



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

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NEWS RELEASE

FOR RELEASE \_\_\_\_\_ December 12, 2005

Contact: Andy Nielsen  
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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 \$12,662,263 for the year ended June 30, 2005, a 5% increase from 2004. The revenues included \$3,784,772 in local tax, \$629,580 in local option sales and services tax, charges for service of \$978,371, operating grants, contributions and restricted interest of \$1,710,796, capital grants, contributions and restricted interest of \$101,848, unrestricted investment earnings of \$56,386, unrestricted grants of \$5,380,126 and other general revenues of \$20,384.

Expenses for District operations totaled \$11,804,794, a 5% increase from the prior year and included \$4,325,076 for regular instruction, \$2,258,359 for special instruction and \$1,107,236 for administrative services.

The significant increase in revenues is due primarily to the first year of collection of local option sales and services tax. The significant increase in expenses is due primarily to an increase in negotiated salary and benefits, restricted grant expenditures and expenses financed with the local option sales and services tax.

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

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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, 2005**

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**Clarke Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before August 2004 Election)</b>		
Doug Stearns	President	2005
W. Edward White	Vice President	2004
Kris Lange	Board Member	2004
Michael Motsinger	Board Member	2004
Linda Henry	Board Member	2005
Michael Evink	Board Member	2006
Jeff Wilken	Board Member	2006

**Board of Education**  
**(After August 2004 Election)**

Doug Sterns	President	2005
Linda Henry	Vice President	2005
Michael Evink	Board Member	2006
Jeff Wilken	Board Member	2006
Kevin Dorland	Board Member	2007
Kris Lange	Board Member	2007
Michael Motsinger	Board Member	2007

**School Officials**

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

**Clarke Community School District**



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Independent Auditor's Report

To the Board of Education of  
Clarke Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clarke Community School District, Osceola, Iowa, as of and for the year ended June 30, 2005, 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.

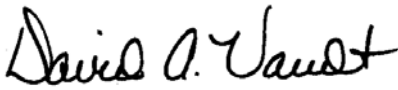
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2005, 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.

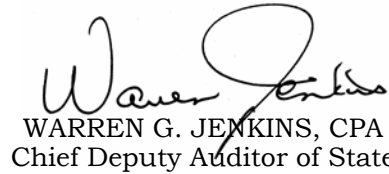
In accordance with Government Auditing Standards, we have also issued our report dated August 30, 2005 on our consideration of Clarke Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 financing 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 16 and 44 through 46 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 three years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the accompanying 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

August 30, 2005

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

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Clarke Community School District provides this Management's Discussion and Analysis of its financial statements. The analysis focuses on the District's financial performance as a whole for the fiscal year ended June 30, 2005. Please read it in conjunction with the District's financial statements, which follow.

### **2005 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$10,065,792 in fiscal year 2004 to \$10,316,814 in fiscal year 2005, while General Fund expenditures increased from \$9,666,800 in fiscal year 2004 to \$10,144,332 in fiscal year 2005. The District's General Fund balance increased from \$1,440,925 as restated for fiscal year 2004 to \$1,613,642 in fiscal year 2005, a 12% increase.
- The increase in General Fund revenues was attributable to an increase in federal grant and state revenue. The increase in expenditures was due primarily to an increase in negotiated salary and benefits and restricted grant expenditures.
- During fiscal year 2005, Clarke Community School District adjusted the accumulated depreciation for a building and corrected an error in the calculation of salaries and benefits payable for the year ended June 30, 2004. As a result, the beginning balances were restated for governmental activities and the General Fund (see Note 8). To facilitate and enhance comparability in this discussion and analysis, fiscal year 2004 amounts have been revised to reflect the changes as if they had been made in the prior year.

### **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 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-1**  
**Clarke Community School District Annual Financial Report**

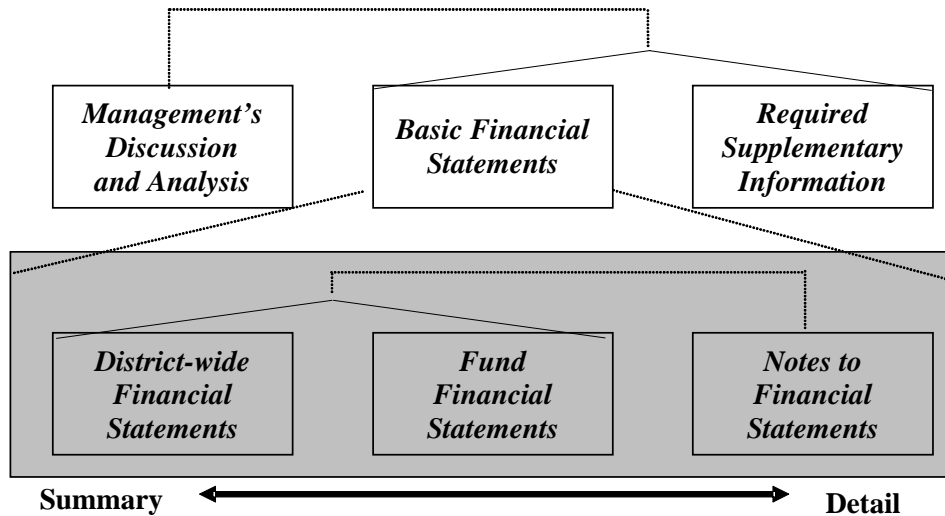


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2 Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during 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 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 statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its 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 Funds.

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 District-wide 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 end of the fiscal year.

