.3	22.2	0.8	0.6	19.1	22.8	19.4%
Restricted	0.5	0.1	0.0	0.0	0.5	0.1	-80.0%
Unrestricted	3.9	1.9	1.0	1.2	4.9	3.1	-36.7%
Total net assets	22.7	24.2	1.8	1.8	24.5	26.0	6.1%

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2008 were \$46.2 million. The total cost of all programs and services was \$44.7 million. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008.

Changes in Net Assets from Operating Results (in millions of dollars)

	Governmental		Business-type		Total		Total Percentage Change
	Activities		Activities		School District		
	2007	2008	2007	2008	2007	2008	2007-2008
Revenues							
Program revenues							
Charges for services	0.9	0.7	0.7	0.7	1.6	1.4	-12.5%
Operating grants and contributions	4.5	4.4	1.0	1.1	5.5	5.5	0.0%
General revenues							
Property and mobile home taxes	11.4	12.2	-	-	11.4	12.2	7.0%
Local option sales taxes	3.0	2.6	-	-	3.0	2.6	-13.3%
AEA flowthrough	1.5	1.6	-	-	1.5	1.6	6.7%
Unrestricted investment earnings	1.1	0.5	-	-	1.1	0.5	-54.5%
Unrestricted state aid	21.0	22.3	-	-	21.0	22.3	6.2%
Other	0.7	0.1	0.0	0.0	0.7	0.1	-85.7%
Total revenues	44.1	44.4	1.7	1.8	45.8	46.2	0.9%
Expenses							
Instruction	25.0	26.6	-	-	25.0	26.6	6.4%
Support services							
Student services	2.4	2.3	-	-	2.4	2.3	-4.2%
Instructional staff services	1.1	1.2	-	-	1.1	1.2	9.1%
Administration services	2.0	2.7	-	-	2.0	2.7	35.0%
Plant operation and maintenance	3.6	3.9	-	-	3.6	3.9	8.3%
Student transportation	1.0	1.5	-	-	1.0	1.5	50.0%
Central support services	2.0	1.8	-	-	2.0	1.8	-10.0%
Non-instructional programs	0.1	0.0	1.6	1.7	1.7	1.7	0.0%
Other expenditures							
Facilities acquisitions	0.0	0.7	-	-	0.0	0.7	0.0%
Long-term debt interest	0.8	0.7	-	-	0.8	0.7	-12.5%
AEA flowthrough	1.4	1.6	-	-	1.4	1.6	14.3%
Total expenses	39.4	43.0	1.6	1.7	41.0	44.7	9.0%
Change in net assets	4.7	1.4	0.1	0.1	4.8	1.5	-68.8%
Net assets, beginning of year	17.9	22.7	1.7	1.8	19.6	24.5	25.0%
Net assets, end of year	22.7	24.1	1.8	1.9	24.5	26.0	6.1%

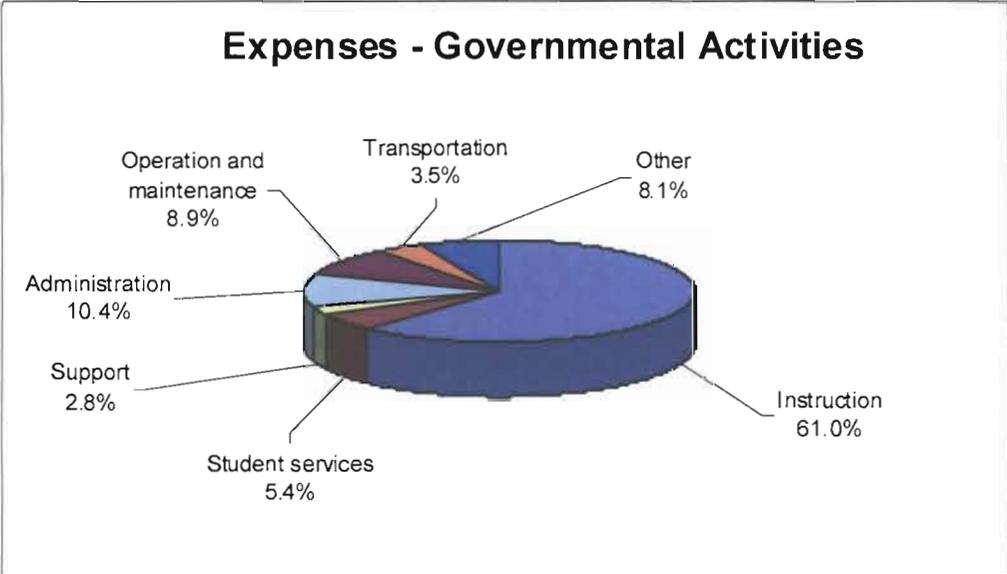
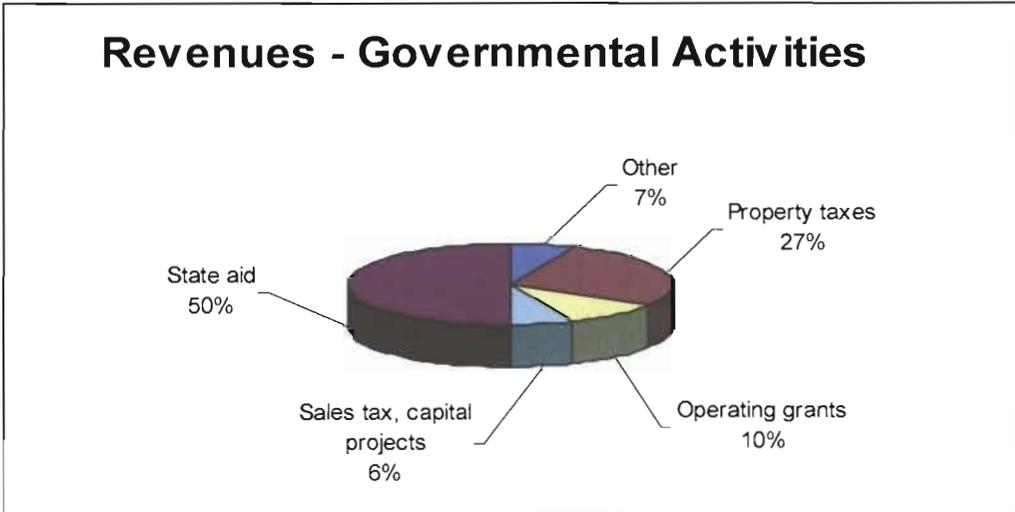
Note: totals may not add due to rounding

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

Governmental Activities

Unrestricted state aid, property taxes, and sales tax are the primary sources of revenue for the District. Sales tax revenue was \$500,000 less than the estimate established by the District due mostly to the downturn in the local economy.

Instruction constitutes the largest portion of expenditures at \$26.6 million or 62%. The District offers a wide array of programs including general education, special education, vocational and college preparatory classes. The purely administrative activities of the District accounted for 10.6% of total costs. Approximately 76.1% of the District's expenditures are salaries and benefits.



**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

The following table presents the cost of the District's functional governmental activities. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

Net Cost of Governmental Activities (in millions of dollars)

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	<u>2007</u>	<u>2008</u>	<u>2007-2008</u>	<u>2007</u>	<u>2008</u>	<u>2007-2008</u>
Instruction	25.0	26.6	6.4%	19.8	21.7	9.6%
Student and Instructional Services	3.5	3.5	0.0%	3.4	3.3	-1.5%
Administrative and Business	4.0	4.5	12.5%	4.0	4.5	12.5%
Maintenance and Operations	3.6	3.9	8.3%	3.6	3.9	8.3%
Transportation	1.0	1.5	50.0%	0.8	1.5	85.2%
Other	2.3	2.9	26.1%	2.3	2.9	26.1%
Total	39.4	42.9	8.88%	33.9	37.8	11.6%

Note: totals may not add due to rounding

- The cost of all governmental activities this year was \$43.0 million.
- Federal and state governments and charges for services subsidized certain governmental activities with grants and contributions and other local revenues of \$5.1 million.
- Net cost of governmental activities (\$37.8 million) was financed by general revenues, which are made up of primarily property and local option sales tax (\$14.8 million) and state aid (\$22.2 million). Investment earnings, sale of equipment and miscellaneous sources accounted for \$2.2 million.

