



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

March 7, 2014

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Auditor of State Mary Mosiman today released an audit report on Clarke Community School District in Osceola, Iowa.

The District's revenues totaled \$16,723,117 for the year ended June 30, 2013, a 4.5% increase over the prior year. The revenues included \$4,558,611 in local tax, \$1,165,156 in statewide sales, services and use tax, \$294,665 in income surtax, charges for service of \$807,075 operating grants, contributions and restricted interest of \$2,693,893, capital grants, contributions and restricted interest of \$26,128, unrestricted investment earnings of \$74,555, unrestricted state grants of \$6,987,236 and other general revenues of \$115,798.

Expenses for District operations for the year ended June 30, 2013 totaled \$16,082,769, an increase of 12.8% over the prior year, and included \$5,934,883 for regular instruction, \$2,228,919 for special instruction and \$1,457,069 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/1330-1211-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, 2013

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Clarke Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
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	(Retired December 2012)
Steve Seid	Interim Superintendent	June 30, 2013
Benita Gonzales (Appointed)	Superintendent	Indefinite
Ruth White	District Secretary/Treasurer and Business Manager	Indefinite
Danielle Hainfield	Attorney	Indefinite



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Independent Auditor's Report

To the Board of Education of
Clarke Community School District:

Report on the Financial Statements

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, 2013, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedules of Funding Progress for the Retiree Health and Supplemental Pension Plans on pages 9 through 18 and 48 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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 third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 17, 2014 on our consideration of Clarke Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Clarke Community School District's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 17, 2014

Clarke Community School District

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, 2013. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$13,375,513 in fiscal year 2012 to \$13,360,972 in fiscal year 2013, while General Fund expenditures increased from \$12,343,056 in fiscal year 2012 to \$13,434,057 in fiscal year 2013. The District's General Fund balance at June 30, 2013 decreased \$54,073, or 2.5%, from the prior year.
- The decrease in General Fund revenues was primarily attributable to a decrease in state sources, local tax and tuition. The increase in expenditures was due primarily to increases in spending for regular instruction, special instruction and transportation services due to a 3.5% increase in negotiated salaries.

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 Position 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.

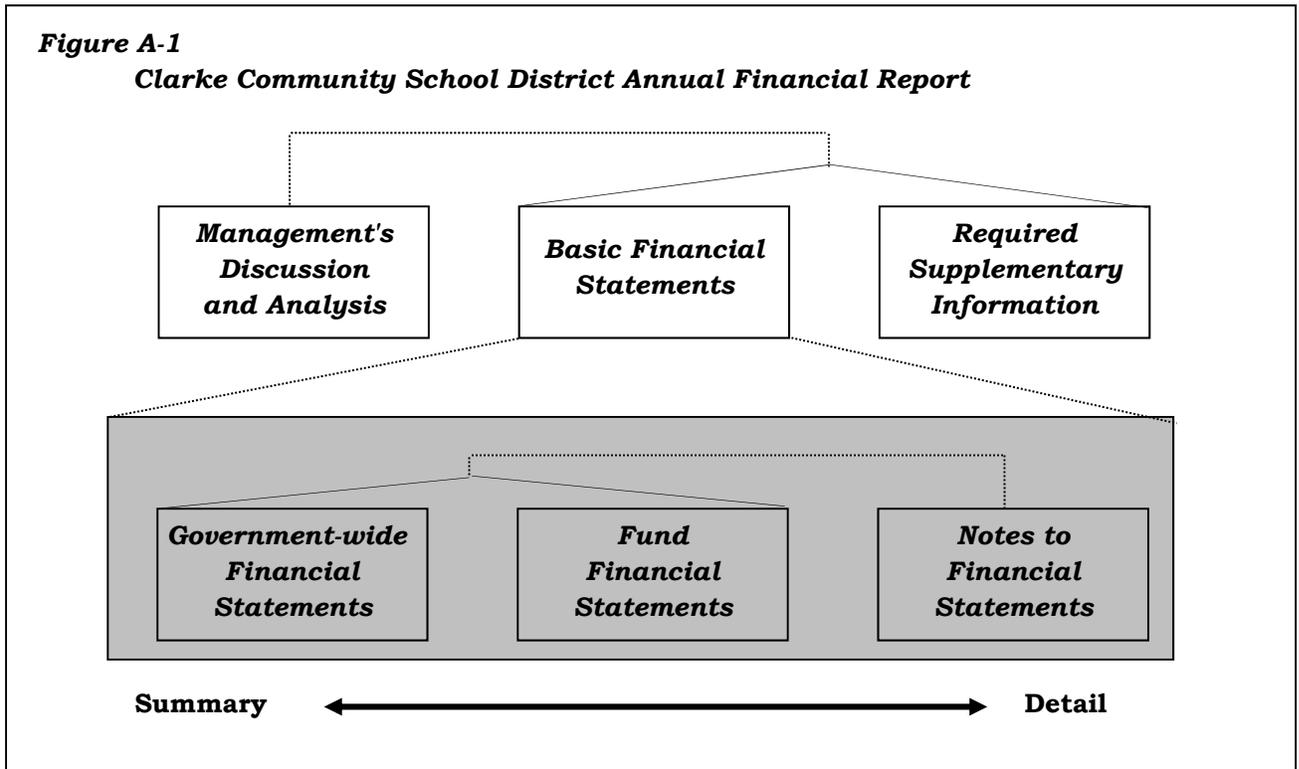


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Financial Statements	Fund Financial 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, such as 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 Position • 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 Position • Statement of Revenues, Expenses and Changes in Fund Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
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 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 Position 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 position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position 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 Position, a Statement of Revenues, Expenses and Changes in Fund Net Position 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 Position and a Statement of Changes in Fiduciary Net Position.

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 position at June 30, 2013 compared to June 30, 2012.

