



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

December 7, 2010

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Auditor of State David A. Vaudt today released an audit report on Clarke Community School District in Osceola, Iowa.

The District's revenues totaled \$ 14,409,597 for the year ended June 30, 2010, a 1.0% decrease from the prior year. The revenues included \$ 3,883,075 in local tax, \$ 730,114 in statewide sales, services and use tax, \$ 243,515 in income surtax, charges for service of \$ 997,372, operating grants, contributions and restricted interest of \$ 3,362,824, capital grants, contributions and restricted interest of \$ 27,277, unrestricted investment earnings of \$ 29,270, unrestricted grants of \$ 5,019,502 and other general revenues of \$116,648.

Expenses for District operations totaled \$ 13,973,692, a less than one percent increase over the prior year, and included \$ 5,049,028 for regular instruction, \$ 1,972,714 for special instruction and \$ 1,781,628 for other instruction.

A copy of the audit report is available for review in the District Secretary's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1030-1211-B00F.pdf>.

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CLARKE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2010

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Clarke Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2009 Election)		
Linda Henry	President	2011
Edward White	Vice President	2011
Michael Evink	Board Member	2009
Larry Gibbs	Board Member	2009
Jeff Wilken	Board Member	2009
Steve O'Tool	Board Member	2011
Mark Jones	Board Member	2011
Board of Education (After September 2009 Election)		
Linda Henry	President	2011
Edward White	Vice President	2011
Steve O'Tool	Board Member	2011
Mark Jones	Board Member	2011
Jim Audlehelm	Board Member	2013
Larry Gibbs	Board Member	2013
Gerald Linskens	Board Member	2013
School Officials		
Ned Cox	Superintendent	Indefinite
Ruth White	District Secretary/Treasurer and Business Manager	Indefinite
Jeff Krausman	Attorney	Indefinite

Clarke Community School District



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Independent Auditor's Report

To the Board of Education of
Clarke Community School District:

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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated November 15, 2010 on our consideration of Clarke Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, budgetary comparison information and Schedules of Funding Progress for the Retiree Health and Supplemental Pension Plans on pages 7 through 15 and 46 through 50 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clarke 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 eight years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 15, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clarke Community School District provides this Management's Discussion and Analysis of its financial statements. The analysis focuses on the District's financial performance as a whole for the fiscal year ended June 30, 2010. Please read it in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$ 11,628,624 in fiscal year 2009 to \$12,574,100 in fiscal year 2010, while General Fund expenditures increased from \$ 12,261,034 in fiscal year 2009 to \$ 12,422,869 in fiscal year 2010. The District's General Fund balance increased from \$286,071 at June 30, 2009 to \$ 437,302 at June 30, 2010, a 52.9% increase.
- The increase in General Fund revenues was primarily attributable to an increase in property tax and federal grants. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits and restricted grant expenditures.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedules of Funding Progress for the Retiree Health and Supplemental Pension Plans.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

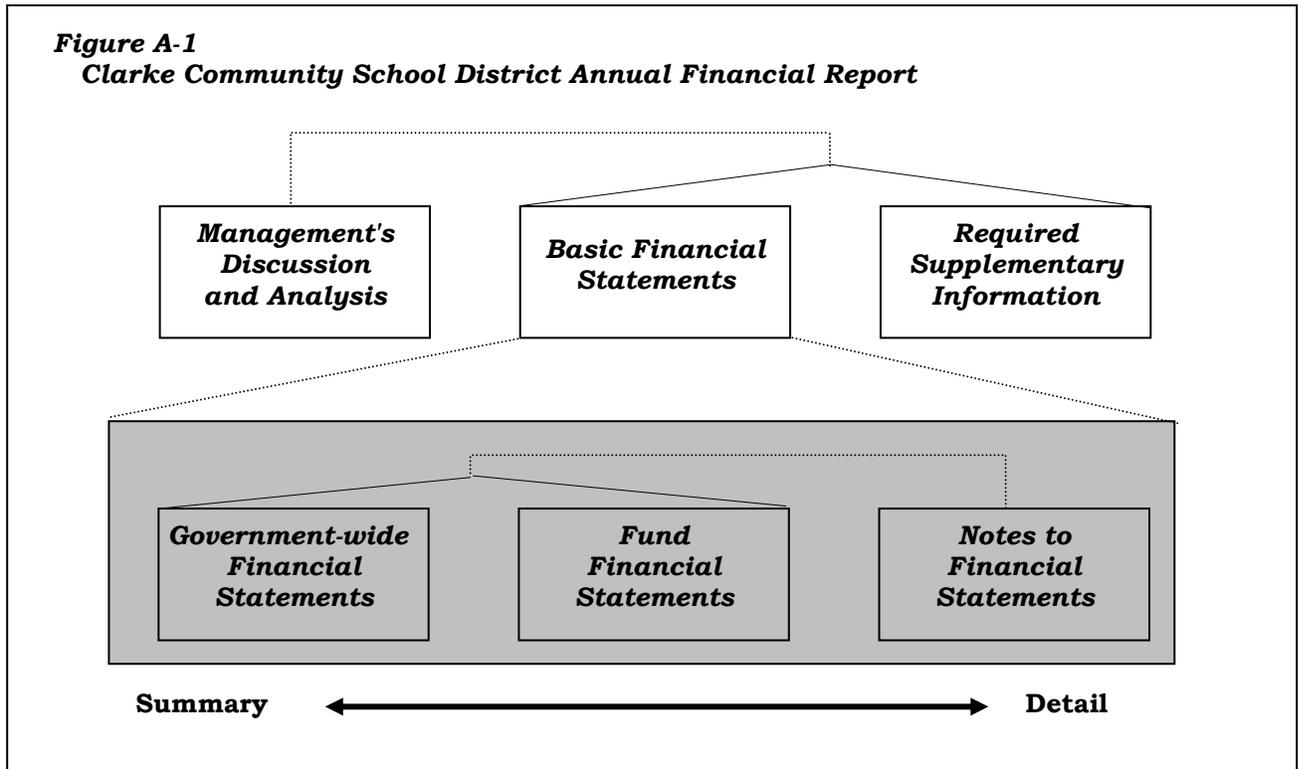


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

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

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

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. Internal Service Funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other District programs and activities. The District currently has one Internal Service Fund, the Flex Spending Fund.

The required financial statements for proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases.

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

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets.

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of financial position. The following analysis shows the District's total net assets at June 30, 2010 and 2009.

