



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

December 21, 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 \$16,004,462 for the year ended June 30, 2012, a 5.1% increase over the prior year. The revenues included \$4,398,015 in local tax, \$1,032,504 in statewide sales, services and use tax, \$248,714 in income surtax, charges for service of \$773,434, operating grants, contributions and restricted interest of \$2,649,081, capital grants, contributions and restricted interest of \$36,121, unrestricted investment earnings of \$58,606, unrestricted grants of \$6,716,738 and other general revenues of \$91,249.

Expenses for District operations totaled \$14,260,322, an increase of 2.7% over the prior year, and included \$5,454,107 for regular instruction, \$1,942,130 for special instruction and \$1,523,566 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/1230-1211-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, 2012

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Clarke Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2011 Election)		
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
Gerard Linskens	Board Member	2013
Board of Education (After September 2011 Election)		
Gerard 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
School Officials		
Ned Cox	Superintendent	Indefinite
Ruth White	District Secretary/Treasurer and Business Manager	Indefinite
Jeff Krausman	Attorney	March 2012
Danielle Hainfield	Attorney	Indefinite



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Independent Auditor's Report

To the Board of Education of
Clarke Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clarke Community School District, Osceola, Iowa, as of and for the year ended June 30, 2012, 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, 2012, 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 December 6, 2012 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.

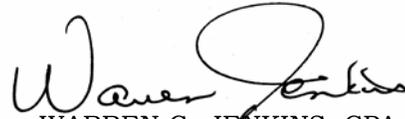
U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedules of Funding Progress for the Retiree Health and Supplemental Pension Plans and the Schedule of Employer Contributions for the Supplemental Pension Plan on pages 7 through 16 and 46 through 51 be presented to supplement the basic financial statements. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit

of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information 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

December 6, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$12,653,963 in fiscal year 2011 to \$13,375,513 in fiscal year 2012, while General Fund expenditures increased from \$11,947,975 in fiscal year 2011 to \$12,343,056 in fiscal year 2012. The District's General Fund balance increased \$1,032,457, or 90%, over the prior year.
- The increase in General Fund revenues was primarily attributable to an increase in state resources and local taxes. The increase in expenditures was due primarily to increases in spending for regular instruction.

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.

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

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

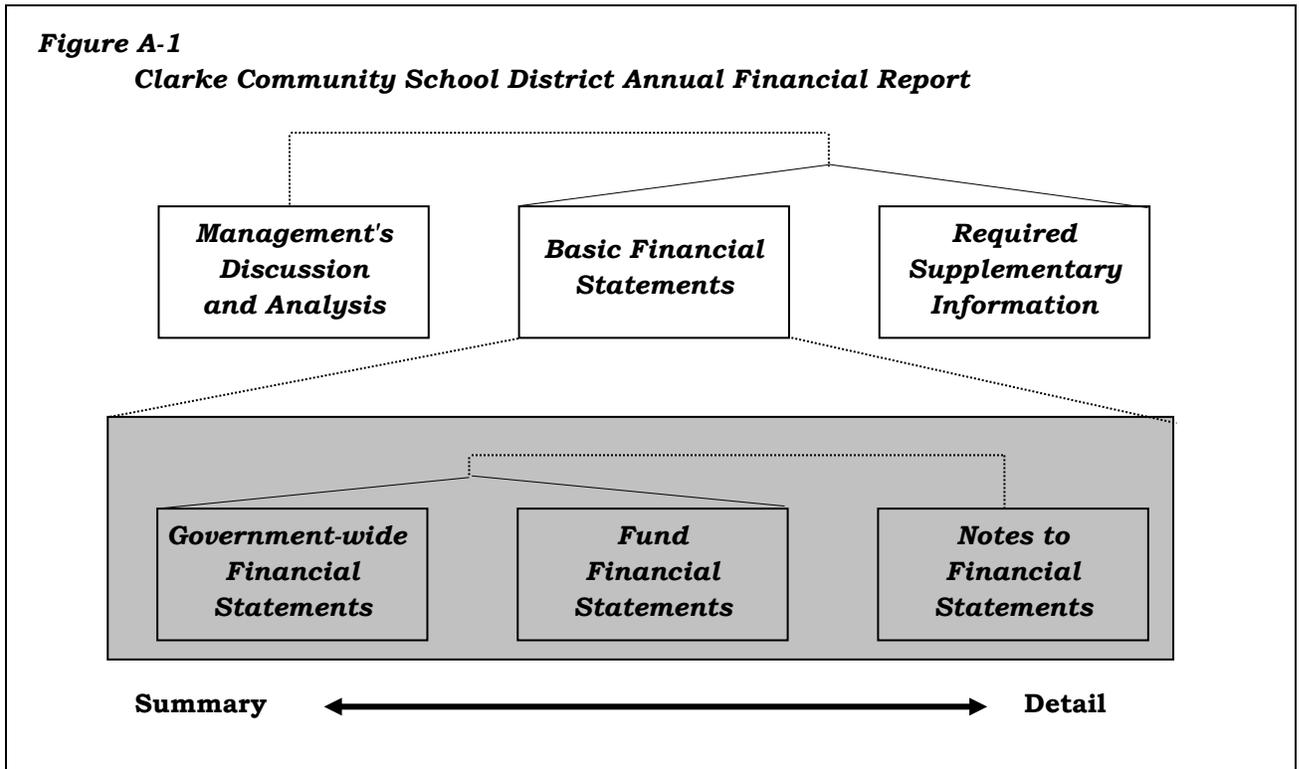


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2				
Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Revenues, Expenses and Changes in Fund Net Assets • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during 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 fund financial 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, 2012 compared to June 30, 2011.

