



**OFFICE OF AUDITOR OF STATE**  
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

January 13, 2012

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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 \$15,227,437 for the year ended June 30, 2011, a 5.7% increase over the prior year. The revenues included \$3,949,813 in local tax, \$929,679 in statewide sales, services and use tax, \$233,824 in income surtax, charges for service of \$847,435, operating grants, contributions and restricted interest of \$2,931,750, capital grants, contributions and restricted interest of \$48,867, unrestricted investment earnings of \$36,056, unrestricted grants of \$6,215,168 and other general revenues of \$34,845.

Expenses for District operations totaled \$13,880,042, a less than 1% decrease from the prior year, and included \$5,167,331 for regular instruction, \$1,922,641 for special instruction and \$1,680,173 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/1130-1211-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, 2011**

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**Clarke Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education (Before September 2011 Election)</b>		
Linda Henry	President	2011
Edward White	Vice President	2011
Mark Jones	Board Member	2011
Steve O'Tool	Board Member	2011
Jim Audlehelm	Board Member	2013
Larry Gibbs	Board Member	2013
Gerald Linskens	Board Member	2013
<b>Board of Education (After September 2011 Election)</b>		
Gerald Linskens	President	2013
Larry Gibbs	Vice President	2013
Jim Audlehelm	Board Member	2013
Kelly Bailey	Board Member	2015
James Bair	Board Member	2015
Lori Helgevold	Board Member	2015
Steve O'Tool	Board Member	2015
<b>School Officials</b>		
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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STATE OF IOWA

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Auditor of State

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Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

## 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, 2011, 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.

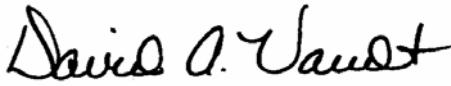
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2011, 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.

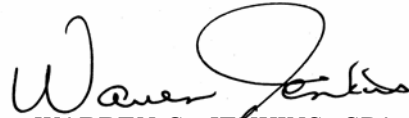
In accordance with Government Auditing Standards, we have also issued our report dated November 4, 2011 on our consideration of Clarke Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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, Schedules of Funding Progress for the Retiree Health and Supplemental Pension Plans and the Schedule of Employer Contributions for the Supplemental Pension Plan on pages 7 through 15 and 46 through 51 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 nine years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 4, 2011



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Clarke Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$ 12,574,100 in fiscal year 2010 to \$12,653,963 in fiscal year 2011, while General Fund expenditures decreased from \$ 12,422,869 in fiscal year 2010 to \$ 11,947,975 in fiscal year 2011. The District's General Fund balance increased \$705,988, or 161%, over the prior year.
- The increase in General Fund revenues was primarily attributable to an increase in state resources. The decrease in expenditures was due primarily to a decrease in payroll costs due to staff reductions.

### **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 financial 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 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 and a Schedule of Employer Contributions for the Supplemental Pension Plan.

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.

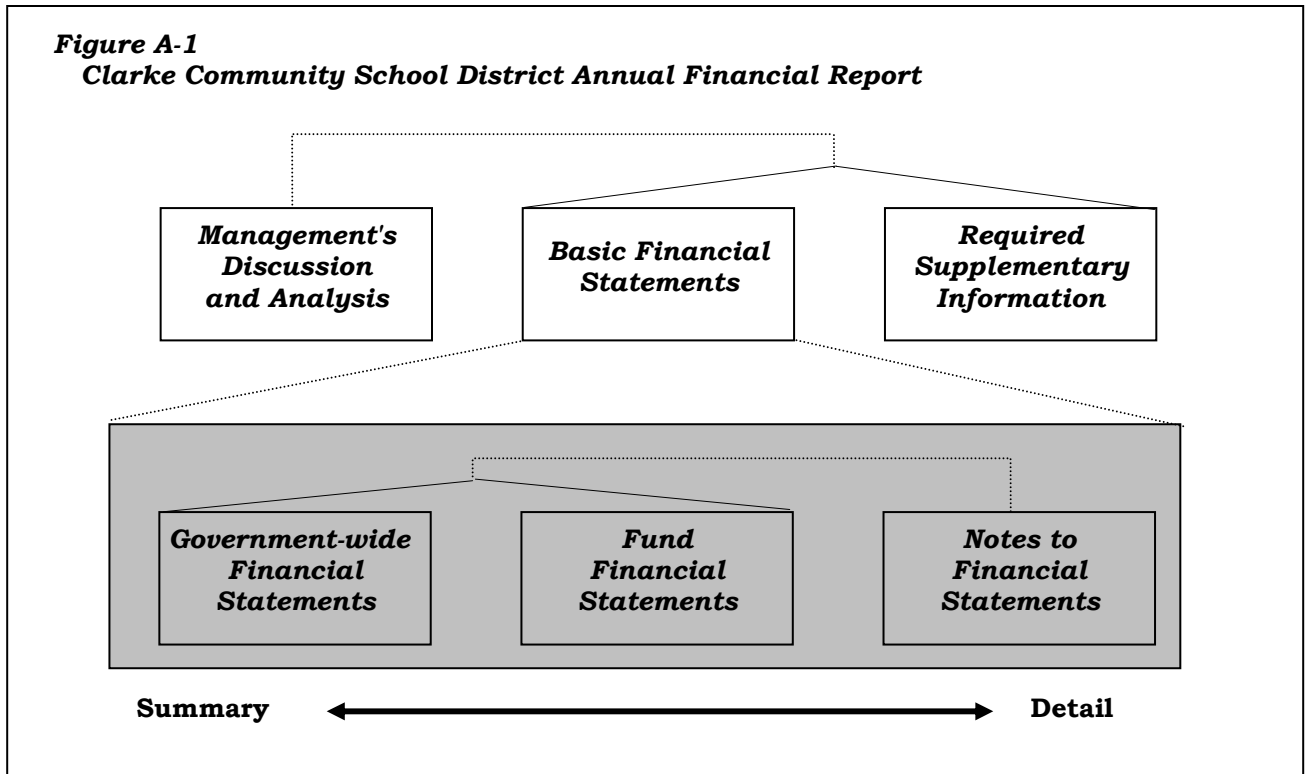


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
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 the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

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

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show 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.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Figure A-3 below provides a summary of the District’s net assets at June 30, 2011 compared to June 30, 2010.

