

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

June 30, 2010

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CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2009 Election)

Sandy Christ	President	2009
Tom Lovell	Vice President	2011
Ron Andrews	Board Member	2011
Deb Betz	Board Member	2011
Paul Stevenson	Board Member	2009

(After September 2009 Election)

Tom Lovell	President	2011
Deb Betz	Vice President	2011
Ron Andrews	Board Member	2011
Sandy Christ	Board Member	2013
Mark Tesar	Board Member	2013

School Officials

Dwight Pierson	Superintendent
Lorna Leerar	District Secretary/Treasurer

Gary E. Horton CPA

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

BETCO@mchsi.com E-mail

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clear Lake Community School District, Clear Lake, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clear Lake Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 17, 2011, on our consideration of Clear Lake Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clear Lake Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2009, (which are not presented herein). For 2009, 2008, 2007, 2006 and 2005 we did not issue an opinion on the discretely presented component unit and we issued unqualified opinions on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information. We issued unqualified opinions for 2004 and 2003. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, 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.

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

February 17, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clear Lake Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decrease from \$12,555,160 in fiscal 2009 to \$12,485,319 in fiscal 2010, while General Fund expenditures increased from \$12,352,075 in fiscal 2009 to \$12,564,240 in fiscal 2010. The District's General Fund balance decreased from \$760,646 in fiscal 2009 to \$626,109 in fiscal 2010.
- The fiscal year 2010 decrease in General Fund revenues was attributable to decrease State revenue. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance decreased is because of the increase in negotiated salary and benefits.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor funds.

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

Figure A-1
Clear Lake Community School District Annual Financial Report

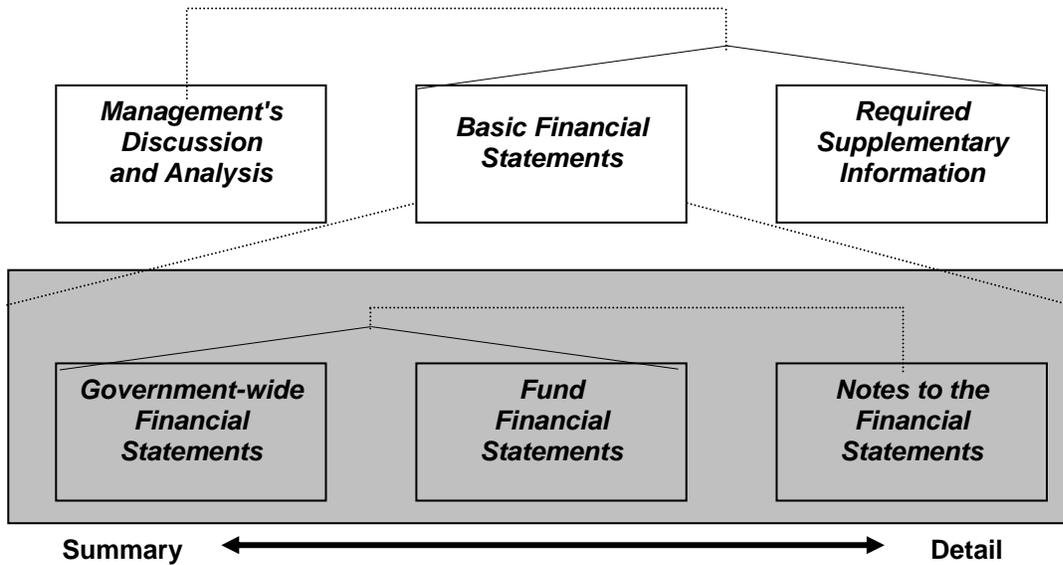


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The two government-wide financial statements report the District’s net assets and how they have changed. Net assets – the difference between the District’s assets and liabilities – are one way to measure the District’s financial health or financial position. Over time, increases or decreases in the District’s net assets are an indicator of whether financial position is improving or deteriorating. To assess the District’s overall health,

additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

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

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

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

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Funds – These are funds through which the District administers and accounts for certain monies behalf of other entities.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009.

Figure A-3

	Condensed Statement of Net Assets						Change 2009-2010
	Governmental Activities		Business-type Activities		Total School District		
	2009	2010	2009	2010	2009	2010	
	\$	\$	\$	\$	\$	\$	
Current and other assets	16,174,734	13,771,463	144,783	162,983	16,319,517	13,934,446	(2,385,071)
Capital assets	15,984,930	15,762,596	230,976	207,552	16,215,906	15,970,148	(245,758)
Total assets	\$32,159,664	\$29,534,059	\$375,759	370,535	\$32,535,423	29,904,594	(2,630,829)
Long-term liabilities	8,919,124	7,592,747	1,044	1,795	8,920,168	7,594,542	(1,325,626)
Other liabilities	10,778,705	8,186,923	58,706	70,380	10,837,411	8,257,303	(2,580,108)
Total liabilities	\$19,697,829	\$15,779,670	59,750	72,175	\$19,757,579	15,851,845	(3,905,734)
Net Assets:							
Invested in capital assets, net of related debt	8,455,732	8,582,596	230,976	207,552	8,686,708	8,790,148	103,440
Restricted	3,365,856	4,561,362			3,365,856	4,561,362	1,195,506
Unrestricted	640,247	610,431	85,033	90,808	725,280	701,239	(24,041)
TOTAL NET ASSETS	\$12,461,835	\$13,754,389	\$316,009	298,360	\$12,777,844	\$14,052,749	\$1,274,905

The District's combined total net assets increased by nearly \$1,274,905 over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$1,195,506 over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$24,041. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the years ended June 30, 2010 and 2009.

Figure A-4

	Change in Net Assets						
	Governmental Activities		Business-type Activities		Total School District		Change 2009-2010
	2009	2010	2009	2010	2009	2010	
\$	\$	\$	\$	\$	\$	\$	
Revenues							
Program Revenues:							
Charges for services	\$1,412,729	\$1,575,406	\$435,086	\$376,342	\$1,847,815	\$1,951,748	\$103,933
Operating grants & contributions	\$1,641,291	\$2,484,610	\$275,512	\$590,196	\$1,916,803	\$3,074,806	\$1,158,003
Capital grants & contributions	\$25,447				\$25,447		(\$25,447)
General Revenues:							
Property taxes	\$5,798,692	\$5,965,345			\$5,798,692	\$5,965,345	\$166,653
Income Surtax	\$462,998	\$455,618			\$462,998	\$455,618	(\$7,380)
Statewide sales tax	\$1,585,098	\$1,557,299			\$1,585,098	\$1,557,299	(\$27,799)
Unrestricted state grants	\$4,584,297	\$3,711,043			\$4,584,297	\$3,711,043	(\$873,254)
Unrestricted investment earnings	\$221,970	\$36,753	\$1,115	\$109	\$223,085	\$36,862	(\$186,223)
Other revenue	\$301,705	\$384			\$301,705	\$384	(\$301,321)
Total Revenues	\$16,034,227	\$15,786,458	\$711,713	\$966,647	\$16,745,940	\$16,753,105	\$7,165
Expenses:							
Instruction	\$8,823,669	\$9,038,644			\$8,823,669	\$9,038,644	\$214,975
Support services	\$4,094,586	\$4,064,231			\$4,094,586	\$4,064,231	(\$30,355)
Non-instructional programs			\$843,224	\$1,040,296	\$843,224	\$1,040,296	\$197,072
Other expenditures	\$1,672,357	\$1,503,505			\$1,672,357	\$1,503,505	(\$168,852)
Total expenses	\$14,590,612	\$14,606,380	\$843,224	\$1,040,296	\$15,433,836	\$15,646,676	\$212,840
Change in net assets before transfers	\$1,443,615	\$1,180,078	(\$131,511)	(\$73,649)	\$1,312,104	\$1,106,429	(\$205,675)
Transfers	(\$241,448)	(\$56,000)	\$241,448	\$56,000			
CHANGE IN NET ASSETS	\$1,202,167	\$1,124,078	\$109,937	(\$17,649)	\$1,312,104	\$1,106,429	(\$205,675)
Net assets beginning of year	\$11,259,668	\$12,630,311	\$206,072	\$316,009	\$11,465,740	\$12,946,320	\$1,480,580
Net assets end of year	\$12,461,835	\$13,754,389	\$316,009	\$298,360	\$12,777,844	\$14,052,749	\$1,274,905