Figure A-3							
Condensed Statement of Net Assets							
(Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Current and other assets	\$ 7,631	7,469	60	69	7,691	7,538	153
Capital assets	10,593	10,652	110	130	10,703	10,782	(79)
Total assets	<u>18,224</u>	<u>18,121</u>	<u>170</u>	<u>199</u>	<u>18,394</u>	<u>18,320</u>	<u>74</u>
Long-term liabilities	3,445	4,006	-	-	3,445	4,006	(561)
Other liabilities	5,149	4,953	57	54	5,206	5,007	199
Total liabilities	<u>8,594</u>	<u>8,959</u>	<u>57</u>	<u>54</u>	<u>8,651</u>	<u>9,013</u>	<u>(362)</u>
Net assets:							
Invested in capital assets, net of related debt	7,303	6,864	110	130	7,413	6,994	419
Restricted	2,135	1,958	-	-	2,135	1,958	177
Unrestricted	192	340	3	15	195	355	(160)
Total net assets	<u>\$ 9,630</u>	<u>9,162</u>	<u>113</u>	<u>145</u>	<u>9,743</u>	<u>9,307</u>	<u>436</u>

Net assets increased \$435,905, or 4.7%, over the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. This net asset category increased 6%, or \$419,829, primarily due to the purchase of transportation equipment and completion of the elementary roof project.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This amount increased \$177,920, or 9%, primarily due to increased amounts held for categorical funding.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints, decreased \$161,844, or 45.5%, primarily due to implementation of GASB Statements No. 27 and 45 during fiscal year 2010 and a correction which moved gifted and talented dollars previously reported as unrestricted to restricted.

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

Figure A-4							
Change in Net Assets							
(Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2010	2009	2010	2009	2010	2009	2009-2010
Revenues:							
Program revenues:							
Charges for service	\$ 756	747	241	263	997	1,010	(13)
Operating grants, contributions and restricted interest	3,005	2,305	358	330	3,363	2,635	728
Capital grants, contributions and restricted interest	27	22	-	-	27	22	5
General revenues:							
Property tax	3,883	3,589	-	-	3,883	3,589	294
Statewide sales, services and use tax	730	853	-	-	730	853	(123)
Income surtax	243	234	-	-	243	234	9
Unrestricted state grants	5,020	6,148	-	-	5,020	6,148	(1,128)
Unrestricted investment earnings	28	28	1	1	29	29	-
Other	117	28	-	-	117	28	89
Total revenues	<u>13,809</u>	<u>13,954</u>	<u>600</u>	<u>594</u>	<u>14,409</u>	<u>14,548</u>	<u>(139)</u>
Program expenses:							
Instruction	8,803	8,830	-	-	8,803	8,830	(27)
Support services	3,539	3,445	-	-	3,539	3,445	94
Non-instructional programs	2	2	632	619	634	621	13
Other expenses	997	985	-	-	997	985	12
Total expenses	<u>13,341</u>	<u>13,262</u>	<u>632</u>	<u>619</u>	<u>13,973</u>	<u>13,881</u>	<u>92</u>
Change in net assets	468	692	(32)	(25)	436	667	(231)
Net assets beginning of year	<u>9,162</u>	<u>8,470</u>	<u>145</u>	<u>170</u>	<u>9,307</u>	<u>8,640</u>	<u>667</u>
Net assets end of year	<u>\$ 9,630</u>	<u>9,162</u>	<u>113</u>	<u>145</u>	<u>9,743</u>	<u>9,307</u>	<u>436</u>

Property tax and unrestricted state grants account for 61.8% of total revenues. The District's expenses primarily relate to instruction and support services, which account for 88.3% of total expenses.

Governmental Activities

Revenues for governmental activities were \$ 13,809,467 and expenses were \$13,340,993.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the years ended June 30, 2010 and 2009.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Instruction	\$ 8,803	8,830	5,669	6,353
Support services	3,539	3,446	3,462	3,368
Non-instructional programs	2	1	(1)	(4)
Other expenses	997	985	422	471
Total	\$ 13,341	13,262	9,552	10,188

- The cost financed by users of the District's programs was \$755,994.
- Federal and state governments subsidized certain operating programs with grants and contributions totaling \$3,005,321.
- The net cost of governmental activities was financed with \$4,856,704 in property and other taxes and \$5,019,502 in unrestricted state grants.

Business Type Activities

Revenues for business-type activities were \$600,130 while expenses were \$632,699. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and interest income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,197,317, an increase from last year's ending fund balance of \$ 2,141,231.

Governmental Fund Highlights

- The General Fund balance increased from a balance of \$286,071 at June 30, 2009 to \$437,302 at June 30, 2010 due, in part, to an increase in the General Fund tax levy partially offset by a decrease in state funding.
- The Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund balance decreased from a balance of \$413,405 at June 30, 2009 to \$340,423 at June 30, 2010. Revenues decreased due to a decrease in property taxes. Expenditures decreased due to the completion of a partial roof replacement project which started in fiscal year 2008.
- The Capital Projects, School Infrastructure Fund balance increased from a balance of \$781,638 at June 30, 2009 to \$960,130 at June 30, 2010. Revenues from the statewide sales, services and use tax decreased \$122,949 while expenditures increased \$100,000 for the purchase of two used buses. The amount transferred to the Debt Service Fund to repay infrastructure related debt increased \$225,385 over the prior year .

Proprietary Fund Highlights

- School Nutrition Fund net assets decreased from \$145,025 at June 30, 2009 to \$112,456 at June 30, 2010, primarily due to an increase in expenses for salaries, benefits and supplies.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on a GAAP basis. No budget amendments were certified during fiscal year 2010.

The District's revenues were \$945,314 less than budgeted revenues. The most significant variance resulted from the District receiving less state aid than originally anticipated.

Total expenditures were less than budgeted, due in part to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line item budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had invested, net of depreciation, approximately \$10.7 million in a broad range of assets, including a recently constructed administration and alternative classroom building, recently remodeled school buildings that are not significantly depreciated, athletic facilities, computer and audio-visual equipment and vehicles. (See Figure A-6). More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Total depreciation expense for the year was \$434,969.

The original cost of the District's capital assets was approximately \$17.2 million. Governmental funds account for approximately \$16.8 million, with the remaining \$.4 million accounted for in the Proprietary, School Nutrition Fund.