<b>Figure A-3</b>							
<b>Condensed Statement of Net Assets</b>							
<b>(Expressed in Thousands)</b>							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$ 9,101	\$ 7,631	66	60	9,167	7,691	1,476
Capital assets	10,587	10,593	96	110	10,683	10,703	(20)
Total assets	19,688	18,224	162	170	19,850	18,394	1,456
Long-term liabilities	3,232	3,445	-	-	3,232	3,445	(213)
Other liabilities	5,467	5,149	61	57	5,528	5,206	322
Total liabilities	8,699	8,594	61	57	8,760	8,651	109
Net assets:							
Invested in capital assets, net of related debt	7,657	7,303	96	110	7,753	7,413	340
Restricted	2,569	2,135	-	-	2,569	2,135	434
Unrestricted	763	192	5	3	768	195	573
Total net assets	\$ 10,989	\$ 9,630	101	113	11,090	9,743	1,347

The District's combined net assets increased 13.8%, or approximately \$1,347,000, over the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

The District's restricted net assets increased approximately \$434,000, or 20.3%, over the prior year. The increase was primarily a result of decreased expenditures for debt payments and an increase in statewide sales, services and use tax revenue.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased approximately \$573,000, or 294%. This increase in unrestricted net assets was primarily due to the repeal of the 10% across-the-board cut in state funding which occurred in the fiscal year ended June 30, 2010.

Figure A-4 shows the change in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

<b>Figure A-4</b>							
<b>Change in Net Assets</b>							
<b>(Expressed in Thousands)</b>							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues:							
Program revenues:							
Charges for service	\$ 615	\$ 756	233	241	848	997	(149)
Operating grants, contributions and restricted interest	2,551	3,005	381	358	2,932	3,363	(431)
Capital grants, contributions and restricted interest	49	27	-	-	49	27	22
General revenues:							
Property tax	3,950	3,883	-	-	3,950	3,883	67
Statewide sales, services and use tax	930	730	-	-	930	730	200
Income surtax	234	243	-	-	234	243	(9)
Unrestricted state grants	6,215	5,020	-	-	6,215	5,020	1,195
Unrestricted investment earnings	35	28	-	1	35	29	6
Other	34	117	-	-	34	117	(83)
Total revenues	<u>14,613</u>	<u>13,809</u>	<u>614</u>	<u>600</u>	<u>15,227</u>	<u>14,409</u>	<u>818</u>
Program expenses:							
Instruction	8,770	8,803	-	-	8,770	8,803	(33)
Support services	3,479	3,539	-	-	3,479	3,539	(60)
Non-instructional programs	10	2	626	632	636	634	2
Other expenses	995	997	-	-	995	997	(2)
Total expenses	<u>13,254</u>	<u>13,341</u>	<u>626</u>	<u>632</u>	<u>13,880</u>	<u>13,973</u>	<u>(93)</u>
Change in net assets	1,359	468	(12)	(32)	1,347	436	911
Net assets beginning of year	9,630	9,162	113	145	9,743	9,307	436
Net assets end of year	<u>\$ 10,989</u>	<u>\$ 9,630</u>	<u>101</u>	<u>113</u>	<u>11,090</u>	<u>9,743</u>	<u>1,347</u>

In fiscal year 2011, property tax and unrestricted state grants accounted for 69.6% of governmental activities revenues while charges for service and operating grants, contributions and restricted interest accounted for 100% of business type activities revenue. The District's expenses primarily relate to instruction and support services, which account for 88.2% of total expenses.

**Governmental Activities**

Revenues for governmental activities were \$ 14,612,536 and expenses were \$13,253,990 for the year ended June 30, 2011.

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 year ended June 30, 2011 compared to the year ended June 30, 2010.

For the year ended June 30, 2011:

<b>Figure A-5</b>				
<b>Total and Net Cost of Governmental Activities</b>				
<b>(Expressed in Thousands)</b>				
	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction	\$ 8,770	\$ 8,803	6,188	5,669
Support services	3,479	3,539	3,435	3,462
Non-instructional programs	10	2	10	(1)
Other expenses	995	997	407	422
Total	<u>\$ 13,254</u>	<u>\$ 13,341</u>	<u>10,040</u>	<u>9,552</u>

- The cost financed by users of the District’s programs was \$614,778.
- Federal and state governments subsidized certain operating programs with grants and contributions totaling \$2,550,579.
- The net cost of governmental activities was financed with \$5,113,316 in property and other taxes and \$6,215,168 in unrestricted state grants.

**Business Type Activities**

Revenues for business-type activities during the year ended June 30, 2011 were \$614,901, representing a 2.5% increase over the prior year, while expenses totaled \$626,052, a 1% decrease from the prior year. 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 investment 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 \$3,286,070, well above last year’s ending fund balance of \$ 2,197,317.

**Governmental Fund Highlights**

- The General Fund balance increased from \$437,402 at June 30, 2010 to \$1,143,290 at June 30, 2011 due, primarily to an increase in state funding.
- The Capital Projects Fund balance increased from \$1,300,553 at June 30, 2010 to \$1,733,037 at June 30, 2011. Revenues increased due to an increase in physical plant and equipment property tax and an increase in statewide sales, services and use tax. Expenditures decreased due to the completion of a partial roof replacement project. Revenues increased more than expenditures decreased.

## Proprietary Fund Highlights

- School Nutrition Fund net assets decreased from \$112,456 at June 30, 2010 to \$101,305 at June 30, 2011, primarily due to a decrease in charges for service revenues and an increase in expenses for salaries and benefits.

## 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 2011.

The District's total revenues were \$615,794 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 primarily 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.

The District's certified budget was exceeded in the other expenditures functional area.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2011, 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 \$454,466.

The original cost of the District's capital assets was approximately \$17.6 million. Governmental funds account for approximately \$17.2 million, with the remaining \$.4 million accounted for in the Proprietary, School Nutrition Fund.

	Governmental		Business Type		Total	
	Activities		Activities		District	
	June 30,		June 30,		June 30,	
	2011	2010	2011	2010	2011	2010
Land	\$ 78	\$ 78	-	-	78	78
Construction in progress	150	-	-	-	150	-
Buildings	9,338	9,460	-	-	9,338	9,460
Improvements other than buildings	504	486	-	-	504	486
Furniture and equipment	517	569	96	110	613	679
<b>Total</b>	<b>\$ 10,587</b>	<b>\$ 10,593</b>	<b>96</b>	<b>110</b>	<b>10,683</b>	<b>10,703</b>



## Long-Term Liabilities

At June 30, 2011, the District had approximately \$3,234,000 of general obligation bonds and other long-term liabilities outstanding. This represents a decrease of approximately 6.2% 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, 2011 of \$2,930,000.

