

CLINTON COMMUNITY SCHOOL DISTRICT
Clinton, Iowa

FINANCIAL STATEMENTS
June 30, 2010

CLINTON COMMUNITY SCHOOL DISTRICT

TABLE OF CONTENTS

	PAGE
OFFICIALS.....	1
INDEPENDENT AUDITOR’S REPORT.....	2
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	4
BASIC FINANCIAL STATEMENTS.....	16

Exhibit

Government-wide Financial Statements:	
Statement of Net Assets.....	A 17
Statement of Activities.....	B 18
Governmental Fund Financial Statements:	
Balance Sheet.....	C 20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets.....	D 21
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit).....	E 22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities.....	F 24
Proprietary Fund Financial Statements:	
Statement of Net Assets.....	G 25
Statement of Revenues, Expenses, and Changes in Net Assets.....	H 26
Statement of Cash Flows.....	I 28
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets.....	J 30
Notes to Financial Statements.....	31

REQUIRED SUPPLEMENTAL INFORMATION 49

Budgetary Comparison Schedule of Revenues, Expenditures, and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds.....	50
Note to Required Supplemental Information - Budgetary Reporting.....	51
Schedule of Funding Progress for the Retiree Health Plan.....	52

OTHER SUPPLEMENTAL INFORMATION 53

Schedule

Nonmajor Funds:	
Combining Balance Sheet.....	1 54
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances (Deficit).....	2 55
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund.....	3 57
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types.....	4 58

CLINTON COMMUNITY SCHOOL DISTRICT

TABLE OF CONTENTS

(Continued)

	PAGE
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.....	59
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....	61
Schedule of Expenditures of Federal Awards	63
Schedule of Findings and Questioned Costs	64
Summary Schedule of Prior Federal Audit Findings	72
Corrective Action Plan for Federal Audit Findings	73

CLINTON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term</u>
Board of Education (Before September 2009 Election)		
Thea Engelson	President	September 2009
Wendy Krajnovich	Vice President	September 2009
Mercia Wolf	Board Member	September 2009
Joani Kittoe	Board Member	September 2011
Steve Luett	Board Member	September 2011
James McGraw	Board Member	September 2011
Stephen Teney	Board Member	September 2011
Board of Education (After September 2009 Election)		
James McGraw	President	September 2011
Mercia Wolf	Vice President	September 2013
Steve Luett	Board Member	September 2011
Stephen Teney	Board Member	September 2011
Gregg Obren	Board Member	September 2013
Missey Sullivan-Pope	Board Member	September 2013
Jack Wenzel	Board Member	September 2013
School Officials		
Dr. Richard Basden	Superintendent	Resignation effective June 30, 2010
Jan Culbertson	District Secretary/Treasurer and Business Manager	Current

Independent Auditor's Report

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

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

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

During the audit engagement we were not able to reconcile cash balances to the general ledger. This was due to bank reconciliations not being performed for the entire year under audit. Cash balances were confirmed with financial institutions, however, even after performing extensive audit procedures and making material audit adjustments, the cash balances confirmed by financial institutions did not agree to the District's accounting records. Therefore, we were unable to form an opinion regarding cash balances at June 30, 2010, and we were unable to satisfy ourselves about the completeness of the cash balances by means of other auditing procedures.

In our opinion, except for the effects of such adjustments noted above, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Clinton Community School District as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2011, on our consideration of Clinton Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 15 and 50 through 52 are not required parts of the basic financial statements, but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clinton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2009 (which is not presented herein) and expressed an unqualified opinion on those financial statements. The financial statements for the six years ended June 30, 2008, presented in Schedule 4 on page 58 of this report, were audited by other auditors whose reports expressed unqualified opinions on those financial statements. The other supplemental information included in Schedules 1 through 4, 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.

Wink, Paul & Foster, CPA PC

Clinton, Iowa
May 27, 2011

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

As management of the Clinton Community School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- General revenues accounted for \$39.9 million of the government-wide revenue, or 76.9% of all fiscal year 2010 revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$12.0 million or 23.1% of total fiscal year 2010 revenues.
- The District had approximately \$47.8 million in expenses related to governmental activities; of which \$10.1 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$39.9 million provided for the remaining costs of these programs.
- A decline in interest rates during the past three fiscal years has resulted in a decrease in interest earnings. Interest earnings in fiscal year 2010 totaled \$84,316 compared to \$289,018 in fiscal year 2009.

The following actions were taken by the Board of Education during 2009-2010 and impacted the financial position of the district:

1. On July 13, 2009 a Public Hearing was held regarding the proposed plans for the Clinton High School Athletic Stadium Concession Stand project. A portion of the project was paid by the Restoring Royalty Association and the rest was through school district funds. The cost of the project was \$223,473.
2. At the July 13, 2009 board meeting, Superintendent Basden presented a school boundary update. The intent would be to redesign the boundaries within the district for attendance at the centers.
3. The Buildings & Trades house, remodeled by CHS students, was sold for \$57,000. The house is located at 657 7th Avenue South.
4. Assistant Superintendent Deborah Olson reported the Annual Yearly Progress of Clinton students to the board on August 31, 2009. Two elementary buildings, Bluff and Jefferson, were identified as Level 2 schools and parents would be offered a school choice option. Test scores were reported as improving but there were other areas identified as not meeting NCLB standards.
5. A new schedule was adopted for board meetings to be rotated between the eight schools in the district. The rotation was approved at the September 14th board meeting.
6. On September 14, 2009, the board approved the employment of Iowa School Construction Administration Services, LLC as project managers for the planned construction projects.
7. Board members were notified of approval of \$2,000,000 to be received in QZAB funds to be used toward the planned construction projects.

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

8. The CHS Welding program received a gaming grant in the amount of \$55,000 in September 2009. The funds will be used to provide improvements to the program and allow students the opportunity to become certified welders. Students from Camanche and Northeast are invited to take part in the program.
9. On September 8, 2009, the board election resulted in Mercia Wolf, Gregg J. Obren, Missey Sullivan-Pope, and Jack Wenzel all taking office as Directors of the Board of Education for a period of 4 years each.
10. Bids were approved on December 14, 2009 for the Air Conditioning Project at Whittier and Bluff for a total of \$1,723,000. The project is expected to be completed by August 2010.
11. Bids were approved on January 25, 2010 for the Softball and Baseball Fields Lighting project at Eagle Heights Elementary School for a total of \$208,793.
12. In January 2010, an irregularity in district funds was suspected. The accounting firm of Studler, Doyle & Company was employed to provide auditing services.
13. Budget discussions began in January 2010 to determine how the district would meet their financial obligations for FY11. The impact of the across the board cuts implemented by Governor Culver would affect the district and require interfund borrowing of approximately \$2,157,000 for the current fiscal year and approximately \$2,300,000 for FY11. Budget reductions were proposed and discussed. On February 8, 2010, board motion approved a \$1.90/\$1,000 assessed valuation increase in property taxes for FY11 and future years, but lasting no longer than 4 years.
14. Business Manager and Board Secretary Gayle Isaac resigned effective no later than March 1, 2010.
15. On February 17, 2010, the board approved purchasing a tract of land from Raymond E. and Evelyn Stuedemann Trustees at a total purchase price of \$785,520.
16. Deborah Olson was appointed interim Board Secretary/Treasurer on February 8, 2010. Janice Culbertson was subsequently employed and was sworn in as Board Secretary/Treasurer on March 8, 2010.
17. The board approved an Early Retirement package for FY11. The following people were approved: Lindra Bicksler, Fern Duncan, Dorinda Haines, Jane Harding, Carol Hunter, Janet Jackson, Barbara Kinkaid, Jeffrey Lakin, Gaylene Mangan, Carol McGuire, Pam Sheridan, Mary Melinda Smith, and Linda Trott.
18. On March 8, 2010, a Resolution Authorizing and Providing for the Terms of Issuance and Securing the Payment of \$30,000,000 School Infrastructure Sales, Services and Use Tax Revenue Bonds was approved.
19. The Certified FY11 Budget included: 10% for Instructional Support Levy, 9% income surtax rate, cash reserve levy of \$2,174,000, Management Levy of \$584,442, and PPEL levy of \$.33/\$1,000 assessed valuation.
20. Superintendent Richard Basden resigned his position on March 29, 2010 effective June 30, 2010. Assistant Superintendent Deborah Olson was named Interim Superintendent beginning July 1, 2010 at a salary of \$135,000 per year.

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

21. On April 26, 2010, President McGraw stated that it has been determined that the District sustained a loss in excess of its insurance policy limits of \$500,000 as a result of misappropriation of funds by a former employee. A Subrogation Agreement was signed in order to process insurance coverage.
22. On May 26, 2010, the District refinanced the \$4,430,000 General Obligation bonds resulting in a savings of \$270,590 over the next 7 years for the patrons of the District.
23. On May 10, 2010 the board approved the purchase of a house located at 801 8th Avenue for a sum of \$57,500 with funds to be paid from the \$.01 sales tax revenue. The area will be used to increase the high school parking lot in the future.
24. Bids were received and approved on June 22, 2010 for the new construction and remodeling at Clinton High School as follows:

Mechanical	Climate River Valley	\$1,819,000
Electrical	Tri-City Electric	\$ 814,444
Swimming Pool	Westport Pools	\$ 930,000
	Alternate	\$ 21,500
General	Conion Construction	\$4,059,000

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The statement of net assets presents information on all of the District's assets and liabilities. 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.

The government-wide financial statements can be found on pages 17 through 19 of this report.

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 21 and 24, respectively.

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

The basic governmental fund financial statements can be found on pages 20 and 22-23 of this report.

Proprietary funds. Proprietary funds are used to account for activities that are similar to private business activities. Proprietary funds are reported in the same manner as the government-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provides more detail and additional information, such as cash flows. The District has two enterprise funds: School Nutrition and Student Construction. The District's internal service funds are used to account for health benefits for District employees and print shop activities. The internal service funds are allocated to the governmental activities column on the statement of activities. The basic proprietary fund financial statements can be found on pages 25-29 of this report.

Fiduciary funds. The District is the trustee, or fiduciary, for assets that belong to others. The District has one agency fund.

Agency Funds - These are funds through which the District accounts for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

The District is responsible for ensuring the assets reported in the fiduciary fund 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.

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 31-48 of this report.

Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	Activities of the District that are not proprietary or fiduciary, such as instruction, administration, and building maintenance	Activities the District operates similar to private businesses such as school nutrition and childcare	Activities in which the District administers resources on behalf of someone else, such as scholarships
Required financial statements	Statement of Net Assets Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Assets Statement of Revenues, Expenses, and Changes in Net Assets Statement of Cash Flows	Statement of Fiduciary Net Assets Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or within specified periods after year end; expenditures when goods or services are received and liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the District's budget process. The District adopts an annual expenditure budget for all governmental funds. The District amended its budget one time during fiscal year 2010. A budgetary comparison statement has been provided as required supplemental information.

The required supplemental information can be found on pages 49-52 of this report.

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$30.5 million as of June 30, 2010.