Figure A-3							
Condensed Statement of Net Position							
(Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2013	2012	2013	2012	2013	2012	2012-2013
Current and other assets	\$ 10,482	10,099	115	106	10,597	10,205	392
Capital assets	11,856	11,148	101	81	11,957	11,229	728
Total assets	22,338	21,247	216	187	22,554	21,434	1,120
Long-term liabilities	3,037	2,967	8	3	3,045	2,970	75
Other liabilities	5,980	5,574	55	56	6,035	5,630	405
Total liabilities	9,017	8,541	63	59	9,080	8,600	480
Net position:							
Net investment in capital assets	9,691	8,593	101	81	9,792	8,674	1,118
Restricted	1,834	2,530	-	-	1,834	2,530	(696)
Unrestricted	1,796	1,583	52	47	1,848	1,630	218
Total net position	\$ 13,321	12,706	153	128	13,474	12,834	640

The District's combined net position increased 5%, or approximately \$640,000, over the prior year. The largest portion of the District's net position 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 position category increased 12.9%, or approximately \$1,118,000, over the prior year, primarily due to completion of a roof replacement project for the high school, window replacement projects at the elementary and middle schools and work on the tennis courts. Additionally, the District started a roof repair project for the middle school.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$696,000, or 27.5%, from the prior year. The decrease is primarily due to the number of capital projects the District completed or has in progress at year end and the issuance of lease purchase agreements during the year ended June 30, 2013.

Unrestricted net position - the part of net position which can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased approximately \$218,000, or 13.4%.

Figure A-4 shows the change in net position for the year ended June 30, 2013 compared to the year ended June 30, 2012.

	Governmental Activities		Business Type Activities		Total District		Total Change
	2013	2012	2013	2012	2013	2012	2012-2013
Revenues:							
Program revenues:							
Charges for service	\$ 578	538	229	235	807	773	34
Operating grants, contributions and restricted interest	2,246	2,233	447	418	2,693	2,651	42
Capital grants, contributions and restricted interest	26	36	-	-	26	36	(10)
General revenues:							
Property tax	4,559	4,398	-	-	4,559	4,398	161
Statewide sales, services and use tax	1,165	1,032	-	-	1,165	1,032	133
Income surtax	295	249	-	-	295	249	46
Unrestricted state grants	6,987	6,717	-	-	6,987	6,717	270
Unrestricted investment earnings	75	57	-	-	75	57	18
Other	116	91	-	-	116	91	25
Total revenues	16,047	15,351	676	653	16,723	16,004	719
Program expenses:							
Instruction	9,621	8,920	-	-	9,621	8,920	701
Support services	4,835	3,784	-	-	4,835	3,784	1,051
Non-instructional programs	13	11	651	626	664	637	27
Other expenses	963	919	-	-	963	919	44
Total expenses	15,432	13,634	651	626	16,083	14,260	1,823
Increase in net position	615	1,717	25	27	640	1,744	(1,104)
Net position beginning of year	12,706	10,989	128	101	12,834	11,090	1,744
Net position end of year	\$ 13,321	12,706	153	128	13,474	12,834	640

In fiscal year 2013, property tax and unrestricted state grants accounted for 72% 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 89.9% of total expenses.

Governmental Activities

Revenues for governmental activities were \$16,046,929 and expenses were \$15,431,985 for the year ended June 30, 2013.

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, 2013 compared to the year ended June 30, 2012.

For the year ended June 30, 2013:

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction	\$ 9,621	8,920	7,373	6,730
Support services	4,835	3,784	4,784	3,709
Non-instructional programs	13	11	13	11
Other expenses	963	919	411	377
Total	<u>\$ 15,432</u>	<u>13,634</u>	<u>12,581</u>	<u>10,827</u>

- The cost financed by users of the District's programs was \$578,430.
- Federal and state governments subsidized certain operating programs with grants and contributions totaling \$2,246,350.
- The net cost of governmental activities was financed with \$6,018,432 of property and other taxes and \$6,987,236 of unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2013 were \$676,188, representing a 3.5% increase over the prior year, while expenses totaled \$650,784, a 3.9% 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 \$4,264,172, a .2% decrease from last year's ending fund balance of \$ 4,273,154.

Governmental Fund Highlights

- The General Fund balance decreased from \$2,175,747 at June 30, 2012 to \$2,121,674 at June 30, 2013, due primarily to a 3.5% increase in salaries and benefits and a decrease in property tax revenue.
- The Capital Projects Fund balance increased from \$1,592,111 at June 30, 2012 to \$1,742,136 at June 30, 2013. Revenues increased 24.5% over the prior year due to an increase in statewide sales, services and use tax. In addition, the District entered into \$581,485 of lease purchase agreements for the purchase of iPads for the students and staff. Expenditures increased 66.1% over the prior year due to continued work on two roof repair and replacement projects and completion of window replacement at the elementary school and the tennis courts at the high school.

Proprietary Fund Highlights

- School Nutrition Fund net position increased from \$128,013 at June 30, 2012 to \$153,417 at June 30, 2013, primarily due to an increase in Federal school nutrition program revenues. Expenses increased approximately 3.9% due to an increase of 3.5% in negotiated wages and the cost of supplies.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on a GAAP basis. No budget amendments were certified during fiscal year 2013.

The District's total revenues were \$87,267 less than budgeted revenues. The most significant variance resulted from the District receiving less federal aid than originally anticipated.

Total expenditures were \$2,397,565 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 not exceeded in any program function.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested, net of depreciation, approximately \$11.96 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 \$496,939.

The original cost of the District's capital assets was approximately \$19.7 million. Governmental funds account for approximately \$19.3 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,	
	2013	2012	2013	2012	2013	2012
Land	\$ 78	78	-	-	78	78
Construction in progress	300	427	-	-	300	427
Buildings	10,146	9,635	-	-	10,146	9,635
Improvements other than buildings	682	453	-	-	682	453
Furniture and equipment	650	555	101	81	751	636
Total	\$ 11,856	11,148	101	81	11,957	11,229

Long-Term Liabilities

At June 30, 2013, the District had approximately \$3,037,000 of general obligation bonds and other long-term liabilities outstanding. This represents an increase of approximately 2.4% over 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, 2013 of \$2,165,000.

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

	June 30,	
	2013	2012
General obligation bonds	\$ 2,165	2,555
Lease purchase agreements	383	-
Compensated absences	37	49
Net OPEB liability	150	100
Net pension liability	302	263
Total	\$ 3,037	2,967

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 years 2010-2011, 2011-2012 and 2012-2013. 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 has been implemented at the District.

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 Benita Gonzalez, Superintendent, or Ruth White, Business Manager, Clarke Community School District, P. O. Box 535, Osceola, Iowa 50213.