	June 30,	
	2011	2010
General obligation bonds	\$ 2,930	\$ 3,290
Compensated absences	49	50
Net OPEB liability	65	29
Net pension liability	190	76
Total	<u>\$ 3,234</u>	<u>\$ 3,445</u>

## ECONOMIC 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 increased in fiscal year 2010-2011 and 2011-2012. Under Iowa's school funding formula, District funding is highly dependent upon District enrollment. Projections indicate the District will continue to remain steady.
- 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, 2011

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 4,244,041	57,871	4,301,912
Receivables:			
Property tax:			
Delinquent	118,041	-	118,041
Succeeding year	3,991,000	-	3,991,000
Accounts	3,881	1,416	5,297
Due from other governments	676,810	931	677,741
Inventories	-	3,170	3,170
Prepaid insurance	67,864	2,587	70,451
Capital assets, net of accumulated depreciation	10,586,620	96,020	10,682,640
<b>Total assets</b>	<b>19,688,257</b>	<b>161,995</b>	<b>19,850,252</b>
<b>Liabilities</b>			
Accounts payable	13,834	1,463	15,297
Salaries and benefits payable	1,198,208	46,580	1,244,788
Due to other governments	68,461	-	68,461
Accrued interest payable	16,478	-	16,478
Unearned revenue:			
Succeeding year property tax	3,991,000	-	3,991,000
Other	179,510	10,706	190,216
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	375,000	-	375,000
Compensated absences	49,495	-	49,495
Portion due after one year:			
General obligation bonds	2,555,000	-	2,555,000
Net OPEB liability	62,759	1,941	64,700
Net pension liability	189,500	-	189,500
<b>Total liabilities</b>	<b>8,699,245</b>	<b>60,690</b>	<b>8,759,935</b>

Clarke Community School District

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
<b>Net assets</b>			
Invested in capital assets, net of related debt	7,656,620	96,020	7,752,640
Restricted for:			
Categorical funding	214,290	-	214,290
Management levy	133,211	-	133,211
Physical plant and equipment levy	747,392	-	747,392
School infrastructure	1,212,015	-	1,212,015
Debt service	146,613	-	146,613
Student activities	115,971	-	115,971
Unrestricted	762,900	5,285	768,185
<b>Total net assets</b>	<b>\$ 10,989,012</b>	<b>101,305</b>	<b>11,090,317</b>

See notes to financial statements.

Clarke Community School District

Statement of Activities

Year ended June 30, 2011

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 5,167,331	212,014	1,137,678	22,048
Special instruction	1,922,641	128,575	281,462	-
Other instruction	1,680,173	258,651	541,679	-
	<u>8,770,145</u>	<u>599,240</u>	<u>1,960,819</u>	<u>22,048</u>
Support services:				
Student services	277,312	8,815	28,644	-
Instructional staff services	327,301	758	-	-
Administration services	1,243,876	2,632	-	-
Operation and maintenance of plant services	1,025,709	3,333	-	-
Transportation services	605,402	-	-	-
	<u>3,479,600</u>	<u>15,538</u>	<u>28,644</u>	<u>-</u>
Non-instructional programs	9,535	-	-	-
Other expenditures:				
Facilities acquisition	15,419	-	4,569	26,819
Long-term debt interest	111,860	-	-	-
AEA flowthrough	556,547	-	556,547	-
Depreciation (unallocated)*	310,884	-	-	-
	<u>994,710</u>	<u>-</u>	<u>561,116</u>	<u>26,819</u>
Total governmental activities	13,253,990	614,778	2,550,579	48,867
Business type activities:				
Non-instructional programs:				
Food service operations	626,052	232,657	381,171	-
Total	<u>\$ 13,880,042</u>	<u>847,435</u>	<u>2,931,750</u>	<u>48,867</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
(3,795,591)	-	(3,795,591)
(1,512,604)	-	(1,512,604)
(879,843)	-	(879,843)
<u>(6,188,038)</u>	<u>-</u>	<u>(6,188,038)</u>
(239,853)	-	(239,853)
(326,543)	-	(326,543)
(1,241,244)	-	(1,241,244)
(1,022,376)	-	(1,022,376)
(605,402)	-	(605,402)
<u>(3,435,418)</u>	<u>-</u>	<u>(3,435,418)</u>
<u>(9,535)</u>	<u>-</u>	<u>(9,535)</u>
15,969	-	15,969
(111,860)	-	(111,860)
-	-	-
(310,884)	-	(310,884)
<u>(406,775)</u>	<u>-</u>	<u>(406,775)</u>
(10,039,766)	-	(10,039,766)
-	(12,224)	(12,224)
<u>(10,039,766)</u>	<u>(12,224)</u>	<u>(10,051,990)</u>
\$ 3,762,993	-	3,762,993
186,820	-	186,820
929,679	-	929,679
233,824	-	233,824
6,215,168	-	6,215,168
34,983	1,073	36,056
34,845	-	34,845
<u>11,398,312</u>	<u>1,073</u>	<u>11,399,385</u>
1,358,546	(11,151)	1,347,395
<u>9,630,466</u>	<u>112,456</u>	<u>9,742,922</u>
<u>\$ 10,989,012</u>	<u>101,305</u>	<u>11,090,317</u>

Clarke Community School District

Balance Sheet  
Governmental Funds

June 30, 2011

	General	Capital Projects	Nonmajor	Total
<b>Assets</b>				
Cash and pooled investments	\$ 2,297,900	1,522,108	404,729	4,224,737
Receivables:				
Property tax:				
Delinquent	106,996	5,054	5,991	118,041
Succeeding year	3,552,000	169,000	270,000	3,991,000
Accounts	3,733	-	148	3,881
Due from other governments	243,316	432,244	1,250	676,810
Prepaid insurance	63,934	-	3,930	67,864
<b>Total assets</b>	<b>\$ 6,267,879</b>	<b>2,128,406</b>	<b>686,048</b>	<b>9,082,333</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 12,562	-	1,272	13,834
Salaries and benefits payable	1,196,127	-	2,081	1,198,208
Due to other governments	68,039	-	422	68,461
Deferred revenue:				
Succeeding year property tax	3,552,000	169,000	270,000	3,991,000
Other	295,861	226,369	2,530	524,760
Total liabilities	5,124,589	395,369	276,305	5,796,263
Fund balances:				
Nonspendable:				
Prepaid insurance	63,934	-	3,930	67,864
Restricted for:				
Categorical funding	214,290	-	-	214,290
Management levy purposes	-	-	126,751	126,751
Student activities	-	-	115,971	115,971
Debt service	-	-	163,091	163,091
School infrastructure	-	1,212,015	-	1,212,015
Physical plant and equipment	-	521,022	-	521,022
Unassigned	865,066	-	-	865,066
Total fund balances	1,143,290	1,733,037	409,743	3,286,070
<b>Total liabilities and fund balances</b>	<b>\$ 6,267,879</b>	<b>2,128,406</b>	<b>686,048</b>	<b>9,082,333</b>

See notes to financial statements.



