



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

February 10, 2015

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

The District's revenues totaled \$18,071,154 for the year ended June 30, 2014, an 8.1% increase over the prior year. The revenues included \$4,812,649 in local tax, \$1,260,555 in statewide sales, services and use tax, \$311,301 in income surtax, charges for service of \$884,062, operating grants, contributions and restricted interest of \$2,977,363, capital grants, contributions and restricted interest of \$30,118, unrestricted investment earnings of \$69,985, unrestricted state grants of \$7,453,900 and other general revenues of \$271,221.

Expenses for District operations for the year ended June 30, 2014 totaled \$15,856,104, a 1.4% decrease from the prior year, and included \$6,133,448 for regular instruction, \$2,278,746 for special instruction and \$1,417,091 for other instruction.

A copy of the audit report is available for review in the District Secretary's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1430-1211-B00F.pdf>.

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CLARKE COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2014

Table of Contents

		<u>Page</u>
Officials		4
Independent Auditor’s Report		5-7
Management’s Discussion and Analysis		9-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18-19
Statement of Activities	B	20-21
Governmental Fund Financial Statements:		
Balance Sheet	C	22
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	23
Statement of Revenues, Expenditures and Changes in Fund Balances	E	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	25
Proprietary Fund Financial Statements:		
Statement of Net Position	G	26
Statement of Revenues, Expenses and Changes in Fund Net Position	H	27
Statement of Cash Flows	I	28-29
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	30
Statement of Changes in Fiduciary Net Position	K	31
Notes to Financial Statements		32-44
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund		46-47
Notes to Required Supplementary Information – Budgetary Reporting		48
Schedule of Funding Progress for the Retiree Health Plan		49
Schedule of Funding Progress for the Supplemental Pension Plan		50
Schedule of Employer Contributions for the Supplemental Pension Plan		51
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	54
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	55
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	56-57
Capital Projects Accounts:		
Combining Balance Sheet	4	58
Combining Schedule of Revenues, Expenditures and Changes in Balances	5	59
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	6	61
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	7	62-63
Schedule of Expenditures of Federal Awards	8	64

	<u>Page</u>
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 <u>Government Auditing Standards</u>	65-66
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133	69-70
Schedule of Findings and Questioned Costs	71-75
Staff	76

Clarke Community School District

Officials

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

(Before September 2013 Election)

Gerard Linskens	President	2013
Larry Gibbs	Vice President	2013
Jim Audlehelm	Board Member	2013
Kelly Bailey	Board Member	2015
James Bair	Board Member	2015
Lori Helgevold	Board Member	2015
Steve O'Tool	Board Member	2015

(After September 2013 Election)

Gerard Linskens	President	2017
James Bair	Vice President	2015
Kelly Bailey	Board Member	2015
Lori Helgevold	Board Member	2015
Steve O'Tool	Board Member	2015
Joseph Deutsch	Board Member	2017
Dena White	Board Member	2017

School Officials

Benita Gonzales	Superintendent	June 30, 2014
Steve Seid (Appointed)	Superintendent	Indefinite
Ruth White	District Secretary/Treasurer and Business Manager	Indefinite
Danielle Hainfield, Ahlers & Cooney Law, P.C.	Attorney	Indefinite



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Independent Auditor's Report

To the Board of Education of
Clarke Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clarke Community School District, Osceola, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clarke Community School District as of June 30, 2014, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedules of Funding Progress for the Retiree Health and Supplemental Pension Plans and the Schedule of Employer Contributions for the Supplemental Pension Plan on pages 9 through 16 and 46 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Supplementary Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clarke Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 29, 2014 on our consideration of Clarke Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Clarke Community School District's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 29, 2014

Clarke Community School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clarke Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$13,360,972 in fiscal year 2013 to \$14,552,417 in fiscal year 2014, while General Fund expenditures increased from \$13,434,057 in fiscal year 2013 to \$13,766,520 in fiscal year 2014. The District's General Fund balance increased from \$2,121,674 at the end of fiscal year 2013 to \$2,813,571 at the end of fiscal year 2014, a 32.6% increase.
- The increase in General Fund revenues was primarily attributable to an increase in state sources and local tax revenue. The increase in expenditures was due primarily to increases in spending for regular instruction, special instruction and operations and maintenance of plant services and included a 3.5% increase in negotiated salaries.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedules of Funding Progress for the Retiree Health and Supplemental Pension Plans and a Schedule of Employer Contributions for the Supplemental Pension Plan.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

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

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

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

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund. Internal

Service Funds, the other type of proprietary fund, are optional and available to report activities that provide supplies and services for other District programs and activities. The District currently has one Internal Service Fund, the Flex Spending Fund.

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

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants as a fiscal agent.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The analysis which follows provides a summary of the District’s net position at June 30, 2014 compared to June 30, 2013.