A portion of the District's net assets (97.4%) reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that are still outstanding. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The government-wide statements also include approximately \$34.3 million in long-term liabilities (see Note 5 on pages 38-42), including general obligation bonds, revenue bonds, notes payable and other post employment benefits payable.

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

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2010.

Condensed Statement of Net Assets (in millions of dollars)

	Governmental Activities		Business-type Activities		Total School District	
	2010	2009	2010	2009	2010	2009
Current and other assets	54.0	27.0	1.4	1.2	55.4	28.2
Capital assets	35.0	31.2	0.7	0.7	35.7	31.9
Total assets	89.0	58.2	2.1	1.9	91.1	60.1
Current and other liabilities	26.2	19.4	0.0	0.0	26.2	19.4
Long-term liabilities	34.3	12.4	0.0	0.0	34.3	12.4
Total liabilities	60.5	31.8	0.0	0.0	60.5	31.8
Invested in capital assets, net of related debt	29.0	24.5	0.7	0.7	29.7	25.2
Restricted	28.3	0.1	0.0	0.0	28.3	0.1
Unrestricted	-28.9	1.8	1.4	1.2	-27.5	3.0
Total net assets	28.4	26.4	2.1	1.9	30.5	28.3

Note: totals may not add due to rounding

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2010 were \$51.8 million. The total cost of all programs and services was \$49.6 million. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2010.

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

	Governmental Activities		Business-type Activities		Total School District	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues						
Charges for services	1.0	0.8	0.7	0.7	1.7	1.5
Operating grants and contributions	9.0	6.4	1.2	1.1	10.2	7.5
General revenues						
Property and mobile home taxes	13.3	11.8	0.0	0.0	13.3	11.8
Local option sales taxes	3.2	3.7	0.0	0.0	3.2	3.7
AEA flowthrough	1.8	1.6	0.0	0.0	1.8	1.6
Unrestricted investment earnings	0.1	0.3	0.0	0.0	0.1	0.3
Unrestricted state aid	19.0	22.1	0.0	0.0	19.0	22.1
Other	2.5	0.9	0.0	0.0	2.5	0.9
Total revenues	49.9	47.6	1.9	1.8	51.8	49.4
Expenses						
Instruction	31.1	29.4	0.0	0.0	31.1	29.4
Support services						
Student services	2.3	2.3	0.0	0.0	2.3	2.3
Instructional staff services	1.4	1.2	0.0	0.0	1.4	1.2
Administration services	4.7	2.9	0.0	0.0	4.7	2.9
Plant operation and maintenance	3.9	4.1	0.0	0.0	3.9	4.1
Student transportation	1.7	1.8	0.0	0.0	1.7	1.8
Central support services	0.0	1.5	0.0	0.0	0.0	1.5
Non-instructional programs	0.0	0.0	1.8	1.8	1.8	1.8
Other expenditures						
Facilities acquisitions	0.1	0.0	0.0	0.0	0.1	0.0
Long-term debt interest	0.8	0.5	0.0	0.0	0.8	0.5
AEA flow through	1.8	1.6	0.0	0.0	1.8	1.6
Total expenses	47.8	45.3	1.8	1.8	49.6	47.1
Change in net assets	2.1	2.3	0.1	0.0	2.2	2.3
Net assets, beginning of year	26.4	24.1	1.9	1.9	28.3	26.0
Net assets, end of year	28.5	26.4	2.0	1.9	30.5	28.3

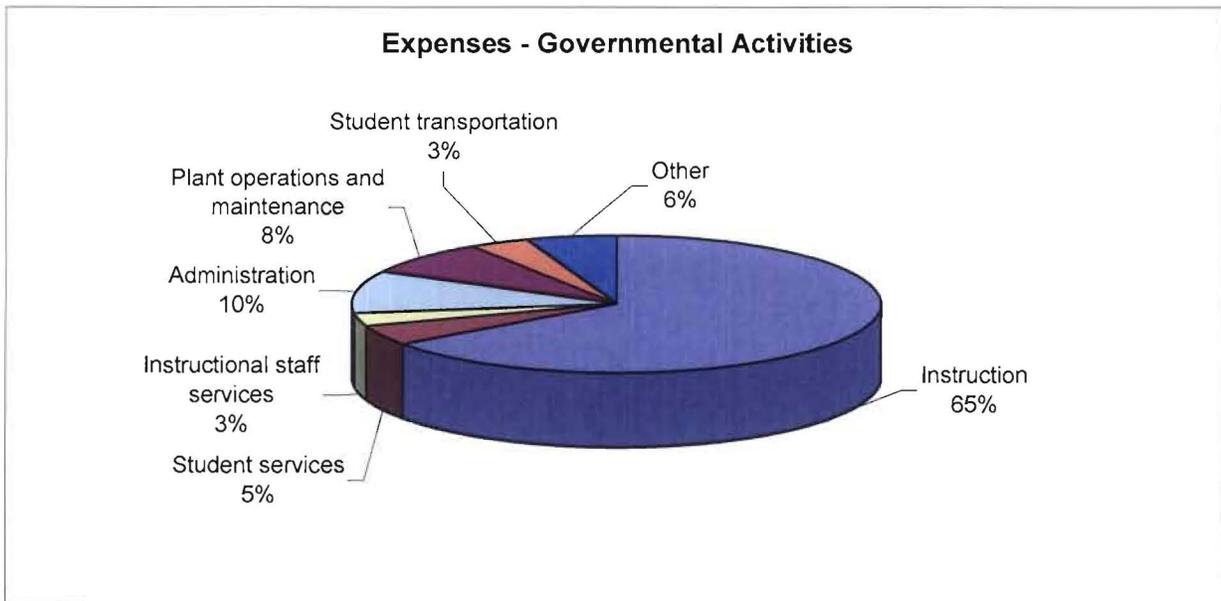
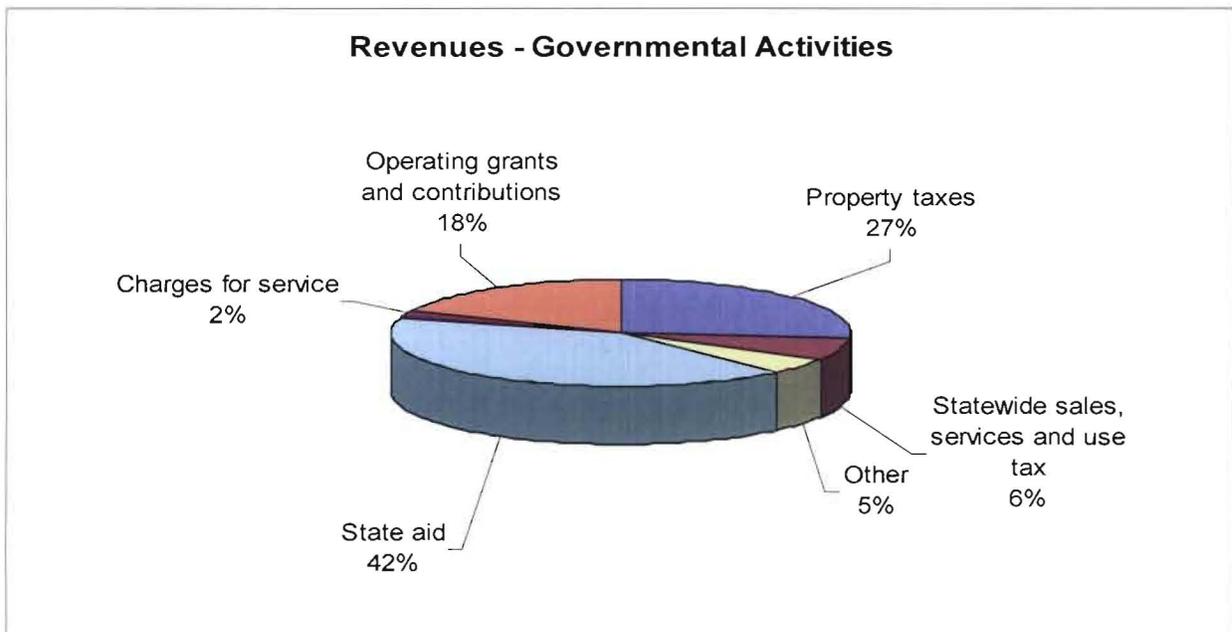
Note: totals may not add due to rounding

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

Governmental Activities

Unrestricted state aid, property taxes, and operating grants and contributions are the primary sources of revenue for the District accounting for approximately 87% of total governmental revenues.

Instruction constitutes the largest portion of expenditures at \$31.1 million or 65%. The District offers a wide array of programs including general education, special education, vocational and college preparatory classes. The purely administrative activities of the District accounted for 10% of total costs.



**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

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

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2010	2009	2009-2010	2010	2009	2009-2010
Instruction	31.1	29.5	5.4%	22.5	22.9	-1.7%
Student and Instructional Services	3.7	3.4	8.8%	2.3	2.8	-17.9%
Administrative and Business	4.7	4.4	6.8%	4.7	4.4	6.8%
Maintenance and Operations	3.9	4.1	-4.9%	3.9	4.1	-4.9%
Transportation	1.7	1.8	-5.6%	1.6	1.8	-11.1%
Other	2.7	2.2	22.7%	2.7	2.1	28.6%
Total	47.8	45.4	5.29%	37.7	38.1	-1.05%

Note: totals may not add due to rounding

- The cost of all governmental activities this year was \$47.8 million.
- Federal and state governments and charges for services subsidized certain governmental activities with grants and contributions totaling \$10 million.
- Net cost of governmental activities (\$37.7 million) was financed by general revenues, which are made up of primarily property and statewide sales, services and use tax (\$16.4 million) and state aid (\$19.0 million). Investment earnings and miscellaneous sources accounted for \$2.6 million.

Business-type activities

Revenues of the District's business-type activities were \$1.9 million and expenses were \$1.8 million. The District's business-type activities include the Student Construction and School Nutrition Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

The School Nutrition Fund's primary expenses are staff and commodities. The District's free and reduced participation increased during the fiscal year. The School Nutrition Fund had a change in net assets of approximately \$104,000 for fiscal year 2010.

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$2.4 million. This decrease was primarily due to an increase in instructional and support services costs during the year.

The Capital Projects Fund is restricted to school construction; the fund balance increase of \$28.0 million was due to bond proceeds received during the year.

The Debt Service Fund balance decreased by approximately \$600,000 during fiscal year 2010 due to a transfer of funds held with a fiscal agent to the Capital Projects Fund.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Over the course of the year, the District did amend its annual operating budget. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplemental information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and other governmental funds are not presented in the budgetary comparison on pages 50-51.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$1.5 million more than the total budgeted receipts, a variance of 2.9%. The most significant change resulted in the District receiving more in federal grants than originally anticipated. The District's total actual expenditures were approximately \$1.7 million more than the total budgeted expenditures, a variance of 3.2%.

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2010, the District had invested \$62.6 million in capital assets, including land, construction in progress, school buildings, athletic facilities, buses and other vehicles, computers, and other equipment. This amount represents a net increase prior to depreciation of approximately \$5.8 million from last year. Total depreciation expense for the year was \$1.3 million.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2010.