Clarke Community School District

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

June 30, 2011

<b>Total fund balances of governmental funds (page 22)</b>	\$ 3,286,070
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	10,586,620
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.	19,304
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	345,250
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(16,478)
Long-term liabilities, including bonds and notes, compensated absences, net OPEB liability and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(3,231,754)</u>
<b>Net assets of governmental activities (page 19)</b>	<u><u>\$ 10,989,012</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, 2011

	General	Capital Projects	Nonmajor	Total
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 3,568,978	1,351,739	199,766	5,120,483
Tuition	287,350	-	-	287,350
Other	125,194	39,900	280,485	445,579
State sources	7,930,731	110	130	7,930,971
Federal sources	741,710	-	-	741,710
Total revenues	12,653,963	1,391,749	480,381	14,526,093
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular instruction	4,938,784	-	136,011	5,074,795
Special instruction	1,894,592	-	4,686	1,899,278
Other instruction	1,396,069	-	282,260	1,678,329
	8,229,445	-	422,957	8,652,402
Support services:				
Student services	270,301	-	4,994	275,295
Instructional staff services	303,677	13,355	8,110	325,142
Administration services	1,150,231	72,044	4,028	1,226,303
Operation and maintenance of plant services	951,535	2,560	55,918	1,010,013
Transportation services	486,239	-	24,158	510,397
	3,161,983	87,959	97,208	3,347,150
Non-instructional programs	-	-	9,535	9,535
Other expenditures:				
Facilities acquisition	-	397,821	-	397,821
Long-term debt:				
Principal	-	-	360,000	360,000
Interest and fiscal charges	-	-	113,885	113,885
AEA flowthrough	556,547	-	-	556,547
	556,547	397,821	473,885	1,428,253
Total expenditures	11,947,975	485,780	1,003,585	13,437,340
Excess (deficiency) of revenues over (under) expenditures	705,988	905,969	(523,204)	1,088,753
Other financing sources (uses):				
Operating transfers in	-	-	473,485	473,485
Operating transfers out	-	(473,485)	-	(473,485)
Total other financing sources (uses)	-	(473,485)	473,485	-
Net change in fund balances	705,988	432,484	(49,719)	1,088,753
Fund balances beginning of year, as restated	437,302	1,300,553	459,462	2,197,317
Fund balances end of year	\$ 1,143,290	1,733,037	409,743	3,286,070

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, 2011

**Net change in fund balances - total governmental funds (page 24)** \$ 1,088,753

**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 and capital asset contributions in the current year, as follows:

Expenditures for capital assets	\$ 407,517	
Capital assets contributed	22,048	
Depreciation expense	<u>(436,408)</u>	(6,843)

Certain revenues not collected for several months after year end are not considered available revenue and are deferred in the governmental funds. 63,951

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. 360,000

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:

Compensated absences	766	
Net OPEB liability	(33,367)	
Net pension liability	(113,900)	
Interest on long-term debt	<u>2,025</u>	(144,476)

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. (2,839)

**Change in net assets of governmental activities (page 21)** \$ 1,358,546

See notes to financial statements.

Clarke Community School District

Statement of Net Assets  
Proprietary Funds

June 30, 2011

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
<b>Assets</b>		
Cash and cash equivalents	\$ 57,871	19,304
Accounts receivable	1,416	-
Due from other governments	931	-
Inventories	3,170	-
Prepaid insurance	2,587	-
Capital assets, net of accumulated depreciation	96,020	-
<b>Total assets</b>	<u>161,995</u>	<u>19,304</u>
<b>Liabilities</b>		
Accounts payable	1,463	-
Salaries and benefits payable	46,580	-
Unearned revenue	10,706	-
Net OPEB liability	1,941	-
<b>Total liabilities</b>	<u>60,690</u>	<u>-</u>
<b>Net Assets</b>		
Invested in capital assets	96,020	-
Unrestricted	5,285	19,304
<b>Total net assets</b>	<u>\$ 101,305</u>	<u>19,304</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, 2011

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
Operating revenues:		
Local sources:		
Charges for service	\$ 232,657	-
Employee contributions	-	25,808
Total operating revenues	<u>232,657</u>	<u>25,808</u>
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	195,631	-
Benefits	88,234	-
Purchased services	7,277	-
Supplies	316,496	-
Other	356	29,091
Depreciation	18,058	-
Total operating expenses	<u>626,052</u>	<u>29,091</u>
Operating loss	<u>(393,395)</u>	<u>(3,283)</u>
Non-operating revenues:		
State sources	6,710	-
Federal sources	374,461	-
Interest income	1,073	444
Net non-operating revenues	<u>382,244</u>	<u>444</u>
Decrease in net assets	(11,151)	(2,839)
Net assets beginning of year	<u>112,456</u>	<u>22,143</u>
Net assets end of year	<u>\$ 101,305</u>	<u>19,304</u>

See notes to financial statements.