Figure A-3							
Condensed Statement of Net Assets							
(Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2012	2011	2012	2011	2012	2011	2011-2012
Current and other assets	\$ 10,099	9,101	106	66	10,205	9,167	1,038
Capital assets	11,148	10,587	81	96	11,229	10,683	546
Total assets	21,247	19,688	187	162	21,434	19,850	1,584
Long-term liabilities	2,967	3,232	3	-	2,970	3,232	(262)
Other liabilities	5,574	5,467	56	61	5,630	5,528	102
Total liabilities	8,541	8,699	59	61	8,600	8,760	(160)
Net assets:							
Invested in capital assets, net of related debt	8,593	7,657	81	96	8,674	7,753	921
Restricted	2,530	2,569	-	-	2,530	2,569	(39)
Unrestricted	1,583	763	47	5	1,630	768	862
Total net assets	\$ 12,706	10,989	128	101	12,834	11,090	1,744

The District's combined net assets increased 15.7%, or approximately \$1,744,000, over the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. This net asset category increased 11.9%, or approximately \$921,000, over the prior year, primarily due to roof replacement projects for the wrestling room and high school, a window replacement project at the elementary school and work on the tennis courts.

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 decreased approximately \$39,000, or 1.5%, from the prior year.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased approximately \$862,000, or 112%. This increase was primarily due to an increase in unrestricted state grants and an increase in property tax collections for the fiscal year ended June 30, 2012.

Figure A-4 shows the change in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-4								
Change in Net Assets								
(Expressed in Thousands)								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	2012	2011	2012	2011	2012	2011	2011-2012	
Revenues:								
Program revenues:								
Charges for service	\$ 538	615	235	233	773	848	(75)	
Operating grants, contributions and restricted interest	2,233	2,551	418	381	2,651	2,932	(281)	
Capital grants, contributions and restricted interest	36	49	-	-	36	49	(13)	
General revenues:								
Property tax	4,398	3,950	-	-	4,398	3,950	448	
Statewide sales, services and use tax	1,032	930	-	-	1,032	930	102	
Income surtax	249	234	-	-	249	234	15	
Unrestricted state grants	6,717	6,215	-	-	6,717	6,215	502	
Unrestricted investment earnings	57	35	-	-	57	35	22	
Other	91	34	-	-	91	34	57	
Total revenues	<u>15,351</u>	<u>14,613</u>	<u>653</u>	<u>614</u>	<u>16,004</u>	<u>15,227</u>	<u>777</u>	
Program expenses:								
Instruction	8,920	8,770	-	-	8,920	8,770	150	
Support services	3,784	3,479	-	-	3,784	3,479	305	
Non-instructional programs	11	10	626	626	637	636	1	
Other expenses	919	995	-	-	919	995	(76)	
Total expenses	<u>13,634</u>	<u>13,254</u>	<u>626</u>	<u>626</u>	<u>14,260</u>	<u>13,880</u>	<u>380</u>	
Change in net assets	1,717	1,359	27	(12)	1,744	1,347	397	
Net assets beginning of year	10,989	9,630	101	113	11,090	9,743	1,347	
Net assets end of year	<u>\$ 12,706</u>	<u>10,989</u>	<u>128</u>	<u>101</u>	<u>12,834</u>	<u>11,090</u>	<u>1,744</u>	

In fiscal year 2012, property tax and unrestricted state grants accounted for 72.4% 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 89.1% of total expenses.

Governmental Activities

Revenues for governmental activities were \$ 15,351,189 and expenses were \$13,633,757 for the year ended June 30, 2012.

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, 2012 compared to the year ended June 30, 2011.

For the year ended June 30, 2012:

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Instruction	\$ 8,920	8,770	6,730	6,188
Support services	3,784	3,479	3,709	3,435
Non-instructional programs	11	10	11	10
Other expenses	919	995	377	407
Total	\$ 13,634	13,254	10,827	10,040

- The cost financed by users of the District's programs was \$538,111.
- Federal and state governments subsidized certain operating programs with grants and contributions totaling \$2,232,531.
- The net cost of governmental activities was financed with \$5,679,233 of property and other taxes and \$6,716,738 of unrestricted state grants.

Business Type Activities

Revenues for business-type activities during the year ended June 30, 2012 were \$653,273, representing a 6.4% increase over the prior year, while expenses totaled \$626,565, a less than 1% increase over 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 \$4,273,154, well above last year's ending fund balance of \$ 3,286,070.

Governmental Fund Highlights

- The General Fund balance increased from \$1,143,290 at June 30, 2011 to \$2,175,747 at June 30, 2012, due primarily to an increase in state funding and property tax collections.
- The Capital Projects Fund balance decreased from \$1,733,037 at June 30, 2011 to \$1,592,111 at June 30, 2012. Revenues increased 7.9% over the prior year due to an increase in statewide sales, services and use tax. Expenditures increased 126.7% over the prior year due to continued work on two roof repair and replacement projects, window replacement at the elementary school and work on the tennis courts at the high school.

Proprietary Fund Highlights

- School Nutrition Fund net assets increased from \$101,305 at June 30, 2011 to \$128,013 at June 30, 2012, primarily due to an increase in Federal school nutrition program revenues. Expenses remained consistent with the prior year, increasing less than 1%.

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 2012.

The District's total revenues were \$287,398 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 non-instructional programs function.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had invested, net of depreciation, approximately \$11.1 million in a broad range of assets, including a recently constructed administration and alternative classroom building, recently remodeled school buildings 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 \$455,525.

The original cost of the District's capital assets was approximately \$18.6 million. Governmental funds account for approximately \$18.2 million, with the remaining \$.4 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation
(expressed in thousands)

	Governmental		Business Type		Total	
	Activities		Activities		District	
	June 30,		June 30,		June 30,	
	2012	2011	2012	2011	2012	2011
Land	\$ 78	78	-	-	78	78
Construction in progress	427	150	-	-	427	150
Buildings	9,635	9,338	-	-	9,635	9,338
Improvements other than buildings	453	504	-	-	453	504
Furniture and equipment	555	517	81	96	636	613
Total	\$ 11,148	10,587	81	96	11,229	10,683

Long-Term Liabilities

At June 30, 2012, the District had approximately \$2,967,000 of general obligation bonds and other long-term liabilities outstanding. This represents a decrease of approximately 8.2% 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, 2012 of \$2,555,000.

