



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

December 28, 2009

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

The District's revenues totaled \$14,548,310 for the year ended June 30, 2009, a 4.2% increase over 2008. The revenues included \$3,589,248 in local tax, \$853,063 in statewide sales and services tax, \$233,576 in income surtax, charges for service of \$1,010,145, operating grants, contributions and restricted interest of \$2,635,113, capital grants, contributions and restricted interest of \$21,868, unrestricted investment earnings of \$29,075, unrestricted grants of \$6,147,725 and other general revenues of \$28,497.

Expenses for District operations totaled \$13,880,828, a 2.7% increase over the prior year, and included \$5,102,182 for regular instruction, \$1,948,972 for special instruction and \$1,779,014 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/index.html>.

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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, 2009

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Clarke Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2008 Election)

Doug Stearns	President	2008
Linda Henry	Vice President	2008
Kris Lange	Board Member	(Resigned Nov 2007)
Steve Waterman (Appointed)	Board Member	2008
Michael Evink	Board Member	2009
Jeff Wilken	Board Member	2009
Mark Jones	Board Member	2010
Edward White	Board Member	2010

Board of Education

(After September 2008 Election)

Linda Henry	President	2011
Edward White	Vice President	2011 *
Michael Evink	Board Member	2009
Larry Gibbs	Board Member	2009
Jeff Wilken	Board Member	2009
Steve O'Tool	Board Member	2011
Mark Jones	Board Member	2011 *

School Officials

Ned Cox	Superintendent	Indefinite
Ruth White	District Secretary/Treasurer and Business Manager	Indefinite
Jeff Krausman	Attorney	Indefinite

*Board term extended per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa

Clarke Community School District



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Independent Auditor's Report

To the Board of Education of
Clarke Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clarke Community School District, Osceola, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clarke Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 9, 2009 on our consideration of Clarke Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 15 and 42 through 44 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clarke Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 9, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clarke Community School District provides this Management's Discussion and Analysis of its financial statements. The analysis focuses on the District's financial performance as a whole for the fiscal year ended June 30, 2009. Please read it in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$11,262,619 in fiscal year 2008 to \$11,628,624 in fiscal year 2009, while General Fund expenditures increased from \$11,976,413 in fiscal year 2008 to \$12,261,034 in fiscal year 2009. The District's General Fund balance decreased from \$918,481 at June 30, 2008 to \$286,071 at June 30, 2009, a 69% decrease.
- The increase in General Fund revenues was primarily attributable to an increase in state and federal grants. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits and restricted grant expenditures.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

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

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

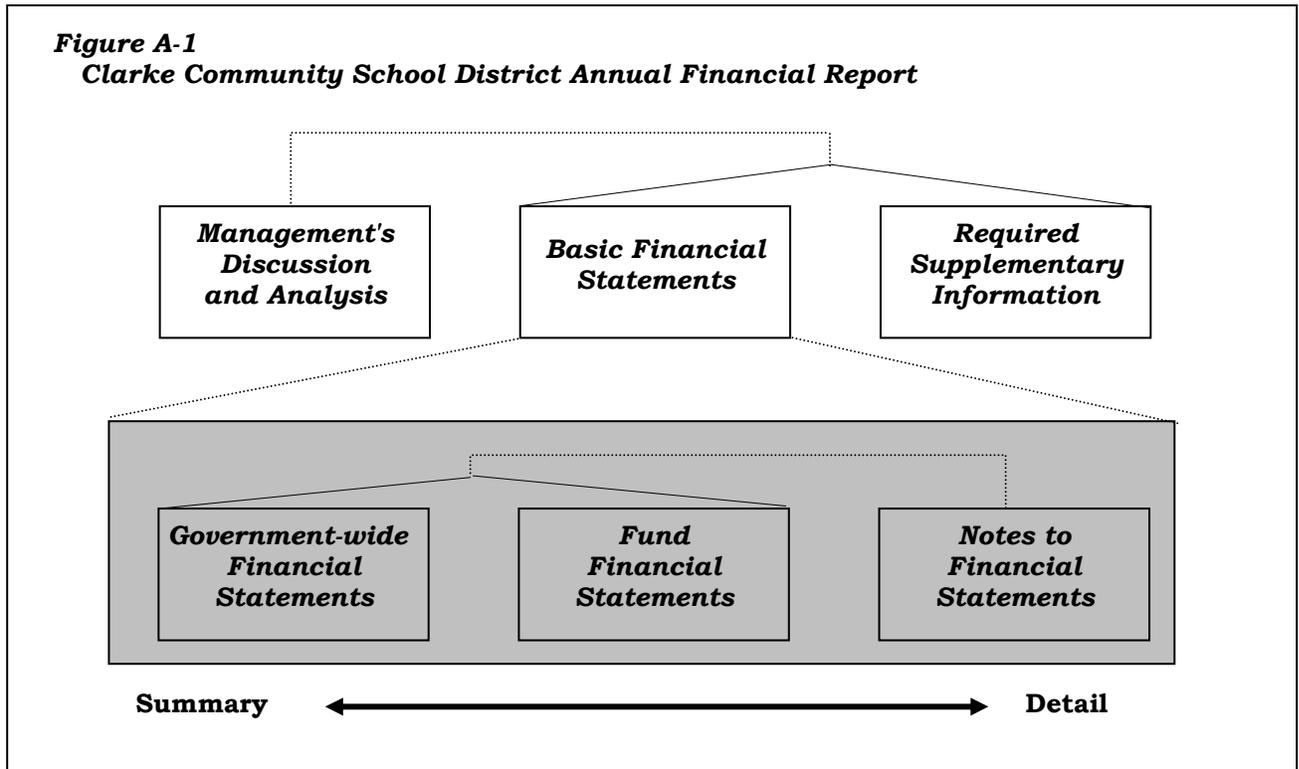


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of financial position. The following analysis shows the District's total net assets at June 30, 2009 and 2008.