**Exhibit I**

## Clarke Community School District

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2011

	<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	\$ 234,290	-
Cash received from miscellaneous operating activities	-	25,808
Cash paid to suppliers for goods or services	(570,509)	(29,091)
Net cash used by operating activities	<u>(336,219)</u>	<u>(3,283)</u>
Cash flows from non-capital financing activities:		
State grants received	5,779	-
Federal grants received	337,524	-
Net cash provided by non-capital financing activities	<u>343,303</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(3,805)	-
Cash flows from investing activities:		
Interest on investments	1,073	444
Net increase in cash and cash equivalents	4,352	(2,839)
Cash and cash equivalents beginning of year	53,519	22,143
Cash and cash equivalents end of year	<u>\$ 57,871</u>	<u>19,304</u>

Clarke Community School District

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2011

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
<b>Reconciliation of operating loss to net cash used by operating activities:</b>		
Operating loss	\$ (393,395)	(3,283)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	36,937	-
Depreciation	18,058	-
Increase in accounts receivable	(143)	-
Decrease in inventories	1,632	-
Increase in prepaid expense	(2,587)	-
Increase in accounts payables	1,463	-
Increase in salaries and benefits payable	1,259	-
Increase in other postemployment benefits	1,033	-
Decrease in unearned revenue	(476)	-
Net cash used by operating activities	<u>\$ (336,219)</u>	<u>(3,283)</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2011, the District received \$36,937 of federal commodities.

See notes to financial statements.

**Exhibit J**

## Clarke Community School District

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2011

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets</b>		
Cash and pooled investments	\$ 46,376	126,975
Accounts receivable	-	1,949
Due from other governments	-	2,400
<b>Total assets</b>	<u>46,376</u>	<u>131,324</u>
<b>Liabilities</b>		
Accounts payable	-	2,165
Due to other governments	-	1,326
Trusts payable	-	127,833
Total liabilities	<u>-</u>	<u>131,324</u>
<b>Net assets</b>		
Reserved for scholarships	<u>\$ 46,376</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, 2011

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest income	\$ 3,033
Deductions:	
Support services:	
Supplies	1,391
Scholarships awarded	3,550
Total deductions	4,941
Change in net assets	(1,908)
Net assets beginning of year	48,284
Net assets end of year	\$ 46,376

See notes to financial statements.

Clarke Community School District

Notes to Financial Statements

June 30, 2011

**(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 the following 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 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. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

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

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

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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

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 the Enterprise Fund 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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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, 2011. 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, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted- Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other classifications.

E. Budgets and Budgetary Accounting

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

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 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, 2011, the District's investments are as follows:

Type	Fair Value
Common stock	\$7,969

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, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 473,485

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, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 78,000	-	-	78,000
Construction in progress	-	150,385	-	150,385
Total capital assets not being depreciated	78,000	150,385	-	228,385
Capital assets being depreciated:				
Buildings	13,673,607	167,126	(48,306)	13,792,427
Improvements other than buildings	1,248,598	70,017	-	1,318,615
Furniture and equipment	1,836,771	72,389	(6,245)	1,902,915
Total capital assets being depreciated	16,758,976	309,532	(54,551)	17,013,957
Less accumulated depreciation for:				
Buildings	4,213,742	258,543	(17,954)	4,454,331
Improvements other than buildings	762,987	52,341	-	815,328
Furniture and equipment	1,266,784	125,524	(6,245)	1,386,063
Total accumulated depreciation	6,243,513	436,408	(24,199)	6,655,722
Total capital assets being depreciated, net	10,515,463	(126,876)	(30,352)	10,358,235
Governmental activities capital assets, net	\$ 10,593,463	23,509	(30,352)	10,586,620
<b>Business type activities:</b>				
Furniture and equipment	\$ 374,353	3,805	(1,851)	376,307
Less accumulated depreciation	264,080	18,058	(1,851)	280,287
Business type activities capital assets, net	\$ 110,273	(14,253)	-	96,020

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular instruction	\$ 20,095
Other instruction	1,174

Support services:

Administration services	4,559
Operation and maintenance of plant services	7,213
Transportation services	92,483

125,524

Unallocated

310,884

Total depreciation expense - governmental activities

\$ 436,408

Business type activities:

Food service operations

\$ 18,058



**(5) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 3,290,000	-	360,000	2,930,000	375,000
Compensated absences	50,261	49,497	50,263	49,495	49,495
Net OPEB liability	29,392	58,879	25,512	62,759	-
Net pension liability	75,600	120,900	7,000	189,500	-
Total	\$ 3,445,253	229,276	442,775	3,231,754	424,495
	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 908	1,821	788	1,941	-

General Obligation Bonds

Details of the District's June 30, 2011 general obligation bond indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2008			
	Interest Rates	Principal	Interest	Total
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	61,915	481,915
2016	3.45	430,000	48,055	478,055
2017-2018	3.60-3.70	910,000	50,240	960,240
Total		\$ 2,930,000	424,075	3,354,075

During the year ended June 30, 2011, the District retired \$ 360,000 of general obligation 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 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$512,390, \$ 514,434 and \$493,358, 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 \$556,547 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

**(9) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees, employees and their spouses. There are 101 active and 22 retired members in the plan. Retired 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, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 64,700
Interest on net OPEB obligation	800
Adjustment to annual required contribution	(4,800)
Annual OPEB cost	<u>60,700</u>
Contributions made	<u>(26,300)</u>
Increase in net OPEB obligation	34,400
Net OPEB obligation beginning of year	<u>30,300</u>
Net OPEB obligation end of year	<u><u>\$ 64,700</u></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, 2011.

For the year ended June 30, 2011, the District contributed \$26,300 to the medical plan. Plan members eligible for benefits contributed \$31,200, or 54% 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, 2011 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
2011	60,700	43.3	64,700

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was approximately \$482,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$482,000. The covered payroll (annual payroll of active employees eligible for coverage by the plan) was approximately \$7,373,000 and the ratio of the UAAL to covered payroll was 6.5%. As of June 30, 2011, 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 for the Retiree Health Plan, 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**

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, 2011. 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, 2011, the amount actually contributed to the plan and changes in the District’s net pension obligation:

Annual required contribution	\$ 129,300
Interest on net pension obligation	1,900
Adjustment to annual required contribution	(10,300)
Annual pension cost	<u>120,900</u>
Contributions made	(7,000)
Increase in net pension obligation	<u>113,900</u>
Net pension obligation beginning of year	75,600
Net pension obligation end of year	<u><u>\$ 189,500</u></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, 2011.

For the year ended June 30, 2011, the District contributed \$7,000 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, 2011 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
2011	120,900	5.8	189,500

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$902,700 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$902,700. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,373,000 and the ratio of the UAAL to covered payroll was 12.2%. As of June 30, 2011, 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 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 for the Supplemental Pension Plan, 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, 2011 is 28 years.

**(11) Construction Commitments**

The District entered into a contract totaling \$198,500 for replacement of the high school roof. As of June 30, 2011, costs of \$150,385 had been incurred and paid on the contract. The District also entered into a contract totaling \$191,475 for a window replacement project at the elementary school. As of June 30, 2011, no costs had been incurred.