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

	Governmental Activities		Business-type Activities		Total School District	
	2010	2009	2010	2009	2010	2009
Land	1.8	1.0	0.0	0.0	1.8	1.0
Construction in progress	2.4	0.3	0.2	0.2	2.6	0.5
Land improvements	1.6	0.2	0.0	0.0	1.6	0.2
Buildings	27.7	28.3	0.0	0.0	27.7	28.3
Equipment and furniture	0.7	0.8	0.5	0.5	1.2	1.3
Buses	0.8	0.6	0.0	0.0	0.8	0.6
Total assets	35.0	31.2	0.7	0.7	35.7	31.9

Note. totals may not add due to rounding

Additional information on the District's capital assets can be found in Note 4 on pages 37-38 of this report.

Debt Administration. At year-end, the District had \$39.0 million in general obligation bonds, revenue bonds and other long-term debt outstanding, of which \$4.7 million is due within one year. The following table presents a summary of the District's outstanding long-term debt for the fiscal year ended June 30, 2010.

	Total Cost School District	
	2010	2009
General obligation bonds	4.4	5.0
Revenue bonds	32.6	5.6
Quality zone academy bonds	1.0	1.0
Notes payable	0.0	0.1
Compensated absences	0.4	0.4
Net OPEB liability	0.6	0.3
Total	39.0	12.4

Note: totals may not add due to rounding

**CLINTON COMMUNITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

State statutes currently limit the amount of general obligation debt a district may issue to 5 percent of its total assessed valuation. The current debt limitation for the District is \$62.8 million, which is more than the District's outstanding general obligation debt.

Additional information on the District's long-term debt can be found in Note 5 on pages 38-42 of this report.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- District enrollment decreased in fiscal year 2009-2010 by 77 students, this negative note is exacerbated by an increase of an additional 12.9 students in the open enrolled out program bringing that total to 244 students for fiscal year 2009-10. The open enrolled in students changed from 56 the previous year to 48 resulting in less tuition paid to Clinton Schools. Under Iowa's school funding formula, District funding for the next year is highly dependent upon the District's enrollment on student count day in October. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- The certified teaching staff was increased by 8.5 teachers for FY10. The total certified staff for fiscal year 2010 was 353.86.
- Clinton Community School District qualified for the State's 4 year old pre-school program with 281 students participating. That was an increase of 38 students.
- An embezzlement was discovered in January 2010. Over a four year period of time, it was determined \$1.2 million had been embezzled.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2010

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 7,772,311	\$ 1,259,378	\$ 9,031,689
Investments	26,812,037	-	26,812,037
Property taxes receivable			
Current year delinquent	1,394,907	-	1,394,907
Succeeding year	13,736,024	-	13,736,024
Accrued interest receivable	7,296	-	7,296
Other receivables	962,469	-	962,469
Prepays	3,550	-	3,550
Due from other governments	3,262,303	14,578	3,276,881
Inventories	71,936	118,924	190,860
Capital assets, net of accumulated depreciation	34,989,663	678,819	35,668,482
Total assets	<u>89,012,496</u>	<u>2,071,699</u>	<u>91,084,195</u>
LIABILITIES			
Accounts payable	1,678,041	199	1,678,240
Accrued payroll and deductions	4,142,811	5,793	4,148,604
Accrued interest payable	445,674	-	445,674
Deferred revenue	15,202,416	12,427	15,214,843
Long-term liabilities			
Portion due within one year:			
Bonds and notes payable	4,316,139	-	4,316,139
Compensated absences payable	383,909	23,498	407,407
Portion due after one year:			
Bonds and notes payable, net of discount	33,728,216	-	33,728,216
Net OPEB liability	608,174	-	608,174
Total liabilities	<u>60,505,380</u>	<u>41,917</u>	<u>60,547,297</u>
NET ASSETS			
Investment in capital assets, net of related debt	29,008,830	678,819	29,687,649
Restricted for:			
Management levy	384,536	-	384,536
Physical plant and equipment levy	73,479	-	73,479
Debt service	1,947,765	-	1,947,765
Capital projects	25,971,957	-	25,971,957
Unrestricted	(28,879,451)	1,350,963	(27,528,488)
Total net assets	<u>\$ 28,507,116</u>	<u>\$ 2,029,782</u>	<u>\$ 30,536,898</u>

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
Governmental activities:			
Instruction			
Regular instruction	\$ 15,733,798	\$ 625,653	\$ 7,547,290
Special instruction	9,643,398	-	-
Other instruction	5,708,657	374,777	59,212
	<u>31,085,853</u>	<u>1,000,430</u>	<u>7,606,502</u>
Support services			
Student services	2,289,729	-	1,382,901
Instructional staff services	1,439,645	2,572	-
General administration	868,509	-	-
Building administration	2,447,487	-	-
Business administration	1,412,446	-	-
Plant operations and maintenance	3,925,832	8,684	-
Student transportation	1,668,656	19,312	41,604
	<u>14,052,304</u>	<u>30,568</u>	<u>1,424,505</u>
Non-instructional programs	<u>27,723</u>	<u>-</u>	<u>-</u>
Other expenditures			
Facilities acquisition	84,703	-	-
Long-term debt interest	761,992	-	-
AEA flowthrough	1,786,325	-	-
	<u>2,633,020</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>47,798,900</u>	<u>1,030,998</u>	<u>9,031,007</u>
Business-type activities:			
Non-instructional programs			
Nutrition services	1,772,953	687,892	1,189,055
Student construction	56,453	52,171	-
Total business-type activities	<u>1,829,406</u>	<u>740,063</u>	<u>1,189,055</u>
Total	<u>\$ 49,628,306</u>	<u>\$ 1,771,061</u>	<u>\$ 10,220,062</u>
General revenues:			
Property and mobile home taxes			
Statewide sales, services and use tax			
Unrestricted state aid			
AEA flowthrough			
Unrestricted investment earnings			
Miscellaneous			
Special item, missppropriated collections			
Total general revenues			

CHANGE IN NET ASSETS

NET ASSETS, BEGINNING OF YEAR

NET ASSETS, END OF YEAR

See notes to financial statements.

EXHIBIT B

Net (Expenses) Revenues
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (7,560,855)	\$ -	\$ (7,560,855)
(9,643,398)	-	(9,643,398)
(5,274,668)	-	(5,274,668)
<u>(22,478,921)</u>	<u>-</u>	<u>(22,478,921)</u>
(906,828)	-	(906,828)
(1,437,073)	-	(1,437,073)
(868,509)	-	(868,509)
(2,447,487)	-	(2,447,487)
(1,412,446)	-	(1,412,446)
(3,917,148)	-	(3,917,148)
(1,607,740)	-	(1,607,740)
<u>(12,597,231)</u>	<u>-</u>	<u>(12,597,231)</u>
<u>(27,723)</u>	<u>-</u>	<u>(27,723)</u>
(84,703)	-	(84,703)
(761,992)	-	(761,992)
(1,786,325)	-	(1,786,325)
<u>(2,633,020)</u>	<u>-</u>	<u>(2,633,020)</u>
<u>(37,736,895)</u>	<u>-</u>	<u>(37,736,895)</u>
-	103,994	103,994
-	(4,282)	(4,282)
-	99,712	99,712
<u>(37,736,895)</u>	<u>99,712</u>	<u>(37,637,183)</u>
13,251,176	-	13,251,176
3,188,663	-	3,188,663
19,029,438	-	19,029,438
1,786,325	-	1,786,325
84,316	-	84,316
2,028,007	-	2,028,007
500,000	-	500,000
<u>39,867,925</u>	<u>-</u>	<u>39,867,925</u>
2,131,030	99,712	2,230,742
<u>26,376,086</u>	<u>1,930,070</u>	<u>28,306,156</u>
<u>\$ 28,507,116</u>	<u>\$ 2,029,782</u>	<u>\$ 30,536,898</u>

CLINTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

EXHIBIT C

	General	Capital Projects Fund	Debt Service Fund	Nonmajor Funds	Total
ASSETS					
Cash and cash equivalents	\$ -	\$ 4,260,227	\$ 43,939	\$ 448,823	\$ 4,752,989
Investments	650,055	26,117,496	44,486	-	26,812,037
Property taxes receivable					
Current year delinquent	1,216,488	-	83,865	94,554	1,394,907
Succeeding year	12,150,390	-	721,301	864,333	13,736,024
Accrued interest receivable	-	7,296	-	-	7,296
Other receivables	81,534	-	-	79,669	161,203
Prepays	3,550	-	-	-	3,550
Due from other governments	2,743,111	519,192	-	-	3,262,303
TOTAL ASSETS	\$ 16,845,128	\$ 30,904,211	\$ 893,591	\$ 1,487,379	\$ 50,130,309
LIABILITIES AND FUND BALANCES (DEFICIT)					
Liabilities					
Cash overdrafts	\$ 1,308,612	\$ -	\$ -	\$ 1,070,032	\$ 2,378,644
Accounts payable	61,969	818,540	-	56,799	937,308
Accrued payroll and deductions	4,142,138	-	-	86	4,142,224
Deferred revenue					
Succeeding year property tax	12,150,390	-	721,301	864,333	13,736,024
Other	2,996,923	-	71,786	78,435	3,147,144
Total liabilities	20,660,032	818,540	793,087	2,069,685	24,341,344
Fund balances (deficit)					
Reserved for:					
Debt service	-	1,601,454	100,504	-	1,701,958
Unreserved, reported in:					
General fund	(3,814,904)	-	-	-	(3,814,904)
Special revenue funds	-	-	-	(582,306)	(582,306)
Capital projects fund	-	28,484,217	-	-	28,484,217
Total fund balances (deficit)	(3,814,904)	30,085,671	100,504	(582,306)	25,788,965
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 16,845,128	\$ 30,904,211	\$ 893,591	\$ 1,487,379	\$ 50,130,309

See notes to financial statements.