Basic Financial Statements

Exhibit A

Clarke Community School District

Statement of Net Position

Year ended June 30, 2013

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 5,303,536	106,757	5,410,293
Receivables:			
Property tax:			
Delinquent	56,808	-	56,808
Succeeding year	4,328,000	-	4,328,000
Accounts	4,836	905	5,741
Due from other governments	712,587	-	712,587
Inventories	-	4,786	4,786
Prepaid insurance	76,924	2,868	79,792
Capital assets, net of accumulated depreciation	11,855,851	101,318	11,957,169
Total assets	22,338,542	216,634	22,555,176
Liabilities			
Accounts payable	37,927	635	38,562
Salaries and benefits payable	1,347,450	44,125	1,391,575
Due to other governments	163,437	-	163,437
Accrued interest payable	15,314	-	15,314
Unearned revenue:			
Succeeding year property tax	4,328,000	-	4,328,000
Other	87,952	10,562	98,514
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	405,000	-	405,000
Lease purchase agreement	189,017	-	189,017
Compensated absences	36,764	-	36,764
Portion due after one year:			
General obligation bonds	1,760,000	-	1,760,000
Lease purchase agreement	193,788	-	193,788
Net OPEB liability	150,005	7,895	157,900
Net pension liability	302,500	-	302,500
Total liabilities	9,017,154	63,217	9,080,371

Clarke Community School District

Statement of Net Position

Year ended June 30, 2013

	Governmental Activities	Business Type Activities	Total
Net position			
Net investment in capital assets	9,690,851	101,318	9,792,169
Restricted for:			
Categorical funding	115,433	-	115,433
Physical plant and equipment levy	388,867	-	388,867
School infrastructure	1,207,405	-	1,207,405
Student activities	122,514	-	122,514
Unrestricted	1,796,318	52,099	1,848,417
Total net position	\$ 13,321,388	153,417	13,474,805

See notes to financial statements.

Clarke Community School District

Statement of Activities

Year ended June 30, 2013

	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	\$ 5,934,883	161,949	1,092,706	-
Special instruction	2,228,919	136,922	225,846	-
Other instruction	1,457,069	249,473	380,986	-
	<u>9,620,871</u>	<u>548,344</u>	<u>1,699,538</u>	<u>-</u>
Support services:				
Student services	562,842	2,601	20,857	-
Instructional staff services	1,057,279	699	-	-
Administration services	1,352,243	8,720	-	-
Operation and maintenance of plant services	1,153,372	5,276	-	-
Transportation services	708,883	12,790	-	-
	<u>4,834,619</u>	<u>30,086</u>	<u>20,857</u>	<u>-</u>
Non-instructional programs	13,504	-	-	-
Other expenditures:				
Facilities acquisition	-	-	-	26,128
Long-term debt interest	89,473	-	-	-
AEA flowthrough	525,955	-	525,955	-
Depreciation (unallocated)*	347,563	-	-	-
	<u>962,991</u>	<u>-</u>	<u>525,955</u>	<u>26,128</u>
Total governmental activities	<u>15,431,985</u>	<u>578,430</u>	<u>2,246,350</u>	<u>26,128</u>
Business type activities:				
Non-instructional programs:				
Food service operations	650,784	228,645	447,543	-
Total	<u>\$ 16,082,769</u>	<u>807,075</u>	<u>2,693,893</u>	<u>26,128</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

Gain from disposition of capital assets

Other

Total general revenues

Change in net position

Net position beginning of year

Net position 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 Position		
Governmental Activities	Business Type Activities	Total
(4,680,228)	-	(4,680,228)
(1,866,151)	-	(1,866,151)
(826,610)	-	(826,610)
(7,372,989)	-	(7,372,989)
(539,384)	-	(539,384)
(1,056,580)	-	(1,056,580)
(1,343,523)	-	(1,343,523)
(1,148,096)	-	(1,148,096)
(696,093)	-	(696,093)
(4,783,676)	-	(4,783,676)
(13,504)	-	(13,504)
26,128	-	26,128
(89,473)	-	(89,473)
-	-	-
(347,563)	-	(347,563)
(410,908)	-	(410,908)
(12,581,077)	-	(12,581,077)
-	25,404	25,404
(12,581,077)	25,404	(12,555,673)
\$ 4,268,968	-	4,268,968
289,643	-	289,643
1,165,156	-	1,165,156
294,665	-	294,665
6,987,236	-	6,987,236
74,555	-	74,555
19,012	-	19,012
96,786	-	96,786
13,196,021	-	13,196,021
614,944	25,404	640,348
12,706,444	128,013	12,834,457
\$ 13,321,388	153,417	13,474,805

Exhibit C

Clarke Community School District

Balance Sheet
Governmental Funds

June 30, 2013

	General	Capital Projects	Nonmajor	Total
Assets				
Cash, cash equivalents and pooled investments	\$ 3,453,419	1,431,854	401,451	5,286,724
Receivables:				
Property tax:				
Delinquent	47,105	3,411	6,292	56,808
Succeeding year	3,590,000	220,000	518,000	4,328,000
Accounts	3,103	-	1,733	4,836
Due from other governments	152,850	559,587	150	712,587
Prepaid insurance	72,874	-	4,050	76,924
Total assets	\$ 7,319,351	2,214,852	931,676	10,465,879
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 11,004	15,775	11,148	37,927
Salaries and benefits payable	1,346,120	-	1,330	1,347,450
Due to other governments	162,601	-	836	163,437
Unearned revenue:				
Succeeding year property tax	3,590,000	220,000	518,000	4,328,000
Other	87,952	236,941	-	324,893
Total liabilities	5,197,677	472,716	531,314	6,201,707
Fund balances:				
Nonspendable:				
Prepaid insurance	72,874	-	4,050	76,924
Restricted for:				
Categorical funding	115,433	-	-	115,433
Management levy purposes	-	-	261,628	261,628
Student activities	-	-	122,514	122,514
Debt service	-	-	12,170	12,170
School infrastructure	-	1,207,405	-	1,207,405
Physical plant and equipment	-	534,731	-	534,731
Unassigned	1,933,367	-	-	1,933,367
Total fund balances	2,121,674	1,742,136	400,362	4,264,172
Total liabilities and fund balances	\$ 7,319,351	2,214,852	931,676	10,465,879

See notes to financial statements.