Figure A-3							
Condensed Statement of Net Assets							
(Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Current and other assets	\$ 7,469	7,140	69	72	7,538	7,212	326
Capital assets	10,652	10,417	130	149	10,782	10,566	216
Total assets	<u>18,121</u>	<u>17,557</u>	<u>199</u>	<u>221</u>	<u>18,320</u>	<u>17,778</u>	<u>542</u>
Long-term liabilities	4,006	4,489	-	-	4,006	4,489	(483)
Other liabilities	4,953	4,598	54	51	5,007	4,649	358
Total liabilities	<u>8,959</u>	<u>9,087</u>	<u>54</u>	<u>51</u>	<u>9,013</u>	<u>9,138</u>	<u>(125)</u>
Net assets:							
Invested in capital assets, net of related debt	6,864	6,163	130	149	6,994	6,312	682
Restricted	1,958	1,396	-	-	1,958	1,396	562
Unrestricted	340	911	15	21	355	932	(577)
Total net assets	<u>\$ 9,162</u>	<u>8,470</u>	<u>145</u>	<u>170</u>	<u>9,307</u>	<u>8,640</u>	<u>667</u>

Net assets increased \$667,482, or 7.7%. The largest portion of the District's net assets is invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. This net asset category increased 10.8%, or \$682,389, primarily due to construction costs related to elementary site improvements, including a partial roof replacement, during the year.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This amount increased \$560,964, or 40.3%. This increase is primarily due to an increase in amounts held for categorical funding and statewide sales and services tax (infrastructure purposes) and amounts held in the Special Revenue, Management Levy and Debt Service Funds.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints, decreased \$575,871, or 61.8%, primarily due to a decrease in the District's General Fund balance due, in part, to an increase in negotiated salaries and benefits.

Figure A-4 shows the change in net assets for the years ended June 30, 2009 and 2008.

Figure A-4							
Change in Net Assets							
(Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2009	2008	2009	2008	2009	2008	2008-2009
Revenues:							
Program revenues:							
Charges for service	\$ 747	766	263	256	1,010	1,022	(12)
Operating grants, contributions and restricted interest	2,305	1,900	330	288	2,635	2,188	447
Capital grants, contributions and restricted interest	22	44	-	-	22	44	(22)
General revenues:							
Property tax	3,589	3,674	-	-	3,589	3,674	(85)
Statewide sales and services tax	853	757	-	-	853	757	96
Income surtax	234	221	-	-	234	221	13
Unrestricted state grants	6,148	5,848	-	-	6,148	5,848	300
Unrestricted investment earnings	28	83	1	6	29	89	(60)
Other	28	111	-	8	28	119	(91)
Total revenues	<u>13,954</u>	<u>13,404</u>	<u>594</u>	<u>558</u>	<u>14,548</u>	<u>13,962</u>	<u>586</u>
Program expenses:							
Instruction	8,830	8,236	-	-	8,830	8,236	594
Support services	3,445	3,663	-	-	3,445	3,663	(218)
Non-instructional programs	2	69	619	590	621	659	(38)
Other expenses	985	954	-	-	985	954	31
Total expenses	<u>13,262</u>	<u>12,922</u>	<u>619</u>	<u>590</u>	<u>13,881</u>	<u>13,512</u>	<u>369</u>
Change in net assets	692	482	(25)	(32)	667	450	217
Net assets beginning of year	<u>8,470</u>	<u>7,988</u>	<u>170</u>	<u>202</u>	<u>8,640</u>	<u>8,190</u>	<u>450</u>
Net assets end of year	<u>\$ 9,162</u>	<u>8,470</u>	<u>145</u>	<u>170</u>	<u>9,307</u>	<u>8,640</u>	<u>667</u>

Property tax and unrestricted state grants account for 67% of total revenues. The District's expenses primarily relate to instruction and support services, which account for 88% of total expenses.

Governmental Activities

Revenues for governmental activities were \$13,953,903 and expenses were \$13,261,944. The increase in revenues can be attributed to an increase in operating grants, contributions and restricted interest and state revenue.

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.

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

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Instruction	\$ 8,830	8,236	6,353	6,160
Support services	3,446	3,663	3,368	3,600
Non-instructional programs	1	69	(4)	1
Other expenses	985	954	471	452
Total	<u>\$ 13,262</u>	<u>12,922</u>	<u>10,188</u>	<u>10,213</u>

- The cost financed by users of the District's programs was \$747,057.
- Federal and state governments subsidized certain operating programs with grants and contributions totaling \$2,305,171.
- The net cost of governmental activities was financed with \$4,675,887 in property and other taxes and \$6,147,725 in unrestricted state grants.

Business Type Activities

Revenues for business-type activities were \$594,407 while expenses were \$618,884. 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 \$2,141,231, a decrease from last year's ending fund balance of \$2,322,394.