	Condensed Statement of Net Position						
	(Expressed in Thousands)						
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2014 2013		June 30, 2014 2013		June 30, 2014 2013		June 30, 2013-2014
Current and other assets	\$ 11,699	10,482	182	115	11,881	10,597	1,284
Capital assets	12,136	11,856	91	101	12,227	11,957	270
Total assets	23,835	22,338	273	216	24,108	22,554	1,554
Long-term liabilities	2,435	3,037	11	8	2,446	3,045	(599)
Other liabilities	1,595	1,652	56	55	1,651	1,707	(56)
Total liabilities	4,030	4,689	67	63	4,097	4,752	(655)
Deferred inflows of resources	4,321	4,328	-	-	4,321	4,328	(7)
Net position:							
Net investment in capital assets	10,376	9,691	91	101	10,467	9,792	675
Restricted	2,697	1,834	-	-	2,697	1,834	863
Unrestricted	2,411	1,796	115	52	2,526	1,848	678
Total net position	\$ 15,484	13,321	206	153	15,690	13,474	2,216

The District's total net position increased 16.4%, or approximately \$2,216,000, over the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. This net position category increased 6.9%, or approximately \$675,000, over the prior year, primarily due to completion of a roof repair project for the middle school and the purchase of four new buses and two new minivans.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$863,000, or 47.1%, over the prior year. The increase is primarily due to the District not starting any major capital projects in the year ended June 30, 2014 and receiving \$1,261,000 in statewide sales, service and use tax.

Unrestricted net position - the part of net position which can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased approximately \$678,000, or 36.7%.

The analysis which follows shows the change in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

	Change in Net Position						
	(Expressed in Thousands)						
	Governmental Activities		Business Type Activities		Total District		Total Change
2014	2013	2014	2013	2014	2013	2013-2014	
Revenues:							
Program revenues:							
Charges for service	\$ 645	578	240	229	885	807	78
Operating grants, contributions and restricted interest	2,496	2,246	481	447	2,977	2,693	284
Capital grants, contributions and restricted interest	30	26	-	-	30	26	4
General revenues:							
Property tax	4,813	4,559	-	-	4,813	4,559	254
Statewide sales, services and use tax	1,261	1,165	-	-	1,261	1,165	96
Income surtax	311	295	-	-	311	295	16
Unrestricted state grants	7,454	6,987	-	-	7,454	6,987	467
Unrestricted investment earnings	70	75	-	-	70	75	(5)
Other	271	116	-	-	271	116	155
Total revenues	17,351	16,047	721	676	18,072	16,723	1,349
Program expenses:							
Instruction	9,829	9,621	-	-	9,829	9,621	208
Support services	4,315	4,835	-	-	4,315	4,835	(520)
Non-instructional programs	13	13	668	651	681	664	17
Other expenses	1,031	963	-	-	1,031	963	68
Total expenses	15,188	15,432	668	651	15,856	16,083	(227)
Change in net position	2,163	615	53	25	2,216	640	1,576
Net position beginning of year	13,321	12,706	153	128	13,474	12,834	640
Net position end of year	\$ 15,484	13,321	206	153	15,690	13,474	2,216

In fiscal year 2014, property tax and unrestricted state grants accounted for 70.7% of governmental activities revenues while charges for service and operating grants, contributions and restricted interest accounted for 100% of business type activities revenue. The District's total revenues were approximately \$18.1 million, of which approximately \$17.4 million was for governmental activities and approximately \$.7 million was for business type activities.

As shown in the analysis, the District as a whole experienced an 8.1% increase in revenues and a 1.4% decrease in expenses. Property tax increased approximately \$254,000 to fund increases in instruction expenses.

Governmental Activities

Revenues for governmental activities were \$17,350,570 and expenses were \$15,188,104 for the year ended June 30, 2014.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2014 compared to the year ended June 30, 2013.

	Total and Net Cost of Governmental Activities			
	(Expressed in Thousands)			
	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction	\$ 9,829	9,621	7,311	7,373
Support services	4,315	4,835	4,272	4,784
Non-instructional programs	13	13	13	13
Other expenses	1,031	963	421	411
Total	\$ 15,188	15,432	12,017	12,581

- The cost financed by users of the District's programs was \$644,661.
- Federal and state governments subsidized certain operating programs with grants and contributions totaling \$2,496,180.
- The net cost of governmental activities was financed with \$6,384,505 of property and other tax and \$7,453,900 of unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2014 were \$720,584, representing a 6.6% increase over the prior year, while expenses totaled \$668,000, a 2.6% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Clarke Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$5,479,332, a 28.5% increase over last year's ending fund balance of \$4,264,172.

Governmental Fund Highlights

- The General Fund balance increased from \$2,121,674 at June 30, 2013 to \$2,813,571 at June 30, 2014, due primarily to increases in local tax revenue and an increase in revenue from state sources.
- The Capital Projects Fund balance increased from \$1,742,136 at June 30, 2013 to \$2,110,672 at June 30, 2014. Revenues decreased 3.1% from the prior year due to a decrease in revenue from sources other than local tax. Expenditures decreased 33.5% from the prior year due to the District not undertaking any major capital projects in the year ended June 30, 2014.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$153,417 at June 30, 2013 to \$206,001 at June 30, 2014, representing an increase of approximately 34.3%. This increase was primarily due to an increase in Federal school nutrition program revenues. Expenses increased approximately 2.6% due to an increase in the cost of supplies.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on a GAAP basis. No budget amendments were certified during fiscal year 2014.

The District's total revenues were \$236,196 less than budgeted revenues, a variance of 1.3%. The variance resulted from the District receiving less federal aid than originally anticipated. The coding of the receipt of the statewide sales, services and use tax changed during fiscal year 2014 to state sources. However, the receipt of those funds was budgeted as local sources.