	Governmental Activities		Business Type Activities		Total District	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Land	\$ 78	78	-	-	78	78
Construction in progress	-	451	-	-	-	451
Buildings	9,460	9,096	-	-	9,460	9,096
Improvements other than buildings	486	538	-	-	486	538
Furniture and equipment	569	489	110	130	679	619
Total	\$ 10,593	10,652	110	130	10,703	10,782

Long-Term Liabilities

At June 30, 2010, the District had approximately \$3,445,000 in general obligation bonds and other long-term liabilities outstanding. This represents a decrease of approximately 14% from last year (See Figure A-7). Additional information about the District's long-term liabilities is presented in Notes 5, 9 and 10 to the financial statements.

The District had total outstanding general obligation bonded indebtedness at June 30, 2010 of \$3,290,000.

	June 30,	
	2010	2009
General obligation bonds	\$ 3,290	3,640
Capital loan notes	-	148
Early retirement	-	174
Compensated absences	50	44
Net OPEB liability	29	-
Net pension liability	76	-
Total	<u>\$ 3,445</u>	<u>4,006</u>

The District implemented GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, and GASB Statement No. 50, Pension Disclosures – an Amendment of GASB Statements No. 25 and 27 during the year ended June 30, 2010. The early retirement liability is now recorded based on an actuarial valuation and is reflected in the net pension liability.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Statewide sales, services and use tax revenues have had a significant impact on roofing and building improvement projects. These funds will also be used to decrease property tax for repaying voted PPEL capital loan notes.
- District enrollment remained steady in fiscal year 2009-2010. Under Iowa's school funding formula, District funding is highly dependent upon District enrollment. Projections indicate the District will continue to remain steady.
- The State of Iowa's 10% across-the-board cut in revenue in fiscal year 2010 required the district to cut expenditures. Staff positions eliminated for fiscal year 2011 will decrease salary and benefit expenses.
- Grants are being sought to help with educational improvements in the District.

Based on the current economy, the District is anticipating reduced funding from the State of Iowa for the upcoming years. This reduced funding will put a strain on the cash reserves the District has accumulated.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ned Cox, Superintendent, or Ruth White, Business Manager, Clarke Community School District, P. O. Box 535, Osceola, Iowa 50213.

Clarke Community School District

Basic Financial Statements

Clarke Community School District

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,137,392	53,519	3,190,911
Receivables:			
Property tax:	-		
Delinquent	114,648	-	114,648
Succeeding year	3,564,000	-	3,564,000
Accounts	61,448	1,273	62,721
Due from other governments	753,526	-	753,526
Inventories	-	4,802	4,802
Capital assets, net of accumulated depreciation	10,593,463	110,273	10,703,736
Total assets	18,224,477	169,867	18,394,344
Liabilities			
Accounts payable	31,200	-	31,200
Salaries and benefits payable	1,301,124	45,321	1,346,445
Due to other governments	124,486	-	124,486
Accrued interest payable	18,503	-	18,503
Unearned revenue:			
Succeeding year property tax	3,564,000	-	3,564,000
Other	109,445	11,182	120,627
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	360,000	-	360,000
Compensated absences	50,261	-	50,261
Portion due after one year:			
General obligation bonds	2,930,000	-	2,930,000
Net OPEB liability	29,392	908	30,300
Net pension liability	75,600	-	75,600
Total liabilities	8,594,011	57,411	8,651,422

Clarke Community School District

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
Net assets			
Invested in capital assets, net of related debt	7,303,463	110,273	7,413,736
Restricted for:			
Categorical funding	241,659	-	241,659
Management levy	106,807	-	106,807
Physical plant and equipment levy	568,209	-	568,209
School infrastructure	960,130	-	960,130
Debt service	140,488	-	140,488
Other special revenue purposes	118,135	-	118,135
Unrestricted	191,575	2,183	193,758
Total net assets	\$ 9,630,466	112,456	9,742,922

See notes to financial statements.

Clarke Community School District

Statement of Activities

Year ended June 30, 2010

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 5,049,028	251,464	1,642,180	-
Special instruction	1,972,714	230,428	334,969	-
Other instruction	1,781,628	228,684	446,150	-
	<u>8,803,370</u>	<u>710,576</u>	<u>2,423,299</u>	<u>-</u>
Support services:				
Student services	330,599	8,459	28,604	-
Instructional staff services	456,553	661	-	-
Administration services	1,190,814	3,642	-	-
Operation and maintenance of plant services	1,013,024	1,922	-	-
Transportation services	548,080	33,813	-	-
	<u>3,539,070</u>	<u>48,497</u>	<u>28,604</u>	<u>-</u>
Non-instructional programs	1,399	(3,079)	5,840	-
Other expenditures:				
Facilities acquisition	15,508	-	4,099	27,277
Long-term debt interest	125,607	-	-	-
AEA flowthrough	543,479	-	543,479	-
Depreciation (unallocated)*	312,560	-	-	-
	<u>997,154</u>	<u>-</u>	<u>547,578</u>	<u>27,277</u>
Total governmental activities	13,340,993	755,994	3,005,321	27,277
Business type activities:				
Non-instructional programs:				
Food service operations	632,699	241,378	357,503	-
Total	<u>\$ 13,973,692</u>	<u>997,372</u>	<u>3,362,824</u>	<u>27,277</u>

General Revenues:

Property tax levied for:
 General purposes
 Capital outlay
Statewide sales, services and use tax
Income surtax
Unrestricted state grants
Unrestricted investment earnings
Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(3,155,384)	-	(3,155,384)
(1,407,317)	-	(1,407,317)
(1,106,794)	-	(1,106,794)
(5,669,495)	-	(5,669,495)
(293,536)	-	(293,536)
(455,892)	-	(455,892)
(1,187,172)	-	(1,187,172)
(1,011,102)	-	(1,011,102)
(514,267)	-	(514,267)
(3,461,969)	-	(3,461,969)
1,362	-	1,362
15,868	-	15,868
(125,607)	-	(125,607)
-	-	-
(312,560)	-	(312,560)
(422,299)	-	(422,299)
(9,552,401)	-	(9,552,401)
-	(33,818)	(33,818)
(9,552,401)	(33,818)	(9,586,219)
\$ 3,790,679	-	3,790,679
92,396	-	92,396
730,114	-	730,114
243,515	-	243,515
5,019,502	-	5,019,502
28,021	1,249	29,270
116,648	-	116,648
10,020,875	1,249	10,022,124
468,474	(32,569)	435,905
9,161,992	145,025	9,307,017
\$ 9,630,466	112,456	9,742,922