Governmental Fund Highlights

- The General Fund balance decreased from a balance of \$918,481 at June 30, 2008 to \$286,071 at June 30, 2009, due in part to an increase in negotiated salaries and benefits.
- The Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund balance decreased from a balance of \$743,396 at June 30, 2008 to \$413,405 at June 30, 2009. Revenues remained fairly consistent, while the District incurred additional spending for elementary site improvements, including a partial roof replacement and the purchase of a bus.
- The Capital Projects, School Infrastructure Fund balance increased from a balance of \$170,894 at June 30, 2008 to \$781,638 at June 30, 2009. Revenues from the statewide sales and services tax increased \$95,951, or 12.7%, over the local option sales and services tax collected in the prior year. Expenditures decreased \$1,054,620, or 100%. Prior year expenditures were for construction of a new central office and an alternative education classroom building. These projects were completed during the prior year. \$250,000 was transferred to the Debt Service Fund to repay infrastructure related debt.

Proprietary Fund Highlights

- School Nutrition Fund net assets decreased from \$169,502 at June 30, 2008 to \$145,025 at June 30, 2009.

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 2009.

The District's revenues were \$913,679 less than budgeted revenues. The most significant variance resulted from the District receiving less state aid and local resources than originally anticipated.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested, net of depreciation, \$10.8 million in a broad range of assets, including a newly constructed administration and alternative classroom building, recently remodeled school buildings that are not significantly depreciated, athletic facilities, computer and audio-visual equipment, and vehicles. (See Figure A-6). More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Total depreciation expense for the year was \$444,012.

The original cost of the District's capital assets was approximately \$17 million. Governmental funds account for approximately \$16.6 million, with the remaining \$.4 million accounted for in the Proprietary, School Nutrition Fund.

	Governmental Activities		Business Type Activities		Total District	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Land	\$ 78	78	-	-	78	78
Construction in progress	451	-	-	-	451	-
Buildings	9,096	9,267	-	-	9,096	9,267
Improvements other than buildings	538	527	-	-	538	527
Furniture and equipment	489	545	130	149	619	694
Total	\$ 10,652	10,417	130	149	10,782	10,566

Long-Term Liabilities

At June 30, 2009, the District had \$4,005,891 in general obligation bonds, capital loan notes and other long-term liabilities outstanding. This represents a decrease of approximately 11% from last year (See Figure A-7). Additional information about the District's long-term liabilities is presented in Note 5 to the financial statements.

The District had total outstanding general obligation bonded indebtedness at June 30, 2009 of \$3,640,000 and outstanding capital loan notes of \$148,039.

	Figure A-7	
	Outstanding Long-Term Liabilities	
	(expressed in thousands)	
	June 30,	
	2009	2008
General obligation bonds	\$ 3,640	3,965
Capital loan notes	148	289
Early retirement	174	171
Compensated absences	44	64
Total	\$ 4,006	4,489

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 that could significantly affect its financial health in the future:

- Statewide sales and services tax revenues have a significant impact on roofing and building improvement projects. These funds will also be used to decrease property tax for repaying voted PPEL capital loan notes.
- District enrollment remained steady in fiscal year 2008-2009. Under Iowa's school funding formula, District funding is highly dependent upon District enrollment. Projections indicate the District will continue to remain steady.
- There will be a significant saving on rent expense with the addition of the new Central Office/Alternative Classroom Building.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Clarke Community School District

Basic Financial Statements

Clarke Community School District

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,064,529	64,818	3,129,347
Receivables:			
Property tax:			
Delinquent	109,003	-	109,003
Succeeding year	3,494,000	-	3,494,000
Accounts	1,319	1,497	2,816
Due from other governments	800,352	-	800,352
Inventories	-	3,215	3,215
Capital assets, net of accumulated depreciation	10,652,178	129,768	10,781,946
Total assets	18,121,381	199,298	18,320,679
Liabilities			
Accounts payable	35,654	-	35,654
Salaries and benefits payable	1,283,227	43,841	1,327,068
Due to other governments	72,065	-	72,065
Accrued interest payable	28,354	-	28,354
Unearned revenue:			
Succeeding year property tax	3,494,000	-	3,494,000
Other	40,198	10,432	50,630
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	350,000	-	350,000
Capital loan notes	148,039	-	148,039
Early retirement	82,779	-	82,779
Compensated absences	43,939	-	43,939
Portion due after one year:			
General obligation bonds	3,290,000	-	3,290,000
Early retirement	91,134	-	91,134
Total liabilities	8,959,389	54,273	9,013,662

Clarke Community School District

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
Net assets			
Invested in capital assets, net of related debt	6,864,139	129,768	6,993,907
Restricted for:			
Categorical funding	86,564	-	86,564
Management levy	231,743	-	231,743
Physical plant and equipment levy	624,173	-	624,173
School infrastructure	781,638	-	781,638
Debt service	131,568	-	131,568
Other special revenue purposes	101,822	-	101,822
Unrestricted	340,345	15,257	355,602
Total net assets	\$ 9,161,992	145,025	9,307,017

See notes to financial statements.