Figure A-7
Outstanding Long-Term Liabilities
(expressed in thousands)

	June 30,	
	2012	2011
General obligation bonds	\$ 2,555	2,930
Compensated absences	49	49
Net OPEB liability	100	65
Net pension liability	263	190
Total	\$ 2,967	3,234

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 had a significant impact on roofing and building improvement projects. These funds will also be used to decrease property tax for repaying general obligation bonds.
- 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.
- A one to one iPad initiative is being implemented at the District.
- ARRA funding boosted the District following the 10% across the board cut. ARRA funds were completely expended by the end of fiscal year 2012.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Clarke Community School District

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 5,108,375	96,091	5,204,466
Receivables:			
Property tax:			
Delinquent	86,232	-	86,232
Succeeding year	4,112,000	-	4,112,000
Accounts	2,557	1,183	3,740
Due from other governments	720,597	-	720,597
Inventories	-	6,755	6,755
Prepaid insurance	69,624	2,677	72,301
Capital assets, net of accumulated depreciation	11,147,670	80,634	11,228,304
Total assets	21,247,055	187,340	21,434,395
Liabilities			
Accounts payable	37,632	850	38,482
Salaries and benefits payable	1,202,733	45,557	1,248,290
Due to other governments	124,488	-	124,488
Accrued interest payable	14,369	-	14,369
Unearned revenue:			
Succeeding year property tax	4,112,000	-	4,112,000
Other	81,982	9,803	91,785
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	390,000	-	390,000
Compensated absences	48,724	-	48,724
Portion due after one year:			
General obligation bonds	2,165,000	-	2,165,000
Net OPEB liability	100,783	3,117	103,900
Net pension liability	262,900	-	262,900
Total liabilities	8,540,611	59,327	8,599,938

Clarke Community School District

Statement of Net Assets

June 30, 2012

	Governmental Activities	Business Type Activities	Total
Net assets			
Invested in capital assets, net of related debt	8,592,670	80,634	8,673,304
Restricted for:			
Categorical funding	210,552	-	210,552
Management levy	200,890	-	200,890
Physical plant and equipment levy	703,505	-	703,505
School infrastructure	1,125,045	-	1,125,045
Debt service	152,896	-	152,896
Student activities	137,865	-	137,865
Unrestricted	1,583,021	47,379	1,630,400
Total net assets	\$ 12,706,444	128,013	12,834,457

See notes to financial statements.

Clarke Community School District

Statement of Activities

Year ended June 30, 2012

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 5,454,107	169,622	970,519	-
Special instruction	1,942,130	86,409	197,915	-
Other instruction	1,523,566	235,201	530,143	-
	<u>8,919,803</u>	<u>491,232</u>	<u>1,698,577</u>	<u>-</u>
Support services:				
Student services	261,158	9,276	28,604	-
Instructional staff services	552,160	719	-	-
Administration services	1,261,213	11,288	-	-
Operation and maintenance of plant services	1,085,107	4,035	-	-
Transportation services	624,492	21,561	-	-
	<u>3,784,130</u>	<u>46,879</u>	<u>28,604</u>	<u>-</u>
Non-instructional programs	11,369	-	-	-
Other expenditures:				
Facilities acquisition	-	-	-	36,121
Long-term debt interest	99,356	-	-	-
AEA flowthrough	505,350	-	505,350	-
Depreciation (unallocated)*	313,749	-	-	-
	<u>918,455</u>	<u>-</u>	<u>505,350</u>	<u>36,121</u>
Total governmental activities	<u>13,633,757</u>	<u>538,111</u>	<u>2,232,531</u>	<u>36,121</u>
Business type activities:				
Non-instructional programs:				
Food service operations	626,565	235,323	416,550	-
Total	<u>\$ 14,260,322</u>	<u>773,434</u>	<u>2,649,081</u>	<u>36,121</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
(4,313,966)	-	(4,313,966)
(1,657,806)	-	(1,657,806)
(758,222)	-	(758,222)
(6,729,994)	-	(6,729,994)
(223,278)	-	(223,278)
(551,441)	-	(551,441)
(1,249,925)	-	(1,249,925)
(1,081,072)	-	(1,081,072)
(602,931)	-	(602,931)
(3,708,647)	-	(3,708,647)
(11,369)	-	(11,369)
36,121	-	36,121
(99,356)	-	(99,356)
-	-	-
(313,749)	-	(313,749)
(376,984)	-	(376,984)
(10,826,994)	-	(10,826,994)
-	25,308	25,308
(10,826,994)	25,308	(10,801,686)
\$ 4,211,988	-	4,211,988
186,027	-	186,027
1,032,504	-	1,032,504
248,714	-	248,714
6,716,738	-	6,716,738
57,206	1,400	58,606
91,249	-	91,249
12,544,426	1,400	12,545,826
1,717,432	26,708	1,744,140
10,989,012	101,305	11,090,317
\$ 12,706,444	128,013	12,834,457

Exhibit C

Clarke Community School District

Balance Sheet
Governmental Funds

June 30, 2012

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and cash equivalents	\$ 3,227,592	1,346,529	517,106	5,091,227
Receivables:				
Property tax:				
Delinquent	76,789	3,606	5,837	86,232
Succeeding year	3,397,000	253,000	462,000	4,112,000
Accounts	972	-	1,585	2,557
Due from other governments	240,499	480,018	80	720,597
Prepaid insurance	65,343	-	4,281	69,624
Total assets	\$ 7,008,195	2,083,153	990,889	10,082,237
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 16,005	1,603	20,024	37,632
Salaries and benefits payable	1,200,879	-	1,854	1,202,733
Due to other governments	123,498	-	990	124,488
Deferred revenue:				
Succeeding year property tax	3,397,000	253,000	462,000	4,112,000
Other	95,066	236,439	725	332,230
Total liabilities	4,832,448	491,042	485,593	5,809,083
Fund balances:				
Nonspendable:				
Prepaid insurance	65,343	-	4,281	69,624
Restricted for:				
Categorical funding	210,552	-	-	210,552
Management levy purposes	-	-	195,885	195,885
Student activities	-	-	137,865	137,865
Debt service	-	-	167,265	167,265
School infrastructure	-	1,125,045	-	1,125,045
Physical plant and equipment	-	467,066	-	467,066
Unassigned	1,899,852	-	-	1,899,852
Total fund balances	2,175,747	1,592,111	505,296	4,273,154
Total liabilities and fund balances	\$ 7,008,195	2,083,153	990,889	10,082,237

See notes to financial statements.