**CLINTON 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 (page 20) \$ 25,788,965

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

resources and, therefore, are not reported as assets in the governmental funds. 34,985,767

Receivables not collected within 60 days of year end are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. 1,680,752

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. (445,674)

Accounts payable that do not require the use of current financial resources are therefore, not reported as a liability in the governmental funds. (120,717)

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

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

Capital assets	\$ 3,896	
Remaining assets and liabilities	<u>5,650,565</u>	5,654,461

Long-term liabilities, including bonds and notes payable, compensated absences, and other post employment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (39,036,438)

Net assets of governmental activities (page 17) \$ 28,507,116

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	General	Local Option Sales Tax Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
REVENUES					
Local sources					
Taxes	\$11,277,123	\$ 3,188,663	\$ 703,925	\$ 947,331	\$ 16,117,042
Tuition	459,722	-	-	-	459,722
Other	478,043	32,279	16	2,091,722	2,602,060
Intermediate sources	55,000	-	-	-	55,000
State sources	23,651,805	-	473	662	23,652,940
Federal sources	6,173,564	-	-	-	6,173,564
Total revenues	<u>42,095,257</u>	<u>3,220,942</u>	<u>704,414</u>	<u>3,039,715</u>	<u>49,060,328</u>
EXPENDITURES					
Current operating:					
Instruction					
Regular instruction	14,556,489	-	-	149,475	14,705,964
Special instruction	9,742,279	-	-	9,912	9,752,191
Other instruction	5,244,287	-	-	455,032	5,699,319
Total instruction	<u>29,543,055</u>	<u>-</u>	<u>-</u>	<u>614,419</u>	<u>30,157,474</u>
Support services					
Student services	2,260,989	-	-	25,591	2,286,580
Instructional staff services	1,445,502	-	-	-	1,445,502
General administration	785,332	32,776	-	51,812	869,920
Building administration	2,353,264	-	-	3,716	2,356,980
Business administration	1,334,727	62,239	-	18,410	1,415,376
Plant operations and maintenance	3,727,146	-	-	257,577	3,984,723
Student transportation	1,785,321	-	-	96,637	1,881,958
Total support services	<u>13,692,281</u>	<u>95,015</u>	<u>-</u>	<u>453,743</u>	<u>14,241,039</u>

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	General	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Non-instructional programs	\$ -	\$ -	\$ -	\$ 3,708	\$ 3,708
Other expenditures					
Facilities acquisition	-	2,545,357	-	2,094,498	4,639,855
Long-term debt					
Principal	-	-	3,170,311	-	3,170,311
Interest and finance charges	-	-	403,903	-	403,903
AEA flow through	1,786,325	-	-	-	1,786,325
Total other expenditures	1,786,325	2,545,357	3,574,214	2,094,498	10,000,394
Total expenditures	45,021,661	2,640,372	3,574,214	3,166,368	54,402,615
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,926,404)</u>	<u>580,570</u>	<u>(2,869,800)</u>	<u>(126,653)</u>	<u>(5,342,287)</u>
OTHER FINANCING SOURCES (USES)					
Revenue bonds issued	-	30,000,000	-	-	30,000,000
Discount on bonds	-	(443,242)	-	-	(443,242)
Accrued interest on bonds	-	-	76,926	-	76,926
Transfers in	-	671,515	2,845,256	-	3,516,771
Transfers out	(22,676)	(2,822,580)	(671,515)	-	(3,516,771)
Total other financing sources (uses)	<u>(22,676)</u>	<u>27,405,693</u>	<u>2,250,667</u>	<u>-</u>	<u>29,633,684</u>
Special item, misappropriated collections	500,000	-	-	-	500,000
NET CHANGE IN FUND BALANCES	<u>(2,449,080)</u>	<u>27,986,263</u>	<u>(619,133)</u>	<u>(126,653)</u>	<u>24,791,397</u>
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	<u>(1,365,824)</u>	<u>2,099,408</u>	<u>719,637</u>	<u>(455,653)</u>	<u>997,568</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u><u>\$ (3,814,904)</u></u>	<u><u>\$ 30,085,671</u></u>	<u><u>\$ 100,504</u></u>	<u><u>\$ (582,306)</u></u>	<u><u>\$ 25,788,965</u></u>

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 Year Ended June 30, 2010

Net change in fund balances - total governmental funds (page 23) \$24,791,397

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

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

Expenditures for capital assets	\$ 4,988,090	
Depreciation expense	<u>(1,208,274)</u>	3,779,816

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the government-wide statement of activities.

Issued, less bond discount		(29,556,758)
Repaid		3,170,310
Amortization of discounts and bond issuance costs		<u>(22,162)</u>

Some receivables will not be collected for several months after fiscal year end, so they are not considered as "available" revenues in the governmental funds, and they are instead counted as deferred revenues. They are, however, recorded as revenues in the statement of activities.

369,602

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

Change in accrued interest payable		(412,852)
------------------------------------	--	-----------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in accounts payable	30,560	
Change in compensated absences	53,069	
Change in other post employment benefits	<u>(301,055)</u>	(217,426)

The Internal Service Funds are used by management to charge the costs of employee health benefits and printing to individual funds. The net revenue of the Internal Service Funds is reported with governmental activities.

Depreciation expense	(456)	
Net revenue of remaining accounts	<u>229,559</u>	<u>229,103</u>

Change in net assets of governmental activities (page 19)		<u>\$ 2,131,030</u>
---	--	---------------------

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010

	Enterprise Fund			Internal Service Funds		Total Internal Service
	School Nutrition	Nonmajor Student Construction	Total Enterprise	Insurance	Print Shop	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,258,670	\$ 708	\$ 1,259,378	\$ 5,541,028	\$ -	\$ 5,541,028
Other receivables	-	-	-	801,266	-	801,266
Due from other governments	14,578	-	14,578	-	-	-
Inventories	118,924	-	118,924	-	71,936	71,936
Total current assets	<u>1,392,172</u>	<u>708</u>	<u>1,392,880</u>	<u>6,342,294</u>	<u>71,936</u>	<u>6,414,230</u>
Noncurrent assets:						
Land and construction in progress	-	192,906	192,906	-	-	-
Furniture and equipment	881,552	-	881,552	-	51,239	51,239
Less accumulated depreciation	(395,639)	-	(395,639)	-	(47,343)	(47,343)
Total noncurrent assets	<u>485,913</u>	<u>192,906</u>	<u>678,819</u>	<u>-</u>	<u>3,896</u>	<u>3,896</u>
Total assets	<u>1,878,085</u>	<u>193,614</u>	<u>2,071,699</u>	<u>6,342,294</u>	<u>75,832</u>	<u>6,418,126</u>
LIABILITIES						
Cash overdrafts	-	-	-	-	143,062	143,062
Accounts payable	199	-	199	35,016	-	35,016
Accrued payroll and deductions	5,793	-	5,793	-	587	587
Compensated absences payable	23,498	-	23,498	-	-	-
Claims payable	-	-	-	585,000	-	585,000
Deferred revenue	12,427	-	12,427	-	-	-
Total liabilities	<u>41,917</u>	<u>-</u>	<u>41,917</u>	<u>620,016</u>	<u>143,649</u>	<u>763,665</u>
NET ASSETS						
Invested in capital assets	485,913	192,906	678,819	-	3,896	3,896
Unrestricted	1,350,255	708	1,350,963	5,722,278	(71,713)	5,650,565
Total net assets	<u>\$ 1,836,168</u>	<u>\$ 193,614</u>	<u>\$ 2,029,782</u>	<u>\$ 5,722,278</u>	<u>\$ (67,817)</u>	<u>\$ 5,654,461</u>

See notes to financial statements.

**CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2010**

	<u>Enterprise Funds</u>		<u>Total Enterprise</u>
	<u>School Nutrition</u>	<u>Nonmajor Student Construction</u>	
OPERATING REVENUES			
Local sources			
Food service sales	\$ 687,622	\$ -	\$ 687,622
Charges to other funds	-	-	-
Other	270	52,171	52,441
Total operating revenues	<u>687,892</u>	<u>52,171</u>	<u>740,063</u>
OPERATING EXPENSES			
Non-instructional programs			
Food service operations			
Salaries	610,724	-	610,724
Employee benefits	148,099	-	148,099
Other purchased services	42,283	217	42,500
Supplies	901,995	56,236	958,231
Depreciation	69,852	-	69,852
Other operating costs	-	-	-
Total operating expenses	<u>1,772,953</u>	<u>56,453</u>	<u>1,829,406</u>
Operating income (loss)	<u>(1,085,061)</u>	<u>(4,282)</u>	<u>(1,089,343)</u>
NON-OPERATING REVENUES			
State sources	17,502	-	17,502
Federal sources			
Federal food commodities	119,942	-	119,942
Federal subsidy	1,051,611	-	1,051,611
Total non-operating revenues	<u>1,189,055</u>	<u>-</u>	<u>1,189,055</u>
NET INCOME (LOSS)	103,994	(4,282)	99,712
NET ASSETS, BEGINNING OF YEAR	<u>1,732,174</u>	<u>197,896</u>	<u>1,930,070</u>
NET ASSETS, END OF YEAR	<u>\$ 1,836,168</u>	<u>\$ 193,614</u>	<u>\$ 2,029,782</u>

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2010

	Internal Service Funds		Total Internal Service
	Insurance	Print Shop	
OPERATING REVENUES			
Local sources			
Food service sales	\$ -	\$ -	\$ -
Charges to other funds	6,021,337	119,682	6,141,019
Other	-	-	-
Total operating revenues	<u>6,021,337</u>	<u>119,682</u>	<u>6,141,019</u>
OPERATING EXPENSES			
Non-instructional programs			
Food service operations			
Salaries	-	-	-
Employee benefits	-	-	-
Other purchased services	-	-	-
Supplies	-	-	-
Depreciation	-	456	456
Other operating costs	<u>5,748,555</u>	<u>162,905</u>	<u>5,911,460</u>
Total operating expenses	<u>5,748,555</u>	<u>163,361</u>	<u>5,911,916</u>
Operating income (loss)	<u>272,782</u>	<u>(43,679)</u>	<u>229,103</u>
NON-OPERATING REVENUES			
State sources	-	-	-
Federal sources			
Federal food commodities	-	-	-
Federal subsidy	-	-	-
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>-</u>
NET INCOME (LOSS)	<u>272,782</u>	<u>(43,679)</u>	<u>229,103</u>
NET ASSETS, BEGINNING OF YEAR	<u>5,449,496</u>	<u>(24,138)</u>	<u>5,425,358</u>
NET ASSETS, END OF YEAR	<u>\$ 5,722,278</u>	<u>\$ (67,817)</u>	<u>\$ 5,654,461</u>

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2010

	Enterprise Funds			Internal Service Funds		Total Internal Service
	School Nutrition	Nonmajor Student Construction	Total Enterprise	Insurance	Print Shop	
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from sale of lunches and breakfasts	\$ 689,283	\$ -	\$ 689,283	\$ -	\$ -	\$ -
Cash received from operating fund reimbursements	270	52,171	52,441	5,907,207	119,682	6,026,889
Cash payments to employees for services	(757,179)	-	(757,179)	-	27	27
Cash payments to suppliers for goods and services	(860,123)	(63,648)	(923,771)	(5,711,655)	(187,914)	(5,899,569)
Net cash provided by (used in) operating activities	(927,749)	(11,477)	(939,226)	195,552	(68,205)	127,347
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Operating grants received	1,072,281	-	1,072,281	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of equipment/construction in progress	(22,077)	11,135	(10,942)	-	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	122,455	(342)	122,113	195,552	(68,205)	127,347
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,136,215	1,050	1,137,265	5,345,476	(74,857)	5,270,619
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,258,670	\$ 708	\$ 1,259,378	\$ 5,541,028	\$ (143,062)	\$ 5,397,966

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2010

	Enterprise Funds			Internal Service Funds		Total Internal Service
	School Nutrition	Nonmajor Student Construction	Total Enterprise	Insurance	Print Shop	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Operating income (loss)	\$ (1,085,061)	\$ (4,282)	\$ (1,089,343)	\$ 272,782	\$ (43,679)	\$ 229,103
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Commodities used	88,196	-	88,196	-	-	-
Depreciation	69,852	-	69,852	-	456	456
(Increase) decrease in other receivables	-	-	-	(114,130)	-	(114,130)
(Increase) decrease in inventories	-	-	-	-	(20,859)	(20,859)
Increase (decrease) in accounts payable	(4,041)	(7,195)	(11,236)	(3,100)	(4,150)	(7,250)
Increase (decrease) in accrued payroll and deductions	2,141	-	2,141	-	27	27
Increase (decrease) in compensated absences payable	(497)	-	(497)	-	-	-
Increase (decrease) in claims payable	-	-	-	40,000	-	40,000
Increase (decrease) in deferred revenues	1,661	-	1,661	-	-	-
Net cash provided by (used in) operating activities	<u>\$ (927,749)</u>	<u>\$ (11,477)</u>	<u>\$ (939,226)</u>	<u>\$ 195,552</u>	<u>\$ (68,205)</u>	<u>\$ 127,347</u>

NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

During the year ended June 30, 2010, the District received \$119,942 of federal commodities.