Clarke Community School District

Statement of Activities

Year ended June 30, 2009

	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	\$ 5,102,182	220,756	1,186,926	-
Special instruction	1,948,972	244,393	227,589	-
Other instruction	1,779,014	232,114	364,978	-
	<u>8,830,168</u>	<u>697,263</u>	<u>1,779,493</u>	<u>-</u>
Support services:				
Student services	314,649	8,255	27,771	-
Instructional staff services	320,244	508	-	-
Administration services	1,166,912	4,424	-	-
Operation and maintenance of plant services	1,094,379	9,982	-	-
Transportation services	549,293	26,625	-	-
	<u>3,445,477</u>	<u>49,794</u>	<u>27,771</u>	<u>-</u>
Non-instructional programs	<u>1,048</u>	<u>-</u>	<u>5,425</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	39,139	-	-	21,868
Long-term debt interest	146,420	-	2,945	-
AEA flowthrough	489,537	-	489,537	-
Depreciation (unallocated)*	310,155	-	-	-
	<u>985,251</u>	<u>-</u>	<u>492,482</u>	<u>21,868</u>
Total governmental activities	<u>13,261,944</u>	<u>747,057</u>	<u>2,305,171</u>	<u>21,868</u>
Business type activities:				
Non-instructional programs:				
Food service operations	618,884	263,088	329,942	-
Total	<u>\$ 13,880,828</u>	<u>1,010,145</u>	<u>2,635,113</u>	<u>21,868</u>

General Revenues:

Property tax levied for:
 General purposes
 Debt service
 Capital outlay
Statewide sales and services tax
Income surtax
Unrestricted state grants
Unrestricted investment earnings
Other
Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(3,694,500)	-	(3,694,500)
(1,476,990)	-	(1,476,990)
(1,181,922)	-	(1,181,922)
(6,353,412)	-	(6,353,412)
(278,623)	-	(278,623)
(319,736)	-	(319,736)
(1,162,488)	-	(1,162,488)
(1,084,397)	-	(1,084,397)
(522,668)	-	(522,668)
(3,367,912)	-	(3,367,912)
4,377	-	4,377
(17,271)	-	(17,271)
(143,475)	-	(143,475)
-	-	-
(310,155)	-	(310,155)
(470,901)	-	(470,901)
(10,187,848)	-	(10,187,848)
-	(25,854)	(25,854)
(10,187,848)	(25,854)	(10,213,702)
\$ 2,970,368	-	2,970,368
326,231	-	326,231
292,649	-	292,649
853,063	-	853,063
233,576	-	233,576
6,147,725	-	6,147,725
27,698	1,377	29,075
28,497	-	28,497
10,879,807	1,377	10,881,184
691,959	(24,477)	667,482
8,470,033	169,502	8,639,535
\$ 9,161,992	145,025	9,307,017

Exhibit C

Clarke Community School District

Balance Sheet
Governmental Funds

June 30, 2009

	General	Special Revenue Physical Plant and Equipment Levy	Capital Projects School Infrastructure	Nonmajor	Total
Assets					
Cash and pooled investments	\$ 1,354,139	433,025	597,603	656,554	3,041,321
Receivables:					
Property tax:					
Delinquent	85,075	7,443	-	16,485	109,003
Succeeding year	3,409,000	85,000	-	-	3,494,000
Accounts	1,319	-	-	-	1,319
Due from other governments	408,899	207,418	184,035	-	800,352
Total assets	\$ 5,258,432	732,886	781,638	673,039	7,445,995
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 9,651	23,712	-	2,291	35,654
Salaries and benefits payable	1,279,877	-	-	3,350	1,283,227
Due to other governments	72,065	-	-	-	72,065
Deferred revenue:					
Succeeding year property tax	3,409,000	85,000	-	-	3,494,000
Other	201,768	210,769	-	7,281	419,818
Total liabilities	4,972,361	319,481	-	12,922	5,304,764
Fund balances:					
Reserved for:					
Debt service	-	-	-	155,500	155,500
Categorical funding	86,564	-	-	-	86,564
Unreserved, reported in:					
General fund	199,507	-	-	-	199,507
Special revenue funds	-	413,405	-	504,617	918,022
Capital projects fund	-	-	781,638	-	781,638
Total fund balances	286,071	413,405	781,638	660,117	2,141,231
Total liabilities and fund balances	\$ 5,258,432	732,886	781,638	673,039	7,445,995

See notes to financial statements.

Clarke Community School District

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

June 30, 2009

Total fund balances of governmental funds (page 22)	\$ 2,141,231
 Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	10,652,178
The Internal Service Fund is used by management to charge the costs of the District's flexible benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	23,208
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	379,620
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(28,354)
Long-term liabilities, including bonds and notes, compensated absences and early retirement payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(4,005,891)</u>
Net assets of governmental activities (page 19)	<u><u>\$ 9,161,992</u></u>

See notes to financial statements.

Exhibit E

Clarke Community School District

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

Year ended June 30, 2009

	Special Revenue		Capital Projects School	Nonmajor	Total
	General	Physical Plant and Equipment Levy			
Revenues:					
Local sources:					
Local tax	\$ 2,759,576	520,338	853,063	534,746	4,667,723
Tuition	353,389	-	-	-	353,389
Other	142,075	14,187	7,681	262,362	426,305
State sources	7,784,177	173	-	384	7,784,734
Federal sources	589,407	-	-	-	589,407
Total revenues	11,628,624	534,698	860,744	797,492	13,821,558
Expenditures:					
Current:					
Instruction:					
Regular instruction	4,985,756	-	-	86,183	5,071,939
Special instruction	1,953,015	-	-	4,699	1,957,714
Other instruction	1,535,277	-	-	247,198	1,782,475
	8,474,048	-	-	338,080	8,812,128
Support services:					
Student services	318,437	-	-	1,366	319,803
Instructional staff services	326,007	-	-	679	326,686
Administration services	1,156,512	-	-	5,268	1,161,780
Operation and maintenance of plant services	1,045,473	-	-	40,570	1,086,043
Transportation services	451,020	65,934	-	16,782	533,736
	3,297,449	65,934	-	64,665	3,428,048
Non-instructional programs	-	-	-	1,048	1,048
Other expenditures:					
Facilities acquisition	-	639,674	-	-	639,674
Long-term debt:					
Principal	-	-	-	466,384	466,384
Interest and fiscal charges	-	-	-	165,902	165,902
AEA flowthrough	489,537	-	-	-	489,537
	489,537	639,674	-	632,286	1,761,497
Total expenditures	12,261,034	705,608	-	1,036,079	14,002,721
Excess (deficiency) of revenues over (under) expenditures	(632,410)	(170,910)	860,744	(238,587)	(181,163)
Other financing sources (uses):					
Operating transfers in	-	-	-	409,081	409,081
Operating transfers out	-	(159,081)	(250,000)	-	(409,081)
Total other financing sources (uses)	-	(159,081)	(250,000)	409,081	-
Net change in fund balances	(632,410)	(329,991)	610,744	170,494	(181,163)
Fund balances beginning of year	918,481	743,396	170,894	489,623	2,322,394
Fund balances end of year	\$ 286,071	413,405	781,638	660,117	2,141,231