In fiscal year 2010 property tax and unrestricted state grants account for 57% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 84% of the total expenses.

As shown in figure A-4, the District as a whole experienced a .04% increase in revenues and a 1.38% increase in expenses. Property tax increased \$166,653 to fund increases in expenses. The increases in expenses related to increases in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$15,786,458 and expenses were \$14,590,612. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$1,575,406. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,484,601.
- The net cost of governmental activities was financed with \$5,965,345 in property and local other taxes and \$3,711,043 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$966,647 and expenses were \$1,040,296. The District's business type activities include the School Nutrition Fund and Pre-School Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$5,230,980, above last year's ending fund balances of \$5,103,478. However, the primary reason for the increase in combined fund balances in fiscal 2010 is due to unexpended general obligation refunding bond proceeds received in fiscal 2010.

- The District's General Fund financial position remained stable with only a decrease of \$134,537 from the previous year.
- The General Fund balance decrease from \$760,646 in 2009 to \$626,109 in 2010, due in part to the negotiated salary and benefits.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from a \$448,456 in fiscal 2009 to \$641,480 in fiscal 2010. While revenues remained approximately the same, the District substantially reduced spending from the PPEL Fund in order to increase the balance for future projects.
- The Capital Projects Fund balance decreased from \$2,569,887 in 2009 to \$1,714,809 in 2010 due to increased operating transfers out to Debt Service.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$321,680 at June 30, 2009 to \$295,904 at June 30, 2010, the decrease is from the Capital assets, net of accumulated depreciation going from \$230,976 in 2009 to \$207,552 in 2010.

BUDGETARY HIGHLIGHTS

The District's receipts were \$590,840 less than budgeted receipts, a variance of 3%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

Total expenditures were more than budgeted, due to year-end adjustments for refunding bonds.

In spite of the District's budgetary practice, the certified budget was exceeded in the other expenditures function.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At June 30, 2010, the District had invested \$15,970,184 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of \$245,758 from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$635,643.

The largest change in capital asset activity during the year occurred in the Buildings assets.

At June 30, 2010 the District had spent \$245,892 for locker room renovations. The District has committed approximately \$624,000 to complete the project.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Change 2009-2010
	2009	2010	2009	2010	2009	2010	
	\$	\$	\$	\$	\$	\$	\$
Land	106,704	106,704			106,704	106,704	0
Construction in progress	0	245,892				245,892	245,892
Buildings	14,874,655	14,520,808			14,874,655	14,520,808	(353,847)
Improvements	281,316	303,480			281,316	303,480	22,164
Equipment & furniture	722,255	585,712	230,976	207,552	953,231	793,264	(159,967)
TOTAL	15,984,930	15,762,596	230,976	207,552	16,215,906	15,970,148	(\$245,758)

Long-Term Debt

At June 30, 2010 the District had \$7,594,542 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 15% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

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

	Total School District		Percentage Change
	2009	2010	2009-2010
	\$	\$	%
General obligation bonds	\$3,405,000	\$3,020,000	(11%)
Revenue bonds	\$5,100,000	\$4,160,000	(18%)
Early retirement	\$375,323	\$359,159	(4%)
Compensated absences	\$23,845	\$22,119	(7%)
Net OPEB liability	\$16,000	\$33,264	108%
	<u>\$8,920,168.00</u>	<u>\$7,594,542.00</u>	<u>(15%)</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- School financing is highly dependent upon student enrollment. The District's October 2010 enrollment decreased by 14.80 students. This drop in enrollment will decrease the District's funding for fiscal year 2012.
- The State having not set the allowable growth for 2011-2012 and the State budget having a large deficit are having an impact on the budgeting process for fiscal year 2012.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lorna Leerar, Business Manager/Board Secretary 1529 3rd Avenue North, Clear Lake, IA 50428.

BASIC FINANCIAL STATEMENTS

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business- type Activities	Total	Component Unit - Clear Lake Community School Foundation
	\$	\$	\$	\$
Assets				
Cash and cash equivalents	6,074,589	131,360	6,205,949	2,811
Investments	-	-	-	747,364
Receivables:				
Property tax:				
Delinquent	282,387	-	282,387	-
Succeeding year	6,492,039	-	6,492,039	-
Accounts	2,856	336	3,192	-
Due from other governments	895,208	-	895,208	-
Inventories	-	31,287	31,287	-
Unamortized bond issue costs	24,384	-	24,384	-
Capital assets, net of accumulated depreciation	15,762,596	207,552	15,970,148	-
Total assets	29,534,059	370,535	29,904,594	750,175
Liabilities				
Accounts payable	269,602	12	269,614	-
Salaries and benefits payable	1,203,694	57,458	1,261,152	-
Accrued interest payable	90,690	-	90,690	-
Deferred revenue:				
Succeeding year property tax	6,492,039	-	6,492,039	-
Other	130,898	12,910	143,808	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds payable	490,000	-	490,000	-
Revenue bonds payable	980,000	-	980,000	-
Termination benefits	206,452	-	206,452	-
Compensated absences	22,119	-	22,119	-
Portion due after one year:				
General obligation bonds payable	2,530,000	-	2,530,000	-
Revenue bonds payable	3,180,000	-	3,180,000	-
Termination benefits	152,707	-	152,707	-
Net OPEB liability	31,469	1,795	33,264	-
Total liabilities	15,779,670	72,175	15,851,845	-

See notes to financial statements.