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2010

	Agency Fund
ASSETS	
Cash and cash equivalents	\$ 1,329
Total assets	1,329
LIABILITIES	
Due to other groups	1,329
Total liabilities	1,329
NET ASSETS	
None	\$ -

See notes to financial statements.

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

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

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

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

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

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

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

The District reports the following major governmental funds:

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

The Capital Projects Fund is used to account for the revenue from a local sales, services and use tax imposed in the County of Clinton at the rate of one percent. The money received from the tax shall be spent for school infrastructure as defined by Iowa Code.

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

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

The District also reports one fiduciary fund, which focuses on net assets and changes in net assets. The District's fiduciary fund includes the following:

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

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

D. Assets, Liabilities, and Fund Equity

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

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Impairment of Long-Lived Assets - The District reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

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

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

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

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 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 that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting and Budgetary Accounting

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

F. Subsequent Events

Management has evaluated subsequent events through May 27, 2011, the date the financial statements were available to be issued.

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

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$26,799,484</u>

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

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

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

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 3 - INTERFUND TRANSFERS

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

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$ 22,676
Capital projects fund	671,515	2,822,580
Debt service fund	<u>2,845,256</u>	<u>671,515</u>
Total	<u>\$ 3,516,771</u>	<u>\$ 3,516,771</u>

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

NOTE 4 - CAPITAL ASSETS

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

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,018,287	\$ 786,942	\$ -	\$ 1,805,229
Construction in progress	<u>269,146</u>	<u>2,212,946</u>	<u>80,247</u>	<u>2,401,845</u>
Total capital assets not being depreciated	<u>1,287,433</u>	<u>2,999,888</u>	<u>80,247</u>	<u>4,207,074</u>
Capital assets being depreciated:				
Land improvements	1,215,832	1,385,576	-	2,601,408
Buildings	44,836,649	296,682	-	45,133,331
Furniture and equipment	7,123,186	54,658	-	7,177,844
Buses and other pupil transportation equipment	<u>2,571,376</u>	<u>331,533</u>	<u>489,897</u>	<u>2,413,012</u>
Total capital assets being depreciated	<u>55,747,043</u>	<u>2,068,449</u>	<u>489,897</u>	<u>57,325,595</u>
Less accumulated depreciation for:				
Land improvements	996,976	15,094	-	1,012,070
Buildings	16,486,788	912,958	-	17,399,746
Furniture and equipment	6,350,677	154,761	-	6,505,438
Buses and other pupil transportation equipment	<u>1,989,732</u>	<u>125,917</u>	<u>489,897</u>	<u>1,625,752</u>
Total accumulated depreciation	<u>25,824,173</u>	<u>1,208,730</u>	<u>489,897</u>	<u>26,543,006</u>
Total capital assets being depreciated, net	<u>29,922,870</u>	<u>859,719</u>	<u>-</u>	<u>30,782,589</u>
Governmental activities capital assets, net	<u>\$31,210,303</u>	<u>\$ 3,859,607</u>	<u>\$ 80,247</u>	<u>\$34,989,663</u>

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 204,040	\$ 47,666	\$ 58,800	\$ 192,906
Capital assets being depreciated:				
Furniture and equipment	859,476	22,076	-	881,552
Less accumulated depreciation	325,787	69,852	-	395,639
Capital assets being depreciated, net:	533,689	(47,776)	-	485,913
Business-type activities capital assets, net	\$ 737,729	\$ (110)	\$ 58,800	\$ 678,819

Depreciation expense was charged by the District as follows:

 Governmental activities:

 Instruction:

 Regular

\$ 938,530

 Support services:

 General administration

86,990

 Plant operations and maintenance

33,413

 Student transportation

122,230

 Non-instructional

24,471

 Facilities acquisition

3,096

Total depreciation expense - governmental activities

\$ 1,208,730

 Business-type activities:

 School nutrition:

 Food service operations

\$ 69,852

NOTE 5 - 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	\$ 4,965,000	\$ -	\$ 535,000	\$ 4,430,000	\$ 555,000
QZAB bonds	1,000,000	-	-	1,000,000	1,000,000
Revenue bonds	5,590,745	30,000,000	2,615,310	32,975,435	2,741,139
Note payable	80,000	-	20,000	60,000	20,000
Compensated absences	436,978	290,754	343,823	383,909	383,909
Net OPEB liability	307,119	301,055	-	608,174	-
Less bond discount	-	443,242	(22,162)	421,080	-
Total	\$12,379,842	\$30,148,567	\$ 3,491,971	\$ 39,036,438	\$ 4,700,048

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

General Obligation Bonds

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Refunding Bond Issue of 2005			
	Interest Rates	Principal	Interest	Total
2011	3.40%	\$ 555,000	\$166,303	\$ 721,303
2012	3.50	580,000	147,433	727,433
2013	3.65	605,000	127,133	732,133
2014	3.75	630,000	105,050	735,050
2015	3.85	660,000	81,425	741,425
2016-17	3.95-4.05	1,400,000	84,973	1,484,973
Total		<u>\$4,430,000</u>	<u>\$712,317</u>	<u>\$5,142,317</u>

On May 1, 2005, the District issued \$5,975,000 of general obligation refunding bonds, with interest rates ranging from 3.05% to 4.05%, for a crossover refunding of a portion of the general obligation bonds issued February 1, 1998. The District refunded the bonds to reduce its total debt service payments by approximately \$310,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$257,000.

QZAB Bonds

Details of the District's June 30, 2010 qualified zone academy revenue bonded indebtedness is as follows:

Year Ending June 30,	Qualified Zone Academy Bonds			
	Interest Rates	Principal	Interest	Total
2011	4.70%	\$1,000,000	\$ -	\$1,000,000

On March 12, 2002 the District issued \$1,000,000 of Qualified Zone Academy bonds for the purpose of financing school infrastructure capital improvement projects. The bonds are payable solely and only from the proceeds of the Local Option Tax Revenues received by the District and are payable in 2011. The Bonds are not a general obligation of the District. Annual deposits are to be made into an escrow fund of amounts which with investment earnings thereon will be sufficient for the payment of the Bonds at maturity. For the current year total annual deposits were \$99,354.

The resolutions providing for the issuance of the Qualified Zone Academy bonds include the following provisions: Proceeds of the Bonds shall be deposited in to the Project Fund and expended there from for eligible school infrastructure projects. The receipts of the Local Option Tax shall be deposited in a special and irrevocable trust fund. Annually there shall be deposits of \$99,354 to be invested in accordance with the terms of the Investment Agreement. Such amount has been determined to be sufficient together with invested earnings thereon, to pay when due the principal of the Bonds.

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

Revenue Bonds

Details of the District's June 30, 2010 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Series 2006			Series 2007		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2011	4.70%	\$ 1,165,852	\$ 34,725	4.75%	\$ 1,307,374	\$ 38,941
2012	4.70	99,656	392	4.75	111,753	440
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016-2020	-	-	-	-	-	-
2021-2025	-	-	-	-	-	-
2026-2030	-	-	-	-	-	-
Total		<u>\$ 1,265,508</u>	<u>\$ 35,117</u>		<u>\$ 1,419,127</u>	<u>\$ 39,381</u>

Year Ending June 30,	Series 2007A			Series 2010		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2011	4.60%	\$ 267,913	\$ 7,775	2.00%	\$ -	\$ 1,048,988
2012	4.60	22,887	88	3.00	-	1,258,785
2013	-	-	-	3.00	270,000	1,256,085
2014	-	-	-	3.00	1,315,000	1,233,660
2015	-	-	-	3.00	1,315,000	1,194,210
2016-2020	-	-	-	3.00-4.00	6,855,000	5,319,550
2021-2025	-	-	-	4.00-4.50	8,250,000	3,841,936
2026-2030	-	-	-	4.60-5.00	11,995,000	1,729,571
Total		<u>\$ 290,800</u>	<u>\$ 7,863</u>		<u>\$ 30,000,000</u>	<u>\$16,882,785</u>

Year Ending June 30,	Total			
	Interest Rates	Principal	Interest	Total
2011	2.00-4.75%	\$ 2,741,139	\$ 1,130,429	\$ 3,871,568
2012	3.00-4.75	234,296	1,259,705	1,494,001
2013	3.00	270,000	1,256,085	1,526,085
2014	3.00	1,315,000	1,233,660	2,548,660
2015	3.00	1,315,000	1,194,210	2,509,210
2016-2020	3.00-4.00	6,855,000	5,319,550	12,174,550
2021-2025	4.00-4.50	8,250,000	3,841,936	12,091,936
2026-2030	4.60-5.00	11,995,000	1,729,571	13,724,571
Total		<u>\$32,975,435</u>	<u>\$16,965,146</u>	<u>\$49,940,581</u>

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

The District has pledged future statewide sales, services and use tax revenues to repay the \$12,550,000 bonds issued during the June 30, 2007 fiscal year. The statewide sales, services and use tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2012. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limit of the district. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid is \$3,057,796. For the current year, total principal and interest paid was \$2,615,310 and total statewide sales, services and use tax revenues were \$3,188,663.

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

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

The District has pledged future statewide sales, services and use tax revenues to repay the \$30,000,000 bonds issued during the June 30, 2010 fiscal year. The statewide sales, services and use tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limit of the district. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid is \$46,882,785. For the current year, no principal or interest was paid on the bonds. The District is required to begin making principal payments on the bonds in fiscal year 2013.

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

- a) The net bond proceeds shall be deposited in to a Project Fund for the purpose of aiding in the financing of the Project, and shall also be available for the payment of the principal of or interest on the Bonds at any time that other funds of the Project shall be insufficient for that purpose.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Fund.

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

- c) Monies in the Revenue Fund shall be disbursed to the Sinking Fund, Debt Service Reserve Fund and Surplus Revenue Fund in order of priority.
- d) The amount deposited in the Sinking Fund monthly shall be equal to 1/12th of the principal and 1/6th of the interest coming due on the Bonds.
- e) Upon settlement, from proceeds of the Bonds, the Debt Service Reserve Fund will be funded to a balance equal to the Reserve Fund Requirement. Moneys deposited in the Reserve Fund shall be used solely for the purpose of paying principal and interest on the Bonds or Parity Obligations.
- f) All money thereafter remaining in the Revenue Fund at the close of each month may be used to pay for other expenses of the Project, pay or redeem the Bonds or obligations, or for any lawful purpose.