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, 2009

Net change in fund balances - total governmental funds (page 24) \$ (181,163)

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

Capital outlays to purchase or build capital assets are reported as expenditures in governmental funds . 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	\$ 666,467	
Depreciation expense	<u>(424,075)</u>	242,392

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (7,279)

Certain revenues not collected for several months after year end are not considered available revenue and are deferred in the governmental funds. 132,003

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 466,384

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

Early retirement	(3,125)	
Compensated absences	20,356	
Interest on long-term debt	<u>19,482</u>	36,713

The Internal Service Fund is used by management to charge the costs of partial self funding of the District's flexible benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported in governmental activities. 2,909

Change in net assets of governmental activities (page 21) \$ 691,959

See notes to financial statements.

Clarke Community School District

Statement of Net Assets
Proprietary Funds

June 30, 2009

	<u>Business Type Activities</u>	<u>Governmental Activities</u>
	Enterprise - School Nutrition	Internal Service - Flex Spending
Assets		
Cash and cash equivalents	\$ 64,818	23,208
Accounts receivable	1,497	-
Inventories	3,215	-
Capital assets, net of accumulated depreciation	129,768	-
Total assets	<u>199,298</u>	<u>23,208</u>
Liabilities		
Salaries and benefits payable	43,841	-
Unearned revenue	10,432	-
Total liabilities	<u>54,273</u>	<u>-</u>
Net Assets		
Invested in capital assets	129,768	-
Unrestricted	15,257	23,208
Total net assets	<u>\$ 145,025</u>	<u>23,208</u>

See notes to financial statements.

Clarke Community School District

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

Year ended June 30, 2009

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
Operating revenues:		
Local sources:		
Charges for service	\$ 263,088	-
Employee contributions	-	38,569
Total operating revenue	<u>263,088</u>	<u>38,569</u>
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	185,014	-
Benefits	86,551	-
Purchased services	10,566	-
Supplies	316,495	-
Other	321	36,005
Depreciation	19,937	-
Total operating expenses	<u>618,884</u>	<u>36,005</u>
Operating income (loss)	<u>(355,796)</u>	<u>2,564</u>
Non-operating revenues:		
State sources	7,045	-
Federal sources	322,897	-
Interest income	1,377	345
Net non-operating revenues	<u>331,319</u>	<u>345</u>
Change in net assets	(24,477)	2,909
Net assets beginning of year	<u>169,502</u>	<u>20,299</u>
Net assets end of year	<u>\$ 145,025</u>	<u>23,208</u>

See notes to financial statements.

Exhibit I

Clarke Community School District

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2009

	<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	\$ 264,217	-
Cash received from miscellaneous operating activities	-	38,569
Cash paid to suppliers for goods or services	(557,449)	(36,005)
Net cash provided (used) by operating activities	<u>(293,232)</u>	<u>2,564</u>
Cash flows from non-capital financing activities:		
State grants received	7,441	-
Federal grants received	286,289	-
Net cash provided by non-capital financing activities	<u>293,730</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(829)	-
Cash flows from investing activities:		
Interest on investments	1,377	345
Net increase in cash and cash equivalents	1,046	2,909
Cash and cash equivalents beginning of year	<u>63,772</u>	<u>20,299</u>
Cash and cash equivalents end of year	<u>\$ 64,818</u>	<u>23,208</u>

Clarke Community School District

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2009

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (355,796)	2,564
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Commodities used	36,608	-
Depreciation	19,937	-
Decrease in accounts receivable	297	-
Decrease in prepaid insurance	1,234	-
Decrease in inventories	1,573	-
Increase in salaries and benefits payable	2,083	-
Increase in unearned revenue	832	-
Net cash provided (used) by operating activities	<u>\$ (293,232)</u>	<u>2,564</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$36,608 of federal commodities.

See notes to financial statements.

Clarke Community School District

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2009

	<u>Private Purpose</u>	
	<u>Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets		
Cash and pooled investments	\$ 22,098	139,023
Due from other governments	-	3,600
Total assets	<u>22,098</u>	<u>142,623</u>
Liabilities		
Accounts payable	-	24
Trusts payable	-	142,599
Total liabilities	<u>-</u>	<u>142,623</u>
Net assets		
Reserved for scholarships	<u>\$ 22,098</u>	<u>-</u>

See notes to financial statements.

Clarke Community School District

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2009

	Private Purpose Trust Scholarship
<p>Additions:</p> <p>Local sources:</p> <p>Interest income, net of depreciation in fair value of \$1,593</p>	<p>\$ (981)</p>
<p>Deductions:</p> <p>Support services:</p> <p>Scholarships awarded</p>	<p>750</p>
Change in net assets	(1,731)
Net assets beginning of year	23,829
Net assets end of year	\$ 22,098

See notes to financial statements.