Clarke Community School District

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

June 30, 2012

Total fund balances of governmental funds (page 22)	\$ 4,273,154
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	11,147,670
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.	17,148
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	250,248
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.	(14,369)
Long-term liabilities, including bonds, 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>(2,967,407)</u>
Net assets of governmental activities (page 19)	<u><u>\$ 12,706,444</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, 2012

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 3,949,224	1,457,175	300,202	5,706,601
Tuition	223,452	-	-	223,452
Other	228,160	44,022	268,601	540,783
State sources	8,353,617	105	180	8,353,902
Federal sources	621,060	-	-	621,060
Total revenues	13,375,513	1,501,302	568,983	15,445,798
Expenditures:				
Current:				
Instruction:				
Regular instruction	5,381,045	-	92,858	5,473,903
Special instruction	1,915,874	-	5,611	1,921,485
Other instruction	1,262,184	9,418	237,767	1,509,369
	8,559,103	9,418	336,236	8,904,757
Support services:				
Student services	252,843	-	1,703	254,546
Instructional staff services	418,732	107,992	6,775	533,499
Administration services	1,173,219	84,295	4,724	1,262,238
Operation and maintenance of plant services	931,513	842,848	77,769	1,852,130
Transportation services	502,296	66,000	34,454	602,750
	3,278,603	1,101,135	125,425	4,505,163
Non-instructional programs	-	-	11,369	11,369
Other expenditures:				
Facilities acquisition	-	55,610	-	55,610
Long-term debt:				
Principal	-	-	375,000	375,000
Interest and fiscal charges	-	-	101,465	101,465
AEA flowthrough	505,350	-	-	505,350
	505,350	55,610	476,465	1,037,425
Total expenditures	12,343,056	1,166,163	949,495	14,458,714
Excess (deficiency) of revenues over (under) expenditures	1,032,457	335,139	(380,512)	987,084
Other financing sources (uses):				
Operating transfers in	-	-	476,065	476,065
Operating transfers out	-	(476,065)	-	(476,065)
Total other financing sources (uses)	-	(476,065)	476,065	-
Net change in fund balances	1,032,457	(140,926)	95,553	987,084
Fund balances beginning of year	1,143,290	1,733,037	409,743	3,286,070
Fund balances end of year	\$ 2,175,747	1,592,111	505,296	4,273,154

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, 2012

Net change in fund balances - total governmental funds (page 24) \$ 987,084

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. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 1,000,475	
Depreciation expense	<u>(439,425)</u>	561,050

Certain revenues not collected for several months after year end are not considered available revenue and are deferred in the governmental funds. (95,002)

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. 375,000

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	771	
Net OPEB liability	(38,024)	
Net pension liability	(73,400)	
Interest on long-term debt	<u>2,109</u>	(108,544)

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. (2,156)

Change in net assets of governmental activities (page 21) \$ 1,717,432

See notes to financial statements.

Exhibit G

Clarke Community School District

Statement of Net Assets
Proprietary Funds

June 30, 2012

	<u>Business Type Activities</u>	<u>Governmental Activities</u>
	Enterprise - School Nutrition	Internal Service - Flex Spending
Assets		
Cash and cash equivalents	\$ 96,091	17,148
Accounts receivable	1,183	-
Inventories	6,755	-
Prepaid insurance	2,677	-
Capital assets, net of accumulated depreciation	80,634	-
Total assets	<u>187,340</u>	<u>17,148</u>
Liabilities		
Accounts payable	850	-
Salaries and benefits payable	45,557	-
Unearned revenue	9,803	-
Net OPEB liability	3,117	-
Total liabilities	<u>59,327</u>	<u>-</u>
Net Assets		
Invested in capital assets	80,634	-
Unrestricted	47,379	17,148
Total net assets	<u>\$ 128,013</u>	<u>17,148</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, 2012

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
Operating revenues:		
Local sources:		
Charges for service	\$ 235,323	-
Employee contributions	-	28,316
Total operating revenues	<u>235,323</u>	<u>28,316</u>
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	185,705	-
Benefits	88,829	-
Purchased services	9,759	-
Supplies	325,820	-
Other	352	-
Depreciation	16,100	-
Other	-	30,864
Total operating expenses	<u>626,565</u>	<u>30,864</u>
Operating loss	<u>(391,242)</u>	<u>(2,548)</u>
Non-operating revenues:		
State sources	6,250	-
Federal sources	410,300	-
Interest income	1,400	392
Net non-operating revenues	<u>417,950</u>	<u>392</u>
Change in net assets	26,708	(2,156)
Net assets beginning of year	<u>101,305</u>	<u>19,304</u>
Net assets end of year	<u>\$ 128,013</u>	<u>17,148</u>

See notes to financial statements.

Exhibit I

Clarke Community School District

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2012

	<u>Business Type</u> <u>Activities</u>	<u>Governmental</u> <u>Activities</u>
	Enterprise - School Nutrition	Internal Service - Flex Spending
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 235,556	-
Cash received from miscellaneous operating activities	-	28,316
Cash paid to suppliers for goods or services	(576,185)	(30,864)
Net cash used by operating activities	<u>(340,629)</u>	<u>(2,548)</u>
Cash flows from non-capital financing activities:		
State grants received	7,181	-
Federal grants received	370,982	-
Net cash provided by non-capital financing activities	<u>378,163</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(714)	-
Cash flows from investing activities:		
Interest on investments	1,400	392
Net increase (decrease) in cash and cash equivalents	38,220	(2,156)
Cash and cash equivalents beginning of year	57,871	19,304
Cash and cash equivalents end of year	<u>\$ 96,091</u>	<u>17,148</u>

See notes to financial statements.

Clarke Community School District

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2012

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (391,242)	(2,548)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	39,318	-
Depreciation	16,100	-
Decrease in accounts receivable	233	-
Increase in inventories	(3,585)	-
Increase in prepaid insurance	(90)	-
Decrease in accounts payables	(613)	-
Decrease in salaries and benefits payable	(1,023)	-
Increase in other postemployment benefits	1,176	-
Decrease in unearned revenue	(903)	-
Net cash used by operating activities	<u>\$ (340,629)</u>	<u>(2,548)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$39,318 of federal commodities.