Exhibit C

Clarke Community School District

Balance Sheet
Governmental Funds

June 30, 2010

	General	Special Revenue Physical Plant and Equipment Levy	Capital Projects School Infrastructure	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 1,436,188	340,567	873,220	468,353	3,118,328
Receivables:					
Property tax:					
Delinquent	111,944	2,631	-	73	114,648
Succeeding year	3,216,000	168,000	-	180,000	3,564,000
Accounts	58,287	-	-	82	58,369
Due from other governments	438,971	226,574	86,910	1,071	753,526
Total assets	\$ 5,261,390	737,772	960,130	649,579	7,608,871
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 25,157	1,563	-	4,480	31,200
Salaries and benefits payable	1,299,276	-	-	1,848	1,301,124
Due to other governments	120,768	-	-	3,718	124,486
Deferred revenue:					
Succeeding year property tax	3,216,000	168,000	-	180,000	3,564,000
Other	162,887	227,786	-	71	390,744
Total liabilities	4,824,088	397,349	-	190,117	5,411,554
Fund balances:					
Reserved for:					
Debt service	-	-	-	158,922	158,922
Categorical funding	241,659	-	-	-	241,659
Unreserved, reported in:					
General fund	195,643	-	-	-	195,643
Special revenue funds	-	340,423	-	300,540	640,963
Capital projects fund	-	-	960,130	-	960,130
Total fund balances	437,302	340,423	960,130	459,462	2,197,317
Total liabilities and fund balances	\$ 5,261,390	737,772	960,130	649,579	7,608,871

See notes to financial statements.

Clarke 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 22)	\$ 2,197,317
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	10,593,463
The Internal Service Fund is used by management to charge the costs of the District's flexible benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	22,143
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	281,299
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.	(18,503)
Long-term liabilities, including bonds and notes, compensated absences, net OPEB liability and net pension liability, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(3,445,253)</u>
Net assets of governmental activities (page 19)	<u><u>\$ 9,630,466</u></u>

See notes to financial statements.

Exhibit E

Clarke Community School District

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

Year ended June 30, 2010

	Special Revenue		Capital Projects School	Nonmajor	Total
	General	Physical Plant and Equipment Levy			
Revenues:					
Local sources:					
Local tax	\$ 3,782,030	318,893	730,114	149	4,831,186
Tuition	391,436	-	-	-	391,436
Other	253,887	8,575	23,763	253,253	539,478
State sources	6,722,428	54	-	5	6,722,487
Federal sources	1,424,319	-	-	-	1,424,319
Total revenues	12,574,100	327,522	753,877	253,407	13,908,906
Expenditures:					
Current:					
Instruction:					
Regular instruction	4,976,213	7,523	-	148,844	5,132,580
Special instruction	1,961,034	-	-	6,287	1,967,321
Other instruction	1,540,508	-	-	225,634	1,766,142
	8,477,755	7,523	-	380,765	8,866,043
Support services:					
Student services	333,416	-	-	1,843	335,259
Instructional staff services	423,663	32,815	-	968	457,446
Administration services	1,169,886	-	-	5,147	1,175,033
Operation and maintenance of plant services	944,599	13,463	-	45,854	1,003,916
Transportation services	530,071	-	100,000	17,403	647,474
	3,401,635	46,278	100,000	71,215	3,619,128
Non-instructional programs	-	-	-	1,399	1,399
Other expenditures:					
Facilities acquisition	-	189,274	-	-	189,274
Long-term debt:					
Principal	-	-	-	498,039	498,039
Interest and fiscal charges	-	-	-	135,458	135,458
AEA flowthrough	543,479	-	-	-	543,479
	543,479	189,274	-	633,497	1,366,250
Total expenditures	12,422,869	243,075	100,000	1,086,876	13,852,820
Excess (deficiency) of revenues over (under) expenditures	151,231	84,447	653,877	(833,469)	56,086
Other financing sources (uses):					
Operating transfers in	-	-	-	632,814	632,814
Operating transfers out	-	(157,429)	(475,385)	-	(632,814)
Total other financing sources (uses)	-	(157,429)	(475,385)	632,814	-
Net change in fund balances	151,231	(72,982)	178,492	(200,655)	56,086
Fund balances beginning of year	286,071	413,405	781,638	660,117	2,141,231
Fund balances end of year	\$ 437,302	340,423	960,130	459,462	2,197,317

See notes to financial statements.

Clarke 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 24) \$ 56,086

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 358,316	
Depreciation expense	<u>(415,474)</u>	(57,158)

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (1,557)

Certain revenues not collected for several months after year end are not considered available revenue and are deferred in the governmental funds. (98,321)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 498,039

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

Early retirement	173,913	
Compensated absences	(6,322)	
Net OPEB liability	(29,392)	
Net pension liability	(75,600)	
Interest on long-term debt	<u>9,851</u>	72,450

The Internal Service Fund is used by management to charge the costs of partial self funding of the District's flexible benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported in governmental activities. (1,065)

Change in net assets of governmental activities (page 21) \$ 468,474

See notes to financial statements.

Clarke Community School District

Statement of Net Assets
Proprietary Funds

June 30, 2010

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
Assets		
Cash and cash equivalents	\$ 53,519	19,064
Accounts receivable	1,273	3,079
Inventories	4,802	-
Capital assets, net of accumulated depreciation	110,273	-
Total assets	<u>169,867</u>	<u>22,143</u>
Liabilities		
Salaries and benefits payable	45,321	-
Unearned revenue	11,182	-
Net OPEB liability	908	-
Total liabilities	<u>57,411</u>	<u>-</u>
Net Assets		
Invested in capital assets	110,273	-
Unrestricted	2,183	22,143
Total net assets	<u>\$ 112,456</u>	<u>22,143</u>

See notes to financial statements.

Clarke Community School District

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

Year ended June 30, 2010

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
Operating revenues:		
Local sources:		
Charges for service	\$ 241,378	-
Employee contributions	-	36,971
Total operating revenue	<u>241,378</u>	<u>36,971</u>
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	189,235	-
Benefits	87,809	-
Purchased services	12,171	-
Supplies	323,400	-
Other	589	38,471
Depreciation	19,495	-
Total operating expenses	<u>632,699</u>	<u>38,471</u>
Operating loss	<u>(391,321)</u>	<u>(1,500)</u>
Non-operating revenues:		
State sources	6,096	-
Federal sources	351,407	-
Interest income	1,249	435
Net non-operating revenues	<u>358,752</u>	<u>435</u>
Decrease in net assets	(32,569)	(1,065)
Net assets beginning of year	<u>145,025</u>	<u>23,208</u>
Net assets end of year	<u>\$ 112,456</u>	<u>22,143</u>

See notes to financial statements.