Total expenditures were \$3,260,312 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. As a result, the District's certified budget should always exceed actual expenditures for the year.

The District's certified budget was not exceeded in any program function.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested approximately \$12.23 million, net of accumulated depreciation, in a broad range of capital assets, including a recently constructed administration and alternative classroom building, recently remodeled school buildings not significantly depreciated, athletic facilities, computer and audio-visual equipment and vehicles. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Total depreciation expense for the year was \$575,036.

The original cost of the District's capital assets was approximately \$20.3 million. Governmental funds account for approximately \$19.9 million, with the remaining \$.4 million accounted for in the Proprietary, School Nutrition Fund.

Capital Assets, net of Depreciation						
(expressed in thousands)						
	Governmental		Business Type		Total	
	Activities		Activities		District	
	June 30,		June 30,		June 30,	
	2014	2013	2014	2013	2014	2013
Land	\$ 78	78	-	-	78	78
Construction in progress	-	300	-	-	-	300
Buildings	10,580	10,146	-	-	10,580	10,146
Improvements other than buildings	631	682	-	-	631	682
Furniture and equipment	847	650	91	101	938	751
Total	\$ 12,136	11,856	91	101	12,227	11,957

Long-Term Liabilities

At June 30, 2014, the District had approximately \$2,445,000 of general obligation bonds and other long-term liabilities outstanding. This represents a decrease of approximately 19.5% from last year. Additional information about the District's long-term liabilities is presented in Notes 5, 9 and 10 to the financial statements.

The District had total outstanding general obligation bonded indebtedness at June 30, 2014 of \$1,760,000.

Outstanding Long-Term Liabilities			
(expressed in thousands)			
	Total		Total
	District		Change
	June 30,		June 30,
	2014	2013	2013-2014
General obligation bonds	\$ 1,760	2,165	-18.7%
Lease purchase agreements	194	383	-49.3%
Compensated absences	39	37	5.4%
Net OPEB liability	211	150	40.7%
Net pension liability	241	302	-20.2%
Total	\$ 2,445	3,037	-19.5%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Statewide sales, services and use tax revenues had a significant impact on roofing and building improvement projects. These funds will also be used to decrease property tax for repaying the physical plant and equipment levy capital loan notes.
- District enrollment increased in fiscal 2013-2014. Under Iowa's school funding formula, District funding is highly dependent upon District enrollment. Projections indicate the District will continue to remain steady.
- New industries have been relocating to Osceola.
- Grants are being sought to help with educational improvements in the District.
- A one to one iPad initiative has been implemented in the District.
- Several building improvements are being done to keep facilities in good condition.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Steve Seid, Superintendent, or Ruth White, Business Manager, Clarke Community School District, 802 N. Jackson Street, Osceola, Iowa 50213.

Basic Financial Statements

Exhibit A

Clarke Community School District

Statement of Net Position

Year ended June 30, 2014

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 6,122,940	172,456	6,295,396
Receivables:			
Property tax:			
Delinquent	58,852	-	58,852
Succeeding year	4,321,000	-	4,321,000
Accounts	95,359	1,226	96,585
Due from other governments	1,021,305	-	1,021,305
Inventories	-	5,296	5,296
Prepaid insurance	78,821	2,876	81,697
Capital assets, net of accumulated depreciation	12,136,388	90,841	12,227,229
Total assets	23,834,665	272,695	24,107,360
Liabilities			
Accounts payable	11,493	616	12,109
Salaries and benefits payable	1,356,079	44,901	1,400,980
Due to other governments	208,247	-	208,247
Accrued interest payable	11,688	-	11,688
Advances from grantors	7,789	-	7,789
Unearned student meals	-	10,617	10,617
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	420,000	-	420,000
Lease purchase agreements	193,788	-	193,788
Compensated absences	38,887	-	38,887
Portion due after one year:			
General obligation bonds	1,340,000	-	1,340,000
Net OPEB liability	200,640	10,560	211,200
Net pension liability	241,200	-	241,200
Total liabilities	4,029,811	66,694	4,096,505
Deferred Inflows of Resources			
Unavailable property tax revenue	4,321,000	-	4,321,000

Clarke Community School District

Statement of Net Position

Year ended June 30, 2014

	Governmental Activities	Business Type Activities	Total
Net position			
Net investment in capital assets	10,376,388	90,841	10,467,229
Restricted for:			
Categorical funding	180,203	-	180,203
Management levy purposes	171,379	-	171,379
Physical plant and equipment levy	498,228	-	498,228
School infrastructure	1,714,794	-	1,714,794
Student activities	131,979	-	131,979
Unrestricted	2,410,883	115,160	2,526,043
Total net position	\$ 15,483,854	206,001	15,689,855

See notes to financial statements.