See notes to financial statements.

Exhibit J

Clarke Community School District

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2012

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets		
Cash and investments	\$ 43,048	94,823
Accounts receivable	-	120
Due from other governments	-	5,563
Total assets	<u>43,048</u>	<u>100,506</u>
Liabilities		
Accounts payable	-	1,673
Trusts payable	-	98,833
Total liabilities	<u>-</u>	<u>100,506</u>
Net assets		
Reserved for scholarships	<u>\$ 43,048</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, 2012

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 2,172
Deductions:	
Support services:	
Scholarships awarded	<u>5,500</u>
Change in net assets	(3,328)
Net assets beginning of year	<u>46,376</u>
Net assets end of year	<u>\$ 43,048</u>

See notes to financial statements.

Clarke Community School District

Notes to Financial Statements

June 30, 2012

(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, 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

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	500
Other	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, 2012. 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 the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures exceeded the amount budgeted in the non-instructional programs function.

(2) Cash and Pooled Investments

The District’s deposits in banks at June 30, 2012 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, 2012, the District’s investments are as follows:

Type	Fair Value
Common stock	<u>\$8,932</u>

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% of the District’s total investments.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 476,065</u>

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, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 78,000	-	-	78,000
Construction in progress	150,385	427,440	(150,385)	427,440
Total capital assets not being depreciated	228,385	427,440	(150,385)	505,440
Capital assets being depreciated:				
Buildings	13,792,427	559,798	-	14,352,225
Improvements other than buildings	1,318,615	-	-	1,318,615
Furniture and equipment	1,902,915	163,622	(53,544)	2,012,993
Total capital assets being depreciated	17,013,957	723,420	(53,544)	17,683,833
Less accumulated depreciation for:				
Buildings	4,454,331	262,950	-	4,717,281
Improvements other than buildings	815,328	50,798	-	866,126
Furniture and equipment	1,386,063	125,677	(53,544)	1,458,196
Total accumulated depreciation	6,655,722	439,425	(53,544)	7,041,603
Total capital assets being depreciated, net	10,358,235	283,995	-	10,642,230
Governmental activities capital assets, net	\$10,586,620	711,435	(150,385)	11,147,670
Business type activities:				
Furniture and equipment	\$ 376,307	714	-	377,021
Less accumulated depreciation	280,287	16,100	-	296,387
Business type activities capital assets, net	\$ 96,020	(15,386)	-	80,634

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular instruction	\$ 26,434
Other instruction	4,999

Support services:

Administration services	4,559
Operation and maintenance of plant services	7,112
Transportation services	82,572

125,676

Unallocated

313,749

Total depreciation expense - governmental activities

\$ 439,425

Business type activities:

Food service operations	\$ 16,100
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(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,930,000	-	375,000	2,555,000	390,000
Compensated absences	49,495	48,257	49,028	48,724	48,724
Net OPEB liability	62,759	62,274	24,250	100,783	-
Net pension liability	189,500	97,600	24,200	262,900	-
Total	\$ 3,231,754	208,131	472,478	2,967,407	438,724
	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 1,941	2,026	850	3,117	-

General Obligation Bonds

Details of the District's June 30, 2012 general obligation bond indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2008			
	Interest Rates	Principal	Interest	Total
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	3.60	450,000	33,220	483,220
2018	3.70	460,000	17,020	477,020
Total		\$ 2,555,000	323,010	2,878,010

During the year ended June 30, 2012, the District retired \$ 375,000 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 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$596,315, \$512,390 and \$ 514,434, 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 \$505,350 for the year ended June 30, 2012 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, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 68,100
Interest on net OPEB obligation	1,600
Adjustment to annual required contribution	(5,400)
Annual OPEB cost	64,300
Contributions made	(25,100)
Increase in net OPEB obligation	39,200
Net OPEB obligation beginning of year	64,700
Net OPEB obligation end of year	\$ 103,900

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, 2012.

For the year ended June 30, 2012, the District contributed \$25,100 to the medical plan. Plan members eligible for benefits contributed \$31,500, or 56% 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, 2012 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
2012	64,300	39.0	103,900

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was approximately \$436,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$436,000. The covered payroll (annual payroll of active employees eligible for coverage by the plan) was approximately \$7,389,000 and the ratio of the UAAL to covered payroll was 5.90%. As of June 30, 2012, 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, presents 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%. An inflation rate of 0% is assumed for purposes of this computation.

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 163 active members in the plan as of June 30, 2012. 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, 2012, the amount actually contributed to the plan and changes in the District’s net pension obligation:

Annual required contribution	\$ 104,500
Interest on net pension obligation	4,300
Adjustment to annual required contribution	(11,200)
Annual pension cost	<u>97,600</u>
Contributions made	<u>(24,200)</u>
Increase in net pension obligation	73,400
Net pension obligation beginning of year	<u>189,500</u>
Net pension obligation end of year	<u>\$ 262,900</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, 2012.

For the year ended June 30, 2012, the District contributed \$24,200 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, 2012 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
2012	97,600	24.8	262,900

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$837,900 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$837,900. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,389,000 and the ratio of the UAAL to covered payroll was 11.3%. As of June 30, 2012, 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, presents 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. An inflation rate of 0% is assumed for purposes of this computation. 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 UAAL is being amortized as a level dollar cost using a closed group method over 30 years.

(11) Construction Commitments

The District entered into contracts totaling \$957,671 for replacement of the tennis courts, a window replacement project at the middle school and a roof replacement project at the high school. As of June 30, 2012, costs of \$422,599 had been incurred and paid on the projects. The balance remaining on the contracts will be paid as work on the projects progress.

(12) Subsequent Event

On November 12, 2012, the District approved a contract totaling \$454,200 for a middle school roof project. The project will be funded with statewide sales, services and use tax collections.