<b>Figure A-3</b>							
<b>Condensed Statement of Net Assets</b>							
<b>(Expressed in Thousands)</b>							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30		June 30		June 30		June 30
	2005	2004	2005	2004	2005	2004	2004-2005
Current and other assets	\$ 7,074	6,769	229	216	7,303	6,985	318
Capital assets	9,435	9,366	72	81	9,507	9,447	60
Total assets	<u>16,509</u>	<u>16,135</u>	<u>301</u>	<u>297</u>	<u>16,810</u>	<u>16,432</u>	<u>378</u>
Long-term liabilities	5,733	6,045	-	-	5,733	6,045	(312)
Other liabilities	4,605	4,779	47	40	4,652	4,819	(167)
Total liabilities	<u>10,338</u>	<u>10,824</u>	<u>47</u>	<u>40</u>	<u>10,385</u>	<u>10,864</u>	<u>(479)</u>
Net assets:							
Invested in capital assets, net of related debt	3,929	3,428	72	81	4,001	3,509	492
Restricted	780	403	-	-	780	403	377
Unrestricted	<u>1,462</u>	<u>1,480</u>	<u>182</u>	<u>176</u>	<u>1,644</u>	<u>1,656</u>	<u>(12)</u>
Total net assets	<u>\$ 6,171</u>	<u>5,311</u>	<u>254</u>	<u>257</u>	<u>6,425</u>	<u>5,568</u>	<u>857</u>

Net assets increased \$857,469, or 15.4%. The largest portion of the District's net assets is the 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 sources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints, is \$1,643,887.

Figure A-4 shows the change in net assets for the years ended June 30, 2005 and 2004.

<b>Figure A-4</b>							
<b>Change in Net Assets</b>							
<b>(Expressed in Thousands)</b>							
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30		June 30		June 30		June 30
	2005	2004	2005	2004	2005	2004	2004-2005
Revenues:							
Program revenues:							
Charges for service	\$ 719	667	259	254	978	921	57
Operating grants, contributions and restricted interest	1,430	1,431	281	278	1,711	1,709	2
Capital grants, contributions and restricted interest	102	115	-	-	102	115	(13)
General revenues:							
Property tax	3,785	4,191	-	-	3,785	4,191	(406)
Local option sales and services tax	630	6	-	-	630	6	624
Unrestricted state grants	5,380	5,132	-	-	5,380	5,132	248
Unrestricted investment earnings	53	19	3	1	56	20	36
Other	20	6	-	-	20	6	14
Total revenues	<u>12,119</u>	<u>11,567</u>	<u>543</u>	<u>533</u>	<u>12,662</u>	<u>12,100</u>	<u>562</u>
Program expenses:							
Instruction	7,220	6,833	-	-	7,220	6,833	387
Support services	3,048	2,892	-	-	3,048	2,892	156
Non-instructional programs	23	12	546	512	569	524	45
Other expenses	968	1,114	-	-	968	1,114	(146)
Total expenses	<u>11,259</u>	<u>10,851</u>	<u>546</u>	<u>512</u>	<u>11,805</u>	<u>11,363</u>	<u>442</u>
Change in net assets	<u>\$ 860</u>	<u>716</u>	<u>(3)</u>	<u>21</u>	<u>857</u>	<u>737</u>	<u>120</u>

Property tax and unrestricted state grants account for 72% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

**Governmental Activities**

Revenues for the governmental activities were \$12,118,887 and expenses were \$11,258,713. The increase in revenues can be attributed to receiving local option sales and services tax for the entire fiscal year of \$629,580.

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		Net Cost	
	of Services		of Services	
	June 30		June 30	
	2005	2004	2005	2004
Instruction	\$ 7,220	6,833	5,539	5,223
Support services	3,048	2,892	2,992	2,820
Non-instructional programs	23	12	23	6
Other expenses	968	1,114	453	588
<b>Total</b>	<b>\$ 11,259</b>	<b>10,851</b>	<b>9,007</b>	<b>8,637</b>

- The cost financed by users of the District’s programs was \$719,003.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,430,431.
- The net cost of governmental activities was financed with \$4,414,352 in property and other taxes and \$5,380,126 in unrestricted state grants.

**Business Type Activities**

Revenues for business-type activities were \$543,376 while expenses were \$546,081. 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 \$2,499,597, an increase from last year’s restated ending fund balance of \$2,019,140.

**Governmental Fund Highlights**

- The General Fund balance increased from a restated balance of \$1,440,925 to \$1,613,642, due in part to an increase in state aid.
- The Capital Projects Fund, School Infrastructure Local Option fund balance increased from \$6,029 in fiscal year 2004 to \$432,651 in fiscal year 2005. This was due to receiving local option sales and services tax for the entire fiscal year.

## Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$256,804 at June 30, 2004 to \$254,099 at June 30, 2005.

## 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. The certified budget was not amended in fiscal year 2005.

The District's revenues were \$242,830 more than budgeted revenues, a variance of 2%. The most significant variance resulted from the district receiving more federal aid than originally anticipated.

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2005, the District had invested, net of depreciation, \$9.5 million in a broad range of assets, including newly 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 3 to the financial statements. Depreciation expense for the year was \$392,314.

The original cost of the District's capital assets was \$14.3 million. Governmental funds account for \$14 million, with the remaining \$0.3 million accounted for in the Proprietary, School Nutrition Fund.

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

	Governmental Activities		Business Type Activities		Total District	
	2005	2004	2005	2004	2005	2004
Land	\$ 78	78	-	-	78	78
Construction in progress	150	3	-	-	150	3
Buildings	8,100	8,095	-	-	8,100	8,095
Improvements other than buildings	584	631	-	-	584	631
Furniture and equipment	523	559	72	81	595	640
Total	\$ 9,435	9,366	72	81	9,507	9,447

## Long-Term Debt

At June 30, 2005, the District had \$5,732,969 in general obligation bonds, capital loan notes and other long-term debt outstanding. This represents a decrease of approximately 6% from last year (See Figure A-7). Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

The District had total outstanding bonded indebtedness at June 30, 2005 of \$4,840,000 and outstanding capital loan notes of \$665,742.