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business- type Activities	Total	Component Unit - Clear Lake Community School Foundation
	\$	\$	\$	\$
Net assets				
Invested in capital assets, net of related debt	8,582,596	207,552	8,790,148	-
Restricted for:				
Categorical funding	176,050	-	176,050	-
Physical plant and equipment levy	641,480	-	641,480	-
Other special revenue purposes	249,397	-	249,397	-
Local option sales tax capital projects	1,114,809	-	1,114,809	-
Debt service	2,379,626	-	2,379,626	-
Unrestricted	610,431	90,808	701,239	750,175
Total net assets	<u>13,754,389</u>	<u>298,360</u>	<u>14,052,749</u>	<u>750,175</u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Statement of Activities
Year ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	5,726,108	821,265	1,513,712	-
Special	1,676,212	242,961	182,233	-
Other	1,636,324	491,684	176,274	-
	<u>9,038,644</u>	<u>1,555,910</u>	<u>1,872,219</u>	<u>-</u>
Support services:				
Student	191,578	-	-	-
Instructional staff	533,881	-	-	-
Administration	1,397,342	-	-	-
Operation and maintenance of plant	1,356,180	10,774	-	-
Transportation	574,429	8,722	13,673	-
	<u>4,053,410</u>	<u>19,496</u>	<u>13,673</u>	<u>-</u>
Non-instructional programs	<u>10,821</u>	-	-	-
Other expenditures:				
Facilities acquisition	192,201	-	-	-
Long-term debt interest	318,273	-	13,405	-
AEA flowthrough	585,313	-	585,313	-
Depreciation (unallocated)*	407,718	-	-	-
	<u>1,503,505</u>	<u>-</u>	<u>598,718</u>	<u>-</u>
Total governmental activities	14,606,380	1,575,406	2,484,610	-
Business type activities:				
Non-instructional programs:				
Food service operations	672,314	360,741	285,716	-
Preschool	367,982	15,601	304,480	-
Total business-type activities	<u>1,040,296</u>	<u>376,342</u>	<u>590,196</u>	<u>-</u>
Total primary government	15,646,676	1,951,748	3,074,806	-
Component Unit:				
Clear Lake Community School Foundation	38,401	-	51,401	-
Total	<u>15,685,077</u>	<u>1,951,748</u>	<u>3,126,207</u>	<u>-</u>

General Revenues:

Property taxes levied for:	
General purposes	
Debt service	
Capital outlay	
Income surtax	
Statewide sales and services tax	
Unrestricted state grants	
Unrestricted investment earnings (losses)	
Other	
Total general revenues	

Transfers

Total general revenues and transfers

Change in net assets

Net assets beginning of year, as restated

Net assets end of year

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business Type Activities	Total	Component Unit
\$	\$	\$	\$
(3,391,131)	-	(3,391,131)	-
(1,251,018)	-	(1,251,018)	-
(968,366)	-	(968,366)	-
<u>(5,610,515)</u>	<u>-</u>	<u>(5,610,515)</u>	<u>-</u>
(191,578)	-	(191,578)	-
(533,881)	-	(533,881)	-
(1,397,342)	-	(1,397,342)	-
(1,345,406)	-	(1,345,406)	-
(552,034)	-	(552,034)	-
<u>(4,020,241)</u>	<u>-</u>	<u>(4,020,241)</u>	<u>-</u>
<u>(10,821)</u>	<u>-</u>	<u>(10,821)</u>	<u>-</u>
(192,201)	-	(192,201)	-
(304,868)	-	(304,868)	-
-	-	-	-
<u>(407,718)</u>	<u>-</u>	<u>(407,718)</u>	<u>-</u>
<u>(904,787)</u>	<u>-</u>	<u>(904,787)</u>	<u>-</u>
(10,546,364)	-	(10,546,364)	-
-	(25,857)	(25,857)	-
-	(47,901)	(47,901)	-
-	(73,758)	(73,758)	-
(10,546,364)	(73,758)	(10,620,122)	-
-	-	-	13,000
<u>(10,546,364)</u>	<u>(73,758)</u>	<u>(10,620,122)</u>	<u>13,000</u>
5,085,948	-	5,085,948	-
322,620	-	322,620	-
556,777	-	556,777	-
455,618	-	455,618	-
1,557,299	-	1,557,299	-
3,711,043	-	3,711,043	-
36,753	109	36,862	22,652
384	-	384	-
<u>11,726,442</u>	<u>109</u>	<u>11,726,551</u>	<u>22,652</u>
<u>(56,000)</u>	<u>56,000</u>	<u>-</u>	<u>-</u>
<u>11,670,442</u>	<u>56,109</u>	<u>11,726,551</u>	<u>22,652</u>
1,124,078	(17,649)	1,106,429	35,652
<u>12,630,311</u>	<u>316,009</u>	<u>12,946,320</u>	<u>714,523</u>
<u>13,754,389</u>	<u>298,360</u>	<u>14,052,749</u>	<u>750,175</u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2010

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	1,682,146	1,543,132	1,865,893	983,418	6,074,589
Receivables:					
Property tax:					
Delinquent	239,425	-	4,423	38,539	282,387
Succeeding year	5,614,132	-	-	877,907	6,492,039
Accounts	1,076	-	-	1,780	2,856
Due from other governments	607,639	287,569	-	-	895,208
Total assets	8,144,418	1,830,701	1,870,316	1,901,644	13,747,079
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	149,719	115,892	-	3,991	269,602
Salaries and benefits payable	1,203,694	-	-	-	1,203,694
Deferred revenue:					
Succeeding year property tax	5,614,132	-	-	877,907	6,492,039
Income surtax	419,866	-	-	-	419,866
Other	130,898	-	-	-	130,898
Total liabilities	7,518,309	115,892	-	881,898	8,516,099
Fund balances:					
Reserved for:					
Categorical funding	176,050	-	-	-	176,050
Debt service	-	600,000	1,870,316	-	2,470,316
Unreserved reported in:					
General fund	450,059	-	-	-	450,059
Special revenue funds	-	-	-	1,019,746	1,019,746
Capital projects funds	-	1,114,809	-	-	1,114,809
Total fund balances	626,109	1,714,809	1,870,316	1,019,746	5,230,980
Total liabilities and fund balances	8,144,418	1,830,701	1,870,316	1,901,644	13,747,079

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

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

June 30, 2010

	\$
Total fund balances of governmental funds (Exhibit C)	5,230,980
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	15,762,596
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	419,866
Bond issue costs are expensed when incurred for governmental fund reporting, but are capitalized and expensed over the life of the bonds for government wide reporting.	24,384
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.	(90,690)
Long-term liabilities, including bonds payable, termination benefits and compensated absences and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(7,592,747)</u>
Net assets of governmental activities (Exhibit A)	<u><u>13,754,389</u></u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	5,183,395	1,557,299	322,620	883,536	7,946,850
Tuition	953,917	-	-	-	953,917
Other	178,817	3,332	13,405	488,537	684,091
State sources	5,125,096	-	166	448	5,125,710
Federal sources	1,044,094	-	-	-	1,044,094
Total revenues	<u>12,485,319</u>	<u>1,560,631</u>	<u>336,191</u>	<u>1,372,521</u>	<u>15,754,662</u>
Expenditures:					
Current:					
Instruction:					
Regular	5,420,814	-	-	220,178	5,640,992
Special	1,674,586	-	-	-	1,674,586
Other	1,146,393	-	-	488,775	1,635,168
	<u>8,241,793</u>	<u>-</u>	<u>-</u>	<u>708,953</u>	<u>8,950,746</u>
Support services:					
Student	191,203	-	-	-	191,203
Instructional staff	533,631	-	-	-	533,631
Administration	1,185,195	964	30,014	160,088	1,376,261
Operation and maintenance of plant	1,332,685	-	-	-	1,332,685
Transportation	483,599	-	-	-	483,599
	<u>3,726,313</u>	<u>964</u>	<u>30,014</u>	<u>160,088</u>	<u>3,917,379</u>
Non-instructional programs	<u>10,821</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,821</u>
Other expenditures:					
Facilities acquisition	-	246,431	-	335,655	582,086
Long-term debt:					
Principal	-	-	4,345,000	-	4,345,000
Interest and fiscal charges	-	-	355,998	-	355,998
AEA flowthrough	585,313	-	-	-	585,313
	<u>585,313</u>	<u>246,431</u>	<u>4,700,998</u>	<u>335,655</u>	<u>5,868,397</u>
Total expenditures	<u>12,564,240</u>	<u>247,395</u>	<u>4,731,012</u>	<u>1,204,696</u>	<u>18,747,343</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(78,921)</u>	<u>1,313,236</u>	<u>(4,394,821)</u>	<u>167,825</u>	<u>(2,992,681)</u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Sale of equipment	384	-	-	-	384
Proceeds from refunding bonds	-	-	3,020,000	-	3,020,000
Debt issue costs	-	-	(12,677)	-	(12,677)
Operating transfers in	-	-	2,168,314	-	2,168,314
Operating transfers out	(56,000)	(2,168,314)	-	-	(2,224,314)
Total other financing sources (uses)	<u>(55,616)</u>	<u>(2,168,314)</u>	<u>5,175,637</u>	<u>-</u>	<u>2,951,707</u>
Net change in fund balances	(134,537)	(855,078)	780,816	167,825	(40,974)
Fund balances beginning of year, as restated	<u>760,646</u>	<u>2,569,887</u>	<u>1,089,500</u>	<u>851,921</u>	<u>5,271,954</u>
Fund balances end of year	<u><u>626,109</u></u>	<u><u>1,714,809</u></u>	<u><u>1,870,316</u></u>	<u><u>1,019,746</u></u>	<u><u>5,230,980</u></u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Year ended June 30, 2010