Clarke Community School District

Statement of Activities

Year ended June 30, 2014

	Expenses	Program Revenues		Capital Grants, Contributions and Restricted Interest
		Charges for Service	Operating Grants, Contributions and Restricted Interest	
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 6,133,448	200,082	1,233,170	-
Special instruction	2,278,746	122,975	226,525	-
Other instruction	1,417,091	306,091	429,702	-
	<u>9,829,285</u>	<u>629,148</u>	<u>1,889,397</u>	<u>-</u>
Support services:				
Student services	612,326	-	26,493	-
Instructional staff services	420,238	474	-	-
Administration services	1,320,678	9,172	-	-
Operation and maintenance of plant services	1,211,359	5,867	-	-
Transportation services	749,805	-	-	-
	<u>4,314,406</u>	<u>15,513</u>	<u>26,493</u>	<u>-</u>
Non-instructional programs	<u>13,185</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	-	-	-	30,118
Long-term debt interest	81,109	-	2,114	-
AEA flowthrough	578,176	-	578,176	-
Depreciation (unallocated)*	371,943	-	-	-
	<u>1,031,228</u>	<u>-</u>	<u>580,290</u>	<u>30,118</u>
Total governmental activities	<u>15,188,104</u>	<u>644,661</u>	<u>2,496,180</u>	<u>30,118</u>
Business type activities:				
Non-instructional programs:				
Food service operations	668,000	239,401	481,183	-
Total	<u>\$ 15,856,104</u>	<u>884,062</u>	<u>2,977,363</u>	<u>30,118</u>

General Revenues:

Property tax levied for:	
General purposes	
Capital outlay	
Statewide sales, services and use tax	
Income surtax	
Unrestricted state grants	
Unrestricted investment earnings	
Gain from disposition of capital assets	
Other	
Total general revenues	
Change in net position	
Net position beginning of year	
Net position end of year	

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business Type Activities	Total
(4,700,196)	-	(4,700,196)
(1,929,246)	-	(1,929,246)
(681,298)	-	(681,298)
(7,310,740)	-	(7,310,740)
(585,833)	-	(585,833)
(419,764)	-	(419,764)
(1,311,506)	-	(1,311,506)
(1,205,492)	-	(1,205,492)
(749,805)	-	(749,805)
(4,272,400)	-	(4,272,400)
(13,185)	-	(13,185)
30,118	-	30,118
(78,995)	-	(78,995)
-	-	-
(371,943)	-	(371,943)
(420,820)	-	(420,820)
(12,017,145)	-	(12,017,145)
-	52,584	52,584
(12,017,145)	52,584	(11,964,561)
\$ 4,567,572	-	4,567,572
245,077	-	245,077
1,260,555	-	1,260,555
311,301	-	311,301
7,453,900	-	7,453,900
69,985	-	69,985
10,345	-	10,345
260,876	-	260,876
14,179,611	-	14,179,611
2,162,466	52,584	2,215,050
13,321,388	153,417	13,474,805
\$ 15,483,854	206,001	15,689,855

Clarke Community School District

Balance Sheet
Governmental Funds

June 30, 2014

	General	Capital Projects	Nonmajor	Total
Assets				
Cash, cash equivalents and pooled investments	\$ 3,934,450	1,622,789	547,502	6,104,741
Receivables:				
Property tax:				
Delinquent	48,727	3,062	7,063	58,852
Succeeding year	3,609,000	248,000	464,000	4,321,000
Accounts	93,350	-	2,009	95,359
Due from other governments	240,246	780,959	100	1,021,305
Prepaid insurance	75,901	-	2,920	78,821
Total assets	\$ 8,001,674	2,654,810	1,023,594	11,680,078
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 8,743	-	2,750	11,493
Salaries and benefits payable	1,354,324	-	1,755	1,356,079
Due to other governments	208,247	-	-	208,247
Advances from grantors	7,789	-	-	7,789
Total liabilities	1,579,103	-	4,505	1,583,608
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	3,609,000	248,000	464,000	4,321,000
Other	-	296,138	-	296,138
Total deferred inflows of resources	3,609,000	544,138	464,000	4,617,138
Fund balances:				
Nonspendable:				
Prepaid insurance	75,901	-	2,920	78,821
Restricted for:				
Categorical funding	180,203	-	-	180,203
Management levy purposes	-	-	409,659	409,659
Student activities	-	-	131,979	131,979
Debt service	-	-	10,531	10,531
School infrastructure	-	1,714,794	-	1,714,794
Physical plant and equipment	-	395,878	-	395,878
Unassigned	2,557,467	-	-	2,557,467
Total fund balances	2,813,571	2,110,672	555,089	5,479,332
Total liabilities, deferred inflows of resources and fund balances	\$ 8,001,674	\$ 2,654,810	\$ 1,023,594	11,680,078

See notes to financial statements.

Clarke Community School District

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

June 30, 2014

Total fund balances of governmental funds (page 22) \$ 5,479,332

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 12,136,388

The Internal Service Fund is used by management to charge the costs of the District's flexible benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. 18,199

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 296,138

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds. (11,688)

Long-term liabilities, including bonds payable, lease purchase agreements payable, compensated absences payable, net OPEB liability and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (2,434,515)