Clarke Community School District

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following major proprietary fund:

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and 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
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

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

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

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

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The District’s deposits in banks at June 30, 2009 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, 2009, the District’s investments are as follows:

Type	Fair Value
Common stock	<u>\$ 5,121</u>

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

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue:	
	Physical Plant and Equipment Levy	\$ 159,081
	Capital Projects:	
	School Infrastructure	<u>250,000</u>
Total		<u>\$ 409,081</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, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 78,000	-	-	78,000
Construction in progress	-	450,535	-	450,535
Total capital assets not being depreciated	<u>78,000</u>	<u>450,535</u>	<u>-</u>	<u>528,535</u>
Capital assets being depreciated:				
Buildings	12,960,918	88,388	-	13,049,306
Improvements other than buildings	1,186,987	61,611	-	1,248,598
Furniture and equipment	1,740,460	65,933	(51,040)	1,755,353
Total capital assets being depreciated	<u>15,888,365</u>	<u>215,932</u>	<u>(51,040)</u>	<u>16,053,257</u>
Less accumulated depreciation for:				
Buildings	3,693,992	259,303	-	3,953,295
Improvements other than buildings	660,023	50,852	-	710,875
Furniture and equipment	1,195,285	113,920	(43,761)	1,265,444
Total accumulated depreciation	<u>5,549,300</u>	<u>424,075</u>	<u>(43,761)</u>	<u>5,929,614</u>
Total capital assets being depreciated, net	<u>10,339,065</u>	<u>(208,143)</u>	<u>(7,279)</u>	<u>10,123,643</u>
Governmental activities capital assets, net	<u>\$ 10,417,065</u>	<u>242,392</u>	<u>(7,279)</u>	<u>10,652,178</u>
Business type activities:				
Furniture and equipment	\$ 374,597	829	(1,073)	374,353
Less accumulated depreciation	225,721	19,937	(1,073)	244,585
Business type activities capital assets, net	<u>\$ 148,876</u>	<u>(19,108)</u>	<u>-</u>	<u>129,768</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular instruction \$ 14,071

Support services:

Administration services 8,785

Operation and maintenance of plant services 9,187

Transportation services 81,877

113,920

Unallocated 310,155

Total depreciation expense - governmental activities \$ 424,075

Business type activities:

Food service operations \$ 19,937

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds 2008 Series	\$ 3,965,000	-	325,000	3,640,000	350,000
General obligation capital loan notes	289,423	-	141,384	148,039	148,039
Early retirement	170,788	66,328	63,203	173,913	82,779
Compensated absences	64,295	42,925	63,281	43,939	43,939
Total	\$ 4,489,506	109,253	592,868	4,005,891	624,757

General Obligation Bonds

Details of the District's June 30, 2009 general obligation bond indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2008			
	Interest Rates	Principal	Interest	Total
2010	3.40%	\$ 350,000	125,385	475,385
2011	3.45	360,000	113,485	473,485
2012	3.45	375,000	101,065	476,065
2013	3.45	390,000	88,128	478,128
2014	3.15	405,000	74,672	479,672
2015-2018	3.30-3.70	1,760,000	160,210	1,920,210
Total		\$ 3,640,000	662,945	4,302,945

During the year ended June 30, 2009, the District retired \$325,000 of the bonds.

General Obligation Capital Loan Notes

Details of the District's June 30, 2009 general obligation capital loan note indebtedness are as follows:

Year Ending June 30,	Capital Loan Note Issue of Aug 15, 2000			
	Interest Rate	Principal	Interest	Total
2010	6.10%	\$ 148,039	9,052	157,091

During the year ended June 30, 2009, the District retired \$141,384 of notes.

Early Retirement

The District offers a voluntary early retirement plan for employees. Eligible employees must be at least age fifty-five on or before June 30 of the year in which the employee wishes to retire and employees must have completed fifteen years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive shall not exceed the employee's current year salary or \$20,000, whichever is less. The early retirement incentive for each eligible employee is equal to the sum of 50% of the employee's unused accumulated sick leave plus 5% of the current salary times the years of service beyond fifteen years,

subject to the limits previously stated. Early retirement benefits paid during the year ended June 30, 2009 totaled \$63,203.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$493,358, \$444,614 and \$411,810, respectively, equal to the required contributions for each year.

(7) Risk Management

Clarke Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. 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 \$489,537 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(9) Construction Commitment

The District has entered into a contract totaling \$625,000 for an elementary school roof project. As of June 30, 2009, costs of \$474,247 had been incurred against the contract. The balance of \$150,753 remaining at June 30, 2009 will be paid as work on the project progresses.

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, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Revenues:			
Local sources	\$ 5,447,417	303,379	5,750,796
State sources	7,784,734	7,045	7,791,779
Federal sources	589,407	322,897	912,304
Total revenues	<u>13,821,558</u>	<u>633,321</u>	<u>14,454,879</u>
Expenditures:			
Instruction	8,812,128	-	8,812,128
Support services	3,428,048	-	3,428,048
Non-instructional programs	1,048	654,889	655,937
Other expenditures	1,761,497	-	1,761,497
Total disbursements	<u>14,002,721</u>	<u>654,889</u>	<u>14,657,610</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(181,163)	(21,568)	(202,731)
Balances beginning of year	<u>2,322,394</u>	<u>189,801</u>	<u>2,512,195</u>
Balances end of year	<u>\$ 2,141,231</u>	<u>168,233</u>	<u>2,309,464</u>

See accompanying independent auditor's report.