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		(40,974)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Expenditures for capital assets	389,885	
Depreciation expense	<u>(612,219)</u>	(222,334)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		31,412
Bond issue costs are expensed when incurred for governmental fund reporting, but are capitalized and expensed over the life of the bonds for government wide reporting.		(8,128)
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		4,345,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		37,725
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	16,164	
Compensated absences	1,726	
Other postemployment benefits	<u>(16,513)</u>	1,377
Proceeds from issuing long-term liabilities are included in the governmental funds but increase long-term liabilities in the Statement of Net Assets.		<u>(3,020,000)</u>
Changes in net assets of governmental activities (Exhibit B)		<u><u>1,124,078</u></u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Fund

June 30, 2010

	Nonmajor Enterprise Funds
	<u>\$</u>
Assets	
Cash and cash equivalents	131,360
Accounts receivable	336
Inventories	31,287
Capital assets, net of accumulated depreciation	<u>207,552</u>
Total assets	<u><u>370,535</u></u>
Liabilities	
Accounts payable	12
Salaries and benefits payable	57,458
Deferred revenue	12,910
Net OPEB liability	<u>1,795</u>
Total liabilities	<u>72,175</u>
Net assets	
Invested in capital assets	207,552
Unrestricted	<u>90,808</u>
Total net assets	<u><u>298,360</u></u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Nonmajor Enterprise Funds
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>376,342</u>
Operating expenses:	
Salaries	448,203
Benefits	101,160
Purchased services	125,890
Supplies	332,685
Other expenses	8,934
Depreciation	23,424
Total operating expenses	<u>1,040,296</u>
Operating loss	<u>(663,954)</u>
Non-operating revenues:	
State sources	311,070
Federal sources	279,126
Interest income	109
Total non-operating revenues	<u>590,305</u>
Changes in net assets before transfers	(73,649)
Transfers from General Fund	<u>56,000</u>
Change in net assets	(17,649)
Net assets beginning of year	<u>316,009</u>
Net assets end of year	<u><u>298,360</u></u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2010

	Nonmajor Enterprise Funds
	\$
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	363,962
Cash received from preschool services	16,316
Cash payments to employees for services	(539,435)
Cash payments to suppliers for goods or services	(397,981)
Net cash used by operating activities	<u>(557,138)</u>
Cash flows from non-capital financing activities:	
Transfer from General Fund	56,000
State grants received	311,070
Federal grants received	235,967
Net cash provided by non-capital financing activities	<u>603,037</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>109</u>
Net increase (decrease) in cash and cash equivalents	46,008
Cash and cash equivalents at beginning of year	<u>85,352</u>
Cash and cash equivalents at end of year	<u><u>131,360</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(663,954)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	43,159
Depreciation	23,424
Decrease (increase) in inventories	26,357
Decrease (increase) in accounts receivable	1,451
(Decrease) increase in accounts payable	12
(Decrease) increase in salaries and benefits payable	9,177
(Decrease) increase in deferred revenue	2,485
(Decrease) increase in net OPEB liability	751
Net cash used by operating activities	<u><u>(557,138)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$43,159 of federal commodities.

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Fund

June 30, 2010

	Private Purpose Trust Scholarships
	<u>\$</u>
Assets	
Cash and pooled investments	1,290,322
Accrued interest receivable	<u>4,534</u>
Total assets	1,294,856
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>1,294,856</u></u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund

Year ended June 30, 2010

	Private Purpose Trust Scholarships
	<u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	30,000
Investment revenue	<u>63,788</u>
Total additions	<u>93,788</u>
Deductions:	
Support services:	
Scholarships	40,000
Investment fees	<u>10,181</u>
Total deductions	<u>50,181</u>
Change in net assets	43,607
Net assets beginning of year	<u>1,251,249</u>
Net assets end of year	<u><u>1,294,856</u></u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

Year ended June 30, 2010

1. Summary of Significant Accounting Policies

Clear Lake Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Clear Lake, Iowa and the predominately agricultural territory in a portion of Cerro Gordo County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Clear Lake Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Clear Lake Community School Foundation is included in the financial statements as a discretely presented component unit, because of the nature and significance of its relationship with the Clear Lake Community School District.

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

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

B. Basis of Presentation

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

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

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

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

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's long-term debt.

The District's proprietary funds include the Enterprise, School Nutrition Fund, which is used to account for the food service operation of the District, and the Enterprise Preschool Fund, which is used to account for the District's preschool.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities, and Fund Equity

The following accounting policies are followed in preparing the financial statements:

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

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

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

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

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

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

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000
Intangible assets	100,000

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-50 years
Improvements other than buildings	15 years
Furniture and equipment	5-12 years
Intangible assets	3-10 years

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

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation hours for subsequent use. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures in the other expenditures function exceeded the amount budgeted.

2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2010 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, 2010, the District had the following investments:

	<u>Maturity Date</u>	<u>Fair Value</u>
		\$
Southeastern College	June, 2014	49,249
U.S. Government Agency Obligations:		
FFCB	March, 2017	51,047
FFCB	June, 2018	25,188
FFCB	April, 2022	54,516
FHLB	March, 2019	106,125
FHLB	December, 2014	51,859
FHLB	December, 2016	52,766
FHLMC	June, 2016	25,214
FHLMC	December, 2017	25,251
FHLMC	June, 2010	50,087
FNMA	March 2014	104,281
FNMA	July, 2014	50,109
Hartford Advisors Fund Class A		7,110

At June 30, 2009, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
	\$
Diversified Portfolio	2,001,025

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

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.