Business-type activities

Revenues of the District's business-type activities were \$1.80 million and expenses were \$1.72 million. The District's business-type activities include the Student Construction and School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, and interest earnings.

The School Nutrition Fund primary expenses are staff and commodities. The District's free and reduced participation increased during the fiscal year. The School Nutrition fund had a change in net assets of approximately \$66,000 for fiscal year 2008.

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$.1 million. This decrease was due to the District's loss of revenue from reduced income surtax, and an increase in instructional, transportation, and emergency repairs during the year.

The Local Option Sales Tax Fund is restricted to school construction; the fund balance decrease of \$3.1 million was due to the transfer of funds to pay debt obligation, as well as payment for school construction.

The Debt Service Fund balance increased by less than \$.1 million, due to the fact that the revenue exceeded the principal and interest payments.

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. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Over the course of the year, the District did amend its annual operating budget. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplemental information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and other governmental funds are not presented in the budgetary comparison on pages 45-46.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$1.4 million more than the total budgeted receipts, a variance of 3.1%. The most significant change resulted in the District receiving more in taxes and state grants than originally anticipated, and budgeting for less local option sales tax revenue than realized.

The District's total actual expenditures were approximately \$2.4 million less than the total budgeted expenditures, a variance of 4.8%. The most significant change resulted from the school construction expenses were less than projected.

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2008, the District had invested \$57.9 million in capital assets, including land, construction in progress, school buildings, athletic facilities, buses and other vehicles, computers, and other equipment. This amount represents a net increase prior to depreciation of approximately \$2.6 million from last year, primarily due to a new school, construction in progress, equipment and vehicles. Total depreciation expense for the year was \$ 1.2 million.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2008.

Capital Assets (net of depreciation, in millions of dollars)

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007-2008</u>
Land	1.0	1.0	0.0	0.0	1.0	1.0	0.0%
Construction in progress	11.4	0.8	0.0	0.0	11.4	0.8	-93.0%
Land improvements	0.1	0.0	0.0	0.0	0.1	0.0	-100.0%
Buildings	15.7	28.3	0.0	0.0	15.7	28.3	80.3%
Equipment and furniture	1.0	0.7	0.0	0.0	1.0	0.7	-30.0%
Buses	0.4	0.5	0.5	0.5	0.9	1.0	11.1%
Total Assets	29.6	31.3	0.5	0.5	30.1	31.8	5.6%

Note: totals may not add due to rounding

Additional information on the District's capital assets can be found in Note 4 on pages 36-37 of this report.

Debt Administration. At year-end, the District had \$15.0 million in general obligation bonds and other long-term debt outstanding, of which \$3.4 million is due within one year. The following table presents a summary of the District's outstanding long-term debt for the fiscal year ended June 30, 2008.

Outstanding Long-Term Debt (in millions of dollars)

	Total School District		Percentage Change
	<u>2007</u>	<u>2008</u>	<u>2007-2008</u>
General obligation bonds	6.0	5.5	-8.3%
SIL0 revenue bonds	10.4	8.1	-22.1%
Quality zone academy bonds	1.0	1.0	0.0%
Note payable	0.0	0.1	0.0%
Compensated absences	0.3	0.3	0.0%
Total	17.7	15.0	-15.3%

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008**

State statutes currently limit the amount of general obligation debt a district may issue to 5 percent of its total assessed valuation. The current debt limitation for the District is \$55.2 million, which is more than the District's outstanding general obligation debt.

Additional information on the District's long-term debt can be found in Note 5 on pages 37-40 of this report.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- District enrollment decreased in fiscal year 2007-2008 by nearly 45 students, this negative note is exacerbated by an increase in newly enrolled students of 90 students since student count day. Under Iowa's school funding formula, District funding for the next year is highly dependent upon the District's enrollment on student count day in October. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- The State of Iowa passed legislation that set in place a statewide additional penny sales tax for school districts to utilize for infrastructure needs as well as other legal uses as stipulated in the Iowa Code. This funding will allow the District to make necessary repairs, new construction, or remodeling based on recommendations from the Facilities Task Force which is comprised of community members, staff members, architects to evaluate the needs of the District.
- The economic growth of Clinton is not positive, as all of the nation's economic woes are realized. There is optimism as some positive things are in the planning stages but will probably be delayed until the economy turns around or at least stabilizes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Business and Finance Office, Clinton Community School District, 600 South 4th Street, Clinton, Iowa 52732.

BASIC FINANCIAL STATEMENTS

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 146,169	\$ 1,212,001	\$ 1,358,170
Investments	10,275,356	-	10,275,356
Property taxes receivable			
Current year delinquent	1,052,105	-	1,052,105
Succeeding year	10,627,000	-	10,627,000
Accrued interest receivable	16,046	-	16,046
Other receivables	874,384	3,394	877,778
Prepays	3,500	-	3,500
Due from other governments	1,555,458	17,460	1,572,918
Inventories	32,188	74,148	106,336
Capital assets, net of accumulated depreciation	31,361,454	649,282	32,010,736
Total assets	<u>55,943,660</u>	<u>1,956,285</u>	<u>57,899,945</u>
LIABILITIES			
Accounts payable and accrued liabilities	2,022,246	65,737	2,087,983
Accrued payroll and deductions	3,837,317	-	3,837,317
Accrued interest payable	44,239	-	44,239
Deferred revenue	10,888,471	11,173	10,899,644
Long-term liabilities			
Portion due within one year:			
Bonds payable	3,030,259	-	3,030,259
Compensated absences	339,980	-	339,980
Portion due after one year:			
Bonds payable	11,635,745	-	11,635,745
Total liabilities	<u>31,798,257</u>	<u>76,910</u>	<u>31,875,167</u>
NET ASSETS			
Investment in capital assets, net of related debt	22,175,448	649,282	22,824,730
Restricted for:			
Physical plant and equipment	87,847	-	87,847
Unrestricted	1,882,108	1,230,093	3,112,201
Total net assets	<u>\$ 24,145,403</u>	<u>\$ 1,879,375</u>	<u>\$ 26,024,778</u>

See notes to financial statements.

**CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
Governmental activities:			
Instruction			
Regular instruction	\$ 14,818,257	\$ 276,913	\$ 2,955,685
Special instruction	9,956,613	115,042	1,203,429
Other instruction	1,815,811	263,951	55,099
	<u>26,590,681</u>	<u>655,906</u>	<u>4,214,213</u>
Support services			
Student services	2,333,835	-	213,580
Instructional staff services	1,200,707	-	-
General administration	664,071	-	-
Building administration	2,074,053	-	-
Business administration	1,810,304	-	-
Plant operations and maintenance	3,890,173	35,224	-
Student transportation	1,514,376	10,035	11,324
	<u>13,487,519</u>	<u>45,259</u>	<u>224,904</u>
Non-instructional programs	<u>10,282</u>	<u>-</u>	<u>-</u>
Other expenditures			
Facilities acquisition	670,897	-	-
Long-term debt interest	660,709	-	-
AEA flowthrough	1,554,136	-	-
	<u>2,885,742</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>42,974,224</u>	<u>701,165</u>	<u>4,439,117</u>
Business-type activities:			
Non-instructional programs			
Nutrition services	1,724,602	727,695	1,062,457
Student construction	-	-	7,363
	<u>-</u>	<u>-</u>	<u>7,363</u>
Total business-type activities	<u>1,724,602</u>	<u>727,695</u>	<u>1,069,820</u>
Total	<u><u>\$ 44,698,826</u></u>	<u><u>\$ 1,428,860</u></u>	<u><u>\$ 5,508,937</u></u>

General revenues:

- Property and mobile home taxes
- Local option sales tax
- Unrestricted student book fees
- Unrestricted state aid
- AEA flowthrough
- Unrestricted investment earnings
- Miscellaneous
- Total general revenues

CHANGE IN NET ASSETS

NET ASSETS, BEGINNING OF YEAR

NET ASSETS, END OF YEAR

See notes to financial statements.