Net position of governmental activities (page 19) \$ 15,483,854

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, 2014

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 3,995,751	497,181	571,821	5,064,753
Tuition	209,509	-	-	209,509
Other	384,085	52,902	355,698	792,685
State sources	9,485,147	1,260,680	298	10,746,125
Federal sources	477,925	-	-	477,925
Total revenues	14,552,417	1,810,763	927,817	17,290,997
Expenditures:				
Current:				
Instruction:				
Regular instruction	6,041,444	-	56,176	6,097,620
Special instruction	2,268,549	-	6,398	2,274,947
Other instruction	1,095,703	-	326,744	1,422,447
	9,405,696	-	389,318	9,795,014
Support services:				
Student services	609,980	-	976	610,956
Instructional staff services	365,803	54,236	836	420,875
Administration services	1,220,959	81,600	21,666	1,324,225
Operation and maintenance of plant services	1,017,670	128,104	81,284	1,227,058
Transportation services	578,236	363,642	65,426	1,007,304
	3,792,648	627,582	170,188	4,590,418
Non-instructional programs	-	-	13,185	13,185
Other expenditures:				
Facilities acquisition	-	420,292	-	420,292
Long-term debt:				
Principal	-	-	594,017	594,017
Interest and other charges	-	-	84,735	84,735
AEA flowthrough	578,176	-	-	578,176
	578,176	420,292	678,752	1,677,220
Total expenditures	13,776,520	1,047,874	1,251,443	16,075,837
Excess (deficiency) of revenues over (under) expenditures	775,897	762,889	(323,626)	1,215,160
Other financing sources (uses):				
Transfers in	-	-	478,353	478,353
Transfers out	(84,000)	(394,353)	-	(478,353)
Total other financing sources (uses)	(84,000)	(394,353)	478,353	-
Change in fund balances	691,897	368,536	154,727	1,215,160
Fund balances beginning of year	2,121,674	1,742,136	400,362	4,264,172
Fund balances end of year	\$ 2,813,571	2,110,672	555,089	5,479,332

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, 2014

Change in fund balances - total governmental funds (page 24) \$ 1,215,160

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

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

Expenditures for capital assets	\$ 840,531	
Depreciation expense	<u>(559,994)</u>	280,537

Certain revenues not collected for several months after year end are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds.		59,197
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Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		594,017
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(2,123)	
Net OPEB liability	(50,635)	
Net pension liability	61,300	
Interest on long-term debt	<u>3,626</u>	12,168

The Internal Service Fund is used by management to charge the costs of partial self funding of the District's flexible benefit plan to individual funds. The change in net position of the Internal Service Fund is reported in governmental activities.		<u>1,387</u>
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Change in net position of governmental activities (page 21) \$ 2,162,466

See notes to financial statements.

Clarke Community School District

Statement of Net Position
Proprietary Funds

June 30, 2014

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
Assets		
Current assets:		
Cash and cash equivalents	\$ 172,456	18,199
Accounts receivable	1,226	-
Inventories	5,296	-
Prepaid insurance	2,876	-
Total current assets	181,854	18,199
Noncurrent assets:		
Capital assets, net of accumulated depreciation	90,841	-
Total assets	272,695	18,199
Liabilities		
Current liabilities:		
Accounts payable	616	-
Salaries and benefits payable	44,901	-
Unearned student meals	10,617	-
Total current liabilities	56,134	-
Noncurrent liabilities:		
Net OPEB liability	10,560	-
Total liabilities	66,694	-
Net Position		
Net investment in capital assets	90,841	-
Unrestricted	115,160	18,199
Total net position	\$ 206,001	18,199

See notes to financial statements.

Clarke Community School District

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

Year ended June 30, 2014

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
Operating revenues:		
Local sources:		
Charges for service	\$ 239,401	-
Employee contributions	-	29,429
Total operating revenues	<u>239,401</u>	<u>29,429</u>
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	194,642	-
Benefits	99,441	-
Purchased services	11,009	-
Supplies	347,763	-
Other	103	-
Depreciation	15,042	-
Other	-	28,418
Total operating expenses	<u>668,000</u>	<u>28,418</u>
Operating gain/(loss)	<u>(428,599)</u>	<u>1,011</u>
Non-operating revenues:		
State sources	6,297	-
Federal sources	472,496	-
Interest income	2,390	376
Net non-operating revenues	<u>481,183</u>	<u>376</u>
Change in net position	52,584	1,387
Net position beginning of year	<u>153,417</u>	<u>16,812</u>
Net position end of year	<u>\$ 206,001</u>	<u>18,199</u>

See notes to financial statements.

Exhibit I

Clarke Community School District

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2014

	<u>Business Type Activities</u>	<u>Governmental Activities</u>
	Enterprise - School Nutrition	Internal Service - Flex Spending
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 239,093	-
Cash received from miscellaneous operating activities	-	29,429
Cash paid to suppliers for goods or services	(603,148)	(28,418)
Net cash provided (used) by operating activities	<u>(364,055)</u>	<u>1,011</u>
Cash flows from non-capital financing activities:		
State grants received	6,284	-
Federal grants received	425,645	-
Net cash provided by non-capital financing activities	<u>431,929</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(4,565)	-
Cash flows from investing activities:		
Interest on investments	2,390	376
Change in cash and cash equivalents	65,699	1,387
Cash and cash equivalents beginning of year	106,757	16,812
Cash and cash equivalents end of year	<u>\$ 172,456</u>	<u>18,199</u>

See notes to financial statements.

Clarke Community School District

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2014

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (428,599)	1,011
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Commodities used	46,851	-
Depreciation	15,042	-
Increase in accounts receivable	(308)	-
Increase in inventories	(510)	-
Increase in prepaid insurance	(8)	-
Decrease in accounts payables	(19)	-
Increase in salaries and benefits payable	776	-
Increase in other postemployment benefits	2,665	-
Decrease in unearned revenue	55	-
Net cash provided (used) by operating activities	<u>\$ (364,055)</u>	<u>1,011</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$46,851 of federal commodities.