Credit risk: The investments in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service. The Southeastern College bond was not rated.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010, is as follows:

Transfer To	Transfer From	Amount \$
Debt Service	Capital Projects Fund	2,168,314
Nonmajor Enterprise Funds: Preschool	General Fund	56,000

These transfers moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

4. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. N.A. is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co., NA prime rate plus 50 basis points with a minimum interest rate of 4.50% A summary of the District's ISCAP activity for the year ended June 30, 2010, is as follows:

Series	Warrant Date	Final Warrant Maturity Date	Balance Beginning of Year \$	Advances Received \$	Advances Repaid \$	Balance End of Year \$
2009-10A	6/25/09	6/23/10	-	500,000	500,000	-
2009-10B	2/1/10	1/21/11	-	-	-	-
			-	500,000	500,000	-

During the year ended June 30, 2010, the District paid \$16,745 of interest on the ISCAP warrants.

5. Capital Assets

Capital assets activity for the year ended June 30, 2010, was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	-	245,892	-	245,892
Land	106,704	-	-	106,704
Total capital assets not being deprec.	<u>106,704</u>	<u>245,892</u>	<u>-</u>	<u>352,596</u>
Capital assets being depreciated:				
Buildings	18,761,242	25,627	-	18,786,869
Improvements other than buildings	707,781	50,408	-	758,189
Furniture and equipment	2,456,248	67,958	-	2,524,206
Total capital assets being deprec.	<u>21,925,271</u>	<u>143,993</u>	<u>-</u>	<u>22,069,264</u>
Less accumulated depreciation for:				
Buildings	3,886,587	379,474	-	4,266,061
Improvements other than buildings	426,465	28,244	-	454,709
Furniture and equipment	1,733,993	204,501	-	1,938,494
Total accumulated depreciation	<u>6,047,045</u>	<u>204,501</u>	<u>-</u>	<u>6,659,264</u>
Total capital assets being depreciated, net	<u>15,878,226</u>	<u>(468,226)</u>	<u>-</u>	<u>15,410,000</u>
Governmental activities capital assets, net	<u>15,984,930</u>	<u>(222,334)</u>	<u>-</u>	<u>15,762,596</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	338,768	-	-	338,768
Less accumulated deprec.	107,792	23,424	-	131,216
Business type activities Capital assets, net	<u>230,976</u>	<u>(23,424)</u>	<u>-</u>	<u>207,552</u>
Depreciation expense was charged to the following functions:				
				\$
Governmental activities:				
Instruction:				
Regular				91,396
Other instruction				906
Support services:				
Operation and maintenance of plant services				21,744
Transportation				90,455
				<u>204,501</u>
Unallocated depreciation				<u>407,718</u>
				<u>612,219</u>
Total depreciation expense - governmental activities				
Business type activities:				
Food service operations				<u>23,424</u>

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental Activities:					
General obligation bonds	3,405,000	3,020,000	3,405,000	3,020,000	490,000
Revenue bonds	5,100,000	-	940,000	4,160,000	980,000
Compensated absences	23,845	22,119	23,845	22,119	22,119
Termination benefits	375,323	212,927	229,091	359,159	206,452
Net OPEB liability	14,956	16,513	-	31,469	-
Total	8,919,124	3,271,559	4,597,936	7,592,747	1,698,571

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Business type activities:					
Net OPEB liability	1,044	751	-	1,795	-

Termination Benefits

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

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

At June 30, 2010, the District has obligations to 16 participants with a total liability of \$359,159. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$229,091.

General Obligation Bonds

In April 2010, the District sold general obligation refunding bonds that mature as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2011	1.00	490,000	56,042	546,042
2012	1.50	490,000	50,833	540,833
2013	1.55	500,000	43,483	543,483
2014	1.95	505,000	35,732	540,732
2015	2.30	515,000	25,885	540,885
2016	2.70	520,000	14,040	534,040
		<u>3,020,000</u>	<u>226,015</u>	<u>3,246,015</u>

Bond Refunding

In April, 2010, the District issued \$3,020,000 of general obligation refunding bonds with interest rates ranging from 1.5% to 2.7%. The District issued the bonds to refund \$2,990,000 of the outstanding February, 1997 general obligation refunding bonds with interest rates of 5.3% to 5.6%. The District used the net proceeds to call and pay the balance of the 1997 issue.

The refunding reduced total debt service payments over the next six years by \$310,434. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$289,930.

Revenue Bonds

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

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>%</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
2011	3.850	980,000	143,730	1,123,730
2012	3.875	1,020,000	105,103	1,125,103
2013	3.900	1,060,000	64,670	1,124,670
2014	4.000	1,100,000	22,000	1,122,000
		<u>4,160,000</u>	<u>335,503</u>	<u>4,495,503</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$6,000,000 bonds issued in July 2007. The bonds were issued for the purpose of financing a school building addition. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 72 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$4,495,503. For the current year, \$1,120,455 of interest and principal was paid on the bonds and total statewide sales, services and use tax revenues were \$1,557,299.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

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

7. Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$511,470, \$473,941, and \$444,185 respectively, equal to the required contributions for each year.

8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 133 active and 34 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Mercer. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	121,000
Interest on net OPEB obligation	720
Adjustment to annual required contribution	<u>(1,456)</u>
Annual OPEB cost	120,264
Contributions made	<u>103,000</u>
Increase in net OPEB obligation	17,264
Net OPEB obligation beginning of year	<u>16,000</u>
Net OPEB obligation end of year	<u>33,264</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$103,000 to the medical plan. Plan members eligible for benefits contributed \$154,000, or 60% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u> \$	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u> \$
June 30, 2010	120,264	86%	33,264

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$879,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$879,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,063,000, and the ratio of the UAAL to covered payroll was 17.4%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

9. Risk Management

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

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 \$585,313 for the year ended June 30, 2010, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Lease Commitment

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

Year Ended June 30	Lease Payment
2011	\$ 45,000

During the year ended June 30, 2010 the District paid rents of \$54,000.

12. Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2010 is comprised of the following programs:

Program	Amount
	\$
Gifted and Talented	33,571
Teacher salary supplement	65,501
D'cat. grant	531
Educator quality, professional development	34,018
Core curriculum	42,429
	<u>176,050</u>

13. Construction Commitment

The District has entered into a \$786,659 contract for locker room renovations. As of June 30, 2010 costs of \$162,518 had been incurred against the contract. The balance remaining at June 30, 2010 will be paid as work on the project progresses.

14. Restatement of Beginning Balances

Beginning governmental fund balances and governmental activities net assets balance was restated because prior year receivables were understated by \$168,476.