EXHIBIT B

Net (Expenses) Revenues
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (11,585,659)	\$ -	\$ (11,585,659)
(8,638,142)	-	(8,638,142)
(1,496,761)	-	(1,496,761)
<u>(21,720,562)</u>	<u>-</u>	<u>(21,720,562)</u>
(2,120,255)	-	(2,120,255)
(1,200,707)	-	(1,200,707)
(664,071)	-	(664,071)
(2,074,053)	-	(2,074,053)
(1,810,304)	-	(1,810,304)
(3,854,949)	-	(3,854,949)
(1,493,017)	-	(1,493,017)
<u>(13,217,356)</u>	<u>-</u>	<u>(13,217,356)</u>
<u>(10,282)</u>	<u>-</u>	<u>(10,282)</u>
(670,897)	-	(670,897)
(660,709)	-	(660,709)
(1,554,136)	-	(1,554,136)
<u>(2,885,742)</u>	<u>-</u>	<u>(2,885,742)</u>
<u>(37,833,942)</u>	<u>-</u>	<u>(37,833,942)</u>
-	65,550	65,550
-	7,363	7,363
-	72,913	72,913
<u>(37,833,942)</u>	<u>72,913</u>	<u>(37,761,029)</u>
12,174,456	-	12,174,456
2,612,905	-	2,612,905
53,569	-	53,569
22,243,783	-	22,243,783
1,554,136	-	1,554,136
483,276	-	483,276
115,052	-	115,052
<u>39,237,177</u>	<u>-</u>	<u>39,237,177</u>
1,403,235	72,913	1,476,148
<u>22,742,168</u>	<u>1,806,462</u>	<u>24,548,630</u>
<u>\$ 24,145,403</u>	<u>\$ 1,879,375</u>	<u>\$ 26,024,778</u>

**CLINTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008**

EXHIBIT C

	<u>General</u>	<u>Local Option Sales Tax Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
ASSETS					
Cash (overdrafts) and cash equivalents	\$ (3,280,056)	\$ (1,734,857)	\$ 119,973	\$ (363,302)	\$ (5,258,242)
Investments	6,175,761	3,816,001	283,594	-	10,275,356
Property taxes receivable					
Current year delinquent	887,617	-	73,037	91,451	1,052,105
Succeeding year	9,018,000	-	715,000	894,000	10,627,000
Accrued interest receivable	10,726	5,320	-	-	16,046
Other receivables	253,110	-	-	11,580	264,690
Prepays	3,500	-	-	-	3,500
Due from other governments	1,297,796	257,662	-	-	1,555,458
TOTAL ASSETS	<u>\$ 14,366,454</u>	<u>\$ 2,344,126</u>	<u>\$ 1,191,604</u>	<u>\$ 633,729</u>	<u>\$ 18,535,913</u>
LIABILITIES AND FUND BALANCES (DEFICIT)					
Liabilities					
Accounts payable and accrued liabilities	\$ 662,818	\$ 784,174	\$ -	\$ 98,777	\$ 1,545,769
Accrued payroll and deductions	3,837,317	-	-	-	3,837,317
Deferred revenue	9,279,471	-	715,000	894,000	10,888,471
Total liabilities	<u>13,779,606</u>	<u>784,174</u>	<u>715,000</u>	<u>992,777</u>	<u>16,271,557</u>
Fund balances (deficit)					
Reserved for:					
Debt service	-	-	476,604	-	476,604
Unreserved	586,848	1,559,952	-	(359,048)	1,787,752
Total fund balances (deficit)	<u>586,848</u>	<u>1,559,952</u>	<u>476,604</u>	<u>(359,048)</u>	<u>2,264,356</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 14,366,454</u>	<u>\$ 2,344,126</u>	<u>\$ 1,191,604</u>	<u>\$ 633,729</u>	<u>\$ 18,535,913</u>

See notes to financial statements.

**CLINTON 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 (page 18) \$ 2,264,356

***Amounts reported for governmental activities in the
statement of net assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 31,358,582

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. (44,239)

The Internal Service Funds are used by management to charge the costs of self funding the District's health insurance benefit plan and print shop activities to individual funds.

The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

Capital assets	\$ 2,872	
Remaining assets and liabilities	<u>5,569,816</u>	5,572,688

Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (15,005,984)

Net assets of governmental activities (page 15) \$ 24,145,403

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	<u>General</u>	<u>Local Option Sales Tax Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
REVENUES					
Local sources					
Taxes	\$11,123,083	\$ 2,612,905	\$ 560,240	\$ 807,648	\$ 15,103,876
Intermediate sources					
Interest on investments	262,560	195,713	22,880	2,123	483,276
Miscellaneous	530,054	-	-	340,505	870,559
State sources	25,687,676	-	659	-	25,688,335
Federal sources	2,231,413	-	-	-	2,231,413
Total revenues	<u>39,834,786</u>	<u>2,808,618</u>	<u>583,779</u>	<u>1,150,276</u>	<u>44,377,459</u>
EXPENDITURES					
Current operating:					
Instruction					
Regular instruction	13,845,375	-	-	259,696	14,105,071
Special instruction	10,118,293	-	-	3,557	10,121,850
Other instruction	1,501,774	-	-	344,172	1,845,946
Total instruction	<u>25,465,442</u>	<u>-</u>	<u>-</u>	<u>607,425</u>	<u>26,072,867</u>
Support services					
Student services	2,343,978	-	-	28,589	2,372,567
Instructional staff services	1,211,998	999	-	7,636	1,220,633
General administration	638,488	25,149	-	11,454	675,091
Building administration	1,998,990	-	-	1,000	1,999,990
Business administration	1,765,103	-	-	261	1,765,364
Plant operations and maintenance	3,669,588	-	-	247,998	3,917,586
Student transportation	1,391,205	-	-	64,785	1,455,990
Total support services	<u>13,019,350</u>	<u>26,148</u>	<u>-</u>	<u>361,723</u>	<u>13,407,221</u>

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	General	Local Option Sales Tax Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Non-instructional programs	\$ 870	\$ -	\$ -	\$ 3,154	\$ 4,024
Other expenditures					
Facilities acquisition	-	2,847,381	-	606,195	3,453,576
Long-term debt					
Principal	-	-	2,875,719	-	2,875,719
Interest and finance charges	-	-	671,232	-	671,232
AEA flow through	1,554,136	-	-	-	1,554,136
Total other expenditures	1,554,136	2,847,381	3,546,951	606,195	8,554,663
Total expenditures	40,039,798	2,873,529	3,546,951	1,578,497	48,038,775
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(205,012)</u>	<u>(64,911)</u>	<u>(2,963,172)</u>	<u>(428,221)</u>	<u>(3,661,316)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds of note payable	100,000	-	-	-	100,000
Transfers in	-	-	3,024,492	-	3,024,492
Transfers out	-	(3,024,492)	-	-	(3,024,492)
Total other financing sources (uses)	100,000	(3,024,492)	3,024,492	-	100,000
NET CHANGE IN FUND BALANCES	(105,012)	(3,089,403)	61,320	(428,221)	(3,561,316)
FUND BALANCES, BEGINNING OF YEAR	691,860	4,649,355	415,284	69,173	5,825,672
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ 586,848</u>	<u>\$ 1,559,952</u>	<u>\$ 476,604</u>	<u>\$ (359,048)</u>	<u>\$ 2,264,356</u>

See notes to financial statements.

**CLINTON 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 (page 21) \$ (3,561,316)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 2,782,679	
Depreciation expense	<u>(1,159,718)</u>	1,622,961

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

Proceeds	(100,000)	
Repaid	<u>2,875,719</u>	2,775,719

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.