See notes to financial statements.

Exhibit J

Clarke Community School District
Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2014

	<u>Private Purpose Trust</u>	<u>Agency</u>
	<u>Scholarship</u>	
Assets		
Cash and investments	\$ 44,708	109,405
Liabilities		
Trusts payable	<u>-</u>	<u>109,405</u>
Net Position		
Reserved for scholarships	<u>\$ 44,708</u>	<u>-</u>

See notes to financial statements.

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

Year ended June 30, 2014

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest income	\$ 3,083
Deductions:	
Support services:	
Scholarships awarded	500
Change in net position	2,583
Net position beginning of year	42,125
Net position end of year	\$ 44,708

See notes to financial statements.

Clarke Community School District

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

The Statement of Net Position presents the District's nonfiduciary assets, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

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

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary fund:

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current 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 position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1.5% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Intangibles:	
School Nutrition Fund	500
Other	50,000
Furniture and equipment:	
School Nutrition Fund	500
Other	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 years
Intangibles	5-10 years
Furniture and equipment	4-12 years

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

Advances from Grantors – Advances from grantors represents grant proceeds received by the District which will be spent in a subsequent fiscal year.

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, 2014. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

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

Deferred Inflows of Resources – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

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

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

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures did not exceed the amount budgeted in any program function.

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2014 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, 2014, the District's investments are as follows:

Type	Fair Value
Common stock	\$ 11,929

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

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	General	\$ 84,000
	Capital Projects:	
	Statewide Sales, Services and Use Tax	279,673
	Physical Plant and Equipment Levy	114,680
Total		\$ 478,353

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 78,000	-	-	78,000
Construction in progress	299,725	147,475	(447,200)	-
Total capital assets not being depreciated	<u>377,725</u>	<u>147,475</u>	<u>(447,200)</u>	<u>78,000</u>
Capital assets being depreciated:				
Buildings	15,150,306	742,134	-	15,892,440
Improvements other than buildings	1,608,376	13,593	-	1,621,969
Furniture and equipment	2,172,072	384,529	(298,199)	2,258,402
Total capital assets being depreciated	<u>18,930,754</u>	<u>1,140,256</u>	<u>(298,199)</u>	<u>19,772,811</u>
Less accumulated depreciation for:				
Buildings	5,004,578	307,190	-	5,311,768
Improvements other than buildings	926,392	64,753	-	991,145
Furniture and equipment	1,521,658	188,051	(298,199)	1,411,510
Total accumulated depreciation	<u>7,452,628</u>	<u>559,994</u>	<u>(298,199)</u>	<u>7,714,423</u>
Total capital assets being depreciated, net	<u>11,478,126</u>	<u>580,262</u>	<u>-</u>	<u>12,058,388</u>
Governmental activities capital assets, net	<u>\$11,855,851</u>	<u>727,737</u>	<u>(447,200)</u>	<u>12,136,388</u>
Business type activities:				
Furniture and equipment	\$ 399,172	4,565	(772)	402,965
Less accumulated depreciation	297,854	15,042	(772)	312,124
Business type activities capital assets, net	<u>\$ 101,318</u>	<u>(10,477)</u>	<u>-</u>	<u>90,841</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular instruction \$ 57,142

Other instruction 5,501

Support services:

Administration services 1,638

Operation and maintenance of plant services 18,673

Transportation services 105,097

188,051

Unallocated

371,943

Total depreciation expense - governmental activities

\$559,994

Business type activities:

Food service operations

\$ 15,042

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,165,000	-	405,000	1,760,000	420,000
Lease purchase agreements	382,805	-	189,017	193,788	193,788
Compensated absences	36,764	39,985	37,862	38,887	38,887
Net OPEB liability	150,005	69,540	18,905	200,640	-
Net pension liability	302,500	131,600	192,900	241,200	-
Total	\$ 3,037,074	241,125	843,684	2,434,515	652,675
	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 7,895	3,660	995	10,560	-

General Obligation Bonds

Details of the District's June 30, 2014 general obligation bond indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2008			
	Interest Rates	Principal	Interest	Total
2015	3.30%	\$ 420,000	61,915	481,915
2016	3.45	430,000	48,055	478,055
2017	3.60	450,000	33,220	483,220
2018	3.70	460,000	17,020	477,020
Total		\$ 1,760,000	160,210	1,920,210

During the year ended June 30, 2014, the District retired \$405,000 of general obligation bonds.

Lease Purchase Agreements

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

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

Details of the District's June 30, 2014 lease purchase agreements are as follows:

Year Ending June 30,	October 5, 2012			June 30, 2013			Total		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Principal	Interest	Total
2015	3.1%	\$ 70,012	2,170	2.2%	\$ 123,776	2,723	193,788	4,893	198,681

During the year ended June 30, 2014, the District paid principal of \$189,017 and interest of \$9,663 on the lease purchase agreements.

(6) Pension and Retirement Benefits

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

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$713,588, \$667,066 and \$596,315, respectively, equal to the required contributions for each year.