Less Funds Not Required to be Budgeted	Net	Original/ Final Budgeted Amounts	Budget to Net Variance
(38,914)	5,711,882	6,261,401	549,519
-	7,791,779	8,131,943	340,164
-	912,304	936,300	23,996
(38,914)	14,415,965	15,329,644	913,679
-	8,812,128	9,882,088	1,069,960
-	3,428,048	5,474,133	2,046,085
(36,005)	619,932	796,449	176,517
-	1,761,497	2,092,292	330,795
(36,005)	14,621,605	18,244,962	3,623,357
2,909	(205,640)	(2,915,318)	(2,709,678)
20,299	2,491,896	2,915,318	(423,422)
23,208	2,286,256	-	2,286,256

Clarke Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2009

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, 2009, expenditures did not exceed the amounts budgeted.

Other Supplementary Information

Schedule 1

Clarke Community School District

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2009

	Special Revenue			
	Management	Student	Debt	
	Levy	Activity	Service	Total
Assets				
Cash and pooled investments	\$ 399,179	107,463	149,912	656,554
Receivables:				
Property tax:				
Delinquent	6,476	-	10,009	16,485
Total assets	\$ 405,655	107,463	159,921	673,039
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	2,291	-	2,291
Salaries and benefits payable	-	3,350	-	3,350
Deferred revenue	2,860	-	4,421	7,281
Total liabilities	2,860	5,641	4,421	12,922
Fund equity:				
Fund balances:				
Reserved for debt service	-	-	155,500	155,500
Unreserved, reported in				
Special revenue funds	402,795	101,822	-	504,617
Total fund equity	402,795	101,822	155,500	660,117
Total liabilities and fund equity	\$ 405,655	107,463	159,921	673,039

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, 2009

	Special Revenue			Total
	Management Levy	Student Activity	Debt Service	
Revenues:				
Local sources:				
Local tax	\$ 210,074	-	324,672	534,746
Other	7,002	252,415	2,945	262,362
State sources	151	-	233	384
Total revenues	<u>217,227</u>	<u>252,415</u>	<u>327,850</u>	<u>797,492</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	86,183	-	-	86,183
Special instruction	4,699	-	-	4,699
Other instruction	2,435	244,763	-	247,198
Support services:				
Student services	1,366	-	-	1,366
Instructional staff services	679	-	-	679
Administration services	5,268	-	-	5,268
Operation and maintenance of plant services	39,070	1,500	-	40,570
Transportation services	13,656	3,126	-	16,782
Non-instructional programs	1,048	-	-	1,048
Other expenditures:				
Long-term debt:				
Principal	-	-	466,384	466,384
Interest and other charges	-	-	165,902	165,902
Total expenditures	<u>154,404</u>	<u>249,389</u>	<u>632,286</u>	<u>1,036,079</u>
Excess (deficiency) of revenues over (under) expenditures	62,823	3,026	(304,436)	(238,587)
Other financing sources (uses):				
Operating transfers in	-	-	409,081	409,081
Excess of revenues and other financing sources over expenditures	62,823	3,026	104,645	170,494
Fund balances beginning of year	339,972	98,796	50,855	489,623
Fund balances end of year	<u>\$ 402,795</u>	<u>101,822</u>	<u>155,500</u>	<u>660,117</u>

See accompanying independent auditor's report.

Schedule 3

Clarke Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expend- itures	Balance End of Year
Pop Music	\$ 414	302	400	316
Pop Athletics	2,460	1,799	2,338	1,921
Athletics	-	12,086	7,864	4,222
Publications	17,398	10,235	16,635	10,998
High School Band	5,849	33,100	33,536	5,413
High School Co-curricular	-	540	100	440
High School Vocal Music	11,002	11,828	20,131	2,699
Cheerleaders	1,184	4,971	4,072	2,083
FCCLA	-	72	72	-
Speech/Debate	-	3,924	3,381	543
FFA	2,418	27,658	29,518	558
FHA	1,004	18	-	1,022
Medical Careers Club	137	2	-	139
Cross Country	-	426	426	-
Tennis	-	500	500	-
Golf	-	15	15	-
Boys Basketball	5,148	8,255	8,308	5,095
Football	4,867	12,680	11,558	5,989
Baseball	-	6,806	6,606	200
Boys Track	467	2,754	2,598	623
Wrestling	355	4,083	2,248	2,190
Girls Basketball	3,896	5,287	4,124	5,059
Volleyball	3,693	4,211	2,808	5,096
Softball	80	6,995	5,926	1,149
Girls Track	-	2,744	1,646	1,098
Camp - Boys Basketball	1,212	21	-	1,233
Camp - Football	2,853	4,741	2,228	5,366
Camp - Wrestling	67	-	-	67
Camp - Girls Basketball	2,371	1,865	820	3,416
Camp - Volleyball	778	14	-	792
Book Club	-	49	-	49
Spanish Club	1,372	24	-	1,396
High School Student Council	197	1,724	1,921	-
Thespians	3,072	4,638	4,537	3,173