	2005	2004
General obligation bonds	\$ 4,840	5,115
Capital loan notes	666	777
Early retirement	105	109
Compensated absences	47	44
ISEBA settlement	75	-
Total	<u>\$ 5,733</u>	<u>6,045</u>

## FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Local option sales and services tax revenues over the next 9 years will have a significant impact on building improvement projects such as roofing. These funds will also be used to decrease the property tax needed to repay the voted PPEL capital loan notes.
- District enrollment decreased significantly in fiscal year 2004-2005 by 59.6 students. This followed fiscal year 2003-2004's decrease of 2.6 students. Under Iowa's school funding formula, District funding is highly dependant upon District enrollment. Projections indicate the District's enrollment will level out in 2005-2006, and possibly increase slightly.
- Commercial growth in the District in fiscal year 2004-2005 included:
  - New construction for a Commercial Winery/Store.
  - New business "Chipp's Harley-Davidson" Shop.
  - Boyt Harness building relocated to new facility.
  - Trager Motors building relocated to a new facility.



## **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 of 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, 104 ½ South Fillmore, Osceola, Iowa 50213.

## **Basic Financial Statements**

Clarke Community School District

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 3,227,591	216,967	3,444,558
Receivables:			
Property tax:			
Delinquent	129,404	-	129,404
Succeeding year	3,242,000	-	3,242,000
Accounts	1,468	7,641	9,109
Due from other governments	473,865	76	473,941
Inventories	-	4,034	4,034
Capital assets, net of accumulated depreciation	9,434,857	72,025	9,506,882
<b>Total assets</b>	<b>16,509,185</b>	<b>300,743</b>	<b>16,809,928</b>
<b>Liabilities</b>			
Accounts payable	106,060	2,786	108,846
Salaries and benefits payable	1,091,237	35,488	1,126,725
Due to other governments	70,341	-	70,341
Accrued interest payable	70,853	-	70,853
Due to Agency Fund	25,000	-	25,000
Deferred revenue:			
Succeeding year property tax	3,242,000	-	3,242,000
Other	-	8,370	8,370
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	285,000	-	285,000
Capital loan notes payable	118,090	-	118,090
Early retirement	59,840	-	59,840
Compensated absences	46,245	-	46,245
ISEBA settlement	75,000	-	75,000
Portion due after one year:			
General obligation bonds payable	4,555,000	-	4,555,000
Capital loan notes payable	547,652	-	547,652
Early retirement	45,342	-	45,342
Compensated absences	800	-	800
<b>Total liabilities</b>	<b>10,338,460</b>	<b>46,644</b>	<b>10,385,104</b>

Clarke Community School District

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business Type Activities	Total
<b>Net assets</b>			
Invested in capital assets, net of related debt	3,929,115	72,025	4,001,140
Restricted for:			
Management levy	85,817	-	85,817
Physical plant and equipment levy	166,418	-	166,418
Other purposes	527,562	-	527,562
Unrestricted	1,461,813	182,074	1,643,887
<b>Total net assets</b>	<b>\$ 6,170,725</b>	<b>254,099</b>	<b>6,424,824</b>

See notes to financial statements.

Clarke Community School District

Statement of Activities

Year ended June 30, 2005

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	
<b><u>Functions/Programs</u></b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 4,325,076	330,039	578,067	-
Special instruction	2,258,359	130,041	372,560	-
Other instruction	636,728	227,306	42,778	-
	<u>7,220,163</u>	<u>687,386</u>	<u>993,405</u>	<u>-</u>
Support services:				
Student services	280,341	6,557	24,674	-
Instructional staff services	317,193	269	-	-
Administration services	1,107,236	2,979	-	-
Operation and maintenance of plant services	885,309	1,900	-	-
Transportation services	457,791	19,777	-	-
	<u>3,047,870</u>	<u>31,482</u>	<u>24,674</u>	<u>-</u>
Non-instructional programs	22,898	135	-	-
Other expenditures:				
Facilities acquisition	20,383	-	134	101,848
Long-term debt interest	265,746	-	1,716	-
AEA flowthrough	410,502	-	410,502	-
Depreciation (unallocated)*	271,151	-	-	-
	<u>967,782</u>	<u>-</u>	<u>412,352</u>	<u>101,848</u>
Total governmental activities	11,258,713	719,003	1,430,431	101,848
Business type activities:				
Non-instructional programs:				
Food service operations	546,081	259,368	280,365	-
Total	<u>\$ 11,804,794</u>	<u>978,371</u>	<u>1,710,796</u>	<u>101,848</u>
<b>General Revenues:</b>				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Gain on disposal of capital assets				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year, as restated (note 8)				
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
(3,416,970)	-	(3,416,970)
(1,755,758)	-	(1,755,758)
(366,644)	-	(366,644)
(5,539,372)	-	(5,539,372)
(249,110)	-	(249,110)
(316,924)	-	(316,924)
(1,104,257)	-	(1,104,257)
(883,409)	-	(883,409)
(438,014)	-	(438,014)
(2,991,714)	-	(2,991,714)
(22,763)	-	(22,763)
81,599	-	81,599
(264,030)	-	(264,030)
-	-	-
(271,151)	-	(271,151)
(453,582)	-	(453,582)
(9,007,431)	-	(9,007,431)
-	(6,348)	(6,348)
(9,007,431)	(6,348)	(9,013,779)
\$ 3,109,204	-	3,109,204
223,874	-	223,874
451,694	-	451,694
629,580	-	629,580
5,380,126	-	5,380,126
52,743	3,643	56,386
235	-	235
20,149	-	20,149
9,867,605	3,643	9,871,248
860,174	(2,705)	857,469
5,310,551	256,804	5,567,355
\$ 6,170,725	254,099	6,424,824