Clarke Community School District

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

June 30, 2013

Total fund balances of governmental funds (page 24)	\$ 4,264,172
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	11,855,851
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 Position.	16,812
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	236,941
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.	(15,314)
Long-term liabilities, including bonds, lease purchase agreements, 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.	(3,037,074)
Net position of governmental activities (page 21)	<u>\$ 13,321,388</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, 2013

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 3,775,047	1,748,962	504,175	6,028,184
Tuition	211,384	-	-	211,384
Other	171,661	120,446	305,835	597,942
State sources	8,697,805	156	287	8,698,248
Federal sources	505,075	-	-	505,075
Total revenues	13,360,972	1,869,564	810,297	16,040,833
Expenditures:				
Current:				
Instruction:				
Regular instruction	5,853,983	-	120,948	5,974,931
Special instruction	2,204,382	-	6,304	2,210,686
Other instruction	1,117,563	-	325,939	1,443,502
	9,175,928	-	453,191	9,629,119
Support services:				
Student services	560,086	-	1,092	561,178
Instructional staff services	339,742	727,590	863	1,068,195
Administration services	1,222,268	92,390	24,459	1,339,117
Operation and maintenance of plant services	991,754	57,360	75,890	1,125,004
Transportation services	618,324	65,890	32,832	717,046
	3,732,174	943,230	135,136	4,810,540
Non-instructional programs	-	-	13,504	13,504
Other expenditures:				
Facilities acquisition	-	993,986	-	993,986
Long-term debt:				
Principal	-	-	588,680	588,680
Interest and other charges	-	-	88,528	88,528
AEA flowthrough	525,955	-	-	525,955
	525,955	993,986	677,208	2,197,149
Total expenditures	13,434,057	1,937,216	1,279,039	16,650,312
Deficiency of revenues under expenditures	(73,085)	(67,652)	(468,742)	(609,479)
Other financing sources (uses):				
Lease purchase agreements	-	581,485	-	581,485
Insurance proceeds	19,012	-	-	19,012
Operating transfers in	-	-	363,808	363,808
Operating transfers out	-	(363,808)	-	(363,808)
Total other financing sources (uses)	19,012	217,677	363,808	600,497
Change in fund balances	(54,073)	150,025	(104,934)	(8,982)
Fund balances beginning of year	2,175,747	1,592,111	505,296	4,273,154
Fund balances end of year	\$ 2,121,674	1,742,136	400,362	4,264,172

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, 2013

Change in fund balances - total governmental funds (page 26) \$ (8,982)

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	\$ 1,191,019	
Depreciation expense	(482,838)	708,181

Certain revenues not collected for several months after year end are not considered available revenue and are deferred in the governmental funds. (13,307)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments exceeded issuances, as follows:

Issued	(581,485)	
Repaid	588,680	7,195

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	11,960	
Net OPEB liability	(49,222)	
Net pension liability	(39,600)	
Interest on long-term debt	(945)	(77,807)

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 position of the Internal Service Fund is reported in governmental activities. (336)

Change in net position of governmental activities (page 23) \$ 614,944

See notes to financial statements.

Exhibit G

Clarke Community School District

Statement of Net Position
Proprietary Funds

June 30, 2013

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
Assets		
Cash and cash equivalents	\$ 106,757	16,812
Accounts receivable	905	-
Inventories	4,786	-
Prepaid insurance	2,868	-
Capital assets, net of accumulated depreciation	101,318	-
Total assets	216,634	16,812
Liabilities		
Accounts payable	635	-
Salaries and benefits payable	44,125	-
Unearned revenue	10,562	-
Net OPEB liability	7,895	-
Total liabilities	63,217	-
Net Position		
Net investment in capital assets	101,318	-
Unrestricted	52,099	16,812
Total net position	\$ 153,417	16,812

See notes to financial statements.

Clarke Community School District

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

Year ended June 30, 2013

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
Operating revenues:		
Local sources:		
Charges for service	\$ 228,645	-
Employee contributions	-	24,640
Total operating revenues	<u>228,645</u>	<u>24,640</u>
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	192,060	-
Benefits	97,120	-
Purchased services	7,646	-
Supplies	339,730	-
Other	127	-
Depreciation	14,101	-
Other	-	25,367
Total operating expenses	<u>650,784</u>	<u>25,367</u>
Operating loss	<u>(422,139)</u>	<u>(727)</u>
Non-operating revenues:		
State sources	6,049	-
Federal sources	439,401	-
Interest income	2,093	391
Net non-operating revenues	<u>447,543</u>	<u>391</u>
Change in net position	25,404	(336)
Net position beginning of year	<u>128,013</u>	<u>17,148</u>
Net position end of year	<u>\$ 153,417</u>	<u>16,812</u>

See notes to financial statements.

Exhibit I

Clarke Community School District

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2013

	<u>Business Type Activities</u>	<u>Governmental Activities</u>
	Enterprise - School Nutrition	Internal Service - Flex Spending
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 228,994	-
Cash received from miscellaneous operating activities	-	24,640
Cash paid to suppliers for goods or services	(588,203)	(25,367)
Net cash used by operating activities	<u>(359,209)</u>	<u>(727)</u>
Cash flows from non-capital financing activities:		
State grants received	5,978	-
Federal grants received	396,589	-
Net cash provided by non-capital financing activities	<u>402,567</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(34,785)	-
Cash flows from investing activities:		
Interest on investments	2,093	391
Increase (decrease) in cash and cash equivalents	10,666	(336)
Cash and cash equivalents beginning of year	96,091	17,148
Cash and cash equivalents end of year	<u>\$ 106,757</u>	<u>16,812</u>

See notes to financial statements.

Clarke Community School District

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2013

	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	\$ (422,139)	(727)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	42,812	-
Depreciation	14,101	-
Decrease in accounts receivable	349	-
Increase in inventories	1,969	-
Increase in prepaid insurance	(191)	-
Decrease in accounts payables	(215)	-
Decrease in salaries and benefits payable	(1,432)	-
Increase in other postemployment benefits	4,778	-
Decrease in unearned revenue	759	-
Net cash used by operating activities	<u>\$ (359,209)</u>	<u>(727)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2013, the District received \$42,812 of federal commodities.

See notes to financial statements.

Exhibit J

Clarke Community School District
Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2013

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and investments	\$ 42,125	91,624
Due from other governments	-	5,000
Total assets	42,125	96,624
Liabilities		
Accounts payable	-	139
Trusts payable	-	96,485
Total liabilities	-	96,624
Net Position		
Reserved for scholarships	\$ 42,125	-

See notes to financial statements.

Clarke Community School District
 Statement of Changes in Fiduciary Net Position
 Fiduciary Funds

Year ended June 30, 2013

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest income	\$ 2,077
Deductions:	
Support services:	
Scholarships awarded	3,000
Change in net position	(923)
Net position beginning of year	43,048
Net position end of year	\$ 42,125

See notes to financial statements.