REQUIRED SUPPLEMENTARY INFORMATION

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

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

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	9,584,858	376,451	9,961,309	10,255,886	10,255,886	(294,577)
Intermediate sources	-	-	-	5,000	5,000	(5,000)
State sources	5,125,710	311,070	5,436,780	6,531,263	6,531,263	(1,094,483)
Federal sources	1,044,094	279,126	1,323,220	520,000	520,000	803,220
Total revenues	<u>15,754,662</u>	<u>966,647</u>	<u>16,721,309</u>	<u>17,312,149</u>	<u>17,312,149</u>	<u>(590,840)</u>
Expenditures/Expenses:						
Instruction	8,950,746	367,982	9,318,728	9,493,000	9,493,000	174,272
Support services	3,917,379	-	3,917,379	4,360,000	4,360,000	442,621
Non-instructional programs	10,821	672,314	683,135	790,000	790,000	106,865
Other expenditures	5,868,397	-	5,868,397	3,846,989	3,846,989	(2,021,408)
Total expenditures/expenses	<u>18,747,343</u>	<u>1,040,296</u>	<u>19,787,639</u>	<u>18,489,989</u>	<u>18,489,989</u>	<u>(1,297,650)</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(2,992,681)	(73,649)	(3,066,330)	(1,177,840)	(1,177,840)	(1,888,490)
Other financing sources net	<u>2,951,707</u>	<u>56,000</u>	<u>3,007,707</u>	<u>-</u>	<u>-</u>	<u>3,007,707</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures/expenses	(40,974)	(17,649)	(58,623)	(1,177,840)	(1,177,840)	1,119,217
Balance beginning of year	<u>5,271,954</u>	<u>316,009</u>	<u>5,587,963</u>	<u>2,147,485</u>	<u>2,147,485</u>	<u>3,440,478</u>
Balance end of year	<u>5,230,980</u>	<u>298,360</u>	<u>5,529,340</u>	<u>969,645</u>	<u>969,645</u>	<u>4,559,695</u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2010

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

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

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

During the year ended June 30, 2010, expenditures in the other expenditures function exceeded the amount budgeted.

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2009	July 1, 2008	-	879,000	879,000	0.0%	5,576,000	15.8%
2010	July 1, 2008	-	879,000	879,000	0.0%	5,063,000	17.4%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2010

Assets	Special Revenue Funds			Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	
	\$	\$	\$	
Cash and pooled investments	114,782	248,525	620,111	983,418
Receivables:				
Property tax:				
Delinquent	14,087	-	24,452	38,539
Succeeding year	310,000	-	567,907	877,907
Accounts	-	1,780	-	1,780
Total assets	438,869	250,305	1,212,470	1,901,644
Liabilities & Fund Balances				
Liabilities:				
Accounts payable	-	908	3,083	3,991
Deferred revenue:				
Succeeding year property tax	310,000	-	567,907	877,907
Total liabilities	310,000	908	570,990	881,898
Fund balances:				
Unreserved reported in:				
Special revenue funds	128,869	249,397	641,480	1,019,746
Total liabilities and fund balances	438,869	250,305	1,212,470	1,901,644

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Special Revenue Funds			Total
	Management	Student	Physical	
	Levy	Activity	Plant and	
	\$	Fund	Equipment	\$
	\$	\$	Levy	\$
Revenues:				
Local sources:				
Local tax	326,759	-	556,777	883,536
Other	66	487,948	523	488,537
State sources	170	-	278	448
Total revenues	<u>326,995</u>	<u>487,948</u>	<u>557,578</u>	<u>1,372,521</u>
Expenditures:				
Current:				
Instruction:				
Regular	220,178	-	-	220,178
Other	-	488,775	-	488,775
Support services:				
Administration	116,109	-	43,979	160,088
Other expenditures:				
Facilities acquisition	-	-	335,655	335,655
Total expenditures	<u>336,287</u>	<u>488,775</u>	<u>379,634</u>	<u>1,204,696</u>
Net change in fund balances	(9,292)	(827)	177,944	167,825
Fund balances beginning of year, as restated	<u>138,161</u>	<u>250,224</u>	<u>463,536</u>	<u>851,921</u>
Fund balances end of year	<u><u>128,869</u></u>	<u><u>249,397</u></u>	<u><u>641,480</u></u>	<u><u>1,019,746</u></u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Net Assets
Nonmajor Enterprise Funds

June 30, 2010

	Enterprise Funds		
	School		
	Nutrition	Preschool	Total
	\$	\$	\$
Assets			
Cash and cash equivalents	101,727	29,633	131,360
Accounts receivable	336	-	336
Inventories	31,287	-	31,287
Capital assets, net of accumulated depreciation	207,552	-	207,552
Total assets	340,902	29,633	370,535
Liabilities			
Accounts payable	-	12	12
Salaries and benefits payable	30,293	27,165	57,458
Deferred revenue	12,910	-	12,910
Net OPEB liability	1,795	-	1,795
Total liabilities	44,998	27,177	72,175
Net assets			
Invested in capital assets	207,552	-	207,552
Unrestricted	88,352	2,456	90,808
Total net assets	295,904	2,456	298,360

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

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

Year ended June 30, 2010

	Enterprise Funds		
	Nonmajor School Nutrition	Preschool	Total
	\$	\$	\$
Operating revenue:			
Local sources:			
Charges for service	360,741	15,601	376,342
Operating expenses:			
Salaries	249,586	198,617	448,203
Benefits	53,546	47,614	101,160
Purchased services	13,238	112,652	125,890
Supplies	324,746	7,939	332,685
Other expenses	7,774	1,160	8,934
Depreciation	23,424	-	23,424
Total operating expenses	672,314	367,982	1,040,296
Operating loss	(311,573)	(352,381)	(663,954)
Non-operating revenues:			
State sources	6,590	304,480	311,070
Federal sources	279,126	-	279,126
Interest income	81	28	109
Total non-operating revenues	285,797	304,508	590,305
Changes in net assets before transfers	(25,776)	(47,873)	(73,649)
Transfers from General Fund	-	56,000	56,000
Change in net assets	(25,776)	8,127	(17,649)
Net assets beginning of year	321,680	(5,671)	316,009
Net assets end of year	295,904	2,456	298,360

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Cash Flows
Nonmajor Enterprise Funds