Clarke Community School District

Required Supplementary Information

Clarke Community School District

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

Required Supplementary Information

Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Revenues:			
Local sources	\$ 6,470,836	265,431	6,736,267
State sources	8,353,902	6,250	8,360,152
Federal sources	621,060	410,300	1,031,360
Total revenues	15,445,798	681,981	16,127,779
Expenditures/Expenses:			
Instruction	8,904,757	-	8,904,757
Support services	4,505,163	-	4,505,163
Non-instructional programs	11,369	657,429	668,798
Other expenditures	1,037,425	-	1,037,425
Total expenditures/expenses	14,458,714	657,429	15,116,143
Excess (deficiency) of revenues over (under) expenditures/expenses	987,084	24,552	1,011,636
Balances beginning of year	3,286,070	120,609	3,406,679
Balances end of year	\$ 4,273,154	145,161	4,418,315

See accompanying independent auditor's report.

Less Funds Not Required to be Budgeted	Net	Original/ Final Budgeted Amounts	Budget to Net Variance
28,708	6,707,559	6,703,562	(3,997)
-	8,360,152	8,597,907	237,755
-	1,031,360	1,085,000	53,640
28,708	16,099,071	16,386,469	287,398
-	8,904,757	10,125,031	1,220,274
-	4,505,163	5,005,503	500,340
30,864	637,934	635,863	(2,071)
-	1,037,425	1,043,500	6,075
30,864	15,085,279	16,809,897	1,724,618
(2,156)	1,013,792	(423,428)	(1,437,220)
19,304	3,387,375	363,984	3,023,391
17,148	4,401,167	(59,444)	4,460,611

Clarke Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2012

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, 2012, expenditures exceeded the amount budgeted in the non-instructional programs function.

Clarke Community School District
 Schedule of Funding Progress for the
 Retiree Health Plan
 (In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 503	503	0.0%	\$ 7,527	6.7%
2011	July 1, 2009	-	482	482	0.0	7,373	6.5
2012	July 1, 2009	-	436	436	0.0	7,389	5.9

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.

Clarke Community School District

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 893	893	0.0%	\$ 7,527	11.9%
2011	July 1, 2009	-	903	903	0.0	7,373	12.2
2012	July 1, 2011	-	838	838	0.0	7,389	11.3

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
Schedule of Employer Contributions for the
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
2012	105	24	23

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

Supplementary Information

Schedule 1

Clarke Community School District

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2012

	Special Revenue			Total
	Management Levy	Student Activity	Debt Service	
Assets				
Cash and cash equivalents	\$ 210,731	139,110	167,265	517,106
Receivables:				
Property tax:				
Delinquent	5,837	-	-	5,837
Succeeding year	315,000	-	147,000	462,000
Accounts	-	1,585	-	1,585
Due from other governments	-	80	-	80
Prepaid insurance	4,281	-	-	4,281
Total assets	\$ 535,849	140,775	314,265	990,889
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 19,048	976	-	20,024
Salaries and benefits payable	-	1,854	-	1,854
Due to other governments	910	80	-	990
Deferred revenue:				
Succeeding year property tax	315,000	-	147,000	462,000
Other	725	-	-	725
Total liabilities	335,683	2,910	147,000	485,593
Fund equity:				
Fund balances:				
Nonspendable:				
Prepaid insurance	4,281	-	-	4,281
Restricted for:				
Management levy purposes	195,885	-	-	195,885
Student activities	-	137,865	-	137,865
Debt service	-	-	167,265	167,265
Total fund balances	200,166	137,865	167,265	505,296
Total liabilities and fund balances	\$ 535,849	140,775	314,265	990,889

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, 2012

	Special Revenue			Total
	Management Levy	Student Activity	Debt Service	
Revenues:				
Local sources:				
Local tax	\$ 300,202	-	-	300,202
Other	12,417	251,610	4,574	268,601
State sources	180	-	-	180
Total revenues	312,799	251,610	4,574	568,983
Expenditures:				
Current:				
Instruction:				
Regular instruction	92,858	-	-	92,858
Special instruction	5,611	-	-	5,611
Other instruction	9,081	228,686	-	237,767
Support services:				
Student services	1,703	-	-	1,703
Instructional staff services	6,775	-	-	6,775
Administration services	4,724	-	-	4,724
Operation and maintenance of plant services	77,769	-	-	77,769
Transportation services	33,424	1,030	-	34,454
Non-instructional programs	11,369	-	-	11,369
Other expenditures:				
Long-term debt:				
Principal	-	-	375,000	375,000
Interest and other charges	-	-	101,465	101,465
Total expenditures	243,314	229,716	476,465	949,495
Excess (deficiency) of revenues over (under) expenditures	69,485	21,894	#####	(380,512)
Other financing sources:				
Operating transfers in	-	-	476,065	476,065
Excess of revenues and other financing sources over expenditures	69,485	21,894	4,174	95,553
Fund balances beginning of year	130,681	115,971	163,091	409,743
Fund balances end of year	\$ 200,166	137,865	167,265	505,296

See accompanying independent auditor's report.

Schedule 3

Clarke Community School District

Combining Balance Sheet
Capital Project Accounts

June 30, 2012

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and cash equivalents	\$ 882,648	463,881	1,346,529
Receivables:			
Property tax:			
Delinquent	-	3,606	3,606
Succeeding year	-	253,000	253,000
Due from other governments	244,000	236,018	480,018
Total assets	\$ 1,126,648	956,505	2,083,153
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,603	-	1,603
Deferred revenue:			
Succeeding year property tax	-	253,000	253,000
Other	-	236,439	236,439
Total liabilities	1,603	489,439	491,042
Fund balances:			
Restricted for:			
School infrastructure	1,125,045	-	1,125,045
Property, plant and equipment	-	467,066	467,066
Total fund balances	1,125,045	467,066	1,592,111
Total liabilities and fund balances	\$ 1,126,648	956,505	2,083,153