Change in accrued interest payable		10,523
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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.

Change in compensated absences		(89,155)
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The Internal Service Funds are used by management to charge the costs of employee health benefits and printing to individual funds. The net revenue of the Internal Service Funds is reported with governmental activities.

Depreciation expense	(157)	
Net revenue of remaining accounts	<u>644,660</u>	<u>644,503</u>

Change in net assets of governmental activities (page 17) \$ 1,403,235

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

	<u>Enterprise Fund</u>			<u>Internal Service Funds</u>		<u>Total Internal Service</u>
	<u>School Nutrition</u>	<u>Nonmajor Student Construction</u>	<u>Total Enterprise</u>	<u>Insurance</u>	<u>Print Shop</u>	
ASSETS						
Current assets:						
Cash (overdrafts) and cash equivalents	\$ 1,142,216	\$ 69,785	\$ 1,212,001	\$ 5,406,879	\$ (2,468)	\$ 5,404,411
Other receivables	3,394	-	3,394	609,694	-	609,694
Due from other governments	17,460	-	17,460	-	-	-
Inventories	74,148	-	74,148	-	32,188	32,188
Total current assets	<u>1,237,218</u>	<u>69,785</u>	<u>1,307,003</u>	<u>6,016,573</u>	<u>29,720</u>	<u>6,046,293</u>
Noncurrent assets:						
Land and construction in progress	-	135,247	135,247	-	-	-
Furniture and equipment	774,499	-	774,499	-	49,380	49,380
Less accumulated depreciation	<u>(260,464)</u>	<u>-</u>	<u>(260,464)</u>	<u>-</u>	<u>(46,508)</u>	<u>(46,508)</u>
Total noncurrent assets	<u>514,035</u>	<u>135,247</u>	<u>649,282</u>	<u>-</u>	<u>2,872</u>	<u>2,872</u>
Total assets	<u>1,751,253</u>	<u>205,032</u>	<u>1,956,285</u>	<u>6,016,573</u>	<u>32,592</u>	<u>6,049,165</u>
LIABILITIES						
Accounts payable and accrued liabilities	65,642	95	65,737	-	1,477	1,477
Claims payable	-	-	-	475,000	-	475,000
Deferred revenue	<u>11,173</u>	<u>-</u>	<u>11,173</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>76,815</u>	<u>95</u>	<u>76,910</u>	<u>475,000</u>	<u>1,477</u>	<u>476,477</u>
NET ASSETS						
Invested in capital assets	514,035	135,247	649,282	-	2,872	2,872
Unrestricted	<u>1,160,403</u>	<u>69,690</u>	<u>1,230,093</u>	<u>5,541,573</u>	<u>28,243</u>	<u>5,569,816</u>
Total net assets	<u>\$ 1,674,438</u>	<u>\$ 204,937</u>	<u>\$ 1,879,375</u>	<u>\$ 5,541,573</u>	<u>\$ 31,115</u>	<u>\$ 5,572,688</u>

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	<u>Enterprise Funds</u>		<u>Total Enterprise</u>
	<u>School Nutrition</u>	<u>Nonmajor Student Construction</u>	
OPERATING REVENUES			
Local sources			
Food service sales	\$ 727,695	\$ -	\$ 727,695
Charges to other funds	-	-	-
Total operating revenues	<u>727,695</u>	<u>-</u>	<u>727,695</u>
OPERATING EXPENSES			
Non-instructional programs			
Food service operations			
Salaries	592,263	-	592,263
Employee benefits	110,027	-	110,027
Other purchased services	56,430	-	56,430
Supplies	904,002	-	904,003
Depreciation	61,880	-	61,879
Other operating costs	-	-	-
Total operating expenses	<u>1,724,602</u>	<u>-</u>	<u>1,724,602</u>
Operating income (loss)	<u>(996,907)</u>	<u>-</u>	<u>(996,907)</u>
NON-OPERATING REVENUES			
State sources	19,512	-	19,512
Federal sources			
Federal food commodities	90,957	-	90,957
Federal subsidy	951,988	-	951,988
Gain on sale of capital assets	-	7,038	7,038
Interest on investments	-	325	325
Total non-operating revenues	<u>1,062,457</u>	<u>7,363</u>	<u>1,069,820</u>
NET INCOME	65,550	7,363	72,913
NET ASSETS, BEGINNING OF YEAR	<u>1,608,888</u>	<u>197,574</u>	<u>1,806,462</u>
NET ASSETS, END OF YEAR	<u>\$ 1,674,438</u>	<u>\$ 204,937</u>	<u>\$ 1,879,375</u>

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	<u>Internal Service Funds</u>		
	<u>Insurance</u>	<u>Print Shop</u>	<u>Total Internal Service</u>
OPERATING REVENUES			
Local sources			
Food service sales	\$ -	\$ -	\$ -
Charges to other funds	5,122,174	157,406	5,279,580
Total operating revenues	<u>5,122,174</u>	<u>157,406</u>	<u>5,279,580</u>
OPERATING EXPENSES			
Non-instructional programs			
Food service operations			
Salaries	-	-	-
Employee benefits	-	-	-
Other purchased services	-	-	-
Supplies	-	-	-
Depreciation	-	-	-
Other operating costs	4,515,125	119,952	4,635,077
Total operating expenses	<u>4,515,125</u>	<u>119,952</u>	<u>4,635,077</u>
Operating income (loss)	<u>607,049</u>	<u>37,454</u>	<u>644,503</u>
NON-OPERATING REVENUES			
State sources	-	-	-
Federal sources			
Federal food commodities	-	-	-
Federal subsidy	-	-	-
Gain on sale of capital assets	-	-	-
Interest on investments	-	-	-
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>-</u>
NET INCOME	607,049	37,454	644,503
NET ASSETS, BEGINNING OF YEAR	<u>4,934,524</u>	<u>(6,339)</u>	<u>4,928,185</u>
NET ASSETS, END OF YEAR	<u>\$ 5,541,573</u>	<u>\$ 31,115</u>	<u>\$ 5,572,688</u>

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Year Ended June 30, 2008

	Enterprise Funds			Internal Service Funds		Total Internal Service
	School Nutrition	Nonmajor Student Construction	Total Enterprise	Insurance	Print Shop	
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from sale of lunches and breakfasts	\$ 722,867	\$ -	\$ 722,867	\$ -	\$ -	\$ -
Cash received from operating fund reimbursements	-	-	-	5,114,818	157,406	5,272,224
Cash payments to employees for services	(702,290)	-	(702,290)	-	-	-
Cash payments to suppliers for goods and services	(841,969)	(382)	(842,351)	(4,547,302)	(132,709)	(4,680,011)
Net cash provided by (used in) operating activities	<u>(821,392)</u>	<u>(382)</u>	<u>(821,774)</u>	<u>567,516</u>	<u>24,697</u>	<u>592,213</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Operating grants received	<u>975,999</u>	<u>-</u>	<u>975,999</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of equipment/construction in progress	(57,260)	(54,827)	(112,087)	-	(2,314)	(2,314)
Sale of equipment/construction in progress	-	154,850	154,850	-	-	-
Net cash provided by (used in) capital and related financing activities	<u>(57,260)</u>	<u>100,023</u>	<u>42,763</u>	<u>-</u>	<u>(2,314)</u>	<u>(2,314)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on investments	<u>-</u>	<u>325</u>	<u>325</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>97,347</u>	<u>99,966</u>	<u>197,313</u>	<u>567,516</u>	<u>22,383</u>	<u>589,899</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,044,869</u>	<u>(30,181)</u>	<u>1,014,688</u>	<u>4,839,363</u>	<u>(24,851)</u>	<u>4,814,512</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,142,216</u>	<u>\$ 69,785</u>	<u>\$ 1,212,001</u>	<u>\$ 5,406,879</u>	<u>\$ (2,468)</u>	<u>\$ 5,404,411</u>