Clarke Community School District

Notes to Financial Statements

June 30, 2013

(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 Position (previously referred to as 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 Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets 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 position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has 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 position and changes in net position. 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 year or soon enough thereafter to pay liabilities of the current year. 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 year 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 position 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.

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, Cash Equivalents and Pooled Investments – 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, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2012.

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 Position. 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.

Unearned 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. Unearned 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. Unearned 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.

Unearned revenue in the Statement of Net Position 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, 2013. 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 Position.

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 are 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, 2013, expenditures did not exceed the amount budgeted in any program function.

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2013 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, 2013, the District's investments are as follows:

Type	Fair Value
Common stock	\$ 9,882

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, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects:	
	Statewide Sales, Services and Use Tax	\$ 165,128
	Physical Plant and Equipment Levy	198,680
Total		<u>\$ 363,808</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, 2013 was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End</u>
	<u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 78,000	-	-	78,000
Construction in progress	427,440	677,885	(805,600)	299,725
Total capital assets not being depreciated	<u>505,440</u>	<u>677,885</u>	<u>(805,600)</u>	<u>377,725</u>
Capital assets being depreciated:				
Buildings	14,352,225	798,081	-	15,150,306
Improvements other than buildings	1,318,615	289,761	-	1,608,376
Furniture and equipment	2,012,993	230,892	(71,813)	2,172,072
Total capital assets being depreciated	<u>17,683,833</u>	<u>1,318,734</u>	<u>(71,813)</u>	<u>18,930,754</u>
Less accumulated depreciation for:				
Buildings	4,717,281	287,297	-	5,004,578
Improvements other than buildings	866,126	60,266	-	926,392
Furniture and equipment	1,458,196	135,275	(71,813)	1,521,658
Total accumulated depreciation	<u>7,041,603</u>	<u>482,838</u>	<u>(71,813)</u>	<u>7,452,628</u>
Total capital assets being depreciated, net	<u>10,642,230</u>	<u>835,896</u>	<u>-</u>	<u>11,478,126</u>
Governmental activities capital assets, net	<u>\$11,147,670</u>	<u>1,513,781</u>	<u>(805,600)</u>	<u>11,855,851</u>
Business type activities:				
Furniture and equipment	\$ 377,021	34,785	(12,634)	399,172
Less accumulated depreciation	296,387	14,101	(12,634)	297,854
Business type activities capital assets, net	<u>\$ 80,634</u>	<u>20,684</u>	<u>-</u>	<u>101,318</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular instruction	\$ 38,075
Other instruction	5,200
Support services:	
Administration services	3,099
Operation and maintenance of plant services	10,192
Transportation services	78,709
	<u>135,275</u>
Unallocated	347,563
Total depreciation expense - governmental activities	<u>\$ 482,838</u>
Business type activities:	
Food service operations	<u>\$ 14,101</u>

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,555,000	-	390,000	2,165,000	405,000
Lease purchase agreements	-	581,485	198,680	382,805	189,017
Compensated absences	48,724	37,394	49,354	36,764	36,764
Net OPEB liability	100,783	74,617	25,395	150,005	-
Net pension liability	262,900	99,600	60,000	302,500	-
Total	<u>\$ 2,967,407</u>	<u>793,096</u>	<u>723,429</u>	<u>3,037,074</u>	<u>630,781</u>
Business type activities:					
Net OPEB liability	\$ 3,117	6,083	1,305	7,895	-

General Obligation Bonds

Details of the District's June 30, 2013 general obligation bond indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2008			
	Interest Rates	Principal	Interest	Total
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		<u>\$ 2,165,000</u>	<u>234,882</u>	<u>2,399,882</u>

During the year ended June 30, 2013, the District retired \$390,000 of general obligation bonds.

Lease Purchase Agreements

On October 5, 2012, the District entered into a lease purchase agreement with Apple Inc. to purchase iPads for high school students and staff. The District agreed to purchase the iPads for \$210,100 with interest at 3.1% per annum.

On June 30, 2013, the District entered into a lease purchase agreement with Apple Inc. to purchase iPads for middle and elementary school students and staff. The District agreed to purchase the iPads for \$371,385 with interest at 2.2% per annum.

Details of the District’s June 30, 2013 lease purchase agreements are as follows:

Year Ending June 30,	October 5, 2012			June 30, 2013			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2014	3.1%	\$ 67,906	4,276	2.2%	\$ 121,111	5,387	189,017	9,663	198,680
2015	3.1	70,012	2,170	2.2	123,776	2,723	193,788	4,893	198,681
Total		<u>\$ 137,918</u>	<u>6,446</u>		<u>\$ 244,887</u>	<u>8,110</u>	<u>382,805</u>	<u>14,556</u>	<u>397,361</u>

During the year ended June 30, 2013, the District paid principal of \$72,182 and interest of \$126,498, respectively, on the lease purchase agreements.

(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 5.78% of their annual covered salary and the District is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The District’s contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$667,066, \$596,315 and \$512,390, 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 \$525,955 for the year ended June 30, 2013 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 health benefit plan which provides medical and prescription drug benefits for retirees, employees and their spouses. There are 95 active and 17 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 which, 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, 2013, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 88,800
Interest on net OPEB obligation	2,600
Adjustment to annual required contribution	(10,700)
Annual OPEB cost	<u>80,700</u>
Contributions made	<u>(26,700)</u>
Increase in net OPEB obligation	54,000
Net OPEB obligation beginning of year	<u>103,900</u>
Net OPEB obligation end of year	<u>\$ 157,900</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the District contributed \$26,700 to the medical plan. Plan members eligible for benefits contributed \$44,100, or 62% 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 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 60,700	43.3%	\$ 64,700
2012	64,300	39.0	103,900
2013	80,700	33.1	157,900

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was approximately \$508,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$508,000. The covered payroll (annual payroll of active employees eligible for coverage by the plan) was approximately \$7,694,000 and the ratio of the UAAL to covered payroll was 6.6%. As of June 30, 2013, 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, 2012 actuarial valuation date, 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 \$550 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, 2013. The pension benefit is defined as:

- 50% 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,
- 5% of the current salary times years of service over 15 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 which, 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, 2013, the amount actually contributed to the plan and changes in the District’s net pension obligation:

Annual required contribution	\$ 113,100
Interest on net pension obligation	6,600
Adjustment to annual required contribution	(20,100)
Annual pension cost	<u>99,600</u>
Contributions made	(60,000)
Increase in net pension obligation	<u>39,600</u>
Net pension obligation beginning of year	262,900
Net pension obligation end of year	<u>\$ 302,500</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, 2013.