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, 2012

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:			
Local sources:			
Local tax	\$ 1,032,504	424,671	1,457,175
Other	31,154	12,868	44,022
State sources	-	105	105
Total revenues	<u>1,063,658</u>	<u>437,644</u>	<u>1,501,302</u>
Expenditures:			
Instruction:			
Other instruction	-	9,418	9,418
Support services:			
Instructional staff services	-	107,992	107,992
Administration services	4,280	80,015	84,295
Operation and maintenance of plant services	553,673	289,175	842,848
Transportation services	61,000	5,000	66,000
Other expenditures:			
Facilities acquisition	55,610	-	55,610
Total expenditures	<u>674,563</u>	<u>491,600</u>	<u>1,156,745</u>
Excess (deficiency) of revenues over (under) expenditures	389,095	(53,956)	335,139
Other financing uses:			
Operating transfers out	(476,065)	-	(476,065)
Deficiency of revenues under expenditures and other financing uses	(86,970)	(53,956)	(140,926)
Fund balances beginning of year	1,212,015	521,022	1,733,037
Fund balances end of year	<u>\$ 1,125,045</u>	<u>467,066</u>	<u>1,592,111</u>

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, 2012

Account	Balance Beginning of Year	Revenues	Expend- itures	Balance End of Year
Pop Music	\$ 423	10	-	433
Pop Athletics	4,110	666	3,153	1,623
Athletics	719	6,706	3,938	3,487
Publications	8,689	6,026	8,132	6,583
High School Band	4,845	34,021	32,295	6,571
High School Co-curricular	403	365	-	768
High School Vocal Music	4,481	5,834	5,881	4,434
Cheerleaders	(4,550)	5,582	3,790	(2,758)
Speech/Debate	444	4,833	4,266	1,011
FFA	5,854	29,794	26,940	8,708
FHA	618	18	618	18
FCCLA	-	3,917	3,047	870
Medical Careers Club	146	3	-	149
Cross Country	-	585	585	-
Tennis	-	204	204	-
Bowling	234	3,048	1,922	1,360
Elementary Literacy Library	3,459	882	262	4,079
Boys Basketball	5,963	5,374	2,225	9,112
Football	6,305	16,366	11,149	11,522
Baseball	2,336	6,315	6,783	1,868
Boys Track	3,576	6,474	4,210	5,840
Wrestling	2,581	1,476	2,344	1,713
Girls Basketball	7,123	5,830	4,820	8,133
Golf	-	865	865	-
Volleyball	7,723	4,638	3,168	9,193
Softball	5,115	10,287	9,619	5,783
Girls Track	4,879	5,692	5,252	5,319
Camp - Boys Basketball	1,188	26	-	1,214
Camp - Football	4,023	3,882	3,564	4,341
Camp - Wrestling	71	1	-	72
Camp - Girls Basketball	2,799	58	-	2,857
Camp - Volleyball	831	18	-	849
Clinic - Softball	158	2,047	1,441	764
Book Club	944	254	574	624
Spanish Club	1,566	34	-	1,600
High School Student Council	768	1,613	1,389	992
Thespians	3,335	4,984	6,152	2,167

Clarke Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expend- itures	Balance End of Year
Class of:				
2008	715	15	-	730
2010	1,882	41	1,575	348
2011	973	21	817	177
2012	1,316	283	677	922
2013	988	6,154	6,757	385
2014	-	1,051	-	1,051
2015	-	164	-	164
Art Club	656	315	300	671
Concessions	15,161	36,737	30,371	21,527
American Field Service	2,681	58	-	2,739
Vending Machine -				
Art/Cheerleaders	383	9	-	392
TOUCH	128	3	-	131
Media Club	222	5	-	227
Athletic Resale	(16,563)	10,284	13,283	(19,562)
Drill Team	1,517	1,595	1,046	2,066
FBLA	-	200	-	200
Junior High Student Council	-	464	464	-
Middle School Pop Fund Balance	-	58	58	-
Elementary Student Council	11,724	4,925	5,006	11,643
After Prom	3,029	10,500	10,774	2,755
Total	<u>\$ 115,971</u>	<u>251,610</u>	<u>229,716</u>	<u>137,865</u>

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, 2012

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 126,975	214,185	246,337	94,823
Accounts receivable	1,949	120	1,949	120
Due from other governments	2,400	5,563	2,400	5,563
Total assets	\$ 131,324	219,868	250,686	100,506
Liabilities				
Accounts payable	\$ 2,165	1,673	2,165	1,673
Due to other governments	1,326	-	1,326	-
Trusts payable	127,833	218,195	247,195	98,833
Total liabilities	\$ 131,324	219,868	250,686	100,506

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

	2012	2011	2010	2009
Revenues:				
Local sources:				
Local tax	\$ 5,706,601	5,120,483	4,831,186	4,667,723
Tuition	223,452	287,350	391,436	353,389
Other	540,783	445,579	539,478	426,305
Intermediate sources	-	-	-	-
State sources	8,353,902	7,930,971	6,722,487	7,784,734
Federal sources	621,060	741,710	1,424,319	589,407
Total	\$ 15,445,798	14,526,093	13,908,906	13,821,558
Expenditures:				
Instruction:				
Regular instruction	\$ 5,473,903	5,074,795	5,132,580	5,071,939
Special instruction	1,921,485	1,899,278	1,967,321	1,957,714
Other instruction	1,509,369	1,678,329	1,766,142	1,782,475
Support services:				
Student services	254,546	275,295	335,259	319,803
Instructional staff services	533,499	325,142	457,446	326,686
Administration services	1,262,238	1,226,303	1,175,033	1,161,780
Operation and maintenance of plant services	1,852,130	1,010,013	1,003,916	1,086,043
Transportation services	602,750	510,397	647,474	533,736
Non-instructional programs	11,369	9,535	1,399	1,048
Other expenditures:				
Facilities acquisition	55,610	397,821	189,274	639,674
Long-term debt:				
Principal	375,000	360,000	498,039	466,384
Interest and other charges	101,465	113,885	135,458	165,902
Other	-	-	-	-
AEA flowthrough	505,350	556,547	543,479	489,537
Total	\$ 14,458,714	13,437,340	13,852,820	14,002,721

See accompanying independent auditor's report.