**(12) Special Investigation**

The District requested the Office of Auditor of State to perform a special investigation of the District as a result of concerns identified with the Student Activity Cheerleading Account. The special investigation is being performed for the period August 1, 2009 through June 30, 2011.

Copies of the special investigation report will be filed with the Clarke County Attorney's Office, the Division of Criminal Investigation and the Attorney General's office when completed.

**(13) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ 960,130	340,423
Change in fund type classification per implementation of GASB Statement No. 54	<u>340,423</u>	<u>(340,423)</u>
Balances July 1, 2010, as restated	<u><u>\$ 1,300,553</u></u>	<u><u>-</u></u>

**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, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Revenues:			
Local sources	\$ 5,853,412	259,982	6,113,394
State sources	7,930,971	6,710	7,937,681
Federal sources	741,710	374,461	1,116,171
Total revenues	14,526,093	641,153	15,167,246
Expenditures/Expenses:			
Instruction	8,652,402	-	8,652,402
Support services	3,347,150	-	3,347,150
Non-instructional programs	9,535	655,143	664,678
Other expenditures	1,428,253	-	1,428,253
Total expenditures/expenses	13,437,340	655,143	14,092,483
Excess (deficiency) of revenues over (under) expenditures/expenses	1,088,753	(13,990)	1,074,763
Balances beginning of year	2,197,317	134,599	2,331,916
Balances end of year	\$ 3,286,070	120,609	3,406,679

See accompanying independent auditor's report.



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Less Funds Not Required to be Budgeted	Net	Original/ Final Budgeted Amounts	Budget to Net Variance
26,252	6,087,142	6,132,797	(45,655)
-	7,937,681	8,641,991	(704,310)
-	1,116,171	982,000	134,171
26,252	15,140,994	15,756,788	(615,794)
-	8,652,402	10,958,171	2,305,769
-	3,347,150	4,617,086	1,269,936
29,091	635,587	709,850	74,263
-	1,428,253	1,423,378	(4,875)
29,091	14,063,392	17,708,485	3,645,093
(2,839)	1,077,602	(1,951,697)	(3,029,299)
22,143	2,309,773	1,966,890	342,883
19,304	3,387,375	15,193	3,372,182

Clarke Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2011

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, 2011, expenditures exceeded the amount budgeted in the other expenditures function.

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Clarke Community School District

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

Required Supplementary Information

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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%
2011	July 1, 2009	-	482	482	0.0	7,373	6.5

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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.

See accompanying independent auditor's report.

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Clarke Community School District

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

Required Supplementary Information

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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%
2011	July 1, 2009	-	903	903	0.0%	7,373	12.2%

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.

See accompanying independent auditor's report.

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Clarke Community School District

Schedule of Employer Contributions  
Supplemental Pension Plan  
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2010	\$ 119	43	36%
2011	129	7	5%

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.

See accompanying independent auditor's report.

**Clarke Community School District**

**Other Supplementary Information**

**Schedule 1**

## Clarke Community School District

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2011

	Special Revenue			Total
	Management Levy	Student Activity	Debt Service	
<b>Assets</b>				
Cash and pooled investments	\$ 123,552	118,086	163,091	404,729
Receivables:				
Property tax:				
Delinquent	5,991	-	-	5,991
Succeeding year	270,000	-	-	270,000
Accounts	-	148	-	148
Due from other governments	-	1,250	-	1,250
Prepaid insurance	3,930	-	-	3,930
<b>Total assets</b>	<b>\$ 403,473</b>	<b>119,484</b>	<b>163,091</b>	<b>686,048</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	\$ -	1,272	-	1,272
Salaries and benefits payable	-	2,081	-	2,081
Due to other governments	262	160	-	422
Deferred revenue:				
Succeeding year property tax	270,000	-	-	270,000
Other	2,530	-	-	2,530
Total liabilities	272,792	3,513	-	276,305
Fund equity:				
Fund balances:				
Nonspendable:				
Prepaid insurance	3,930	-	-	3,930
Restricted for:				
Management levy purposes	126,751	-	-	126,751
Student activities	-	115,971	-	115,971
Debt service	-	-	163,091	163,091
Total fund balances	130,681	115,971	163,091	409,743
<b>Total liabilities and fund balances</b>	<b>\$ 403,473</b>	<b>119,484</b>	<b>163,091</b>	<b>686,048</b>

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, 2011

	Special Revenue			Total
	Management Levy	Student Activity	Debt Service	
Revenues:				
Local sources:				
Local tax	\$ 199,766	-	-	199,766
Other	2,660	273,256	4,569	280,485
State sources	130	-	-	130
Total revenues	<u>202,556</u>	<u>273,256</u>	<u>4,569</u>	<u>480,381</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	136,011	-	-	136,011
Special instruction	4,686	-	-	4,686
Other instruction	12,142	270,118	-	282,260
Support services:				
Student services	4,994	-	-	4,994
Instructional staff services	8,110	-	-	8,110
Administration services	4,028	-	-	4,028
Operation and maintenance of plant services	53,918	2,000	-	55,918
Transportation services	20,856	3,302	-	24,158
Non-instructional programs	9,535	-	-	9,535
Other expenditures:				
Long-term debt:				
Principal	-	-	360,000	360,000
Interest and other charges	-	-	113,885	113,885
Total expenditures	<u>254,280</u>	<u>275,420</u>	<u>473,885</u>	<u>1,003,585</u>
Deficiency of revenues under expenditures	(51,724)	(2,164)	(469,316)	(523,204)
Other financing sources:				
Operating transfers in	-	-	473,485	473,485
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(51,724)	(2,164)	4,169	(49,719)
Fund balances beginning of year	182,405	118,135	158,922	459,462
Fund balances end of year	<u>\$ 130,681</u>	<u>115,971</u>	<u>163,091</u>	<u>409,743</u>

See accompanying independent auditor's report.

**Schedule 3**

## Clarke Community School District

Combining Balance Sheet  
Capital Project Accounts

June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,004,068	518,040	1,522,108
Receivables:			
Property tax:			
Delinquent	-	5,054	5,054
Succeeding year	-	169,000	169,000
Due from other governments	207,947	224,297	432,244
<b>Total assets</b>	<b>\$ 1,212,015</b>	<b>916,391</b>	<b>2,128,406</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ -	169,000	169,000
Other	-	226,369	226,369
Total liabilities	-	395,369	395,369
Fund Balances:			
Restricted for:			
School infrastructure	\$ 1,212,015	-	1,212,015
Property, plant and equipment	-	521,022	521,022
Total fund balance	1,212,015	521,022	1,733,037
<b>Total liabilities and fund equity</b>	<b>\$ 1,212,015</b>	<b>916,391</b>	<b>2,128,406</b>

See accompanying independent auditor's report.