Note Payable

During the year ended June 30, 2009, the District issued School Equipment Notes to provide funds for the purchase of equipment. The notes bear interest at 3.64% per annum and are payable from the General Fund. Details of the District's indebtedness under the agreements in effect at June 30, 2010 are as follows:

<u>Year Ending June 30,</u>	<u>School Equipment Purchase Note</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 20,000	\$ 1,911	\$ 21,911
2012	20,000	1,183	21,183
2013	<u>20,000</u>	<u>455</u>	<u>20,455</u>
Total	<u>\$ 60,000</u>	<u>\$ 3,549</u>	<u>\$ 63,549</u>

During the year ended June 30, 2010, the District made principal and interest payments totaling \$22,639 under the agreement.

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 6 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments by fund as of June 30, 2010 are as follows:

	<u>General Fund</u>
State appropriations	
Decat	\$ 18,270
JEL	1,213
Prevent thru Mentor	14,889
Transportation Aid - nonpublic students	15,182
Vocational Aid	1,087
Youth Mentoring	15,791
Total state appropriations	<u>66,432</u>
Federal appropriations	
JEL	69,737
Medical Assistance Program	198,360
Perkins Grant	11,921
OJJDP	17,907
Safe and Drug Free Schools and Communities Grant	7,107
Soar to Success	17,933
Special Education - Grants to States - Part B	123,007
State Clean Diesel Grant	165,808
TAP	43,448
Title I	205,342
Title IIIA	103,049
Total federal appropriations	<u>963,619</u>
Miscellaneous	
Income Surtax Receivable	1,449,065
Other local sources	263,995
Total miscellaneous	<u>1,713,060</u>
Total due from other governments	<u>\$ 2,743,111</u>
	<u>Capital Projects Fund</u>
Miscellaneous	
Statewide sales, services and use tax	<u>\$ 519,192</u>
	<u>School Nutrition Fund</u>
Federal appropriations	
Summer food program	<u>\$ 14,578</u>

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 7 - PENSION AND RETIREMENT BENEFITS

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered payroll for the years ended June 30, 2010, 2009, and 2008. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$1,699,212, \$1,552,416, and \$1,391,269, respectively, equal to the required contributions for each year.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

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 437 active and 41 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 Wellmark. 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	\$ 390,627
Interest on net OPEB obligation	7,678
Adjustment to annual required contribution	<u>(30,474)</u>
Annual OPEB cost	367,831
Contributions made	<u>(66,776)</u>
Increase in net OPEB obligation	301,055
Net OPEB obligation beginning of year	<u>307,119</u>
Net OPEB obligation end of year	<u>\$ 608,174</u>

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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 \$66,776 to the medical plan.

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	\$ 367,831	18.2%	\$ 608,174

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 \$2.662 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.662 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$20,500,000, and the ratio of the UAAL to covered payroll was 13.0%. 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 entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy.

Mortality rates are from the 94 Group Annuity Mortality Table Projected to 2000 (2/3 Female, 1/3 Male). 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 UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 9 - CONTINGENT LIABILITIES

As of June 30, 2010, the District is contingently liable for the unvested portion of sick leave, which totals approximately \$10,373,407.

NOTE 10 - RISK MANAGEMENT

Clinton Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. There have been no significant reductions in insurance coverage from coverage in the prior year. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses. That reserve was \$585,000 at June 30, 2010. Changes in the aggregate claims liability for the current year is as follows:

	2010
Balance, beginning of year	\$ 545,000
Incurred claims (including IBNRs)	5,804,350
Claim payments	<u>5,764,350</u>
Balance, end of year	<u>\$ 585,000</u>

NOTE 11 - OPERATING LEASES

The District has various operating leases expiring on various dates through 2015 with various minimum annual rentals. The following is a schedule, by year, of the future minimum rentals due under these operating leases:

Year Ended June 30,	
2011	\$ 97,468
2012	76,576
2013	16,240
2014	5,882
2015	<u>895</u>
Total	<u>\$ 197,061</u>

Rental payments made during the year ended June 30, 2010 for all operating leases totaled approximately \$100,917.

CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 12 - AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,786,325 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

NOTE 13 - CONSTRUCTION COMMITMENTS

The District has entered into contracts totaling \$11,773,606 for the construction of a new pool at the high school and various other construction projects. As of June 30, 2010, costs of \$2,662,921 had been incurred against the contracts. The balance of \$9,110,685 remaining at June 30, 2010 will be paid as work on the projects progress.

NOTE 14 - FUND BALANCE DEFICIT

At June 30, 2010, the General Fund, Special Revenue Fund - Student Activity Fund, and Special Revenue Fund - Other Revenue Fund had fund balance deficits of \$3,814,904, \$646,299, and \$393,207, respectively, resulting from current expenses in excess of total revenues. It is expected that revenues for the next year will provide a positive fund balance.

NOTE 15 - NEW PRONOUNCEMENTS

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

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued March 2009, will be effective for the District beginning with its year ending June 30, 2011. This Statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints.

The District's management has not yet determined the effect this Statement will have on the District's financial statements.

NOTE 16 - SPECIAL ITEM

On January 14, 2010, a significant embezzlement was discovered within the District. Immediately following, the Iowa State Auditor's Office was contacted and an investigation was performed. During fiscal year 2010, District losses of \$500,000 were reimbursed by the District's insurance carrier.

**CLINTON COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 17 - SUBSEQUENT EVENTS

In July 2011, the District issued General Obligation School Refunding Bonds, Series 2010 in the amount of \$4,405,000 with interest rates ranging from 2.50% to 3.00%. The bonds are being issued to provide for the current refunding of the District's outstanding General Obligation School Bonds dated May 1, 2005.

In August 2011, the District entered into a loan agreement with Cedar Rapids Bank & Trust Company in the amount of \$68,099 at an interest rate of 8.05%. The loan is for the purchase of equipment from Alliant Energy to reduce the District's annual energy expenditures.

REQUIRED SUPPLEMENTAL INFORMATION

CLINTON COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTAL INFORMATION
Year Ended June 30, 2010

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
REVENUES						
Local sources	\$ 19,178,824	\$ 740,063	\$19,918,887	\$ 18,111,329	\$18,111,329	\$ 1,807,558
Intermediate sources	55,000	-	55,000	-	-	55,000
State sources	23,652,940	17,502	23,670,442	28,630,723	28,630,723	(4,960,281)
Federal sources	6,173,564	1,171,553	7,345,117	3,293,000	3,293,000	4,052,117
Total revenues	<u>49,060,328</u>	<u>1,929,118</u>	<u>50,989,446</u>	<u>50,035,052</u>	<u>50,035,052</u>	<u>954,394</u>
EXPENDITURES						
Instruction	30,157,474	-	30,157,474	27,205,000	29,600,725	(556,749)
Support services	14,241,039	-	14,241,039	15,760,500	15,760,500	1,519,461
Non-instructional programs	3,708	1,829,406	1,833,114	1,763,500	2,000,000	166,886
Other expenditures	10,000,394	-	10,000,394	7,142,105	7,142,105	(2,858,289)
Total expenditures	<u>54,402,615</u>	<u>1,829,406</u>	<u>56,232,021</u>	<u>51,871,105</u>	<u>54,503,330</u>	<u>(1,728,691)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES						
	(5,342,287)	99,712	(5,242,575)	(1,836,053)	(4,468,278)	(774,297)
OTHER FINANCING SOURCES (USES), NET						
	<u>29,633,684</u>	<u>-</u>	<u>29,633,684</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>28,633,684</u>
Special item, missappropriated collections	500,000	-	500,000	-	-	500,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES						
	24,791,397	99,712	24,891,109	(836,053)	(3,468,278)	27,859,387
BALANCES, BEGINNING OF YEAR						
	<u>997,568</u>	<u>1,930,070</u>	<u>2,927,638</u>	<u>3,109,176</u>	<u>3,109,176</u>	<u>(181,538)</u>
BALANCES, END OF YEAR						
	<u>\$ 25,788,965</u>	<u>\$2,029,782</u>	<u>\$27,818,747</u>	<u>\$ 2,273,123</u>	<u>\$ (359,102)</u>	<u>#####</u>

See accompanying independent auditor's report.

CLINTON COMMUNITY SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTAL INFORMATION - BUDGETARY REPORTING
Year ended June 30, 2010

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs, and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$2,632,225.

During the year ended June 30, 2010, expenditures in the instruction and other expenditures functions exceeded the amounts budgeted.

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)
REQUIRED SUPPLEMENTARY INFORMATION**

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2009	July 1, 2008	-	\$ 2,662	\$ 2,662	0.00%	\$ 16,000	16.6%
2010	July 1, 2008	-	\$ 2,662	\$ 2,662	0.00%	\$ 20,500	13.0%

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 SUPPLEMENTAL INFORMATION

CLINTON COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2010

	Student Activity Fund	Management Fund	Physical Plant and Equipment Fund	Other Revenue Fund	Helen O. Stoddard Bequest	Margaret N. Kracht Gift	Total
ASSETS							
Cash and cash equivalents	\$ -	\$ 375,600	\$ 6,845	\$ -	\$ 66,295	\$ 83	\$ 448,823
Property taxes receivable							
Current year delinquent	-	62,257	32,297	-	-	-	94,554
Succeeding year	-	584,887	279,446	-	-	-	864,333
Other receivables	690	-	-	78,979	-	-	79,669
TOTAL ASSETS	\$ 690	\$ 1,022,744	\$ 318,588	\$ 78,979	\$ 66,295	\$ 83	\$ 1,487,379
LIABILITIES AND FUND BALANCES (DEFICIT)							
Liabilities							
Cash overdrafts	\$ 645,431	\$ -	\$ -	\$ 424,601	\$ -	\$ -	\$ 1,070,032
Accounts payable and accrued liabilities	1,472	500	7,242	47,585	-	-	56,799
Accrued payroll and deductions	86	-	-	-	-	-	86
Deferred revenue							
Succeeding year property tax	-	584,887	279,446	-	-	-	864,333
Other	-	50,624	27,811	-	-	-	78,435
Total liabilities	646,989	636,011	314,499	472,186	-	-	2,069,685
Fund balances (deficit)							
Unreserved	(646,299)	386,733	4,089	(393,207)	66,295	83	(582,306)
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 690	\$ 1,022,744	\$ 318,588	\$ 78,979	\$ 66,295	\$ 83	\$ 1,487,379

CLINTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES (DEFICIT) - NONMAJOR SPECIAL REVENUE FUNDS
 Year Ended June 30, 2010