Year ended June 30, 2010

	Enterprise Funds		
	Nonmajor School Nutrition	Preschool	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	363,962	-	363,962
Cash received from preschool services	-	16,316	16,316
Cash payments to employees for services	(307,990)	(231,445)	(539,435)
Cash payments to suppliers for goods or services	(276,242)	(121,739)	(397,981)
Net cash used by operating activities	<u>(220,270)</u>	<u>(336,868)</u>	<u>(557,138)</u>
Cash flows from non-capital financing activities:			
Transfers from General Fund	-	56,000	56,000
State grants received	6,590	304,480	311,070
Federal grants received	235,967	-	235,967
Net cash provided by non-capital financing activities	<u>242,557</u>	<u>360,480</u>	<u>603,037</u>
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:			
Interest on investments	<u>81</u>	<u>28</u>	<u>109</u>
Net increase (decrease) in cash and cash equivalents	22,368	23,640	46,008
Cash and cash equivalents at beginning of year	<u>79,359</u>	<u>5,993</u>	<u>85,352</u>
Cash and cash equivalents at end of year	<u><u>101,727</u></u>	<u><u>29,633</u></u>	<u><u>131,360</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:			
Operating gain (loss)	(311,573)	(352,381)	(663,954)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:			
Commodities used	43,159	-	43,159
Depreciation	23,424	-	23,424
Decrease (increase) in inventories	26,357	-	26,357
Decrease (increase) in accounts receivable	736	715	1,451
(Decrease) increase in accounts payable	-	12	12
(Decrease) increase in salaries and benefits payable	(5,957)	15,134	9,177
(Decrease) increase in deferred revenue	2,485	-	2,485
(Decrease) increase in net OPEB liability	1,099	(348)	751
Net cash used by operating activities	<u><u>(220,270)</u></u>	<u><u>(336,868)</u></u>	<u><u>(557,138)</u></u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	Beginning of Year				
	\$	\$	\$	\$	\$
Activity tickets	-	14,830	-	(14,830)	-
American field service	879	-	-	-	879
Athletic towel	-	1,089	625	(464)	-
Athletics concessions	-	19,359	16,714	(2,645)	-
Academic exe.	3,382	6,536	7,423	-	2,495
Band	(1)	2,833	4,781	1,949	-
Band trip	1,096	195	1,291	-	-
Band uniforms	3,696	3,316	7,346	334	-
Baseball	-	3,574	5,766	2,192	-
Baseball concession	711	2,615	3,623	297	-
Baseball camp	4,695	10,316	7,396	-	7,615
Boys basketball	-	4,753	6,035	1,282	-
Boys basketball camp	3,293	5,220	6,117	-	2,396
Boys golf	-	534	1,766	1,232	-
Boys golf camp	1,216	50	988	-	278
Boys soccer camp	2,131	348	712	-	1,767
Boys tennis	-	95	168	73	-
Boys tennis camp	202	113	-	-	315
Boys track	-	3,692	2,851	(841)	-
Boys track camp	225	75	124	-	176
Central band fund	-	-	287	287	-
Central book fair	197	2,461	2,601	-	57
Clear Creek building	3,513	7,764	11,045	(287)	(55)
Cheerleading	-	500	1,120	620	-
Cheerleading camp fund	7,987	18,366	13,937	-	12,416
Clear Creek playground	1,139	4,803	218	-	5,724
Cross country	-	933	840	(93)	-
Cross country camp	148	3,319	2,067	-	1,400
Dance team	-	31,686	22,461	(3,005)	6,220
Drama	-	1,546	1,077	(469)	-
Drum & bugle	8,300	-	-	-	8,300
Excel	1,776	1,000	146	-	2,630
Football	-	21,804	18,151	(3,653)	-
Football camp	853	23,148	23,515	-	486
French camp	50	-	-	-	50
French trip	51	556	714	107	-
General athletics	112,841	6,465	15,744	18,814	122,376
Girls basketball	-	5,253	3,494	(1,759)	-
Girls basketball camp	5,178	18,897	19,352	-	4,723
Girls golf	-	799	2,242	1,443	-
Girls golf camp	89	6,664	6,311	-	442
Girls soccer	-	1,425	2,066	641	-
Girls soccer camp	1,291	2,053	2,122	-	1,222

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	Beginning of Year				
	\$	\$	\$	\$	\$
Girls tennis	1	264	149	(116)	-
Girls tennis camp	237	1,699	1,846	-	90
Girls track	(1)	2,996	3,145	150	-
Girls track camp	631	75	442	-	264
Hall of pride	567	-	-	-	567
HS building	2,748	4,198	4,035	-	2,911
Interest	-	333	-	(333)	-
JH athletics	-	-	7,130	7,130	-
JH band	(1)	2,455	2,058	(396)	-
JH building	3,755	3,382	3,095	-	4,042
Jump rope for heart	736	-	-	-	736
Lincoln building	(1)	1	-	-	-
Magazine campaign	13,391	14,159	17,707	(6,735)	3,108
Middle school art club	178	-	-	-	178
Mock trial fund	-	-	150	150	-
Model United Nations	4,120	22,409	26,435	-	94
National Honor Society	-	355	-	(355)	-
Outdoor classroom fund	4,153	-	162	-	3,991
Primary book fair	651	-	-	-	651
Prom	9,227	4,014	3,520	-	9,721
Soccer	(1)	4,001	4,675	675	-
Softball	-	2,020	3,861	1,841	-
Softball resale	23	1,457	2,405	925	-
Softball camp	3,261	1,963	799	-	4,425
Spanish club	50	1,094	-	-	1,144
Speech	1	3,748	3,617	(132)	-
Student council	4,782	3,943	2,634	-	6,091
Sunset building	1,964	-	-	-	1,964
Tour of homes	342	-	-	-	342
Tim Tjaden fund	150	350	240	-	260
Values for youth today fund	897	-	-	-	897
Vocal	1	4,515	3,922	(594)	-
Vocal music trip	5,001	18,862	22,235	-	1,628
Volleyball	188	3,101	3,218	(71)	-
Volleyball camp	6,807	3,165	7,005	-	2,967
Washington D.C. trip	1,341	104,742	104,358	-	1,725
Wrestling	(1)	12,092	8,727	(3,364)	-
Wrestling camp	121	6,362	5,789	-	694
Yearbook	19,967	21,208	22,180	-	18,995
Totals	250,224	487,948	488,775	-	249,397

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

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

For the Last Eight Years

	Modified Accrual Basis							
	2010	2009	2008	2007	2006	2005	2004	2003
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:								
Local sources:								
Local tax	7,946,850	7,803,193	7,694,208	7,378,752	7,085,360	7,102,629	6,517,071	5,171,246
Tuition	953,917	917,792	899,344	777,788	653,066	551,059	578,747	505,203
Other	684,091	719,205	1,074,227	774,109	656,568	538,311	597,615	535,384
Intermediate sources	-	-	-	38	-	-	-	-
State sources	5,125,710	5,943,499	5,927,369	5,587,891	5,648,453	5,497,907	5,583,902	5,649,892
Federal sources	1,044,094	370,025	251,805	278,400	342,766	430,622	1,170,412	319,330
Total revenues	<u>15,754,662</u>	<u>15,753,714</u>	<u>15,846,953</u>	<u>14,796,978</u>	<u>14,386,213</u>	<u>14,120,528</u>	<u>14,447,747</u>	<u>12,181,055</u>
Expenditures:								
Instruction:								
Regular	5,640,992	5,755,896	5,405,018	5,181,318	5,080,574	5,350,921	5,103,892	5,026,884
Special	1,674,586	1,701,711	1,799,576	1,666,542	1,629,080	1,606,248	1,669,377	1,686,325
Other	1,635,168	1,186,040	1,138,333	1,062,331	1,126,853	767,184	827,780	706,396
Support services:								
Student	191,203	269,037	270,689	302,002	296,249	350,707	352,392	369,823
Instructional staff	533,631	463,790	456,067	431,875	430,435	408,423	351,026	352,696
Administration	1,376,261	1,338,533	1,565,650	1,303,975	1,313,135	1,185,912	1,252,502	1,135,896
Operation and maintenance	1,332,685	1,415,805	1,291,820	1,273,033	1,275,457	1,209,981	1,084,470	1,053,541
Transportation	483,599	575,635	572,557	581,832	412,492	481,040	354,789	339,116
Non-instructional programs	10,821	-	-	-	-	-	-	-
Other expenditures:								
Facilities acquisition	582,086	1,842,399	4,174,670	1,754,063	769,713	876,919	3,235,345	380,860
Long-term debt:								
Principal	4,345,000	1,295,000	375,000	355,000	810,000	995,000	300,000	285,000
Interest and other charges	355,998	410,285	329,479	230,430	250,854	282,548	289,799	301,206
AEA flowthrough	585,313	489,800	470,073	446,342	429,501	426,920	433,697	447,475
Total expenditures	<u>18,747,343</u>	<u>16,743,931</u>	<u>17,848,932</u>	<u>14,588,743</u>	<u>13,824,343</u>	<u>13,941,803</u>	<u>15,255,069</u>	<u>12,085,218</u>