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2008

	Enterprise Funds			Internal Service Funds		Total Internal Service
	School Nutrition	Nonmajor Student Construction	Total Enterprise	Insurance	Print Shop	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Operating income (loss)	\$ (996,907)	\$ -	\$ (996,907)	\$ 607,049	\$ 37,454	\$ 644,503
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Commodities used	79,917	-	79,917	-	-	-
Depreciation	61,880	-	61,880	-	-	-
Loss on disposal of equipment	-	-	-	-	-	-
(Increase) decrease in other receivables	(3,394)	-	(3,394)	(7,356)	-	(7,356)
(Increase) decrease in inventories	-	-	-	-	(7,957)	(7,957)
Increase (decrease) in accounts payable and accrued liabilities	38,546	(382)	38,164	(14,877)	(4,800)	(19,677)
Increase (decrease) in claims payable	-	-	-	(17,300)	-	(17,300)
Increase (decrease) in deferred revenues	(1,434)	-	(1,434)	-	-	-
Net cash provided by (used in) operating activities	<u>\$ (821,392)</u>	<u>\$ (382)</u>	<u>\$ (821,774)</u>	<u>\$ 567,516</u>	<u>\$ 24,697</u>	<u>\$ 592,213</u>

NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

During the year ended June 30, 2008, the District received \$90,957 of federal commodities.

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2008

	<u>Private Purpose Trust Scholarship</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 362,873	\$ 4,118
LIABILITIES		
Accounts payable	125	-
Due to other groups	-	4,118
Total liabilities	<u>125</u>	<u>4,118</u>
NET ASSETS		
Reserved for scholarships	<u>\$ 362,748</u>	<u>\$ -</u>

See notes to financial statements.

**CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2008**

	<u>Private Purpose Trust Scholarship</u>
ADDITIONS	
Local sources	
Interest	\$ 10,053
Memorials/contributions	<u>2,886</u>
Total additions	<u>12,939</u>
DEDUCTIONS	
Support services	
Supplies	507
Scholarships	<u>10,825</u>
Total deductions	<u>11,332</u>
CHANGE IN NET ASSETS	1,607
NET ASSETS, BEGINNING OF YEAR	<u>361,141</u>
NET ASSETS, END OF YEAR	<u><u>\$ 362,748</u></u>

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Clinton Community School District is a political subdivision of the State of Iowa and provides elementary and secondary education to the citizens within the District. The District encompasses an area of approximately 18 square miles of the City of Clinton's 34.75 square miles. Within the District are twelve schools, including eight elementary schools for grades kindergarten to five, two middle schools for grades six to eight, one high school for grades nine to twelve, and one alternative high school. Financial accountability for the District's operations is vested with the independently elected Board of Education. Management of the District is appointed by and is accountable to the Board of Education. The District is an independent reporting entity, unaffiliated with the City of Clinton or other local government jurisdictions.

For financial reporting purposes, Clinton 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 Clinton Community School District has no component units, which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but 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 City'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 that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, which can be removed or modified.

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are 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 receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support, and other costs.

The Local Option Sales Tax Fund is used to account for the revenue from a local sales and service tax imposed in the County of Clinton at the rate of one percent. The money received from the tax shall be spent for school infrastructure as defined by Iowa Code.

The Debt Service Fund is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt.

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

The District also reports fiduciary funds, which focus on net assets and changes in net assets. The District's fiduciary funds included the following:

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

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

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

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

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

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

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

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

D. Assets, Liabilities, and Fund Equity

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 the governmental funds are accounted for using the modified accrual basis of accounting.

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$	500
Land improvements		500
Buildings		500
Furniture and equipment		500

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Fund Equity (continued)

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

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

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 represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds 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 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 for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds 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 that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplemental Information.

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 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 investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$10,275,356

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

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

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

NOTE 3 - INTERFUND TRANSFERS

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

	Transfers In	Transfers Out
Local option sales tax fund	\$ -	\$ 3,024,492
Debt service fund	3,024,492	-
Total	\$ 3,024,492	\$ 3,024,492

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 4 - CAPITAL ASSETS

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

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,023,840	\$ -	\$ -	\$ 1,023,840
Construction in progress	<u>11,455,615</u>	<u>1,858,727</u>	<u>12,532,349</u>	<u>781,993</u>
Total capital assets not being depreciated	<u>12,479,455</u>	<u>1,858,727</u>	<u>12,532,349</u>	<u>1,805,833</u>
Capital assets being depreciated:				
Land improvements	989,429	-	-	989,429
Buildings	30,646,965	13,232,975	-	43,879,940
Furniture and equipment	7,088,390	82,197	114,343	7,056,244
Buses and other pupil transportation equipment	<u>2,366,451</u>	<u>143,600</u>	<u>-</u>	<u>2,510,051</u>
Total capital assets being depreciated	<u>41,091,235</u>	<u>13,458,772</u>	<u>114,343</u>	<u>54,435,664</u>
Less accumulated depreciation for:				
Land improvements	880,725	37,689	-	918,414
Buildings	14,901,429	692,274	-	15,593,703
Furniture and equipment	6,089,064	345,101	114,343	6,319,822
Buses and other pupil transportation equipment	<u>1,963,293</u>	<u>84,811</u>	<u>-</u>	<u>2,048,104</u>
Total accumulated depreciation	<u>23,834,511</u>	<u>1,159,875</u>	<u>114,343</u>	<u>24,880,043</u>
Total capital assets being depreciated, net	<u>17,256,724</u>	<u>12,298,897</u>	<u>-</u>	<u>29,555,621</u>
Governmental activities capital assets, net	<u>\$29,736,179</u>	<u>\$14,157,624</u>	<u>\$12,532,349</u>	<u>\$31,361,454</u>
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 228,232	\$ 54,827	\$ 147,812	\$ 135,247
Capital assets being depreciated:				
Furniture and equipment	717,239	57,260	-	774,499
Less accumulated depreciation	<u>198,584</u>	<u>61,880</u>	<u>-</u>	<u>260,464</u>
Capital assets being depreciated, net:	<u>518,655</u>	<u>(4,620)</u>	<u>-</u>	<u>514,035</u>
Business-type activities capital assets, net	<u>\$ 746,887</u>	<u>\$ 50,207</u>	<u>\$ 147,812</u>	<u>\$ 649,282</u>

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular

\$ 939,674

Support services:

General administration

98,429

Plant operations and maintenance

33,940

Student transportation

81,574

Non-instructional

6,258

Total depreciation expense - governmental activities

\$ 1,159,875

Business-type activities:

School nutrition:

Food service operations

\$ 61,880

NOTE 5 - LONG-TERM LIABILITIES

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 6,975,000	\$ -	\$ 495,000	\$ 6,480,000	\$ 515,000
SILO revenue bonds	10,466,723	-	2,380,719	8,086,004	2,495,259
Note payable	-	100,000	-	100,000	20,000
Compensated absences	<u>250,825</u>	<u>313,079</u>	<u>223,924</u>	<u>339,980</u>	<u>339,980</u>
Total	<u>\$17,692,548</u>	<u>\$ 413,079</u>	<u>\$ 3,099,643</u>	<u>\$ 15,005,984</u>	<u>\$ 3,370,239</u>

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

General Obligation Bonds

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Infrastructure LOST Revenue Bonds 2002</u>			<u>General Obligation School Refunding Bond Issue of 2005</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ -	\$ -	\$ -	\$ 515,000	\$ 200,180	\$ 715,180
2010	-	-	-	535,000	183,958	718,958
2011	1,000,000	-	1,000,000	555,000	166,303	721,303
2012	-	-	-	580,000	147,433	727,433
2013	-	-	-	605,000	127,133	732,133
2014-17	-	-	-	2,690,000	271,448	2,961,448
Total	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ 1,000,000</u>	<u>\$ 5,480,000</u>	<u>\$ 1,096,455</u>	<u>\$ 6,576,455</u>

<u>Year Ending June 30,</u>	<u>Total</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 515,000	\$ 200,180	\$ 715,180
2010	535,000	183,958	718,958
2011	1,555,000	166,303	1,721,303
2012	580,000	147,433	727,433
2013	605,000	127,133	732,133
2014-17	2,690,000	271,448	2,961,448
Total	<u>\$ 6,480,000</u>	<u>\$ 1,096,455</u>	<u>\$ 7,576,455</u>

General Obligation Refunding Bonds

On May 1, 2005, the District issued \$5,975,000 of general obligation refunding bonds, with interest rates ranging from 3.05% to 4.05%, for a crossover refunding of a portion of the general obligation bonds issued February 1, 1998. The District entered in to an escrow agreement whereby the proceeds from general obligation refunding bonds were converted into U.S. Securities. These securities were placed in an escrow account for the express purpose of paying the \$5,910,000 principal on the refunded general obligation bonds when they become callable on June 1, 2007 and the interest from May 1, 2005 to and including June 1, 2007 on the refunding bonds. After the principal and interest on all of the outstanding bonds have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the District. The transactions, balances and liabilities of the escrow account are recorded by the District since the refunded debt is not considered extinguished.