(7) Risk Management

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

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$578,176 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(9) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for retirees, employees and their spouses. There are 107 active and 13 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 84,600
Interest on net OPEB obligation	3,900
Adjustment to annual required contribution	<u>(15,300)</u>
Annual OPEB cost	73,200
Contributions made	<u>(19,900)</u>
Increase in net OPEB obligation	53,300
Net OPEB obligation beginning of year	<u>157,900</u>
Net OPEB obligation end of year	<u><u>\$ 211,200</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$19,900 to the medical plan. Plan members eligible for benefits contributed \$22,300, or 52.8% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 64,300	39.0%	\$ 103,900
2013	80,700	33.1	157,900
2014	73,200	27.2	211,200

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was approximately \$476,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$476,000. The covered payroll (annual payroll of active employees eligible for coverage by the plan) was approximately \$7,991,000 and the ratio of the UAAL to covered payroll was 5.96%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the

Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. An inflation rate of 0% is assumed for purposes of this computation.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000. A modest employee turnover rate was assumed for active employees. The assumed rate of retirement was determined by attained age after becoming eligible to retire and continuing health coverage.

Projected claim costs of the medical plan average \$550 per month for retirees less than age 65. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level dollar cost using a closed group method over 30 years.

(10) Supplemental Pension Plan

Plan Description – The District offers a supplemental pension (early retirement incentive) for all eligible employees who attain age 55 with 15 or more years of service, submit an application to the Superintendent, receive Board approval and retire by June 30 of the same year.

There are 173 active members in the plan as of June 30, 2014. The pension benefit is defined as:

- 50% of the value of the employee's unused accumulated sick leave using current salary per day x 50% of accumulated sick days, not to exceed 100 days, plus,
- 5% of the current salary times years of service over 15 years.

The maximum benefit is the lesser of the calculated benefit or \$20,000.

Funding Policy – Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for payment of future benefits. The District makes the contributions from the Special Revenue, Management Levy Fund.

Annual Pension Cost and Net Pension Obligation – The District's annual pension cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 27, as amended by GASB Statement No. 50. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual pension cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net pension obligation:

Annual required contribution	\$ 138,300
Interest on net pension obligation	4,400
Adjustment to annual required contribution	(11,100)
Annual pension cost	<u>131,600</u>
Contributions made	(192,900)
Decrease in net pension obligation	(61,300)
Net pension obligation beginning of year	<u>302,500</u>
Net pension obligation end of year	<u>\$ 241,200</u>

For calculation of the net pension obligation, the actuary has set the transition day as July 1, 2009. The end of year net pension obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$192,900 to the pension plan. The District's annual pension cost, the percentage of annual pension cost contributed to the plan and the net pension obligation are summarized as follows:

Year Ended June 30,	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2012	\$ 97,600	24.8%	\$ 262,900
2013	99,600	60.2	302,500
2014	131,600	146.6	241,200

Funded Status and Funding Progress – As of July 1, 2013, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$1,005,800, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,005,800. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,991,000 and the ratio of the UAAL to covered payroll was 12.6%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and employee retirement age. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Supplemental Pension Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2013 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. An inflation rate of 0% is assumed for purposes of this computation. The actuarial assumptions used for mortality rates, employee termination by age and group, employee retirement by age and group and others are similar to or identical to the GASB Statement No. 45 assumptions used to determine the OPEB. The UAAL is being amortized as a level dollar cost using a closed group method over 30 years.

(11) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the District's proportionate share of the employee pension plans.

Required Supplementary Information

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

Required Supplementary Information

Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Revenues:			
Local sources	\$ 6,066,947	271,596	6,338,543
State sources	10,746,125	6,297	10,752,422
Federal sources	477,925	472,496	950,421
Total revenues	<u>17,290,997</u>	<u>750,389</u>	<u>18,041,386</u>
Expenditures/Expenses:			
Instruction	9,795,014	-	9,795,014
Support services	4,590,418	15,042	4,605,460
Non-instructional programs	13,185	681,376	694,561
Other expenditures	1,677,220	-	1,677,220
Total expenditures/expenses	<u>16,075,837</u>	<u>696,418</u>	<u>16,772,255</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	1,215,160	53,971	1,269,131
Balances beginning of year	4,264,172	170,229	4,434,401
Balances end of year	<u>\$ 5,479,332</u>	<u>224,200</u>	<u>5,703,532</u>

See accompanying independent auditor's report.

Less Funds Not Required to be Budgeted	Net	Original/ Final Budgeted Amounts	Budget to Net Variance
29,805	6,308,738	7,416,462	(1,107,724)
-	10,752,422	9,681,315	1,071,107
-	950,421	1,150,000	(199,579)
29,805	18,011,581	18,247,777	(236,196)
-	9,795,014	11,208,000	1,412,986
-	4,605,460	5,846,800	1,241,340
28,418	666,143	749,500	83,357
-	1,677,220	2,199,849	522,629
28,418	16,743,837	20,004,149	3,260,312
1,387	1,267,744	(1,756,372)	3,024,116
16,812	4,417,589	2,242,054	2,175,535
18,199	5,685,333	485,682	5,199,651

Clarke Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not amend the budget.

During the year ended June 30, 2014, expenditures did not exceed the amount budgeted in any program function.