Clarke Community School District

Balance Sheet  
Governmental Funds

June 30, 2005

	General	Nonmajor	Total
<b>Assets</b>			
Cash and pooled investments	\$ 2,586,012	636,199	3,222,211
Receivables:			
Property tax:			
Delinquent	106,062	23,342	129,404
Succeeding year	2,632,000	610,000	3,242,000
Accounts	1,445	23	1,468
Due from other governments	161,137	312,728	473,865
<b>Total assets</b>	<b>\$ 5,486,656</b>	<b>1,582,292</b>	<b>7,068,948</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 53,685	52,375	106,060
Salaries and benefits payable	1,088,348	2,889	1,091,237
Due to other governments	70,341	-	70,341
Due to Agency Fund	-	25,000	25,000
Deferred revenue:			
Succeeding year property tax	2,632,000	610,000	3,242,000
Other	28,640	6,073	34,713
Total liabilities	3,873,014	696,337	4,569,351
Fund balances:			
Reserved for debt service	-	4,855	4,855
Unreserved, reported in:			
General fund	1,613,642	-	1,613,642
Special revenue funds	-	448,449	448,449
Capital projects funds	-	432,651	432,651
Total fund balances	1,613,642	885,955	2,499,597
<b>Total liabilities and fund balances</b>	<b>\$ 5,486,656</b>	<b>1,582,292</b>	<b>7,068,948</b>

See notes to financial statements.

Clarke Community School District

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

June 30, 2005

<b>Total fund balances of governmental funds (page 22)</b>	\$ 2,499,597
 <b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	9,434,857
The Internal Service Fund is used by management to charge the costs of funding of the District's flexible benefit plan. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Assets.	5,380
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	34,713
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.	(70,853)
Long-term liabilities, including bonds and notes payable, compensated absences, early retirement and the ISEBA settlement, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(5,732,969)</u>
<b>Net assets of governmental activities (page 19)</b>	<b><u><u>\$ 6,170,725</u></u></b>

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, 2005

	General	Nonmajor	Total
Revenues:			
Local sources:			
Local tax	\$ 2,959,779	1,462,644	4,422,423
Tuition	345,637	-	345,637
Other	187,061	248,607	435,668
State sources	6,220,928	486	6,221,414
Federal sources	603,409	82,285	685,694
Total revenues	<u>10,316,814</u>	<u>1,794,022</u>	<u>12,110,836</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	4,282,797	62,154	4,344,951
Special instruction	2,247,502	3,632	2,251,134
Other instruction	385,131	251,597	636,728
	<u>6,915,430</u>	<u>317,383</u>	<u>7,232,813</u>
Support services:			
Student services	283,617	905	284,522
Instructional staff services	316,784	641	317,425
Administration services	1,005,290	22,011	1,027,301
Operation and maintenance of plant services	790,522	98,200	888,722
Transportation services	405,332	27,349	432,681
	<u>2,801,545</u>	<u>149,106</u>	<u>2,950,651</u>
Non-instructional programs	16,855	6,043	22,898
Other expenditures:			
Facilities acquisition	-	354,730	354,730
Long-term debt:			
Principal	-	386,300	386,300
Interest and fiscal charges	-	272,720	272,720
AEA flowthrough	410,502	-	410,502
	<u>410,502</u>	<u>1,013,750</u>	<u>1,424,252</u>
Total expenditures	<u>10,144,332</u>	<u>1,486,282</u>	<u>11,630,614</u>
Excess of revenues over expenditures	<u>172,482</u>	<u>307,740</u>	<u>480,222</u>
Other financing sources (uses):			
Sale of capital assets	235	-	235
Operating transfers in	-	394,583	394,583
Operating transfers out	-	(394,583)	(394,583)
Total other financing sources	<u>235</u>	<u>-</u>	<u>235</u>
Net change in fund balances	172,717	307,740	480,457
Fund balances beginning of year, as restated (note 8)	1,440,925	578,215	2,019,140
Fund balances end of year	<u>\$ 1,613,642</u>	<u>885,955</u>	<u>2,499,597</u>

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, 2005

**Net change in fund balances - total governmental funds (page 24)** \$ 480,457

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

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

Expenditures for capital assets	\$ 420,534	
Capital assets contributed by the Booster Club	15,750	
Depreciation expense	<u>(367,069)</u>	69,215

Certain delinquent property tax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds. (8,071)

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. 386,300

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 6,973

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	3,701	
Compensated absences	(2,941)	
ISEBA settlement	<u>(75,000)</u>	(74,240)

The Internal Service Fund is used by management to charge the costs of the District's flexible benefit plan. The change in net assets of the Internal Service Fund is reported with governmental activities. (460)

**Change in net assets of governmental activities (page 21)** \$ 860,174

See notes to financial statements.

**Exhibit G**

## Clarke Community School District

Statement of Net Assets  
Proprietary Funds

June 30, 2005

	<u>Business Type Activities</u>	<u>Governmental Activities</u>
	Enterprise - School Nutrition	Internal Service - Flex Spending
<b>Assets</b>		
Cash and cash equivalents	\$ 216,967	5,380
Accounts receivable	7,641	-
Due from other governments	76	-
Inventories	4,034	-
Capital assets, net of accumulated depreciation	72,025	-
<b>Total assets</b>	<u>300,743</u>	<u>5,380</u>
<b>Liabilities</b>		
Accounts payable	2,786	-
Salaries and benefits payable	35,488	-
Deferred revenue	8,370	-
<b>Total liabilities</b>	<u>46,644</u>	<u>-</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	72,025	-
Unrestricted	182,074	5,380
<b>Total net assets</b>	<u>\$ 254,099</u>	<u>5,380</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, 2005

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
Operating revenues:		
Local sources:		
Charges for service	\$ 259,368	-
Employee contributions	-	26,514
Total operating revenue	<u>259,368</u>	<u>26,514</u>
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	162,509	-
Benefits	68,586	-
Purchased services	12,427	-
Supplies	275,137	-
Other	98	27,109
Depreciation	25,245	-
Total operating expenses	<u>544,002</u>	<u>27,109</u>
Operating loss	<u>(284,634)</u>	<u>(595)</u>
Non-operating revenues (expenses):		
State sources	6,932	-
Federal sources	273,433	-
Interest income	3,643	135
Loss on disposal of capital assets	(2,079)	-
Total non-operating revenues	<u>281,929</u>	<u>135</u>
Change in net assets	(2,705)	(460)
Net assets beginning of year	<u>256,804</u>	<u>5,840</u>
Net assets end of year	<u><u>\$ 254,099</u></u>	<u><u>5,380</u></u>

See notes to financial statements.