The District refunded the bonds to reduce its total debt service payments by approximately \$310,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$257,000.

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

Revenue Bonds

Details of the District's June 30, 2008 local option sales and services tax revenue bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>SILO Series 2006</u>			<u>SILO Series 2007</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,061,027	\$ 139,550	\$ 1,200,577	\$ 1,189,824	\$ 156,490	\$ 1,346,314
2010	1,112,205	88,372	1,200,577	1,247,215	99,099	1,346,314
2011	1,165,852	34,725	1,200,577	1,307,374	38,941	1,346,315
2012	99,656	392	100,048	111,753	440	112,193
Total	\$ 3,438,740	\$ 263,039	\$ 3,701,779	\$ 3,856,166	\$ 294,970	\$ 4,151,136

<u>Year Ending June 30,</u>	<u>SILO Series 2007A</u>			<u>Total</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 244,408	\$ 31,280	\$ 275,688	\$ 2,495,259	\$ 327,320	\$ 2,822,579
2010	255,891	19,797	275,688	2,615,311	207,268	2,822,579
2011	267,913	7,775	275,688	2,741,139	81,441	2,822,580
2012	22,886	88	22,974	234,295	920	235,215
Total	\$ 791,098	\$ 58,940	\$ 850,038	\$ 8,086,004	\$ 616,949	\$ 8,702,953

The District has pledged future local option sales and services tax revenues to repay the \$12,550,000 bonds issued during the June 30, 2007 fiscal year. The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. 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 2012. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limit of the district. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid is \$8,702,953. For the current year, total principal and interest paid was \$2,822,580 and total local option sales and service tax revenues were \$2,612,905.

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

- a) All proceeds from the local option sales and services tax shall be place in a Revenue Fund.
- b) Monies in the Revenue Fund shall be disbursed to make deposits into a Sinking Fund to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- c) Monies in the Revenue Fund shall next be disbursed to establish and maintain a Reserve Fund.
- d) Moines in the Revenue Fund shall next be deposited into a Redemption Fund until such time as all of the bonds have been discharged and satisfied.

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

Note Payable

During the year ended June 30, 2008, the District issued School Equipment Notes to provide funds for the purchase of equipment. The notes bear interest at 3.64% per annum and are payable from the General Fund. Details of the District's indebtedness under the agreements in effect at June 30, 2008 are as follows:

<u>Year Ending June 30,</u>	<u>School Equipment Purchase Note</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 20,000	\$ 3,367	\$ 23,367
2010	20,000	2,639	22,639
2011	20,000	1,911	21,911
2012	20,000	1,183	21,183
2013	<u>20,000</u>	<u>455</u>	<u>20,455</u>
Total	<u>\$ 100,000</u>	<u>\$ 9,555</u>	<u>\$ 109,555</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five on or before June 30 of the current school year. Employees must complete an application and a written resignation that is required to be accepted by the Board of Education. The early retirement incentive for each eligible employee is equal to \$500 for each year of service the employee has provided to the District to be applied to the payment of the participant's premiums under the District's health insurance plan. An employee will only be allowed to continue participation in the District's health insurance plan as long as there are funds available to pay the premiums or until age 65, whichever comes first. The adoption of the plan does not vest any rights in any employee whether or not the employee is currently eligible for early retirement. Early retirement benefits paid during the year ended June 30, 2008 totaled \$22,294.

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 6 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments by fund as of June 30, 2008 are as follows:

	<u>General Fund</u>
State appropriations	
Transportation Aid - nonpublic students	\$ 6,567
Vocational Aid	6,168
Prevent thru Mentor	5,346
Before and After School	66,612
Youth Mentoring	9,846
Supplemental Strategies	13,056
Other	<u>3,758</u>
Total state appropriations	<u>111,353</u>
Federal appropriations	
Title I	384,860
Title IIA	253,556
Perkins Grant	72,058
Safe and Drug Free Schools	37,546
21 st Century	412,448
DCAT	9,074
TAP	13,560
Drug and Violence	3,179
Other	<u>162</u>
Total federal appropriations	<u>1,186,443</u>
 Total due from other governments	 <u>\$ 1,297,796</u>
	 <u>Local Option</u>
	<u>Sales Tax</u>
	<u>Fund</u>
Miscellaneous	
Local option sales tax	<u>\$ 257,662</u>
	 <u>School</u>
	<u>Nutrition</u>
	<u>Fund</u>
Federal appropriations	
Summer food program	<u>\$ 17,460</u>

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 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 supplemental 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 \$1,391,269, \$1,272,510, and \$1,212,674, respectively, equal to the required contributions for each year.

NOTE 8 - CONTINGENT LIABILITIES

As of June 30, 2008, the District is contingently liable for the unvested portion of sick leave, which totals approximately \$13,694,000 and the unused portion of early retirement, which totals approximately \$22,000.

NOTE 9 - RISK MANAGEMENT

Clinton 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. There have been no significant reductions in insurance coverage from coverage in the prior year. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District also has a self-funded health insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 120% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$45,000 in insured claims for any one covered individual. Settled claims have not exceeded the commercial coverage in any of the past three fiscal years.

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008**

NOTE 9 - RISK MANAGEMENT (CONTINUED)

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses. That reserve was \$ at June 30, 2008. Changes in the aggregate claims liability for the current year is as follows:

	2008
Balance, beginning of year	\$ 492,300
Incurred claims (including IBNRs)	4,497,825
Claim payments	4,515,125
Balance, end of year	<u>\$ 475,000</u>

NOTE 10 - 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 \$1,554,136 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

NOTE 11 - FUND BALANCE DEFICIT

At June 30, 2008, the Special Revenue Fund - Student Activity Fund had a fund balance deficit of \$563,027 resulting from current operating expenses in excess of total revenues. It is expected that revenues for the next year will provide a positive fund balance.