Exhibit I

Clarke Community School District

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2010

	<u>Business Type Activities</u>	<u>Governmental Activities</u>
	Enterprise - School Nutrition	Internal Service - Flex Spending
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 242,353	-
Cash received from miscellaneous operating activities	-	33,892
Cash paid to suppliers for goods or services	(573,765)	(38,471)
Net cash used by operating activities	<u>(331,412)</u>	<u>(4,579)</u>
Cash flows from non-capital financing activities:		
State grants received	6,096	-
Federal grants received	312,768	-
Net cash provided by non-capital financing activities	<u>318,864</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	1,249	435
Net decrease in cash and cash equivalents	(11,299)	(4,144)
Cash and cash equivalents beginning of year	64,818	23,208
Cash and cash equivalents end of year	<u>\$ 53,519</u>	<u>19,064</u>

Clarke Community School District

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2010

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (391,321)	(1,500)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	38,639	-
Depreciation	19,495	-
Decrease in accounts receivable	224	-
(Increase) in inventories	(1,587)	-
(Increase) in accounts receivable	-	(3,079)
Increase in salaries and benefits payable	1,480	-
Increase in other postemployment benefits	908	-
Increase in unearned revenue	750	-
Net cash used by operating activities	<u>\$ (331,412)</u>	<u>(4,579)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received \$38,639 of federal commodities.

See notes to financial statements.

Exhibit J

Clarke Community School District

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2010

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 48,284	145,457
Accounts receivable	-	760
Due from other governments	-	4,800
Total assets	<u>48,284</u>	<u>151,017</u>
Liabilities		
Accounts payable	-	9,010
Trusts payable	-	142,007
Total liabilities	<u>-</u>	<u>151,017</u>
Net assets		
Reserved for scholarships	<u>\$ 48,284</u>	<u>-</u>

See notes to financial statements.

Clarke Community School District

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2010

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 25,000
Interest income	1,936
Total additions	<u>26,936</u>
Deductions:	
Support services:	
Scholarships awarded	<u>750</u>
Change in net assets	26,186
Net assets beginning of year	<u>22,098</u>
Net assets end of year	<u><u>\$ 48,284</u></u>

See notes to financial statements.

Clarke Community School District

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies

Clarke Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Osceola, Iowa, and the predominate agricultural territory in Clarke County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

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

Jointly Governed Organization – 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 Clarke County Assessor's Conference Board.

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

The Special Revenue, Physical Plant and Equipment Levy Fund is used to account for all resources from the regular and voter-approved levy used for major expenditures related to real property and equipment.

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

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

Additionally, the District reports a nonmajor proprietary fund. The Internal Service, Flex Spending Fund is utilized to account for employee flexible benefits.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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 District considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

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

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

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

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

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Intangibles:	
School Nutrition Fund	500
Other	50,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Intangibles	5-10 years
Furniture and equipment	4-12 years

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

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

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation 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 fund financial statements only for employees who 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 by the General Fund.

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The District’s deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2010, the District’s investments are as follows:

Type	Fair Value
Common stock	\$ 6,221

Concentration of credit risk. The District places no limit on the amount that may be invested in any one issuer. The District’s investment in common stock is 100 percent of the District’s total investments.

(3) Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Special Revenue:	
	Physical Plant and Equipment Levy	\$ 157,429
	Capital Projects:	
	School Infrastructure	475,385
Total		\$ 632,814

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

(4) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 78,000	-	-	78,000
Construction in progress	450,535	173,766	(624,301)	-
Total capital assets not being depreciated	528,535	173,766	(624,301)	78,000
Capital assets being depreciated:				
Buildings	13,049,306	624,301	-	13,673,607
Improvements other than buildings	1,248,598	-	-	1,248,598
Furniture and equipment	1,755,353	184,550	(103,132)	1,836,771
Total capital assets being depreciated	16,053,257	808,851	(103,132)	16,758,976
Less accumulated depreciation for:				
Buildings	3,953,295	260,447	-	4,213,742
Improvements other than buildings	710,875	52,112	-	762,987
Furniture and equipment	1,265,444	102,915	(101,575)	1,266,784
Total accumulated depreciation	5,929,614	415,474	(101,575)	6,243,513
Total capital assets being depreciated, net	10,123,643	393,377	(1,557)	10,515,463
Governmental activities capital assets, net	\$ 10,652,178	567,143	(625,858)	10,593,463
Business type activities:				
Furniture and equipment	\$ 374,353	-	-	374,353
Less accumulated depreciation	244,585	19,495	-	264,080
Business type activities capital assets, net	\$ 129,768	(19,495)	-	110,273

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular instruction \$ 12,745

Support services:

Administration services 8,433

Operation and maintenance of plant services 6,823

Transportation services 74,913

102,914

Unallocated 312,560

312,560

Total depreciation expense - governmental activities \$ 415,474

\$ 415,474

Business type activities:

Food service operations \$ 19,495

\$ 19,495

(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	\$ 3,640,000	-	350,000	3,290,000	360,000
General obligation capital loan notes	148,039	-	148,039	-	-
Early retirement	173,913	-	173,913	-	-
Compensated absences	43,939	53,909	47,587	50,261	50,261
Net OPEB liability	-	29,392	-	29,392	-
Net pension liability	-	75,600	-	75,600	-
Total	\$ 4,005,891	158,901	719,539	3,445,253	410,261

The District implemented GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, and GASB Statement No. 50, Pension Disclosures – an Amendment of GASB Statements No. 25 and 27, during the year ended June 30, 2010. The early retirement liability is now recorded based on an actuarial valuation and is reflected in the net pension liability.

General Obligation Bonds

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

Year Ending June 30,	Bond Issue of April 1, 2008			
	Interest Rates	Principal	Interest	Total
2011	3.45%	\$ 360,000	113,485	473,485
2012	3.45	375,000	101,065	476,065
2013	3.45	390,000	88,128	478,128
2014	3.15	405,000	74,672	479,672
2015	3.30	420,000	69,300	489,300
2016-2018	3.45-3.70	1,340,000	90,910	1,430,910
Total		\$ 3,290,000	537,560	3,827,560

During the year ended June 30, 2010, the District retired \$ 350,000 of the bonds.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 4.30% of their annual covered salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District’s contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$ 514,434, \$493,358 and \$444,614, respectively, equal to the required contributions for each year.