For the year ended June 30, 2013, the District contributed \$60,000 to the pension plan. The District's annual pension cost, the percentage of annual pension cost contributed to the plan and the net pension obligation are summarized as follows:

Year Ended June 30,	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2011	\$ 120,900	5.8%	\$ 189,500
2012	97,600	24.8	262,900
2013	99,600	60.2	302,500

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, 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 \$7,694,000 and the ratio of the UAAL to covered payroll was 10.9%. As of June 30, 2013, 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, 2011 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 \$1,408,530 for replacement of the tennis courts, a window replacement project at the middle school and school roof projects at the high school and middle school. As of June 30, 2013, costs of \$1,254,055 had been incurred and paid on the projects. The balance remaining on the contracts will be paid as work on the projects progress.

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, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Revenues:			
Local sources	\$ 6,837,510	255,769	7,093,279
State sources	8,698,248	6,049	8,704,297
Federal sources	505,075	439,401	944,476
Total revenues	16,040,833	701,219	16,742,052
Expenditures/Expenses:			
Instruction	9,629,119	-	9,629,119
Support services	4,810,540	14,101	4,824,641
Non-instructional programs	13,504	662,050	675,554
Other expenditures	2,197,149	-	2,197,149
Total expenditures/expenses	16,650,312	676,151	17,326,463
Excess (deficiency) of revenues over (under) expenditures/expenses	(609,479)	25,068	(584,411)
Other financing sources (uses)	600,497	-	600,497
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(8,982)	25,068	16,086
Balances beginning of year	4,273,154	145,161	4,418,315
Balances end of year	\$ 4,264,172	170,229	4,434,401

See accompanying independent auditor's report.

Less Funds Not Required to be Budgeted	Net	Original/ Final Budgeted Amounts	Budget to Net Variance
25,031	7,068,248	6,890,898	177,350
-	8,704,297	8,823,390	(119,093)
-	944,476	1,090,000	(145,524)
25,031	16,717,021	16,804,288	(87,267)
-	9,629,119	10,683,041	1,053,922
-	4,824,641	5,635,549	810,908
25,367	650,187	765,595	115,408
-	2,197,149	2,614,476	417,327
25,367	17,301,096	19,698,661	2,397,565
(336)	(584,075)	(2,894,373)	2,310,298
-	600,497	-	600,497
(336)	16,422	(2,894,373)	2,910,795
17,148	4,401,167	3,482,879	918,288
16,812	4,417,589	588,506	3,829,083

Clarke Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2013

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, 2013, expenditures did not exceed the amount budgeted in any program 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		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2011	July 1, 2009	-	\$ 482	482	0.0%	\$ 7,373	6.5%
2012	July 1, 2009	-	436	436	0.0	7,389	5.9
2013	July 1, 2012	-	508	508	0.0	7,694	6.6

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		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2011	July 1, 2009	-	\$ 903	903	0.0%	\$ 7,373	12.2%
2012	July 1, 2011	-	838	838	0.0	7,389	11.3
2013	July 1, 2011	-	838	838	0.0	7,694	10.9

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

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
2011	\$ 129	7	5%
2012	105	24	23
2013	113	60	53

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, 2013

	Special Revenue			Total
	Management Levy	Student Activity	Debt Service	
Assets				
Cash, cash equivalents and pooled investments	\$ 258,512	132,693	10,246	401,451
Receivables:				
Property tax:				
Delinquent	4,368	-	1,924	6,292
Succeeding year	338,000	-	180,000	518,000
Accounts	-	1,733	-	1,733
Due from other governments	-	150	-	150
Prepaid insurance	4,050	-	-	4,050
Total assets	\$ 604,930	134,576	192,170	931,676
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 664	10,484	-	11,148
Salaries and benefits payable	-	1,330	-	1,330
Due to other governments	588	248	-	836
Unearned revenue:				
Succeeding year property tax	338,000	-	180,000	518,000
Total liabilities	339,252	12,062	180,000	531,314
Fund equity:				
Fund balances:				
Nonspendable:				
Prepaid insurance	4,050	-	-	4,050
Restricted for:				
Management levy purposes	261,628	-	-	261,628
Student activities	-	122,514	-	122,514
Debt service	-	-	12,170	12,170
Total fund balances	265,678	122,514	12,170	400,362
Total liabilities and fund balances	\$ 604,930	134,576	192,170	931,676

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, 2013

	Special Revenue			Total
	Management Levy	Student Activity	Debt Service	
Revenues:				
Local sources:				
Local tax	\$ 350,016	-	154,159	504,175
Other	6,815	294,962	4,058	305,835
State sources	199	-	88	287
Total revenues	357,030	294,962	158,305	810,297
Expenditures:				
Current:				
Instruction:				
Regular instruction	120,948	-	-	120,948
Special instruction	6,304	-	-	6,304
Other instruction	16,763	309,176	-	325,939
Support services:				
Student services	1,092	-	-	1,092
Instructional staff services	863	-	-	863
Administration services	24,459	-	-	24,459
Operation and maintenance of plant services	74,753	1,137	-	75,890
Transportation services	32,832	-	-	32,832
Non-instructional programs	13,504	-	-	13,504
Other expenditures:				
Long-term debt:				
Principal	-	-	588,680	588,680
Interest and other charges	-	-	88,528	88,528
Total expenditures	291,518	310,313	677,208	1,279,039
Excess (deficiency) of revenues over (under) expenditures	65,512	(15,351)	(518,903)	(468,742)
Other financing sources:				
Operating transfers in	-	-	363,808	363,808
Excess (deficiency) of revenues and other financing sources over (under) expenditures	65,512	(15,351)	(155,095)	(104,934)
Fund balances beginning of year	200,166	137,865	167,265	505,296
Fund balances end of year	\$ 265,678	122,514	12,170	400,362

See accompanying independent auditor's report.