	Student Activity Fund	Management Fund	Physical Plant and Equipment Fund	Other Revenue Fund	Helen O. Stoddard Bequest	Margaret N. Kracht Gift	Total
REVENUES							
Local Sources							
Taxes	\$ -	\$ 685,549	\$ 261,782	\$ -	\$ -	\$ -	\$ 947,331
Other	456,170	53,623	-	1,581,929	-	-	2,091,722
State sources	-	486	176	-	-	-	662
Total revenues	<u>456,170</u>	<u>739,658</u>	<u>261,958</u>	<u>1,581,929</u>	<u>-</u>	<u>-</u>	<u>3,039,715</u>
EXPENDITURES							
Current operating:							
Instruction							
Regular instruction	-	149,475	-	-	-	-	149,475
Special instruction	-	9,912	-	-	-	-	9,912
Other instruction	440,027	-	-	15,005	-	-	455,032
Total instruction	<u>440,027</u>	<u>159,387</u>	<u>-</u>	<u>15,005</u>	<u>-</u>	<u>-</u>	<u>614,419</u>
Support services							
Student services	1,110	17,385	-	7,096	-	-	25,591
General administration	-	51,812	-	-	-	-	51,812
Building administration	-	3,716	-	-	-	-	3,716
Business administration	314	18,021	75	-	-	-	18,410
Plant operations and maintenance	3,807	237,570	16,200	-	-	-	257,577
Student transportation	42,525	54,112	-	-	-	-	96,637
Total support services	<u>47,756</u>	<u>382,616</u>	<u>16,275</u>	<u>7,096</u>	<u>-</u>	<u>-</u>	<u>453,743</u>

CLINTON COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (DEFICIT) - NONMAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2010

	Student Activity Fund	Management Fund	Physical Plant and Equipment Fund	Other Revenue Fund	Helen O. Stoddard Bequest	Margaret N. Kracht Gift	Total
EXPENDITURES (CONTINUED)							
Current operating: (continued)							
Non-instructional programs	\$ -	\$ 3,708	\$ -	\$ -	\$ -	\$ -	\$ 3,708
Other expenditures							
Facilities acquisition	-	-	306,353	1,788,145	-	-	2,094,498
Total expenditures	487,783	545,711	322,628	1,810,246	-	-	3,166,368
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(31,613)	193,947	(60,670)	(228,317)	-	-	(126,653)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	(614,686)	192,786	64,759	(164,890)	66,295	83	(455,653)
FUND BALANCES (DEFICIT), END OF YEAR	\$ (646,299)	\$ 386,733	\$ 4,089	\$ (393,207)	\$ 66,295	\$ 83	\$ (582,306)

CLINTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 Year Ended June 30, 2010

	<u>Balance,</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance,</u> <u>June 30, 2010</u>
ASSETS				
Cash and cash equivalents	\$ 3,997	\$ -	\$ 2,668	\$ 1,329
Other accounts receivable	<u>5</u>	<u>-</u>	<u>5</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 4,002</u>	<u>\$ -</u>	<u>\$ 2,673</u>	<u>\$ 1,329</u>
 LIABILITIES				
Due to other groups	<u>\$ 4,002</u>	<u>\$ -</u>	<u>\$ 2,673</u>	<u>\$ 1,329</u>

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

	2010	2009	2008	Modified Accrual Basis		2005	2004	2003
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
REVENUES								
Local sources	\$ 19,678,824	\$ 15,819,106	\$ 15,103,876	\$ 14,697,134	\$ 13,662,495	\$ 12,518,893	\$ 12,722,834	\$ 12,760,713
Intermediate sources	55,000	1,084,316	1,353,835	2,345,250	2,035,721	1,905,217	1,730,164	1,595,305
State sources	23,652,940	26,903,191	25,688,335	23,994,622	22,411,152	21,919,637	20,601,507	21,074,476
Federal sources	6,173,564	2,522,040	2,231,413	2,684,375	2,840,567	3,141,686	1,875,296	1,731,519
TOTAL REVENUES	<u>\$ 49,560,328</u>	<u>\$ 46,328,653</u>	<u>\$ 44,377,459</u>	<u>\$ 43,721,381</u>	<u>\$ 40,949,935</u>	<u>\$ 39,485,433</u>	<u>\$ 36,929,801</u>	<u>\$ 37,162,013</u>
EXPENDITURES								
Instruction	\$ 30,157,474	\$ 28,095,451	\$ 26,072,867	\$ 25,120,818	\$ 23,924,938	\$ 24,073,051	\$ 23,259,448	\$ 22,762,499
Support services								
Student services	2,286,580	2,237,361	2,372,567	2,455,271	2,566,531	1,483,900	1,029,640	940,944
Instructional staff services	1,445,502	1,140,229	1,220,633	1,162,756	1,242,624	1,171,251	1,063,808	932,782
General administration	869,920	532,196	675,091	550,268	511,883	424,403	317,858	303,965
Building administration	2,356,980	2,188,122	1,999,990	2,012,362	1,892,744	1,589,125	1,476,661	1,560,723
Business administration	1,415,376	1,510,298	1,765,364	1,515,714	1,665,013	396,758	434,251	360,447
Plant operations and maintenance	3,984,723	4,035,938	3,917,586	3,760,269	3,817,687	3,965,345	3,604,006	3,732,438
Student transportation	1,881,958	1,694,934	1,455,990	917,280	1,249,182	1,501,224	1,230,300	1,208,200
Central support services	-	-	-	-	-	794,977	686,826	617,288
Non-instructional programs	3,708	5,412	4,024	2,786	11,419	119,332	332,125	305,474
Other expenditures	10,000,394	6,155,500	8,554,663	20,509,803	6,650,066	11,102,858	2,942,719	2,491,775
TOTAL EXPENDITURES	<u>\$ 54,402,615</u>	<u>\$ 47,595,441</u>	<u>\$ 48,038,775</u>	<u>\$ 58,007,327</u>	<u>\$ 43,532,087</u>	<u>\$ 46,622,224</u>	<u>\$ 36,377,642</u>	<u>\$ 35,216,535</u>



**Winkel, Parker
& Foster, CPA PC**

Certified Public Accountants & Consultants

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clinton Community School District as of and for the year ended June 30, 2010, which collectively comprise Clinton Community School District's basic financial statements and have issued our report thereon dated May 27, 2011. We were unable to form an opinion regarding cash balances and we were unable to satisfy ourselves about the completeness of the cash balances due to not being able to reconcile cash balances to the general ledger. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies in internal control over financial reporting.

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 entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items II-A-10, II-B-10 and II-D-10 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items II-C-10 and II-E-10 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clinton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs. We also noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated May 27, 2011.

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.

Clinton 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 Clinton 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 Clinton Community School District and other parties to whom Clinton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specific parties.

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

Wink, Paul & Foster, CPA PC

Clinton, Iowa
May 27, 2011

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

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

Compliance

We have audited the compliance of Clinton Community School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Clinton Community School District's major federal programs are identified in the Summary of the Independent Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Clinton Community School District's management. Our responsibility is to express an opinion on Clinton Community School District's compliance based on our audit.

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

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

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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

discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a significant deficiency.

Clinton Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Clinton 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 Clinton Community School District and other parties to whom Clinton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specific parties.

Wink, Paul & Foster, CPA PC

Clinton, Iowa
May 27, 2011

CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Direct:			
Department of Justice:			
ARRA - Recovery Act - Edward Byrne Memorial Competitive Grant Program	16.808	FY10	\$ 28,156
Department of Education:			
Safe and Drug-Free Schools and Communities - National Programs	84.184	FY10	202,519
Department of Health and Human Services:			
Medical Assistance Program	93.778	FY10	442,565
Indirect:			
US Department of Agriculture:			
Iowa Department of Education:			
Food Distribution (noncash)	10.550	FY10	94,406
Child Nutrition Cluster:			
School Breakfast Program	10.553	FY10	204,328
National School Lunch Program	10.555	FY10	809,839
Summer Food Service Program for Children	10.559	FY10	31,977
Total Child Nutrition Cluster			<u>1,046,144</u>
Fresh Fruit and Vegetable Program	10.582	FY10	5,467
Total US Department of Agriculture			<u>1,146,017</u>
Environmental Protection Agency:			
Iowa Department of Natural Resources:			
ARRA - State Clean Diesel Grant Program	66.040	FY10	316,419
US Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	980,546
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	283,402
Total Title I, Part A Cluster			<u>1,263,948</u>
Career and Technical Education - National Programs	84.048	FY10	60,303
Special Education Cluster:			
Special Education - Grants to States	84.027	FY10	246,014
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY10	672,688
Total Special Education Cluster			<u>918,702</u>
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	FY10	58,078
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY10	18,183
Twenty-First Century Community Learning Centers	84.287	FY10	239,242
Educational Technology State Grants	84.318	FY10	373
Advanced Placement Program	84.330	FY10	672
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	FY10	43,530
English Language Acquisition Grants	84.365	FY10	4,212
Improving Teacher Quality State Grants	84.367	FY10	252,562
Grants for State Assessments and Related Activities	84.369	FY10	25,877
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	FY10	23,349
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY10	2,114,688
Total US Department of Education			<u>5,023,719</u>
Department of Health and Human Services:			
Iowa Department of Education:			
Drug Abuse and Addiction Research Programs	93.279	FY10	55,955
Total			<u>\$ 7,215,350</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Clinton Community School District and is presented 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 Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

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

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<p>CFDA Number 66.040 CFDA Number 84.010 CFDA Number 84.389</p> <p>CFDA Number 84.027 CFDA Number 84.391</p> <p>CFDA Number 84.394</p>	<p>ARRA - State Clean Diesel Grant Program Title I Grants to Local Educational Agencies ARRA - Title I Grants to Local Educational Agencies, Recovery Act Special Education - Grants to States ARRA - Special Education - Grants to States, Recovery Act ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants</p>
--	---

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes x no

CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-10 Bank Reconciliations

Criteria - Monthly bank reconciliations are the primary internal control procedure relating to the District's cash and investment accounts.

Condition - During the audit, we noted that bank reconciliations were not being performed on a monthly basis and the year-end bank reconciliation did not agree to the general ledger.

Effect - Not reconciling accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis.

Cause - The District has not assigned duties to ensure bank reconciliations are completed on a monthly basis.

Recommendation - All cash and investment accounts should be reconciled on a monthly basis and agreed to the general ledger control accounts.

Response - The District will review current procedures and adjust accordingly.

Conclusion - Response accepted.

II-B-10 Financial Reporting

Criteria - Reconciling account balances and supporting documentation to control accounts is the primary internal control procedure relating to these account balances.

Condition - During the audit, we identified material amounts of receivables, capital asset additions, accounts payable, and revenue not recorded in the District's financial statements.

Effect - Transaction errors or other problems could occur and not be detected in a timely manner.

Cause - The District has not implemented procedures to ensure receivables, capital asset additions, accounts payable, and revenue are recorded.

Recommendation - The District should implement procedures to ensure all receivables, capital asset additions, accounts payable, and revenue are identified and included in the District's financial statements.

Response - The District will review current procedures and adjust accordingly.

Conclusion - Response accepted.

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

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

INTERNAL CONTROL DEFICIENCIES (continued)

II-C-10 Segregation of Duties

Criteria - The District does not have effective internal controls to safeguard assets, and prevent or detect misstatements on a timely basis, as a result of a lack of segregation of duties. Internal controls should be in place to reduce to a relatively low risk the likelihood a material misstatement to the financial statements could occur and not be detected in a timely period by employees in the normal course of performing their assigned functions. A good system of internal controls contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. Due to the small number of people employed in administrative functions, the District may not be able to fully achieve an ideal segregation of duties.