(7) Risk Management

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

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$543,479 for the year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(9) 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, 2010.

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 101 active and 22 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate 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	\$ 60,900
Contributions made	<u>(30,600)</u>
Increase in net OPEB obligation	30,300
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>\$ 30,300</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. 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 \$30,600 to the medical plan. Plan members eligible for benefits contributed \$65,400, or 68% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 60,900	50.2%	\$ 30,300

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$502,800, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$502,800. The covered payroll (annual payroll of active employees eligible for coverage by the plan) was approximately \$7,527,000 and the ratio of the UAAL to covered payroll was 6.7%. 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, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000. A modest employee turnover rate was assumed for active employees. The assumed rate of retirement was determined by attained age after becoming eligible to retire and continuing health coverage.

Projected claim costs of the medical plan average \$485 per month for retirees less than age 65. The UAAL is being amortized as a level dollar cost using a closed group method over 30 years.

(10) Supplemental Pension Plan

The District implemented GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, and GASB Statement No. 50, Pension Disclosures – an Amendment of GASB Statements No. 25 and 27, during the year ended June 30, 2010.

Plan Description – The District offers a supplemental pension (early retirement incentive) for all eligible employees who attain age 55 with 15 or more years of service, submit an application to the Superintendent, receive Board approval and retire by June 30 of the same year.

There are 220 active members in the plan as of June 30, 2010. The pension benefit is defined as:

- Fifty percent of the value of the employee’s unused accumulated sick leave using current salary per day x 50% of accumulated sick days, not to exceed 100 days, plus,
- Five percent of the current salary times years of service over fifteen years.

The maximum benefit is the lesser of the calculated benefit or \$20,000.

Funding Policy – Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for payment of future benefits. The District makes the contributions from the Special Revenue, Management Levy Fund.

Annual Pension Cost and Net Pension Obligation – The District’s annual pension cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 27, as amended by GASB Statement No. 50. 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 pension cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District’s net pension obligation:

Annual required contribution	\$ 118,600
Pension payments made	<u>(43,000)</u>
Increase in net pension obligation	75,600
Net pension obligation beginning of year	<u>-</u>
Net pension obligation end of year	<u>\$ 75,600</u>

For calculation of the net pension obligation, the actuary has set the transition day as July 1, 2009. The end of year net pension 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 \$43,000 to the pension plan. The District’s annual pension cost, the percentage of annual pension cost contributed to the plan and the net pension obligation as of June 30, 2010 are summarized as follows:

Year Ended June 30,	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2010	\$ 118,600	36.3%	\$ 75,600

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$893,300 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$893,300. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,527,000 and the ratio of the UAAL to covered payroll was 11.9%. 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 assumption about future employment, mortality and employee retirement age. 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 that are 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, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The actuarial assumptions used for mortality rates, employee termination by age and group, employee retirement by age and group and others are similar to or identical to the GASB Statement No. 45 assumptions used to determine the OPEB. The remaining amortization period at June 30, 2010 is 29 years.

Clarke Community School District

Required Supplementary Information

Clarke Community School District

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

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Revenues:			
Local sources	\$ 5,762,100	280,033	6,042,133
State sources	6,722,487	6,096	6,728,583
Federal sources	1,424,319	351,407	1,775,726
Total revenues	13,908,906	637,536	14,546,442
Expenditures:			
Instruction	8,866,043	-	8,866,043
Support services	3,619,128	-	3,619,128
Non-instructional programs	1,399	671,170	672,569
Other expenditures	1,366,250	-	1,366,250
Total disbursements	13,852,820	671,170	14,523,990
Excess (deficiency) of revenues over (under) expenditures/expenses	56,086	(33,634)	22,452
Balances beginning of year	2,141,231	168,233	2,309,464
Balances end of year	\$ 2,197,317	134,599	2,331,916

See accompanying independent auditor's report.

Less Funds Not Required to be Budgeted	Net	Original/ Final Budgeted Amounts	Budget to Net Variance
37,406	6,004,727	6,129,035	(124,308)
-	6,728,583	8,195,453	(1,466,870)
-	1,775,726	1,129,862	645,864
37,406	14,509,036	15,454,350	(945,314)
-	8,866,043	10,303,789	1,437,746
-	3,619,128	4,876,486	1,257,358
38,471	634,098	769,852	135,754
-	1,366,250	1,881,246	514,996
38,471	14,485,519	17,831,373	3,345,854
(1,065)	23,517	(2,377,023)	(2,400,540)
23,208	2,286,256	2,459,244	(172,988)
22,143	2,309,773	82,221	2,227,552

Clarke Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting 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 Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on 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 function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not amend the budget.

During the year ended June 30, 2010, expenditures did not exceed the amounts budgeted.

Clarke Community School District

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 503	503	0.0%	\$ 7,527	6.7%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Clarke Community School District

Schedule of Funding Progress for the
Supplemental Pension Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 893	893	0.0%	\$ 7,527	11.9%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual pension cost, net pension obligation, funded status and funding progress.

Other Supplementary Information

Schedule 1

Clarke Community School District

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2010

	Special Revenue			Total
	Management Levy	Student Activity	Debt Service	
Assets				
Cash and pooled investments	\$ 185,981	123,450	158,922	468,353
Receivables:				
Property tax:				
Delinquent	4	-	69	73
Succeeding year	180,000	-	-	180,000
Accounts	-	82	-	82
Due from other governments	-	1,071	-	1,071
Total assets	\$ 365,985	124,603	158,991	649,579
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	4,480	-	4,480
Salaries and benefits payable	-	1,848	-	1,848
Due to other governments	3,578	140	-	3,718
Deferred revenue:				
Succeeding year property tax	180,000	-	-	180,000
Other	2	-	69	71
Total liabilities	183,580	6,468	69	190,117
Fund equity:				
Fund balances:				
Reserved for debt service	-	-	158,922	158,922
Unreserved, reported in				
Special revenue funds	182,405	118,135	-	300,540
Total fund equity	182,405	118,135	158,922	459,462
Total liabilities and fund equity	\$ 365,985	124,603	158,991	649,579

See accompanying independent auditor's report.