Schedule 3

Clarke Community School District

Combining Balance Sheet
Capital Project Accounts

June 30, 2013

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and cash equivalents	\$ 900,534	531,320	1,431,854
Receivables:			
Property tax:			
Delinquent	-	3,411	3,411
Succeeding year	-	220,000	220,000
Due from other governments	322,646	236,941	559,587
Total assets	\$ 1,223,180	991,672	2,214,852
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 15,775	-	15,775
Deferred revenue:			
Succeeding year property tax	-	220,000	220,000
Other	-	236,941	236,941
Total liabilities	15,775	456,941	472,716
Fund balances:			
Restricted for:			
School infrastructure	1,207,405	-	1,207,405
Property, plant and equipment	-	534,731	534,731
Total fund balances	1,207,405	534,731	1,742,136
Total liabilities and fund balances	\$ 1,223,180	991,672	2,214,852

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, 2013

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:			
Local sources:			
Local tax	\$ 1,165,156	583,806	1,748,962
Other	44,200	76,246	120,446
State sources	-	156	156
Total revenues	<u>1,209,356</u>	<u>660,208</u>	<u>1,869,564</u>
Expenditures:			
Support services:			
Instructional staff services	-	727,590	727,590
Administration services	13,565	78,825	92,390
Operation and maintenance of plant services	57,360	-	57,360
Transportation services	-	65,890	65,890
Other expenditures:			
Facilities acquisition	890,943	103,043	993,986
Total expenditures	<u>961,868</u>	<u>975,348</u>	<u>1,937,216</u>
Excess (deficiency) of revenues over (under) expenditures	<u>247,488</u>	<u>(315,140)</u>	<u>(67,652)</u>
Other financing sources (uses):			
Lease purchase agreements	-	581,485	581,485
Operating transfers out	(165,128)	(198,680)	(363,808)
Total other financing sources (uses)	<u>(165,128)</u>	<u>382,805</u>	<u>217,677</u>
Change in fund balances	82,360	67,665	150,025
Fund balances beginning of year	1,125,045	467,066	1,592,111
Fund balances end of year	<u>\$ 1,207,405</u>	<u>534,731</u>	<u>1,742,136</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, 2013

Account	Balance Beginning of Year	Revenues	Expend- itures	Balance End of Year
Pop Music	\$ 433	46	479	-
Pop Athletics	1,623	424	-	2,047
Athletics	3,487	16,094	19,055	526
Publications	6,583	7,087	7,450	6,220
High School Band	6,571	30,320	28,935	7,956
High School Co-curricular	768	403	-	1,171
High School Vocal Music	4,434	5,446	4,333	5,547
Cheerleaders	(2,758)	8,291	4,981	552
Speech/Debate	1,011	4,265	4,450	826
FFA	8,708	27,286	33,763	2,231
FHA	18	-	18	-
FCCLA	870	3,725	3,131	1,464
Medical Careers Club	149	3	-	152
Cross Country	-	678	678	-
Bowling	1,360	2,560	3,415	505
Elementary Literacy Library	4,079	51	4,130	-
Boys Basketball	9,112	8,646	11,235	6,523
Football	11,522	32,772	33,600	10,694
Baseball	1,868	2,210	4,078	-
Boys Track	5,840	4,545	5,038	5,347
Wrestling	1,713	3,060	2,663	2,110
Girls Basketball	8,133	6,955	8,446	6,642
Volleyball	9,193	4,302	4,352	9,143
Softball	5,783	17,722	23,267	238
Girls Track	5,319	4,077	4,874	4,522
Camp - Boys Basketball	1,214	28	225	1,017
Camp - Football	4,341	100	100	4,341
Camp - Wrestling	72	2	-	74
Camp - Girls Basketball	2,857	438	246	3,049
Camp - Volleyball	849	19	-	868
Clinic - Softball	764	2,331	-	3,095
Book Club	624	614	695	543
Spanish Club	1,600	37	-	1,637
High School Student Council	992	1,744	1,534	1,202
Thespians	2,167	6,034	4,473	3,728

Clarke Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2013

Account	Balance Beginning of Year	Revenues	Expend- itures	Balance End of Year
Class of:				
2008	730	-	730	-
2010	348	-	348	-
2011	177	-	177	-
2012	922	-	922	-
2013	385	32	417	-
2014	1,051	8,877	7,641	2,287
2015	164	1,067	1,231	-
2016	-	1,241	-	1,241
Art Club	671	618	619	670
Concessions	21,527	34,758	38,930	17,355
American Field Service	2,739	63	-	2,802
Vending Machine -				
Art/Cheerleaders	392	9	-	401
TOUCH	131	3	-	134
Media Club	227	5	-	232
Athletic Resale	(19,562)	10,689	11,528	(20,401)
Drill Team	2,066	2,194	2,428	1,832
FBLA	200	11	-	211
Junior High Student Council	-	2,218	1,214	1,004
Middle School Pop Fund Balance	-	2,745	2,000	745
Middle School Cheerleaders	-	151	129	22
Elementary Student Council	11,643	10,579	5,806	16,416
After Prom	2,755	17,387	16,549	3,593
Total	\$ 137,865	294,962	310,313	122,514

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, 2013

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 94,823	77,698	80,897	91,624
Accounts receivable	120	-	120	-
Due from other governments	5,563	5,000	5,563	5,000
Total assets	\$ 100,506	82,698	86,580	96,624
Liabilities				
Accounts payable	\$ 1,673	139	1,673	139
Trusts payable	98,833	82,559	84,907	96,485
Total liabilities	\$ 100,506	82,698	86,580	96,624

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

	2013	2012	2011	2010
Revenues:				
Local sources:				
Local tax	\$ 6,028,184	5,706,601	5,120,483	4,831,186
Tuition	211,384	223,452	287,350	391,436
Other	597,942	540,783	445,579	539,478
Intermediate sources	-	-	-	-
State sources	8,698,248	8,353,902	7,930,971	6,722,487
Federal sources	505,075	621,060	741,710	1,424,319
Total	<u>\$ 16,040,833</u>	<u>15,445,798</u>	<u>14,526,093</u>	<u>13,908,906</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 5,974,931	5,473,903	5,074,795	5,132,580
Special instruction	2,210,686	1,921,485	1,899,278	1,967,321
Other instruction	1,443,502	1,509,369	1,678,329	1,766,142
Support services:				
Student services	561,178	254,546	275,295	335,259
Instructional staff services	1,068,195	533,499	325,142	457,446
Administration services	1,339,117	1,262,238	1,226,303	1,175,033
Operation and maintenance of plant services	1,125,004	1,852,130	1,010,013	1,003,916
Transportation services	717,046	602,750	510,397	647,474
Non-instructional programs	13,504	11,369	9,535	1,399
Other expenditures:				
Facilities acquisition	993,986	55,610	397,821	189,274
Long-term debt:				
Principal	588,680	375,000	360,000	498,039
Interest and other charges	88,528	101,465	113,885	135,458
AEA flowthrough	525,955	505,350	556,547	543,479
Total	<u>\$ 16,650,312</u>	<u>14,458,714</u>	<u>13,437,340</u>	<u>13,852,820</u>

See accompanying independent auditor's report.