Clarke Community School District  
Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Capital Projects Accounts

Year ended June 30, 2011

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 929,679	422,060	1,351,739
Other	26,374	13,526	39,900
State sources	-	110	110
Total revenues	956,053	435,696	1,391,749
Expenditures:			
Support services:			
Instructional staff services	-	13,355	13,355
Administration services	-	72,044	72,044
Operation and maintenance of plant services	-	2,560	2,560
Other expenditures:			
Facilities acquisition	230,683	167,138	397,821
Total expenditures	230,683	255,097	485,780
Excess of revenues over expenditures	725,370	180,599	905,969
Other financing uses:			
Operating transfers out	(473,485)	-	(473,485)
Excess of revenues over expenditures and other financing uses	251,885	180,599	432,484
Fund balances beginning of year, as restated	960,130	340,423	1,300,553
Fund balances end of year	\$ 1,212,015	521,022	1,733,037

See accompanying independent auditor's report.

**Schedule 5**

## Clarke Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expend- itures	Balance End of Year
Pop Music	\$ 377	46	-	423
Pop Athletics	3,014	1,105	9	4,110
Athletics	2,517	8,116	9,914	719
Publications	10,003	8,128	9,442	8,689
High School Band	6,958	20,565	22,678	4,845
High School Co-curricular	-	403	-	403
High School Vocal Music	3,117	8,344	6,980	4,481
Cheerleaders	714	24,690	29,954	(4,550)
Speech/Debate	511	3,922	3,989	444
FFA	4,837	29,597	28,580	5,854
FHA	606	12	-	618
Medical Careers Club	143	3	-	146
Cross Country	-	335	335	-
Tennis	-	184	184	-
Bowling	-	1,125	891	234
Elementary Literacy Library	989	4,530	2,060	3,459
Boys Basketball	6,140	7,971	8,148	5,963
Football	9,723	13,261	16,679	6,305
Baseball	-	5,790	3,454	2,336
Boys Track	2,415	4,782	3,621	3,576
Wrestling	1,176	6,189	4,784	2,581
Girls Basketball	5,844	6,887	5,608	7,123
Volleyball	6,007	3,983	2,267	7,723
Softball	2,937	11,677	9,499	5,115
Girls Track	2,648	6,021	3,790	4,879
Camp - Boys Basketball	1,264	352	428	1,188
Camp - Football	2,316	4,548	2,841	4,023
Camp - Wrestling	69	2	-	71
Camp - Girls Basketball	3,785	873	1,859	2,799
Camp - Volleyball	812	19	-	831
Clinic-Softball	-	1,793	1,635	158
Book Club	279	1,358	693	944
Spanish Club	1,531	35	-	1,566
High School Student Council	667	2,146	2,045	768
Thespians	2,466	5,487	4,618	3,335

## Clarke Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expend- itures	Balance End of Year
Class of:				
2008	699	16	-	715
2010	1,782	100	-	1,882
2011	1,490	26	543	973
2012	2,285	5,253	6,222	1,316
2013	-	1,148	160	988
Art Club	659	297	300	656
Concessions	27,697	38,748	51,284	15,161
American Field Service	2,621	60	-	2,681
Vending Machine -				
Art/Cheerleaders	375	8	-	383
TOUCH	125	3	-	128
Media Club	217	5	-	222
Athletic Resale	(21,181)	13,734	9,116	(16,563)
Drill Team	616	3,581	2,680	1,517
FBLA	-	153	153	-
Junior High Student Council	-	1	1	-
Middle School Pop Fund Balance	106	56	162	-
Elementary Student Council	15,210	5,214	8,700	11,724
After Prom	1,569	10,574	9,114	3,029
Total	\$ 118,135	273,256	275,420	115,971

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, 2011

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 145,457	241,618	260,100	126,975
Accounts receivable	760	1,949	760	1,949
Due from other governments	4,800	2,400	4,800	2,400
<b>Total assets</b>	<b>\$ 151,017</b>	<b>245,967</b>	<b>265,660</b>	<b>131,324</b>
<b>Liabilities</b>				
Accounts payable	\$ 9,010	2,165	9,010	2,165
Due to other governments	-	1,326		1,326
Trusts payable	142,007	242,476	256,650	127,833
<b>Total liabilities</b>	<b>\$ 151,017</b>	<b>245,967</b>	<b>265,660</b>	<b>131,324</b>

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 Ten Years

	2011	2010	2009	2008
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 5,120,483	4,831,186	4,667,723	4,643,460
Tuition	287,350	391,436	353,389	332,365
Other	445,579	539,478	426,305	548,713
Intermediate sources	-	-	-	5,523
State sources	7,930,971	6,722,487	7,784,734	7,264,290
Federal sources	741,710	1,424,319	589,407	539,307
<b>Total</b>	<b>\$ 14,526,093</b>	<b>\$ 13,908,906</b>	<b>13,821,558</b>	<b>13,333,658</b>
<b>Expenditures:</b>				
Instruction:				
Regular instruction	\$ 5,074,795	5,132,580	5,071,939	5,040,800
Special instruction	1,899,278	1,967,321	1,957,714	1,945,636
Other instruction	1,678,329	1,766,142	1,782,475	1,313,063
Support services:				
Student services	275,295	335,259	319,803	338,214
Instructional staff services	325,142	457,446	326,686	314,187
Administration services	1,226,303	1,175,033	1,161,780	1,261,484
Operation and maintenance of plant services	1,010,013	1,003,916	1,086,043	1,219,815
Transportation services	510,397	647,474	533,736	540,318
Non-instructional programs	9,535	1,399	1,048	8,158
Other expenditures:				
Facilities acquisition	397,821	189,274	639,674	1,110,495
Long-term debt:				
Principal	360,000	498,039	466,384	447,936
Interest and other charges	113,885	135,458	165,902	212,491
Other	-	-	-	-
AEA flowthrough	556,547	543,479	489,537	455,495
<b>Total</b>	<b>\$ 13,437,340</b>	<b>13,852,820</b>	<b>14,002,721</b>	<b>14,208,092</b>

See accompanying independent auditor's report.