Clarke Community School District

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

Year ended June 30, 2010

	Special Revenue			Total
	Management	Student	Debt	
	Levy	Activity	Service	
Revenues:				
Local sources:				
Local tax	\$ 149	-	-	149
Other	6,758	242,395	4,100	253,253
State sources	-	-	5	5
Total revenues	<u>6,907</u>	<u>242,395</u>	<u>4,105</u>	<u>253,407</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	148,844	-	-	148,844
Special instruction	6,287	-	-	6,287
Other instruction	2,556	223,078	-	225,634
Support services:				
Student services	1,843	-	-	1,843
Instructional staff services	968	-	-	968
Administration services	5,147	-	-	5,147
Operation and maintenance of plant services	45,418	436	-	45,854
Transportation services	14,835	2,568	-	17,403
Non-instructional programs	1,399	-	-	1,399
Other expenditures:				
Long-term debt:				
Principal	-	-	498,039	498,039
Interest and other charges	-	-	135,458	135,458
Total expenditures	<u>227,297</u>	<u>226,082</u>	<u>633,497</u>	<u>1,086,876</u>
Excess (deficiency) of revenues over (under) expenditures	(220,390)	16,313	(629,392)	(833,469)
Other financing sources:				
Operating transfers in	-	-	632,814	632,814
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(220,390)	16,313	3,422	(200,655)
Fund balances beginning of year	<u>402,795</u>	<u>101,822</u>	<u>155,500</u>	<u>660,117</u>
Fund balances end of year	<u>\$ 182,405</u>	<u>118,135</u>	<u>158,922</u>	<u>459,462</u>

See accompanying independent auditor's report.

Schedule 3

Clarke Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expend- itures	Balance End of Year
Pop Music	\$ 316	61	-	377
Pop Athletics	1,921	1,093	-	3,014
Athletics	4,222	8,205	9,910	2,517
Publications	10,998	7,969	8,964	10,003
High School Band	5,413	32,499	30,954	6,958
High School Co-curricular	440	-	440	-
High School Vocal Music	2,699	5,477	5,059	3,117
Cheerleaders	2,083	8,862	10,231	714
Speech/Debate	543	4,338	4,370	511
FFA	558	32,891	28,612	4,837
FHA	1,022	25	441	606
Medical Careers Club	139	4	-	143
Cross Country	-	450	450	-
Tennis	-	1,002	1,002	-
Elementary Literacy Library	-	989	-	989
Boys Basketball	5,095	3,696	2,651	6,140
Football	5,989	21,459	17,725	9,723
Baseball	200	4,923	5,123	-
Boys Track	623	5,047	3,255	2,415
Wrestling	2,190	952	1,966	1,176
Girls Basketball	5,059	4,700	3,915	5,844
Volleyball	5,096	4,338	3,427	6,007
Softball	1,149	8,545	6,757	2,937
Girls Track	1,098	5,168	3,618	2,648
Camp - Boys Basketball	1,233	31	-	1,264
Camp - Football	5,366	1,152	4,202	2,316
Camp - Wrestling	67	2	-	69
Camp - Girls Basketball	3,416	569	200	3,785
Camp - Volleyball	792	20	-	812
Book Club	49	1,221	991	279
Spanish Club	1,396	135	-	1,531
High School Student Council	-	2,117	1,450	667
Thespians	3,173	6,114	6,821	2,466

Clarke Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expend- itures	Balance End of Year
Class of:				
2008	681	18	-	699
2010	2,954	127	1,299	1,782
2011	3,389	5,523	7,422	1,490
2012	745	1,790	250	2,285
Art Club	862	370	573	659
Concessions	18,692	36,512	27,507	27,697
American Field Service	2,555	66	-	2,621
Vending Machine -				
Art/Cheerleaders	365	10	-	375
TOUCH	122	3	-	125
Media Club	212	5	-	217
Athletic Resale	(18,695)	5,000	7,486	(21,181)
Drill Team	2,090	1,091	2,565	616
FBLA	-	445	445	-
Junior High Student Council	284	328	612	-
Middle School Pop Fund Balance	935	209	1,038	106
Elementary Student Council	12,630	6,151	3,571	15,210
After Prom	1,656	10,693	10,780	1,569
Total	\$ 101,822	242,395	226,082	118,135

See accompanying independent auditor's report.

Clarke Community School District

Clarke Community School District

Schedule of Changes in Fiduciary Assets and Liabilities –
Agency Fund

Year ended June 30, 2010

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 139,023	264,654	258,220	145,457
Accounts receivable	-	760	-	760
Due from other governments	3,600	4,800	3,600	4,800
Total assets	\$ 142,623	270,214	261,820	151,017
Liabilities				
Accounts payable	\$ 24	9,010	24	9,010
Trusts payable	142,599	261,204	261,796	142,007
Total liabilities	\$ 142,623	270,214	261,820	151,017

See accompanying independent auditor's report.

Clarke Community School District

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

For the Last Nine Years

	2010	2009	2008	2007
Revenues:				
Local sources:				
Local tax	\$ 4,831,186	4,667,723	4,643,460	4,646,077
Tuition	391,436	353,389	332,365	374,400
Other	539,478	426,305	548,713	720,867
Intermediate sources	-	-	5,523	-
State sources	6,722,487	7,784,734	7,264,290	6,760,768
Federal sources	1,424,319	589,407	539,307	555,494
Total	\$ 13,908,906	13,821,558	13,333,658	13,057,606
Expenditures:				
Instruction:				
Regular instruction	\$ 5,132,580	5,071,939	5,040,800	4,778,673
Special instruction	1,967,321	1,957,714	1,945,636	1,813,039
Other instruction	1,766,142	1,782,475	1,313,063	1,158,946
Support services:				
Student services	335,259	319,803	338,214	300,624
Instructional staff services	457,446	326,686	314,187	350,389
Administration services	1,175,033	1,161,780	1,261,484	1,285,995
Operation and maintenance of plant services	1,003,916	1,086,043	1,219,815	1,076,053
Transportation services	647,474	533,736	540,318	606,882
Non-instructional programs	1,399	1,048	8,158	3,213
Other expenditures:				
Facilities acquisition	189,274	639,674	1,110,495	167,641
Long-term debt:				
Principal	498,039	466,384	447,936	420,293
Interest and other charges	135,458	165,902	212,491	232,271
Other	-	-	-	-
AEA flowthrough	543,479	489,537	455,495	446,669
Total	\$ 13,852,820	14,002,721	14,208,092	12,640,688

See accompanying independent auditor's report.