Modified Accrual Basis					
2008	2007	2006	2005	2004	2003
4,643,460	4,646,077	4,375,080	4,422,423	4,191,392	3,736,749
332,365	374,400	339,497	345,637	333,122	389,967
548,713	720,867	458,888	435,668	377,892	396,302
5,523	-	-	-	-	-
7,264,290	6,760,768	6,534,151	6,221,414	5,959,245	6,044,538
539,307	555,494	770,422	685,694	699,462	428,237
13,333,658	13,057,606	12,478,038	12,110,836	11,561,113	10,995,793
5,040,800	4,778,673	4,337,840	4,344,951	4,118,312	3,962,238
1,945,636	1,813,039	1,918,914	2,251,134	2,091,487	1,515,063
1,313,063	1,158,946	1,136,067	636,728	572,922	1,109,364
338,214	300,624	306,632	284,522	337,336	356,596
314,187	350,389	271,461	317,425	321,255	366,422
1,261,484	1,285,995	1,134,575	1,027,301	997,654	975,611
1,219,815	1,076,053	1,021,613	888,722	817,383	685,159
540,318	606,882	655,476	432,681	463,895	397,987
8,158	3,213	9,644	22,898	11,691	8,366
1,110,495	167,641	453,790	354,730	192,537	264,798
447,936	420,293	403,090	386,300	364,902	348,870
212,491	232,271	250,806	272,720	286,673	301,855
-	-	-	-	-	300
455,495	446,669	421,018	410,502	410,482	433,289
14,208,092	12,640,688	12,320,926	11,630,614	10,986,529	10,725,918

Schedule 8

Clarke Community School District
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2012

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	FY12	\$ 57,163
National School Lunch Program	10.555	FY12	353,137 *
			410,300
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	1211G	215,574
Improving Teacher Quality State Grants	84.367	FY12	56,545
Grants for State Assessments and Related Activities	84.369	FY12	8,405
ARRA- Education Jobs Fund	84.410	FY11	183,582
Green Valley Area Education Agency:			
Special Education - Grants to States	84.027	FY12	73,684
Southwestern Community College:			
Career and Technical Education - Basic Grants to States	84.048	FY12	15,638
Total			\$ 963,728

* Includes \$39,318 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, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 6, 2012. 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

The management of Clarke Community School District is responsible for establishing and maintaining effective 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. However, we identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs, we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-12 to be a significant deficiency.

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 which 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, 2012 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 responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Clarke Community School District's responses and, accordingly, we express no opinion on them.

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

December 6, 2012

**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
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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, 2012. 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, 2012.

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

December 6, 2012

Clarke Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was 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:
 - School Nutrition Cluster Programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 84.410 – ARRA – Education Jobs Fund (Ed Jobs)
- (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, 2012

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

II-A-12 Title I Reporting – School districts are required to annually submit final Title I budget and payment status reports, which include total actual Title I expenditures for the fiscal year, to the Iowa Department of Education. The report submitted for fiscal year 2012 included expenditures totaling \$297,556. However, actual expenditures totaled only \$215,574. It appears the District reported budgeted Title I expenditures rather than actual expenditures. This reporting error had no effect on the District’s funding as the Iowa Department of Education has allowed the District to carry over the excess amount reported for expenditures in fiscal year 2013. Title I reports are not reviewed by someone independent of preparing the reports prior to submission.

Recommendation – The District should implement procedures to ensure Title I reports are reviewed by an independent person prior to submission. The independent reviewer should ensure reported amounts are supported by accounting records.

Response – The District will have the Business Manager and Title I Administrator review the reports before final submission.

Conclusion – Response accepted.

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.

Part IV: Other Findings Related To Required Statutory Reporting:

IV-A-12 Certified Budget – Expenditures for the year ended June 30, 2012 exceeded the amount budgeted in the non-instructional programs function.

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

Response – The District will monitor the expenditures in each area and amend the budget if necessary to not exceed the budget amount.

Conclusion – Response accepted.

Clarke Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

IV-B-12 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-12 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-12 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Rhonda Audlehelm, Board member's spouse, Owner of Flowers & More	Flowers for student activities and events	\$ 713

These transactions do not appear to represent a conflict of interest in accordance with Chapters 279.7A and 301.28 of the Code since the transactions total less than \$2,500 and the individual is not acting as an agent for school textbooks or school supplies.

IV-E-12 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-12 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-12 Certified Enrollment – Two variances in the basic enrollment data certified to the Department of Education were noted. The District counted two students who had exceeded ELL funding.

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

Response – The District will carefully track ELL students and no longer report them as ELL students after their 4th year even if they are still being served.

Conclusion – Response accepted.

IV-H-12 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.

Clarke Community School District
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2012

- IV-I-11 Certified Annual Report – The District’s Certified Annual Report was filed with the Iowa Department of Education timely.
- IV-J-12 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- IV-K-12 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, 2012, the District’s financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning balance		\$ 1,212,015
Revenue:		
Statewide sales, services and use tax	\$ 1,032,504	
Interest on investments	31,154	1,063,658
Expenditures/transfers out:		
Debt service for school infrastructure	476,065	
Roof repair/construction, site improvements and other	674,563	1,150,628
Ending balance		\$ 1,125,045

The statewide sales, services and use tax revenue received during the year ended June 30, 2012 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 0.16610	476,065
Physical plant and equipment levy	0.19409	556,439
		\$ 1,032,504

- IV-L-12 Special Revenue Fund – The Special Revenue Fund, Student Activity Cheerleading Account had a deficit balance of \$2,758 at June 30, 2012.

Recommendation – The District should continue to investigate alternatives to eliminate this deficit in order to return this account to a sound financial condition.

Response – This deficit is in place due to litigation with former cheerleading sponsor.

Conclusion – Response accepted.

Clarke Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

IV-M-12 Capital Project – The District did not publish notice of public hearing for the wrestling room roof project within four to twenty days prior to the hearing as required in Chapter 26.12 of the Code of Iowa and did not advertise for sealed bids for the project as required by Chapter 26.3 of the Code of Iowa.

Recommendation – The District should comply with Chapter 26 of the Code of Iowa prior to initiating future projects.

Response – The District will be sure to publish advertising for all projects as required by law in the future.

Conclusion – Response accepted.

Clarke Community School District

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Karen J. Kibbe, Senior Auditor II
Tracey L. Gerrish, Staff Auditor
Hannah K. Haas, Assistant Auditor
Elissa R. Olson, Assistant Auditor
Kaylynn D. Short, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State