**Exhibit I**

## Clarke Community School District

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2005

	Enterprise - School Nutrition	Internal Service - Flex Spending
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 266,957	-
Cash received from miscellaneous operating activities	-	26,514
Cash paid to suppliers for goods or services	(472,523)	(27,109)
Net cash used by operating activities	<u>(205,566)</u>	<u>(595)</u>
Cash flows from non-capital financing activities:		
State grants received	6,892	-
Federal grants received	237,001	-
Net cash provided by non-capital financing activities	<u>243,893</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(17,987)	-
Cash flows from investing activities:		
Interest on investments	3,643	135
Net increase (decrease) in cash and cash equivalents	23,983	(460)
Cash and cash equivalents beginning of year	192,984	5,840
Cash and cash equivalents end of year	<u>\$ 216,967</u>	<u>5,380</u>

Clarke Community School District

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2005

	<u>Enterprise - School Nutrition</u>	<u>Internal Service - Flex Spending</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>		
Operating loss	\$ (284,634)	(595)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	36,432	-
Depreciation	25,245	-
Decrease in inventories	2,699	-
Decrease in accounts receivable	8,147	-
Increase in accounts payable	2,680	-
Increase in salaries and benefits payable	4,423	-
(Decrease) in deferred revenue	(558)	-
Net cash used by operating activities	<u>\$ (205,566)</u>	<u>(595)</u>

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

During the year ended June 30, 2005, the District received \$36,432 of federal commodities.

See notes to financial statements.

**Exhibit J**

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## Clarke Community School District

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2005

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Cash and pooled investments	\$ 21,315	77,876
Due from Special Revenue Funds	-	25,000
Due from other governments	-	2,180
<b>Total assets</b>	<u>21,315</u>	<u>105,056</u>
<b>Liabilities</b>		
Accounts payable	-	6,066
Trusts payable	-	98,990
<b>Total liabilities</b>	<u>-</u>	<u>105,056</u>
<b>Net assets</b>		
Reserved for scholarships	<u>\$ 21,315</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, 2005

	Private Purpose Trust	Scholarship
Additions:		
Local sources:		
Interest income	\$	926
Deductions:		
Support services:		
Scholarships awarded		700
Change in net assets		226
Net assets beginning of year		21,089
Net assets end of year	\$	21,315

See notes to financial statements.



Clarke Community School District

Notes to Financial Statements

June 30, 2005

**(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 that do not meet 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 fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are 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 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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004.

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, 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 succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

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, 2005. 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 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, 2005, disbursements in the other expenditures function exceeded the amount budgeted.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2005 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, 2005, the District's investments are as follows:

Type	Fair Value
Common stock	<u>\$ 5,517</u>

Concentration of credit risk. The District places no limit on the amount that may be invested in any one issuer. More than 5 percent of the District's investments are in common stock. The District's investment in common stock is 100 percent of the District's total investments.

**(3) Capital Assets**

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 78,000	-	-	78,000
Construction in progress	3,181	177,682	(31,074)	149,789
Total capital assets not being depreciated	81,181	177,682	(31,074)	227,789
Capital assets being depreciated:				
Buildings	10,861,054	229,814	-	11,090,868
Improvements other than buildings	1,101,418	-	-	1,101,418
Furniture and equipment	1,601,723	59,862	(52,654)	1,608,931
Total capital assets being depreciated	13,564,195	289,676	(52,654)	13,801,217
Less accumulated depreciation for:				
Buildings	2,766,754	223,611	-	2,990,365
Improvements other than buildings	470,190	47,540	-	517,730
Furniture and equipment	1,042,790	95,918	(52,654)	1,086,054
Total accumulated depreciation	4,279,734	367,069	(52,654)	4,594,149
Total capital assets being depreciated, net	9,284,461	(77,393)	-	9,207,068
Governmental activities capital assets, net	\$ 9,365,642	100,289	(31,074)	9,434,857
<b>Business type activities:</b>				
Furniture and equipment	\$ 254,336	17,987	(3,711)	268,612
Less accumulated depreciation	172,974	25,245	(1,632)	196,587
Business type activities capital assets, net	\$ 81,362	(7,258)	(2,079)	72,025
Depreciation expense was charged to the following functions:				
Governmental activities:				
Instruction:				
Regular instruction				\$ 12,046
Other instruction				7,170
Support services:				
Administration services				3,307
Operation and maintenance of plant services				9,096
Transportation services				64,299
				95,918
Unallocated				271,151
Total depreciation expense - governmental activities				\$ 367,069
Business type activities:				
Food service operations				\$ 25,245

**(4) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 5,115,000	-	275,000	4,840,000	285,000
Capital loan notes	777,042	-	111,300	665,742	118,090
Early retirement	108,883	40,000	43,701	105,182	59,840
Compensated absences	44,104	51,982	49,041	47,045	46,245
ISEBA settlement	-	75,000	-	75,000	75,000
Total	\$ 6,045,029	166,982	479,042	5,732,969	584,175

General Obligation Bonds

Details of the District's June 30, 2005 general obligation bond indebtedness are as follows:

Year Ending June 30,	Bond Issue of Mar 1, 1999			
	Interest Rates	Principal	Interest	Total
2006	4.10%	\$ 285,000	209,840	494,840
2007	4.10	295,000	198,155	493,155
2008	4.10	315,000	186,060	501,060
2009	4.10	320,000	173,145	493,145
2010	4.20	335,000	160,025	495,025
2011-2015	4.25-4.50	1,915,000	572,530	2,487,530
2016-2018	4.50-4.60	1,375,000	127,215	1,502,215
Total		\$ 4,840,000	1,626,970	6,466,970

During the year ended June 30, 2005, the District retired \$275,000 of bonds.