Modified Accrual Basis				
2006	2005	2004	2003	2002
4,375,080	4,422,423	4,191,392	3,736,749	3,627,428
339,497	345,637	333,122	389,967	344,846
458,888	435,668	377,892	396,302	396,875
-	-	-	-	-
6,534,151	6,221,414	5,959,245	6,044,538	5,900,376
770,422	685,694	699,462	428,237	481,141
12,478,038	12,110,836	11,561,113	10,995,793	10,750,666
4,337,840	4,344,951	4,118,312	3,962,238	3,961,982
1,918,914	2,251,134	2,091,487	1,515,063	1,389,211
1,136,067	636,728	572,922	1,109,364	1,121,804
306,632	284,522	337,336	356,596	340,812
271,461	317,425	321,255	366,422	533,314
1,134,575	1,027,301	997,654	975,611	969,383
1,021,613	888,722	817,383	685,159	650,481
655,476	432,681	463,895	397,987	371,043
9,644	22,898	11,691	8,366	7,120
453,790	354,730	192,537	264,798	464,039
403,090	386,300	364,902	348,870	338,186
250,806	272,720	286,673	301,855	317,584
-	-	-	300	150
421,018	410,502	410,482	433,289	429,027
12,320,926	11,630,614	10,986,529	10,725,918	10,894,136

Schedule 6

Clarke Community School District
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2010

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	\$ 44,077
National School Lunch Program	10.555	FY10	307,330 *
			<u>351,407</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	1211G	270,128
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	103,556
			<u>373,684</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY10	5,840
Grants for State Assessments and Related Activities	84.369	FY10	8,574
Improving Teacher Quality State Grants	84.367	FY10	69,095
ARRA - State Fiscal Stabilization (SFSF)- Education State Grants, Recovery Act	84.394	FY10	575,748
Green Valley Area Education Agency:			
Special Education - Grants to States	84.027	FY10	73,506
ARRA - Special Education - Grants to States, Recovery Act	84.027	FY10	120,594
			<u>194,100</u>
Southwestern Community College:			
Career and Technical Education - Basic Grants to States	84.048	FY10	14,939
Total			<u>\$ 1,593,387</u>

* Includes \$38,639 of non-cash awards.

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Clarke 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.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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

To the Board of Education of
Clarke Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clarke Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 15, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Clarke Community School District's financial statements will not be prevented or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Clarke Community School District and other parties to whom Clarke 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 specified parties.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 15, 2010

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

Clarke Community School District



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STATE OF IOWA

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

To the Board of Education of
Clarke Community School District:

Compliance

We have audited the compliance of Clarke Community School District with the types of compliance requirements described in 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. Clarke Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Clarke Community School District's management. Our responsibility is to express an opinion on Clarke Community School District's compliance based on our audit.

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

In our opinion, Clarke 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 Clarke Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Clarke Community School District's internal control over compliance with 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 Clarke Community School District's internal control over compliance.

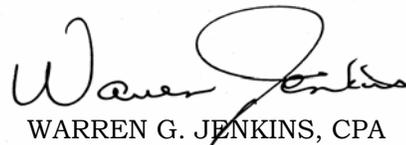
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of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

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Clarke Community School District and other parties to whom Clarke 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 specified parties.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 15, 2010

Clarke Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2010

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were:
 - Clustered programs:
 - Title I, Part A Cluster Programs:
 - CFDA Number 84.010 – Title I Grants to local Educational Agencies
 - CFDA Number 84.389 – ARRA – Title I Grants to local Educational Agencies, Recovery Act
 - School Nutrition Cluster programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 84.394 – ARRA – State Fiscal Stabilization (SFSF) - Education State Grants, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Clarke Community School District did qualify as a low-risk auditee.

Clarke 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:

No material weaknesses in internal control over financial reporting were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

Clarke 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 did not exceed the amounts budgeted.
- IV-B-10 Questionable Expenditures – No expenditures 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 – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Chris Reindl, football, track and baseball coach, owner of All American Plumbing	Repair	\$ 601
	Supplies	41
Total		<u>\$ 642</u>

These transactions do not appear to represent conflicts of interest in accordance with Chapters 279.7A and 301.28 of the Code.

- 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 the coverage is adequate for current operations.
- IV-F-10 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-10 Certified Enrollment – One variance in the basic enrollment data certified to the Department of Education was noted. The District counted one student who had dropped out prior to the certified count.

Recommendation – The District should develop procedures to ensure accurate attendance counts are taken throughout the year and accurate enrollment data is certified to the Iowa Department of Education.

Response – In the future, school enrollment will be checked against student attendance.

Conclusion – Response accepted.

Clarke Community School District
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2010

IV-H-10 Deposits and Investments – Except as noted below, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

The Private Purpose Trust, Scholarship Fund has an investment in common stock which does not appear to be an investment permitted by Article VIII of the Constitution of the State of Iowa and Chapter 12B.10 of the Code of Iowa. Since the money was originally donated to fund a scholarship and the stock was purchased in the 1930s, the District, based on advice of its legal counsel, believes it is in the best interest of this fund to continue owning the stock.

IV-I-10 Certified Annual Report – The Certified Annual Report was not filed with the Iowa Department of Education timely. The District certified the report two days after the September 15, 2010 deadline.

Recommendation – The District should develop procedures to ensure the timely certification of the Certified Annual Report.

Response – Current procedures should ensure timely report filing. However, technology issues caused the late filing of the Certified Annual Report this year.

Conclusion – Response accepted.

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

IV-K-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.

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

Beginning balance		<u>\$ 781,638</u>
Revenue:		
Statewide sales, services and use tax	\$ 730,114	
Interest on investments	<u>23,763</u>	753,877
Expenditures/transfers out:		
Debt service for school infrastructure	475,385	
School buses	<u>100,000</u>	<u>575,385</u>
Ending balance		<u>\$ 960,130</u>

Clarke Community School District
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2010

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

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 1.67224	475,385
Physical plant and equipment levy	.89605	<u>254,729</u>
Total		\$ <u>730,114</u>

Clarke Community School District

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Karen J. Kibbe, Senior Auditor
Jessica N. Meierotto, Staff Auditor
Alison P. Herold, Assistant Auditor
Alicia K. Kane, Auditor Intern



Andrew E. Nielsen, CPA
Deputy Auditor of State