NOTE 12 - NEW PRONOUNCEMENT

As of June 30, 2008, the Governmental Accounting Standards Board had issued the following statement not yet implemented by the District. The Statement, which might impact the District, is as follows:

Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, issued June 2004, will be effective for the District beginning with its year ending June 30, 2009. The Statement requires governments to report any liability associated with providing employee benefits other than pensions subsequent to their employment with the District that have not been fully funded.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

CLINTON COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTAL INFORMATION
Year Ended June 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
REVENUES						
Local sources						
Taxes	\$ 15,103,876	\$ -	\$15,103,876	\$ 11,612,208	\$11,612,208	\$ 3,491,668
Other local sources	-	727,695	727,695	690,000	690,000	37,695
Intermediate sources						
Interest on investments	483,276	325	483,601	182,000	182,000	301,601
Miscellaneous	870,559	-	870,559	4,192,052	4,192,052	(3,321,493)
State sources	25,688,335	19,512	25,707,847	25,033,846	25,033,846	674,001
Federal sources	2,231,413	1,042,945	3,274,358	3,030,597	3,030,597	243,761
Total revenues	<u>44,377,459</u>	<u>1,790,477</u>	<u>46,167,936</u>	<u>44,740,703</u>	<u>44,740,703</u>	<u>1,427,233</u>
EXPENDITURES						
Instruction	26,072,867	-	26,072,867	26,698,736	26,687,355	614,488
Support services	13,407,221	-	13,407,221	9,911,351	13,427,384	20,163
Non-instructional programs	4,024	1,724,602	1,728,626	1,602,270	1,754,270	25,644
Other expenditures	8,554,663	-	8,554,663	6,689,883	10,276,719	1,722,056
Total expenditures	<u>48,038,775</u>	<u>1,724,602</u>	<u>49,763,377</u>	<u>44,902,240</u>	<u>52,145,728</u>	<u>2,382,351</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,661,316)	65,875	(3,595,441)	(161,537)	(7,405,025)	3,809,584
OTHER FINANCING SOURCES (USES), NET	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>15,000</u>	<u>15,000</u>	<u>85,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(3,561,316)	65,875	(3,495,441)	(146,537)	(7,390,025)	3,894,584
BALANCES, BEGINNING OF YEAR	<u>5,825,672</u>	<u>1,806,462</u>	<u>7,632,134</u>	<u>9,702,844</u>	<u>9,702,844</u>	<u>(2,070,710)</u>
BALANCES, END OF YEAR	<u>\$ 2,264,356</u>	<u>\$1,872,337</u>	<u>\$ 4,136,693</u>	<u>\$ 9,556,307</u>	<u>\$ 2,312,819</u>	<u>\$ 1,823,874</u>

See accompanying independent auditor's report.

CLINTON COMMUNITY SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTAL INFORMATION - BUDGETARY REPORTING
June 30, 2008

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs, and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$7,243,488.

OTHER SUPPLEMENTAL INFORMATION

**CLINTON COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2008**

ASSETS	Student Activity Fund	Management	Physical Plant and Equipment Fund	Helen O. Stoddard Bequest	Margaret N. Kracht Gift	Total
Cash (overdrafts) and cash equivalents	\$ (565,627)	\$ (12,232)	\$ 149,036	\$ 65,438	\$ 83	\$ (363,302)
Property taxes receivable						
Current year delinquent	-	66,633	24,818	-	-	91,451
Succeeding year	-	650,000	244,000	-	-	894,000
Other receivables	11,580	-	-	-	-	11,580
TOTAL ASSETS	<u>\$ (554,047)</u>	<u>\$ 704,401</u>	<u>\$ 417,854</u>	<u>\$ 65,438</u>	<u>\$ 83</u>	<u>\$ 633,729</u>
LIABILITIES AND FUND BALANCES (DEFICIT)						
Liabilities						
Accounts payable and accrued liabilities	\$ 8,980	\$ 3,790	\$ 86,007	\$ -	\$ -	\$ 98,777
Deferred revenue	-	650,000	244,000	-	-	894,000
Total liabilities	8,980	653,790	330,007	-	-	992,777
Fund balances (deficit)						
Unreserved	(563,027)	50,611	87,847	65,438	83	(359,048)
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ (554,047)</u>	<u>\$ 704,401</u>	<u>\$ 417,854</u>	<u>\$ 65,438</u>	<u>\$ 83</u>	<u>\$ 633,729</u>

CLINTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES (DEFICIT) - NONMAJOR SPECIAL REVENUE FUNDS
 Year Ended June 30, 2008

	Student Activity Fund	Management	Physical Plant and Equipment Fund	Helen O. Stoddard Bequest	Margaret N. Kracht Gift	Total
REVENUES						
Taxes	\$ -	\$ 621,580	\$ 186,068	\$ -	\$ -	\$ 807,648
Interest on investments	-	-	-	2,123	-	2,123
Miscellaneous						
Student activities	263,951	-	-	-	-	263,951
Donations	38,640	-	-	-	-	38,640
Other	36,921	-	-	-	-	36,921
State sources	-	775	218	-	-	993
Total miscellaneous	339,512	775	218	-	-	340,505
 Total revenues	 339,512	 622,355	 186,286	 2,123	 -	 1,150,276
EXPENDITURES						
Current operating:						
Instruction						
Regular instruction	-	259,015	-	681	-	259,696
Special instruction	-	3,557	-	-	-	3,557
Other instruction	344,172	-	-	-	-	344,172
Total instructions	344,172	262,572	-	681	-	607,425
Support services						
Student services	20,606	7,983	-	-	-	28,589
Instructional staff services	-	844	-	5,779	1,013	7,636
General administration	-	6,597	4,857	-	-	11,454
Building administration	-	1,000	-	-	-	1,000
Business administration	28	-	233	-	-	261
Plant operations and maintenance	9,785	238,213	-	-	-	247,998
Student transportation	15,914	48,871	-	-	-	64,785
Total support services	46,333	303,508	5,090	5,779	1,013	361,723

CLINTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES (DEFICIT) - NONMAJOR SPECIAL REVENUE FUNDS
 Year Ended June 30, 2008

	Student Activity Fund	Management	Physical Plant and Equipment Fund	Helen O. Stoddard Bequest	Margaret N. Kracht Gift	Total
EXPENDITURES (CONTINUED)						
Current operating: (continued)						
Non-instructional programs	\$ -	\$ 3,154	\$ -	\$ -	\$ -	\$ 3,154
Other expenditures						
Facilities acquisition	-	-	606,195	-	-	606,195
Total expenditures	390,505	569,234	611,285	6,460	1,013	1,578,497
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(50,993)	53,121	(424,999)	(4,337)	(1,013)	(428,221)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	(512,034)	(2,510)	512,846	69,775	1,096	69,173
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ (563,027)</u>	<u>\$ 50,611</u>	<u>\$ 87,847</u>	<u>\$ 65,438</u>	<u>\$ 83</u>	<u>\$ (359,048)</u>

CLINTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 Year Ended June 30, 2008

	<u>Balance,</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance,</u> <u>June 30, 2008</u>
ASSETS				
Cash and cash equivalents	\$ 4,675	\$ -	\$ 557	\$ 4,118
Other accounts receivable	<u>450</u>	<u>-</u>	<u>450</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 5,125</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,007</u></u>	<u><u>\$ 4,118</u></u>
 LIABILITIES				
Due to other groups	<u><u>\$ 5,125</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,007</u></u>	<u><u>\$ 4,118</u></u>

CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
For the Last Six Years

	Modified Accrual Basis					
	2008	2007	2006	2005	2004	2003
REVENUES						
Local sources	\$ 15,103,876	\$ 14,697,134	\$ 13,662,495	\$ 12,518,893	\$ 12,722,834	\$ 12,760,713
Intermediate sources	1,353,835	2,345,250	2,035,721	1,905,217	1,730,164	1,595,305
State sources	25,688,335	23,994,622	22,411,152	21,919,637	20,601,507	21,074,476
Federal sources	2,231,413	2,684,375	2,840,567	3,141,686	1,875,296	1,731,519
TOTAL REVENUES	<u>\$ 44,377,459</u>	<u>\$ 43,721,381</u>	<u>\$ 40,949,935</u>	<u>\$ 39,485,433</u>	<u>\$ 36,929,801</u>	<u>\$ 37,162,013</u>
EXPENDITURES						
Instruction	\$ 26,072,867	\$ 25,120,818	\$ 23,924,938	\$ 24,073,051	\$ 23,259,448	\$ 22,762,499
Support services						
Student services	2,372,567	2,455,271	2,566,531	1,483,900	1,029,640	940,944
Instructional staff services	1,220,633	1,162,756	1,242,624	1,171,251	1,063,808	932,782
General administration	675,091	550,268	511,883	424,403	317,858	303,965
Building administration	1,999,990	2,012,362	1,892,744	1,589,125	1,476,661	1,560,723
Business administration	1,765,364	1,515,714	1,665,013	396,758	434,251	360,447
Plant operations and maintenance	3,917,586	3,760,269	3,817,687	3,965,345	3,604,006	3,732,438
Student transportation	1,455,990	917,280	1,249,182	1,501,224	1,230,300	1,208,200
Central support services	-	-	-	794,977	686,826	617,288
Non-instructional programs	4,024	2,786	11,419	119,332	332,125	305,474
Other expenditures	8,554,663	20,509,803	6,650,066	11,102,858	2,942,719	2,491,775
TOTAL EXPENDITURES	<u>\$ 48,038,775</u>	<u>\$ 58,007,327</u>	<u>\$ 43,532,087</u>	<u>\$ 46,622,224</u>	<u>\$ 36,377,642</u>	<u>\$ 35,216,535</u>

**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
Clinton Community School District
Clinton, Iowa

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 Clinton Community School District as of and for the year ended June 30, 2008, which collectively comprise Clinton Community School District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 25, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Clinton Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity'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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting. The significant deficiency is described in the accompanying schedule of findings and questioned costs as item II-A-08.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity'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, we believe that none of the significant deficiencies described above are a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clinton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs. We also noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated March 25, 2009.