General Obligation Capital Loan Notes

Details of the District's June 30, 2005 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
2006	6.10%	\$ 118,090	40,610	158,700
2007	6.10	125,293	33,407	158,700
2008	6.10	132,936	25,764	158,700
2009	6.10	141,045	17,655	158,700
2010	6.10	148,378	9,052	157,430
Total		\$ 665,742	126,488	792,230

During the year ended June 30, 2005, the District retired \$111,300 of notes.



### Early Retirement

The District offers a voluntary early retirement plan for employees. Eligible employees must be at least age fifty-five but not more than sixty-two 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, 2005 totaled \$43,701.

### **(5) 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 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$367,483, \$358,175 and \$388,648, respectively, equal to the required contributions for each year.

### **(6) Risk Management**

The District was a member in the Iowa School Employee Benefits Association (ISEBA), an Iowa Code Chapter 28E organization until June 30, 2004. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

In July 2004, the Association converted from a self-funded pool to a fully insured pool covered by Wellmark Blue Cross Blue Shield of Iowa. In December 2004, ISEBA issued assessments necessary to cover run-out claims received when the program converted from self-insured to fully-insured coverage. ISEBA is recovering the shortfall through a combination of assessments, deficit recovery charges and administrative cost reduction measures. Members that terminated from ISEBA on June 30, 2004 received an assessment in December 2004, originally due July 1, 2005. The total assessment for terminated members was originally approximately \$3.9 million. The District's share of this assessment was \$150,000.

Members filed a lawsuit contesting the amount and legality of the assessments. A subsequent settlement agreement reduced the assessments by 50% and the due date was amended to December 1, 2005. Accordingly, the District has recorded a liability for its share of the assessment of \$75,000 as of June 30, 2005.

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

**(7) 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 \$410,502 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

**(8) Prior Period Adjustment**

During the year ended June 20, 2005, the District determined a building placed in service in 1994 was depreciated using a useful life of 20 years rather than 50 years, as required by policy. Accumulated depreciation for the building at June 30, 2004 was \$1,617,890 using a useful life of 20 years and \$647,156 using a useful life of 50 years, a difference of \$970,734. In addition, the District determined there was an error in the calculation of salaries and benefits payable for the year ended June 30, 2004.

The restatement of net assets as of July 1, 2004 is follows:

	<u>Governmental</u> <u>Activities</u>	<u>General</u> <u>Fund</u>
Net assets June 30, 2004, as previously reported	\$ 4,416,746	1,517,854
Adjustment to accumulated depreciation	970,734	-
Adjustment for miscalculation	(76,929)	(76,929)
	<u>5,310,551</u>	<u>1,440,925</u>
Net assets July 1, 2004, as restated	\$ 5,310,551	1,440,925

**Clarke Community School District**

**Required Supplementary Information**

Clarke Community School District

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

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Revenues:			
Local sources	\$ 5,203,728	289,660	5,493,388
State sources	6,221,414	6,932	6,228,346
Federal sources	685,694	273,433	959,127
Total receipts	<u>12,110,836</u>	<u>570,025</u>	<u>12,680,861</u>
Expenditures:			
Instruction	7,232,813	-	7,232,813
Support services	2,950,651	-	2,950,651
Non-instructional programs	22,898	573,190	596,088
Other expenditures	1,424,252	-	1,424,252
Total disbursements	<u>11,630,614</u>	<u>573,190</u>	<u>12,203,804</u>
Excess (deficiency) of receipts over (under) disbursements	480,222	(3,165)	477,057
Other financing sources, net	235	-	235
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	480,457	(3,165)	477,292
Balances beginning of year, as restated	<u>2,019,140</u>	<u>262,644</u>	<u>2,281,784</u>
Balances end of year	<u>\$ 2,499,597</u>	<u>259,479</u>	<u>2,759,076</u>

See accompanying independent auditor's report.

Less Funds Not Required to be Budgeted	Net	Original and Final Budgeted Amounts	Budget to Net Variance
(26,649)	5,466,739	5,367,943	98,796
-	6,228,346	6,307,439	(79,093)
-	959,127	736,000	223,127
(26,649)	12,654,212	12,411,382	242,830
-	7,232,813	8,254,307	1,021,494
-	2,950,651	3,553,600	602,949
(27,109)	568,979	848,709	279,730
-	1,424,252	1,418,886	(5,366)
(27,109)	12,176,695	14,075,502	1,898,807
(460)	477,517	(1,664,120)	2,141,637
-	235	-	235
(460)	477,752	(1,664,120)	2,141,872
5,840	2,275,944	2,253,670	22,274
5,380	2,753,696	589,550	2,164,146

Clarke Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2005

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. The District did not amend the budget during the year.

During the year ended June 30, 2005, disbursements in the other expenditures function exceeded the amount budgeted.

**Other Supplementary Information**



**Clarke Community School District**

## Clarke Community School District

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2005

	Special Revenue			Capital Projects		Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	School Infrastructure Local Option	
<b>Assets</b>						
Cash and pooled investments	\$ 187,181	108,327	139,028	(1,077)	202,740	636,199
Receivables:						
Property tax:						
Delinquent	5,522	-	9,694	8,126	-	23,342
Succeeding year	158,000	-	232,000	220,000	-	610,000
Accounts	-	23	-	-	-	23
Due from other governments	-	-	82,817	-	229,911	312,728
<b>Total assets</b>	<b>\$ 350,703</b>	<b>108,350</b>	<b>463,539</b>	<b>227,049</b>	<b>432,651</b>	<b>1,582,292</b>
<b>Liabilities and Fund Equity</b>						
Liabilities:						
Accounts payable	\$ 1,703	10,550	40,122	-	-	52,375
Salaries and benefits payable	-	2,889	-	-	-	2,889
Due to Agency Fund	-	-	25,000	-	-	25,000
Deferred revenue:						
Succeeding year property tax	158,000	-	232,000	220,000	-	610,000
Other	1,491	-	2,388	2,194	-	6,073
Total liabilities	161,194	13,439	299,510	222,194	-	696,337
Fund equity:						
Fund balances:						
Reserved for debt service	-	-	-	4,855	-	4,855
Unreserved, reported in:						
Special revenue funds	189,509	94,911	164,029	-	-	448,449
Capital projects funds	-	-	-	-	432,651	432,651
Total fund equity	189,509	94,911	164,029	4,855	432,651	885,955
<b>Total liabilities and fund equity</b>	<b>\$ 350,703</b>	<b>108,350</b>	<b>463,539</b>	<b>227,049</b>	<b>432,651</b>	<b>1,582,292</b>