Modified Accrual Basis					
2007	2006	2005	2004	2003	2002
4,646,077	4,375,080	4,422,423	4,191,392	3,736,749	3,627,428
374,400	339,497	345,637	333,122	389,967	344,846
720,867	458,888	435,668	377,892	396,302	396,875
-	-	-	-	-	-
6,760,768	6,534,151	6,221,414	5,959,245	6,044,538	5,900,376
555,494	770,422	685,694	699,462	428,237	481,141
13,057,606	12,478,038	12,110,836	11,561,113	10,995,793	10,750,666
4,778,673	4,337,840	4,344,951	4,118,312	3,962,238	3,961,982
1,813,039	1,918,914	2,251,134	2,091,487	1,515,063	1,389,211
1,158,946	1,136,067	636,728	572,922	1,109,364	1,121,804
300,624	306,632	284,522	337,336	356,596	340,812
350,389	271,461	317,425	321,255	366,422	533,314
1,285,995	1,134,575	1,027,301	997,654	975,611	969,383
1,076,053	1,021,613	888,722	817,383	685,159	650,481
606,882	655,476	432,681	463,895	397,987	371,043
3,213	9,644	22,898	11,691	8,366	7,120
167,641	453,790	354,730	192,537	264,798	464,039
420,293	403,090	386,300	364,902	348,870	338,186
232,271	250,806	272,720	286,673	301,855	317,584
-	-	-	-	300	150
446,669	421,018	410,502	410,482	433,289	429,027
12,640,688	12,320,926	11,630,614	10,986,529	10,725,918	10,894,136

**Schedule 8**

Clarke Community School District  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2011

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	FY11	\$ 47,581
National School Lunch Program	10.555	FY11	326,880 *
			<u>374,461</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	298,079
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY11	16,861
			<u>314,940</u>
Improving Teacher Quality State Grants	84.367	FY11	67,632
Grants for State Assessments and Related Activities	84.369	FY11	8,314
State Fiscal Stabilization Fund Cluster:			
ARRA - State Fiscal Stabilization (SFSF)- Education State Grants, Recovery Act	84.394	FY11	72,392
ARRA - State Fiscal Stabilization (SFSF)- Government Services, Recovery Act	84.397		64,570
			<u>136,962</u>
ARRA- Education Jobs Fund	84.410	FY11	95,562
Green Valley Area Education Agency:			
Special Education Cluster:			
Special Education - Grants to States	84.027	FY11	75,428
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY11	80,398
			<u>155,826</u>
Southwestern Community College:			
Career and Technical Education - Basic Grants to States	84.048	FY11	15,988
Total			<u>\$ 1,169,685</u>

\* Includes \$36,937 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 in 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

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Auditor of State

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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, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 4, 2011. 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 a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of 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

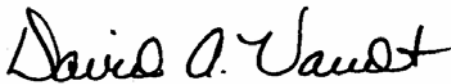
As part of obtaining reasonable assurance about whether Clarke Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a 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 which are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance or other matters that is 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, 2011 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.

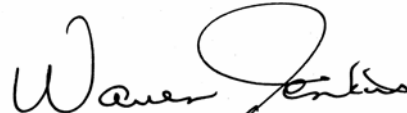
Clarke Community School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the District's response, we did not audit Clarke Community School District's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of 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 4, 2011

**Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133**

**Clarke Community School District**



# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal 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, 2011. 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, 2011.

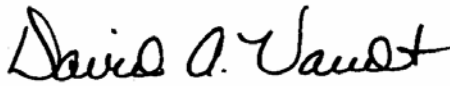
### Internal Control Over Compliance

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.

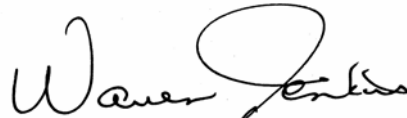
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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 4, 2011



Clarke Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2011

**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) Major programs were as follows:
  - 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
    - State Fiscal Stabilization Fund Cluster Programs:
      - CFDA Number 84.394 – ARRA – State Fiscal Stabilization (SFSF) – Education State Grants, Recovery Act
      - CFDA Number 84.397 – ARRA – State Fiscal Stabilization (SFSF) – Government Services, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Clarke Community School District qualified as a low-risk auditee.

Clarke Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2011

**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, 2011

**Part IV: Other Findings Related To Required Statutory Reporting:**

IV-A-11 Certified Budget – Expenditures for the year ended June 30, 2011 exceeded the amount budgeted in the other expenditures functional area.

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

Response – The error was less than one third of one percent. We will try to ensure this does not happen in the future.

Conclusion – Response accepted.

IV-B-11 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-11 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-11 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 and supplies	\$ 375
Denny Clark, Maintenance Director, owner of Outdoor Enhancements	Supplies (drainage outlets)	375
Jaci Baumfalk, Cheerleading Coach, owner of Extreme Dance	Choreography	250

These transactions do not appear to represent conflicts of interest in accordance with Chapters 279.7A and 301.28 of the Code since the transactions do not involve a School Board member and the employees are not acting as agents for school textbooks or school supplies.

IV-E-11 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-11 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-11 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

Clarke Community School District  
 Schedule of Findings and Questioned Costs  
 Year ended June 30, 2011

IV-H-11 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-11 Certified Annual Report – The District’s Certified Annual Report was filed with the Iowa Department of Education timely.

IV-J-11 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

IV-K-11 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, 2011, the District’s financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning balance		\$ 960,130
Revenue:		
Statewide sales, services and use tax	\$ 929,679	
Interest on investments	26,374	956,053
Expenditures/transfers out:		
Debt service for school infrastructure	473,485	
Roof repair/construction site improvement	230,683	704,168
Ending balance		\$ 1,212,015

The statewide sales, services and use tax revenue received during the year ended June 30, 2011 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 1.84508	473,485
Physical plant and equipment levy	1.77777	456,194
		\$ 929,679

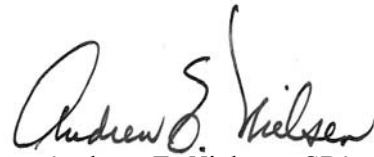
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Clarke Community School District

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager  
Karen J. Kibbe, Senior Auditor  
Jessica P.V. Green, Staff Auditor  
Alysha M. Ricke, Auditor Intern

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA  
Deputy Auditor of State