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures \$</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	39,441
National School Lunch Program (non-cash)	10.555	FY10	43,159
National School Lunch Program	10.555	FY10	196,526
			<u>279,126</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	130,879
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	43,398
			<u>174,277</u>
Special Education - Grants to States	84.027	FY10	147 *
Safe and Drug Free Schools and Communities - State Grants	84.186	FY10	13,618
Improving Teacher Quality State Grants	84.367	FY10	53,260
Grants for State Assessments and Related Activities	84.369	FY10	9,133
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY10	611,118
Area Education Agency #267			
Special Education - Grants to States	84.027	FY10	72,143 *
Career and Technical Education - Basic Grants to States	84.048	FY10	453
ARRA - Special Education Grants to States, Recovery Act	84.391	FY10	109,943 *
			<u>1,323,218</u>
Total			<u>1,323,218</u>

* Total for Special Education Cluster (IDEA) is \$182,233

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

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

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clear Lake Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 17, 2011. We did not issue an opinion on the Clear Lake Community School Foundation, which is included as a discretely presented component unit, because we were not engaged to and did not audit the Foundation. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 10-II-A and 10-II-B to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

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

February 17, 2011

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

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

Compliance

We have audited Clear Lake Community School District's compliance with the types of compliance requirements described in the (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. Clear Lake Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Clear Lake Community School District's management. Our responsibility is to express an opinion on Clear Lake Community School District's compliance based on our audit.

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

In our opinion, Clear Lake Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Clear Lake Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected, and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified a certain deficiency in internal control over compliance that we consider to be significant deficiency as described in the accompanying Schedule of Finding and Questioned Costs as item 10-III-A. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Clear Lake Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Clear Lake Community School District's responses and, accordingly, we express no opinion on the responses.

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

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

February 17, 2011

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 20, 2010

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

- (a) Unqualified opinions were issued on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information. The discretely presented component unit was not audited and no opinion was issued on it.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements. No significant deficiencies were reported.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over the major programs was disclosed by the audit of the financial statements. No material weaknesses were reported.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
 - Special Education Cluster (IDEA)
 - CFDA Number 84.027 – Special Education – Grants to States
 - CFDA Number 84.391 – ARRA - Special Education Grants to States, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Clear Lake Community School District did not qualify as a low-risk auditee.

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 20, 2010

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

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

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

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

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

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

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 20, 2010

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance:

No matters were reported.

Internal Control Deficiencies:

CFDA Number 84.027: Special Education – Grants to States
CFDA Number 84.391: ARRA – Special Education Grants to States, Recovery Act
Federal Award Year: 2010
U.S. Department of Education
Passed through Area Education Agency #267

CFDA Number 84.394: ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants,
Recovery Act
Federal Award Year: 2010
U.S. Department of Education
Passed through the Iowa Department of Education

10-III-A Accounting for Expenditures: ARRA State Fiscal Stabilization and Special Education Cluster Program expenditures were not charged directly to specific expense accounts as the expenditures were incurred. ARRA program expenditures were reclassified to ARRA expenditure accounts at year-end. Also administrative approval for the expenditures charged to ARRA State Fiscal Stabilization and Special Education grants was not documented.

Recommendation: The District should record federal expenditures to specific federal expenditures accounts as the expenditures are incurred and the District should document administrative approval for the expenditures charged to federal programs.

District Response: We will revise our procedures for recording and documenting ARRA State Fiscal Stabilization and Special Education Federal Program expenditures.

Conclusion: Response accepted.

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 20, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

10-IV-A Certified Budget: Expenditures for the year ended June 30, 2010, exceeded the amount budgeted in the other expenditures function.

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

District Response: The budget was exceeded due to year-end adjustments for refunding bonds. Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

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

10-IV-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

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

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

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

10-IV-G Certified Enrollment: No transactions requiring board approval that had not been approved by the board were noted.

10-IV-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.

10-IV-I Deposits and Investments: The type of investments that a school may have is limited by the Code of Iowa and the District's investment policy. However, the District may accept gifts of stocks or bonds. The District owns a municipal bond issued by a college. This investment does not appear to be allowable.

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

District Response: We will contact our attorney to determine if there should be changes in the way the investment is being handled.

Conclusion: Response accepted.

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 20, 2010

Part IV: Other Findings Related to Required Statutory Reporting (continued):

- 10-IV-J Certified Annual Report (CAR): The CAR was certified to the Iowa Department of Education timely.
- 10-IV-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 10-IV-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales and services tax revenue are as follows:

	\$	\$
Beginning balance		2,569,887
Statewide sales and services tax	1,557,299	
Interest revenue	<u>3,332</u>	1,560,631
Expenditures/transfers out:		
School infrastructure:		
Buildings	247,395	
Debt service for school infrastructure:		
General obligation debt	1,025,719	
Revenue debt	<u>1,142,595</u>	<u>2,415,709</u>
Ending balance		<u><u>1,714,809</u></u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
	\$	\$
Debt service Levy	2.81620	1,557,299

- 10-IV-M Reclassification of Student Activity Fund Accounts: The Student Activity Fund is to be used to account for extracurricular student activities, clubs and organizations. Each account within the Student Activity Fund should be for a specific extra-curricular club, activity, or organization. We noted miscellaneous building accounts and playground accounts in Student Activity Fund that do not appear to be student activities or clubs.

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

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 20, 2010

Part IV: Other Findings Related to Required Statutory Reporting (continued):

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

Conclusion: Response accepted.

10-IV-N Old outstanding checks: We noted that the District's bank reconciliations included approximately \$2,500 of old outstanding checks. Iowa Code Section 566 specifies that holders unclaimed property, which includes outstanding checks, must file a report with and send the unclaimed property to the Treasurer of Iowa.

Recommendation: The District should investigate the status of all old outstanding checks. Checks that were issued in error or in duplicate should be voided and removed from the list of outstanding checks. The District should search for the owners of all other outstanding checks, then, reissue new checks if the owners are found. If the owners can not be found, the District must file an unclaimed property report with and send the money to the Treasurer State of Iowa.

Response: We will begin investigating the status of old outstanding checks and we will file an unclaimed property report with the Treasurer of Iowa if necessary.

Conclusion: Response accepted.

10-IV-O Signatures on Checks: All District checks are to be signed by the Board President and Board Secretary. The Board may designate another individual to sign for the Board President.

We noted that checks for a scholarship fund are signed by a bank employee.

Recommendation: The District should revise its check signing procedures. All checks should be signed by the board secretary and the board president, or person appointed by the board to sign for the board president.

District Response: We will review our procedures and make any changes necessary to be in compliance with Iowa law.

Conclusion: Response accepted.

10-IV-P Public Hearing: The Code of Iowa requires that schools hold a public hearing for all capital improvements with a cost exceeding \$100,000. We noted that the Board approved a locker room capital improvement without holding a public hearing.

Recommendation: The District should hold public hearings for all capital projects with cost in excess of \$100,000.

District Response: We will do this in the future.

Conclusion: Response accepted.

10-IV-Q Preschool State Funding: The District received state funding for preschool during fiscal year 2010 and accounted for this funding in the Enterprise Preschool Fund. The state funding for the voluntary four-year-old preschool should have been accounted for in the General Fund.

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 20, 2010

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

Recommendation: The District should report the revenues from and expenditures of the state voluntary four-year-old preschool in the General Fund.

District Response: We will do this in the future.

Conclusion: Response accepted.