See accompanying independent auditor's report.

**Schedule 2**

Clarke Community School District

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

Year ended June 30, 2005

	Special Revenue			Capital Projects			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	High School Additions	School Infrastructure Local Option	
<b>Revenues:</b>							
Local sources:							
Local tax	\$ 154,109	-	452,210	226,745	-	629,580	1,462,644
Other	3,519	239,397	2,737	1,730	134	1,090	248,607
State sources	119	-	191	176	-	-	486
Federal sources	-	-	82,285	-	-	-	82,285
Total revenues	157,747	239,397	537,423	228,651	134	630,670	1,794,022
<b>Expenditures:</b>							
Current:							
Instruction:							
Regular instruction	57,685	-	4,469	-	-	-	62,154
Special instruction	3,632	-	-	-	-	-	3,632
Other instruction	1,616	249,981	-	-	-	-	251,597
Support services:							
Student services	905	-	-	-	-	-	905
Instructional staff services	641	-	-	-	-	-	641
Administration services	22,011	-	-	-	-	-	22,011
Operation and maintenance of plant services	58,078	-	40,122	-	-	-	98,200
Transportation services	27,349	-	-	-	-	-	27,349
Non-instructional programs	6,043	-	-	-	-	-	6,043
Other expenditures:							
Facilities acquisition	-	-	354,730	-	-	-	354,730
Long-term debt:							
Principal	-	-	-	386,300	-	-	386,300
Interest and other charges	-	-	-	272,720	-	-	272,720
Total expenditures	177,960	249,981	399,321	659,020	-	-	1,486,282
Excess (deficiency) of revenues over (under) expenditures	(20,213)	(10,584)	138,102	(430,369)	134	630,670	307,740
<b>Other financing sources (uses):</b>							
Operating transfers in	-	-	-	394,583	-	-	394,583
Operating transfers out	-	-	(158,817)	-	(31,718)	(204,048)	(394,583)
Total other financing sources (uses)	-	-	(158,817)	394,583	(31,718)	(204,048)	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(20,213)	(10,584)	(20,715)	(35,786)	(31,584)	426,622	307,740
Fund balances beginning of year	209,722	105,495	184,744	40,641	31,584	6,029	578,215
Fund balances end of year	\$ 189,509	94,911	164,029	4,855	-	432,651	885,955

See accompanying independent auditor's report.

## Clarke Community School District

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

Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expend- itures	Balance End of Year
Pop Music	\$ 1,147	(461)	-	686
Pop Athletics	992	3,269	3,000	1,261
Athletics	2,008	7,167	9,306	(131)
Publications	6,168	8,439	10,050	4,557
High School Band	9,897	37,522	37,490	9,929
High School Co-curricular	924	820	295	1,449
High School Vocal Music	15,542	23,169	25,612	13,099
Cheerleaders	3,364	7,484	8,042	2,806
Speech/Debate	439	2,672	3,021	90
FFA	6,197	19,350	19,831	5,716
FHA	855	13	-	868
Medical Careers Club	146	3	-	149
Boys Basketball	5,236	7,236	2,921	9,551
Football	10,372	13,524	12,823	11,073
Baseball	(2,094)	4,912	5,844	(3,026)
Boys Track	2,187	3,484	4,220	1,451
Wrestling	-	3,756	3,756	-
Cross Country	-	384	384	-
Tennis	(119)	-	(89)	(30)
Girls Basketball	3,159	4,305	3,012	4,452
Volleyball	1,344	4,628	3,373	2,599
Softball	(424)	5,242	7,085	(2,267)
Girls Track	2,511	3,173	5,684	-
Camp - Boys Basketball	51	842	415	478
Camp - Football	789	3,701	3,439	1,051
Camp - Wrestling	57	1	-	58
Camp - Girls Basketball	777	6	630	153
Camp - Volleyball	662	10	-	672
Spanish Club	1,167	19	-	1,186
High School Student Council	783	1,804	2,462	125
Thespians	3,669	5,229	6,854	2,044

**Schedule 3**

## Clarke Community School District

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

Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expend- itures	Balance End of Year
Class of:				
2005	411	44	322	133
2006	3,881	3,234	5,365	1,750
2007	3,357	52	-	3,409
2008	2,855	44	-	2,899
2009	-	7,523	4,975	2,548
Art Club	6,708	4,791	5,611	5,888
Concessions	1,482	33,070	35,821	(1,269)
American Field Service	2,137	34	-	2,171
Vending Machine - Art/Cheerleaders	310	-	-	310
TOUCH	415	6	-	421
Get A Grip	37	1	-	38
Media Club	422	40	-	462
Athletic Resale	(4,447)	2,709	4,863	(6,601)
Video/TV	-	-	-	-
Drill Team	560	3,420	2,379	1,601
Special Olympics	-	84	-	84
Elementary/Junior High Band Contest	-	60	60	-
Junior High Student Council	1,489	813	674	1,628
Elementary Student Council	6,161	4,799	3,851	7,109
After Prom	1,911	6,970	6,600	2,281
Total	\$ 105,495	239,397	249,981	94,911

See accompanying independent auditor's report.