Comments involving statutory and other legal matters about Clinton Community School 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.

Clinton Community School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. While we have expressed our conclusions on Clinton Community School District's responses, we did not audit Clinton Community School District's response and, accordingly, we express no opinion on it.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Clinton 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.

Clifton Gundersen LLP

Clinton, Iowa
March 25, 2009

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

To the Board of Education
Clinton Community School District
Clinton, Iowa

Compliance

We have audited the compliance of Clinton Community School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Clinton Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Clinton Community School District's management. Our responsibility is to express an opinion on Clinton Community School District's compliance based on our audit.

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

In our opinion, Clinton Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Clinton Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Clinton Community School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Clifton Gunderson LLP

Clinton, Iowa
March 25, 2009

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Direct:			
Department of Education			
Fund for the Improvement of Education –			
Safe and Drug Free Schools and Communities	84.184	FY 08	\$ 79,560
Elementary Counseling	84.215	FY 08	28
Advanced Placement Program	84.330	FY 08	162
Department of Health and Human Services			
Medical Assistance Program	93.778	FY 08	38,759
Indirect:			
Department of Agriculture			
Iowa Department of Education			
Food Distribution (noncash)	10.550	FY 08	79,880
School Nutrition Cluster Programs			
School Breakfast Program	10.553	FY 08	188,185
National School Lunch Program	10.555	FY 08	736,989
Summer Food Service Program	10.559	FY 08	17,460
			<u>942,634</u>
Fresh Fruit and Vegetable Program	10.582	FY 08	9,355
Department of Justice			
Iowa Department of Education			
Juvenile Mentoring Program	16.726	FY 08	2
Department of Education			
Iowa Department of Education			
Title I Grants to Local Educational Agencies	84.010	FY 08	869,112
Vocational Education - Basic Grant	84.048	FY 08	72,058
Innovative Education Program Strategies (Title IV Program)	84.298	FY 08	462
Safe and Drug Free Schools and Communities - Drug Free Schools	84.186	FY 08	21,410
21 st Century Community Learning Centers	84.287	FY 08	500,502
Special Education - State Grants	84.027	FY 08	253,755
Grants for Assessments	84.369	FY 08	29,036
Rehabilitation Services	84.126	FY 08	57,148
Title IIA Federal Teacher Quality	84.367	FY 08	250,861
Title III English Language Acquisitions State Grant	84.365	FY 08	788
Enhancing Education Through Technology	84.318	FY 08	2,800
Department of Health and Human Services			
Iowa Department of Education			
Drug Abuse Research	93.279	FY 08	55,000
Total			<u>\$ 3,263,312</u>

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

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008**

Section I: Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: _____ Unqualified _____

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? x yes _____ none reported
- Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes x none reported

Type of auditor's report issued on compliance for major programs: _____ Unqualified _____

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? _____ yes x no

Identification of major programs:

<p>CFDA Number 10.553 CFDA Number 10.555 CFDA Number 10.559</p>	<p><u>Nutrition Cluster</u> School Breakfast Program National School Lunch Program Summer Food Service Program</p>
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Dollar threshold used to distinguish between Type A and Type B programs: \$ _____ 300,000 _____

Auditee qualified as low-risk auditee? x yes _____ no

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008**

Section II: Financial Statement Findings:

Significant Deficiencies

II-A-08 Financial Statement Preparation

Criteria - The District engages Clifton Gunderson to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, Clifton Gunderson cannot be considered part of the District's internal control system. To establish proper internal control over the preparation of its financial statements, including disclosures, the District should design and implement a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate.

Condition - The District has not implemented procedures, to the degree necessary, to perform a review and assume responsibility of the entity's financial statements and related disclosures to provide a high level of assurance that potential omissions or other errors that are less than material, but more than inconsequential, would be identified and corrected.

Effect - Management or employees in the normal course of performing their assigned functions may not prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

Cause - The District has relied on independent auditor's to some degree to provide assurance that the financial statements, including disclosures, are not materially misstated.

Recommendation - Management should perform a comprehensive review of the financial statements to ensure that the financial statements, including disclosures, are complete and accurate.

Response - Management will perform a comprehensive review of the financial statements to ensure that the financial statements, including disclosures, are complete and accurate.

Conclusion - Response accepted.

Instances of Non-compliance

No matters were reported.

CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section III: Federal Award Findings and Questioned Costs:

Significant Deficiencies

No matters were reported.

Instances of Non-compliance

No matters were reported.

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008**

Section IV: Other Findings Related to Required Statutory Reporting:

IV-A-08 Certified Budget - Expenditures for the year ended June 30, 2008 did not exceed the amount budgeted in any functional area.

IV-B-08 Questionable Expenditures - No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted.

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

IV-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

IV-F-08 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-08 Certified Enrollment - The number of basic resident students reported to the Iowa Department of Education on lines 8, 9, and 11 were overstated by 1, 1, and 2, respectively.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District will contact the Iowa Department of Education and the Department of Management.

Conclusion - Response accepted.

IV-H-08 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.

IV-I-08 Certified Annual Report - The Certified Annual Report was certified with the Iowa Department of Education timely.

IV-J-08 Deficit Balances - The special revenue fund - student activity fund had a deficit balance at June 30, 2008.

Recommendation - The District should investigate alternatives to eliminate these deficits and return the accounts to a sound financial condition.

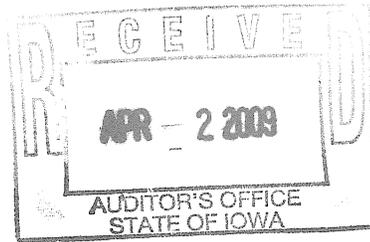
Response - The District is continuing to investigate alternatives to eliminate deficits in the student activity accounts.

Conclusion - Response accepted.

**CLINTON COMMUNITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
Year Ended June 30, 2008**

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>If not corrected, please provide planned corrective action or other explanation</u>
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N/A



Board of Directors
Clinton Community School District
Clinton, Iowa

We have completed our audit of the Clinton Community School District's financial statements as of and for the year ended June 30, 2008, and have issued our report dated March 25, 2009. In connection with our audit engagement, we noted the following matters which we would like to bring to your attention.

Bank Reconciliations

Monthly bank account reconciliations are the primary internal control procedure relating to the District's cash accounts. During fiscal year 2008, it was noted that bank reconciliations were not prepared for all bank accounts held by the District. Not reconciling accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis. Also, it is generally easier and less time consuming to reconcile accounts while transactions are fresh in mind. We recommend that all bank accounts be reconciled on a monthly basis.

Journal Entries

Currently, employees can make journal entries with no formal review process resulting in ineffective internal controls over journal entries. A good system of internal controls contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. We recommend that the District has another employee review journal entries and supporting documentation on a monthly basis. The reviewer should then sign and date the entries as an indication of approval.

This letter is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Clinton, Iowa
March 25, 2009