Condition - Although there are four individuals with accounting and financial duties in the Business Office, at various times the Business Director has the ability to initiate, authorize and record transactions with no review process in place. As a result, all of those aspects of internal control which rely upon an adequate segregation of duties are, for all practical purposes, missing.

Effect - As a result of these conditions, there is a higher risk that errors or irregularities could occur and not be detected within a timely period.

Cause - The entity has a limited number of personnel performing accounting functions and limited review procedures in place.

Recommendation - The District should be aware of the lack of segregation of duties and regularly review controls which could be put in place to mitigate the risk that misstatements could occur and not be detected.

Response - The entity recognizes that it would not be cost effective to hire additional personnel to maximize the segregation of accounting duties due to its size. However, the Board of Education will maintain close oversight in relation to financial and other matters.

Conclusion - Response accepted.

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

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

INTERNAL CONTROL DEFICIENCIES (continued)

II-D-10 Journal Entries

Criteria - Internal controls should be in place to reduce to a relatively low risk the likelihood a material misstatement could occur and not be detected.

Condition - The District does not have effective internal controls over journal entries.

Effect - As a result of this condition, there is a higher risk that account balances could be materially misstated.

Cause - Current practice is that one employee creates a journal entry and another employee posts the journal entry. The employee who posts the journal entry signs off on the supporting documentation. Although current practice resolves a segregation of duties issue, the District does not have proper approval procedures in place to ensure that posted journal entries are accurate.

Recommendation - A member of management or the Board of Education should review journal entries and supporting documentation on a monthly basis. The reviewer should then sign and date the entries as an indication of approval.

Response - The District will review current procedures and adjust accordingly.

Conclusion - Response accepted.

II-E-10 Financial Statement Preparation

Criteria - The District engages Winkel, Parker & Foster, CPA PC to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, Winkel, Parker & Foster, CPA PC cannot be considered part of the District's internal control system. To establish proper internal control over the preparation of its financial statements, including disclosures, the District should design and implement a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of applicable generally accepted accounting principles and knowledge of the District's activities and operations.

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

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

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

CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

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

INTERNAL CONTROL DEFICIENCIES (continued)

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

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

Conclusion - Response accepted.

Instances of Non-compliance

No matters were reported.

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

Part III: Federal Award Findings and Questioned Costs:

INSTANCES OF NON-COMPLIANCE AND 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
US Department of Education
Passed through the Iowa Department of Education**

III-A-10 Maintenance of Effort

Criteria - The District must expend, in any particular fiscal year, an amount of local funds, or a combination of State and local funds, for the education of children with disabilities that is at least equal, on either an aggregate or per capita basis, to the amount of local funds, or combination of State and local funds, expended for this purpose by the District in the prior fiscal year.

Condition - The District did not expend an amount of local funds, or a combination of State and local funds, for the education of children with disabilities that is at least equal, on either an aggregate or per capita basis, to the amount of local funds, or combination of State and local funds, expended for this purpose by the District in the prior fiscal year. Therefore, the District did not meet the maintenance of effort requirement for the grant program.

Questioned Costs - Questioned costs total \$23,384. The prior fiscal year amount of State and local funds expended for the education of children with disabilities was \$9,081,877. The current fiscal year amount of State and local funds expended for the education of children with disabilities was \$9,058,493.

Context - N/A

Effect - The District is not in compliance with the maintenance of effort grant requirement and may be required to return a portion of the federal funding that they have received.

Cause - There was not proper oversight over the amount of local funds, or a combination of State and local funds, expended for the education of children with disabilities to ensure that the District meets or exceeds the prior fiscal year expenditures for the education of children with disabilities.

Recommendation - We recommend that the District regularly monitor the actual State and local fund expenditures for the education of children with disabilities to ensure that the District meets or exceeds the prior fiscal year expenditures.

Response - The District will review current procedures and adjust accordingly.

Conclusion - Response accepted.

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - Expenditures for the year ended June 30, 2010 exceeded the amended certified budget amounts in the instruction and other expenditures program functions.

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

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

Conclusion - Response accepted.

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

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

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

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

IV-F-10 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-10 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.

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

IV-I-10 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-10 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education, based upon an approved extension.

IV-K-10 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-L-10 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.

**CLINTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

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

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, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning Balance		\$ 2,099,408
Statewide sales, services and use tax	\$ 3,220,942	
Bond proceeds, net of discount	29,556,758	
Transfers in	<u>671,515</u>	<u>33,449,215</u>
Expenditures/transfers out:		
School Infrastructure:		
Land	787,396	
Buildings	1,757,962	
Other improvements	95,014	
Debt service for school infrastructure:		
Revenue debt	<u>2,822,580</u>	<u>5,462,952</u>
Ending Balance		\$ <u>30,085,671</u>

IV-M-10 Deficit Balances - The general fund, special revenue fund - student activity fund, and the special revenue fund - other revenue fund had deficit balances at June 30, 2010.

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

Response - The District is continuing to investigate alternatives to eliminate the deficit balances in these funds.

Conclusion - Response accepted.

IV-N-10 Interfund Loan Transfers - Negative cash was reported in the general, student activity, other revenue and print shop funds. Proper reporting when one fund has over drawn its share of an internal investment pool is that the fund should report an interfund liability in the fund that the District's management deems to have lent the amount over drawn. Further, in accordance with the Iowa Department of Education Declaratory Order #4672 the loan should be approved by the Board, interest paid by the borrowing fund, and timely repayment of the loan. The District did not establish interfund loans for the funds where negative cash was reported.

Recommendation - The District's management should determine the funds that lent the amounts for the over drawn funds and establish interfund loans for the funds where negative cash was reported.

Response - Future interfund loans will be established if needed.

Conclusion - Response accepted.

CLINTON COMMUNITY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
Year Ended June 30, 2010

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

N/A

**CLINTON COMMUNITY SCHOOL DISTRICT
CORRECTIVE ACTION PLAN FOR FEDERAL AUDIT FINDINGS
Year Ended June 30, 2010**

Finding No. III-A-10 - Maintenance of Effort

Condition:

The District did not meet the maintenance of effort requirement.

Corrective Action Plan:

The District will monitor current and prior year expenditures to ensure compliance with the maintenance of effort requirement.

Anticipated Completion Date:

Immediately

Contact Person:

Jan Culbertson, Business Manager



**Winkel, Parker
& Foster, CPA PC**

Certified Public Accountants & Consultants

Board of Directors
Clinton Community School District
Clinton, Iowa

We have completed our audit of Clinton Community School District's financial statements as of and for the year ended June 30, 2010, and have issued our report dated May 27, 2011. In connection with our audit engagement, we noted the following matters which we would like to bring to your attention.

Reconcile Accounts to Supporting Documents

In order to make the financial reports generated by the accounting system as meaningful as possible, the District should reconcile the general ledger accounts for cash, accounts receivable, capital assets, and accounts payable to supporting documentation on a monthly basis. A benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations.

During the audit we noted that the year-end bank reconciliation, accounts receivable listing, capital asset listing, and accounts payable listing did not agree to the general ledger. As a result of these reconciliations not being performed, we noted the following:

During our review of cash we noted checks listed as outstanding that actually cleared the bank. We also noted several checks that have been outstanding for a year or more. We recommend that the list of outstanding checks be reviewed regularly and that all checks not returned by the banks within a reasonable period of time be investigated. A bank reconciliation that reconciles from the bank balance to the general ledger balance should be prepared to determine that all cash and investment transactions have been recorded properly and to discover errors. Further, another person other than the individual who prepared the bank reconciliation should review the reconciliation, reconciling items, and sign and date the reconciliation as an indication of approval.

During our review of accounts receivable we noted accounts receivable that were not included in accounts receivable balance, yet should have been. A reconciliation of accounts receivable from the general ledger to the accounts receivable detail should be prepared to check that the recording of transactions is accurate and proper.

During our review of accounts payable it was noted that the accounts payable listing did not agree to the general ledger. A reconciliation of accounts payable from the general ledger to the outstanding accounts payable detail should be prepared to determine that the recording of transactions is accurate and proper.

During our review of capital assets we noted several items that were improperly excluded from the listing. The detailed capital asset records should be updated each time a capital asset is purchased, sold, or discarded. In addition, a detailed listing of capital improvements by project should be maintained that agrees to expenditures incurred during the period.

These reconciliations and adjustments will ensure meaningful and accurate financial statements. The financial statements can then be used to assist management in the decision-making process of the District.

Improve Monthly Procedures

During the audit we noted several transactions were not being posted accurately or journal entries were recorded to incorrect accounts. We recommend that the District establish a formal listing of all items that need to be recorded on a monthly basis. This would ensure meaningful and accurate financial statements.

Employee Reimbursements

During the course of the audit engagement it was noted that the District was not following its reimbursement policy for employee meals. There were several instances in which employees were reimbursed for meals that exceeded the maximum amount to be reimbursed according to the District's policy.

We recommend that the District adheres to or updates its current policy for employee meal reimbursements.

Grant Management

During the audit we noted that various individuals have been assigned to handle the management of grants received by the District. Although they are tracking awards, filing reports, and reconciling expenditures relating to the individual grants, no one individual is reconciling the proper recording of the grant revenue. We recommend that an individual is assigned to reconcile the proper recording of grant revenue. Grant revenues should be recorded timely and accurately to ensure all revenues are properly coded and received.

Grant Reporting

During the audit we noted that some of the quarterly reports submitted for the State Fiscal Stabilization Fund - Education State Grants were not submitted by the due date indicated by the Iowa Department of Education. We recommend that the District provide proper oversight to ensure that all required reports are submitted within the due dates proposed by granting agencies.

Purchasing Policy

During the audit we noted that 4 buses were purchased under the Federal State Clean Diesel Grant Program. The grant contract required that competitive bidding was used for purchasing the buses. The District's purchasing policy indicates that competitive sealed bids and board approval is required for all purchases, other than emergency purchases, that cost \$25,000 or more, including construction costs and school buses. We noted that competitive bidding was used for the purchase of the 4 school buses; however the District did not use a sealed bid process. We recommend that that District ensures that they follow their purchasing policy and obtain competitive sealed bids when making purchases in excess of \$25,000.

Title I Allocations

During the audit we noted that the actual allocation of Title I funds among the schools was significantly different than the District indicated on the Within District Targeting of Funds allocation included in the grant application. The Within District Targeting of Funds is a worksheet used to determine an estimate of the allocation of Title I funds to each school based upon the poverty percentage and the ranking method used. We noted that the Iowa Department of Education annually publishes a Title I Reference Manual that provides a worksheet to determine the amount of Title I funds that should be allocated to schools (certain set asides exist before allocations of funding). Additionally, the reference provides detailed worksheets that show possible ways to allocate the Title I funding among the schools using standard methods. A similar worksheet prepared by the District would ensure that Title I funds were appropriately allocated among schools based on eligibility requirements. Additionally, it would provide additional documentation to support the District's method of allocating the funding.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

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

Wendy Palm & Foster, CPA PC

Clinton, Iowa
May 27, 2011