## Clarke Community School District

Schedule of Changes in Fiduciary Assets and Liabilities –  
Agency Fund

Year ended June 30, 2005

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 88,170	169,614	179,908	77,876
Due from other governments	2,657	2,180	2,657	2,180
Due from Special Revenue Funds	-	25,000	-	25,000
<b>Total assets</b>	<b>\$ 90,827</b>	<b>196,794</b>	<b>182,565</b>	<b>105,056</b>
<b>Liabilities</b>				
Accounts payable	\$ 4,720	6,066	4,720	6,066
Trusts payable	86,107	190,728	177,845	98,990
<b>Total liabilities</b>	<b>\$ 90,827</b>	<b>196,794</b>	<b>182,565</b>	<b>105,056</b>

See accompanying independent auditor's report.

**Schedule 5**

## Clarke Community School District

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

For the Last Four Years

	Modified Accrual Basis			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 4,422,423	4,191,392	3,736,749	3,627,428
Tuition	345,637	333,122	389,967	344,846
Other	435,668	377,892	396,302	396,875
State sources	6,221,414	5,959,245	6,044,538	5,900,376
Federal sources	685,694	699,462	428,237	481,141
Total	\$ 12,110,836	11,561,113	10,995,793	10,750,666
Expenditures:				
Instruction:				
Regular instruction	\$ 4,344,951	4,118,312	3,962,238	3,961,982
Special instruction	2,251,134	2,091,487	1,515,063	1,389,211
Other instruction	636,728	572,922	1,109,364	1,121,804
Support services:				
Student services	284,522	337,336	356,596	340,812
Instructional staff services	317,425	321,255	366,422	533,314
Administration services	1,027,301	997,654	975,611	969,383
Operation and maintenance of plant services	888,722	817,383	685,159	650,481
Transportation services	432,681	463,895	397,987	371,043
Non-instructional programs	22,898	11,691	8,366	7,120
Other expenditures:				
Facilities acquisition	354,730	192,537	264,798	464,039
Long-term debt:				
Principal	386,300	364,902	348,870	338,186
Interest and other charges	272,720	286,673	301,855	317,584
Other	-	-	300	150
AEA flowthrough	410,502	410,482	433,289	429,027
Total	\$ 11,630,614	10,986,529	10,725,918	10,894,136

See accompanying independent auditor's report.

Clarke Community School District  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2005

Grantor/Program	CFDA Number	Grant Number	Expen- ditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Donation (non-cash)	10.550	FY05	\$ 36,432
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY05	37,897
National School Lunch Program	10.555	FY05	199,104
			<u>237,001</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	1211GC	57,075
Title I Grants to Local Educational Agencies	84.010	1211G	151,835
			<u>208,910</u>
Migrant Education - State Grant Program	84.011	1211M	<u>33,628</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY05	<u>16,855</u>
Fund for the Improvement of Education	84.215	FY05	<u>82,285</u>
State Grants for Innovative Programs	84.298	FY05	<u>3,628</u>
Improving Teacher Quality State Grants	84.367	FY05	<u>144,795</u>
Grants for State Assessments and Related Activities	84.369	FY05	<u>9,839</u>
Green Valley Area Education Agency:			
Special Education - Grants to States	84.027	FY05	<u>75,409</u>
Vocational Education - Basic Grants to States	84.048	FY05	<u>18,420</u>
Iowa Department of Education - Division of Vocational Rehabilitation Services:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	04-TAP-02	8,869
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	05-TAP-02	26,556
			<u>35,425</u>
Total			<u>\$ 902,627</u>

**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.



**Clarke Community School District**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

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, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 30, 2005. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

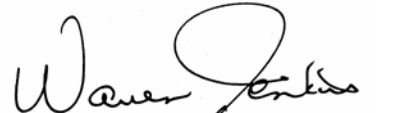
As part of obtaining reasonable assurance about whether Clarke Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 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

August 30, 2005

**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

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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, 2005. 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, 2005.


Internal Control Over Compliance

The management of Clarke Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Clarke Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

August 30, 2005

Clarke Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2005

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
  - Clustered programs:
    - CFDA Number 10.553 – School Breakfast Program
    - CFDA Number 10.555 – National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$500,000.
- (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, 2005

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

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

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

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, 2005

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

IV-A-05 Official Depositories – Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

IV-B-05 Certified Budget – Expenditures for the year ended June 30, 2005 exceeded the certified budgeted amount in the other expenditures function.

Recommendation – The certified budget should have been amended as required by Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – We will amend future budgets as needed.

Conclusion – Response accepted.

IV-C-05 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-D-05 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-E-05 Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-F-05 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-G-05 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-H-05 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

IV-I-05 Deposits and Investments – Except as noted below, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

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

Clarke Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2005

IV-J-05 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-K-05 Capital Projects Fund – A Capital Projects Fund was not established to account for the construction of the concession stand.

Recommendation – A separate account should have been established to assist the District in maintaining better financial control and accountability over the project.

Response – We will set up a Capital Projects Fund for this type of project in the future.

Conclusion – Response accepted.

IV-L-05 Bidding – Chapter 73A.18 of the Code of Iowa requires bids when the estimated total cost of construction, erection, demolition, alternation or repair of a public improvement exceeds twenty-five thousand dollars.

A contract was entered into by the District for \$40,750 to construct a concession and bathroom facility without bids.

Recommendation – The School District should require bidding for projects over \$25,000 as required by the Code of Iowa.

Response – We will take bids on future projects over \$25,000.

Conclusion – Response accepted.

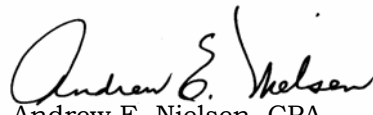
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Clarke Community School District

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager  
Sheila M. Jensen, Staff Auditor  
Michelle L. Harris, Assistant Auditor  
Karen J. Kibbe, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State