Clarke Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expend- itures	Balance End of Year
Class of:				
2007	606	3	609	-
2008	711	11	41	681
2009	2,738	332	3,070	-
2010	4,037	5,699	6,782	2,954
2011	2,614	786	11	3,389
2012	-	1,328	583	745
Art Club	868	659	665	862
Concessions	7,253	38,711	27,272	18,692
American Field Service	2,512	43	-	2,555
Vending Machine -				
Art/Cheerleaders	359	6	-	365
TOUCH	120	2	-	122
Media Club	209	3	-	212
Athletic Resale	(14,218)	5,811	10,288	(18,695)
Drill Team	3,202	823	1,935	2,090
FBLA	27	4,880	4,907	-
Junior High Student Council	63	515	294	284
Middle School Pop Fund Balance	716	857	638	935
Elementary Student Council	11,949	6,042	5,361	12,630
After Prom	2,736	11,537	12,617	1,656
Total	\$ 98,796	252,415	249,389	101,822

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, 2009

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 136,003	341,983	338,963	139,023
Accounts receivable	384	-	384	-
Due from other governments	2,400	3,600	2,400	3,600
Total assets	\$ 138,787	345,583	341,747	142,623
Liabilities				
Accounts payable	\$ 2,712	24	2,712	24
Trusts payable	136,075	345,559	339,035	142,599
Total liabilities	\$ 138,787	345,583	341,747	142,623

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 Eight Years

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

See accompanying independent auditor's report.

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

Schedule 6

Clarke Community School District
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2009

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	FY09	\$ 47,327
National School Lunch Program	10.555	FY09	275,570
			322,897
U.S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	1211G	237,696
ARRA - Title I Grants to Local Educational Agencies	84.389	FY09	77,102
			314,798
ARRA - State Fiscal Stabilization (SFSF)- Education State Grants	84.394	FY09	114,188
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY08	5,425
Grants for State Assessments and Related Activities	84.369	FY08	8,437
Improving Teacher Quality State Grants	84.367	FY09	67,687
English Language Acquisition Grants	84.365	FY09	2,410
Green Valley Area Education Agency:			
Special Education - Grants to States	84.027	FY09	71,732
Southwestern Community College:			
Career and Technical Education - Basic Grants to States	84.048	FY09	14,760
Iowa Department of Education - Division of Vocational Rehabilitation Services:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	08-TAP-02 (FY08)	10,452
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	09-TAP-02 (FY09)	32,598
			43,050
Total			\$ 965,384

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Clarke Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Clarke Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Clarke Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 9, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Clarke Community School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Clarke Community School District's financial statements that is more than inconsequential will not be prevented or detected by Clarke Community School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Clarke Community School District's internal control.

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

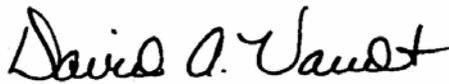
Compliance and Other Matters

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

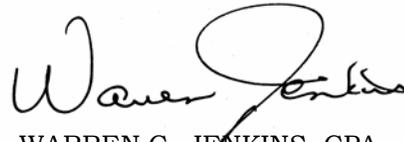
Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Clarke Community School District and other parties to whom Clarke Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 9, 2009

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

Clarke Community School District



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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

To the Board of Education of
Clarke Community School District:

Compliance

We have audited the compliance of Clarke Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Clarke Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Clarke Community School District's management. Our responsibility is to express an opinion on Clarke Community School District's compliance based on our audit.

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

In our opinion, Clarke Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

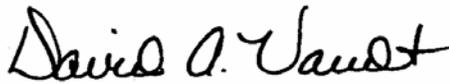
The management of Clarke Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Clarke Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Clarke Community School District and other parties to whom Clarke Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 9, 2009

Clarke Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2009

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major 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 programs were:

Title I, Part A Cluster Programs:

CFDA Number 84.010 – Title I Grants to local Educational Agencies

CFDA Number 84.389 – ARRA – Title I Grants to local Educational Agencies

CFDA Number 84.394 – ARRA – State Fiscal Stabilization (SFSF) - Education State Grants

- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Clarke Community School District did qualify as a low-risk auditee.

Clarke Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2009

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

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

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

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

Clarke Community School District
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2009

Part IV: Other Findings Related To Required Statutory Reporting:

- IV-A-09 Certified Budget – Expenditures for the year ended June 30, 2009 did not exceed the amounts budgeted.
- IV-B-09 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-09 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-09 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Chris Reindl, football, track and baseball coach, owner of Chris Reindl Construction	Lunch equipment repair	\$ 65
	Concrete work	385
	Building repair	13,599
		<u>14,049</u>
Chris Reindl, football, track and baseball coach, owner of All American Plumbing	Repair	295
	Install showers in locker rooms	2,316
		<u>2,611</u>
Total		<u>\$ 16,660</u>

These transactions do not appear to represent conflicts of interest in accordance with Chapters 279.7A and 301.28 of the Code. The transactions for the building repair were competitively bid.

- IV-E-09 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 insure the coverage is adequate for current operations.
- IV-F-09 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-09 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

Clarke Community School District
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2009

IV-H-09 Deposits and Investments – Except as noted below, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

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

IV-I-09 Certified Annual Report – The Certified Annual Report was filed with the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-J-09 Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.

IV-K-09 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services 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 and services tax. For the year ended June 30, 2009, the District’s financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance		\$ <u> -</u>
Statewide sales and services tax revenue		853,063
Interest on investments		<u> 7,681</u>
Total revenues		860,744
Expenditures		
School Infrastructure:		
Transfer to Debt Service Fund to repay infrastructure related debt		<u> 79,106</u>
Ending balance		<u>\$ <u>781,638</u></u>

Clarke Community School District

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Karen J. Kibbe, Senior Auditor
Jessica N. Meierotto, Staff Auditor
Jeana R. Muhlbauer, Assistant Auditor
Nicole R. Williams, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State