Modified Accrual Basis					
2009	2008	2007	2006	2005	2004
4,667,723	4,643,460	4,646,077	4,375,080	4,422,423	4,191,392
353,389	332,365	374,400	339,497	345,637	333,122
426,305	548,713	720,867	458,888	435,668	377,892
-	5,523	-	-	-	-
7,784,734	7,264,290	6,760,768	6,534,151	6,221,414	5,959,245
589,407	539,307	555,494	770,422	685,694	699,462
13,821,558	13,333,658	13,057,606	12,478,038	12,110,836	11,561,113
5,071,939	5,040,800	4,778,673	4,337,840	4,344,951	4,118,312
1,957,714	1,945,636	1,813,039	1,918,914	2,251,134	2,091,487
1,782,475	1,313,063	1,158,946	1,136,067	636,728	572,922
319,803	338,214	300,624	306,632	284,522	337,336
326,686	314,187	350,389	271,461	317,425	321,255
1,161,780	1,261,484	1,285,995	1,134,575	1,027,301	997,654
1,086,043	1,219,815	1,076,053	1,021,613	888,722	817,383
533,736	540,318	606,882	655,476	432,681	463,895
1,048	8,158	3,213	9,644	22,898	11,691
639,674	1,110,495	167,641	453,790	354,730	192,537
466,384	447,936	420,293	403,090	386,300	364,902
165,902	212,491	232,271	250,806	272,720	286,673
489,537	455,495	446,669	421,018	410,502	410,482
14,002,721	14,208,092	12,640,688	12,320,926	11,630,614	10,986,529

Schedule 8

Clarke Community School District
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2013

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	FY13	\$ 60,997
National School Lunch Program	10.555	FY13	378,404 *
			439,401
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	1311G	293,377
Improving Teacher Quality State Grants	84.367	FY13	55,116
Grants for State Assessments and Related Activities	84.369	FY13	8,444
Green Hills Area Education Agency:			
Special Education - Grants to States	84.027	FY13	76,524
English Language Acquisition State Grants	84.365	FY13	3,157
Southwestern Community College:			
Career and Technical Education - Basic Grants to States	84.048	FY13	14,002
Total			\$ 890,021

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.



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Mary Mosiman, CPA
Auditor of State

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 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, the 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, 2013, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 17, 2014.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-13 and II-C-13 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2013 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

Clarke Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Clarke Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 17, 2014

**Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133**

Clarke Community School District



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STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Board of Education of
Clarke Community School District:

Report on Compliance for Each Major Federal Program

We have audited Clarke Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on Clarke Community School District's major federal program for the year ended June 30, 2013. Clarke Community School District's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Clarke Community School District's major federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance for the major federal program. However, our audit does not provide a legal determination of Clarke Community School District's compliance.

Opinion on the Major Federal Program

In our opinion, Clarke Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of Clarke Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Clarke Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 17, 2014

Clarke Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (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 program was noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 84.010 - Title I Grants to Local Educational Agencies
- (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, 2013

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-13 Financial Reporting – During the audit, we identified the activity for the lease purchase agreements was not recorded in the District’s financial statements. Adjustments were subsequently made to properly include the activity in the financial statements.

Recommendation – The District should review financial activity for the year, including any lease agreements, to ensure all activity is recorded in the financial statements.

Response – The District will review financial activity to ensure lease agreement activity is recorded properly.

Conclusion – Response accepted.

II-B-13 Prenumbered Receipts – Although receipts were issued, they were not issued for all collections. The District’s activity fund sponsors do not always issue prenumbered receipts for fundraiser transactions.

Recommendation – Receipts should be issued for all collections at the time of collection to provide additional control over the proper collection and recording of all money. The District should use prenumbered receipts and develop procedures to account for the numerical sequence.

Response – Employees are instructed to issue prenumbered receipts for all money collected.

Conclusion – Response accepted.

II-C-13 Disbursements – During our review of the Districts’ disbursements, we identified three of 31 disbursements tested were not supported by itemized invoices, receipts or other appropriate documentation.

Recommendation – The District should implement policies and procedures to ensure all disbursements are properly supported by detailed invoices, receipts or other appropriate documentation to allow an independent party to ensure the disbursement is appropriate.

Response – We have tightened procedures with purchase orders to ensure appropriate documentation is received.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Clarke Community School District
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2013

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 program was noted.

Part IV: Other Findings Related To Required Statutory Reporting:

IV-A-13 Certified Budget – Expenditures for the year ended June 30, 2013 did not exceed the amount budgeted in any program function.

IV-B-13 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-13 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-13 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	\$ 736

The transaction does not appear to represent a conflict of interest in accordance with Chapters 279.7A and 301.28 of the Code of Iowa 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-13 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-13 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-13 Certified Enrollment – One variance in the basic enrollment data certified to the Iowa Department of Education was noted. The District counted a student who had left the District before October 15, 2012.

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.

Clarke Community School District
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2013

Response – We are switching to a new student information system which tracks enrollment data.

Conclusion – Response accepted.

IV-H-13 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-13 Deposits and Investments – Except as noted below, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

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

IV-J-13 Certified Annual Report – The District’s Certified Annual Report was filed with the Iowa Department of Education timely.

IV-K-13 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

IV-L-13 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, 2013, the District’s financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning balance		\$ 1,125,045
Revenue:		
Statewide sales, services and use tax	\$ 1,165,156	
Interest on investments	25,737	
Rebate	18,463	
	18,463	1,209,356
Expenditures/transfers out:		
School infrastructure construction	890,943	
Equipment	70,925	
Debt service for school infrastructure	165,128	
	165,128	1,126,996
Ending balance		\$ 1,207,405

Clarke Community School District
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2013

The statewide sales, services and use tax revenue received during the year ended June 30, 2013 is equivalent to a reduction in the following levies:

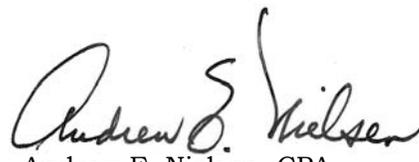
	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 0.53222	165,128
Physical plant and equipment levy	3.22340	1,000,028
		\$ 1,165,156

Clarke Community School District

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Karen J. Kibbe, Senior Auditor II
Kirstie R. Hill, Staff Auditor
Elissa R. Olson, Staff Auditor
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