Clarke Community School District

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 503	503	0.0%	\$ 7,527	6.7%
2011	July 1, 2009	-	482	482	0.0	7,373	6.5
2012	July 1, 2009	-	436	436	0.0	7,389	5.9
2013	July 1, 2012	-	508	508	0.0	7,694	6.6
2014	July 1, 2012	-	476	476	0.0	7,991	6.0

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Clarke Community School District

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 893	893	0.0%	\$ 7,527	11.9%
2011	July 1, 2009	-	903	903	0.0	7,373	12.2
2012	July 1, 2011	-	838	838	0.0	7,389	11.3
2013	July 1, 2011	-	838	838	0.0	7,694	10.9
2014	July 1, 2013	-	1,006	1,006	0.0	7,991	12.6

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

See accompanying independent auditor's report.

Clarke Community School District
Schedule of Employer Contributions for the
Supplemental Pension Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2010	\$ 119	43	36%
2011	129	7	5
2012	105	24	23
2013	113	60	53
2014	138	193	140

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

See accompanying independent auditor's report.

Clarke Community School District

Supplementary Information

Schedule 1

Clarke Community School District

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2014

	Special Revenue			Total
	Management Levy	Student Activity	Debt Service	
Assets				
Cash, cash equivalents and pooled investments	\$ 405,097	134,375	8,030	547,502
Receivables:				
Property tax:				
Delinquent	4,562	-	2,501	7,063
Succeeding year	284,000	-	180,000	464,000
Accounts	-	2,009	-	2,009
Due from other governments	-	100	-	100
Prepaid insurance	2,920	-	-	2,920
Total assets	\$ 696,579	136,484	190,531	1,023,594
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	2,750	-	2,750
Salaries and benefits payable	-	1,755	-	1,755
Total liabilities	-	4,505	-	4,505
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	284,000	-	180,000	464,000
Fund equity:				
Fund balances:				
Nonspendable:				
Prepaid insurance	2,920	-	-	2,920
Restricted for:				
Management levy purposes	409,659	-	-	409,659
Student activities	-	131,979	-	131,979
Debt service	-	-	10,531	10,531
Total fund balances	412,579	131,979	10,531	555,089
Total liabilities, deferred inflows of resources and fund balances	\$ 696,579	136,484	190,531	1,023,594

See accompanying independent auditor's report.

Clarke Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2014

	Special Revenue			Total
	Management Levy	Student Activity	Debt Service	
Revenues:				
Local sources:				
Local tax	\$ 375,277	-	196,544	571,821
Other	18,516	335,068	2,114	355,698
State sources	196	-	102	298
Total revenues	<u>393,989</u>	<u>335,068</u>	<u>198,760</u>	<u>927,817</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	56,176	-	-	56,176
Special instruction	6,398	-	-	6,398
Other instruction	2,097	324,647	-	326,744
Support services:				
Student services	976	-	-	976
Instructional staff services	836	-	-	836
Administration services	21,666	-	-	21,666
Operation and maintenance of plant services	81,284	-	-	81,284
Transportation services	64,470	956	-	65,426
Non-instructional programs	13,185	-	-	13,185
Other expenditures:				
Long-term debt:				
Principal	-	-	594,017	594,017
Interest and other charges	-	-	84,735	84,735
Total expenditures	<u>247,088</u>	<u>325,603</u>	<u>678,752</u>	<u>1,251,443</u>
Excess (deficiency) of revenues over (under) expenditures	146,901	9,465	(479,992)	(323,626)
Other financing sources:				
Transfers in	-	-	478,353	478,353
Excess (deficiency) of revenues and other financing sources over (under) expenditures	146,901	9,465	(1,639)	154,727
Fund balances beginning of year	265,678	122,514	12,170	400,362
Fund balances end of year	<u>\$ 412,579</u>	<u>131,979</u>	<u>10,531</u>	<u>555,089</u>

See accompanying independent auditor's report.

Clarke Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expend- itures	Balance End of Year
Pop Athletics	\$ 2,047	67	2,047	67
Athletics	526	9,110	8,372	1,264
Publications	6,220	5,478	6,674	5,024
High School Band	7,956	25,451	24,014	9,393
High School Co-curricular	1,171	401	891	681
High School Vocal Music	5,547	4,250	3,241	6,556
Cheerleaders	552	4,411	2,986	1,977
Speech/Debate	826	3,470	4,296	-
FFA	2,231	30,698	26,150	6,779
FCCLA	1,464	7,722	7,000	2,186
Medical Careers Club	152	-	152	-
Cross Country	-	590	590	-
Tennis	-	260	260	-
Bowling	505	2,276	2,410	371
Boys Basketball	6,523	9,277	11,220	4,580
Football	10,694	40,348	41,502	9,540
Baseball	-	14,003	13,658	345
Boys Track	5,347	4,467	3,548	6,266
Wrestling	2,110	4,642	6,752	-
Girls Basketball	6,642	10,807	11,359	6,090
Volleyball	9,143	6,419	10,458	5,104
Softball	238	36,339	33,428	3,149
Girls Track	4,522	2,987	2,981	4,528
Camp - Boys Basketball	1,017	514	828	703
Camp - Football	4,341	565	3,374	1,532
Camp - Wrestling	74	293	-	367
Camp - Girls Basketball	3,049	3,315	-	6,364
Camp - Volleyball	868	19	-	887
Clinic - Softball	3,095	13,382	8,302	8,175
Book Club	543	353	278	618
Spanish Club	1,637	36	-	1,673
High School Student Council	1,202	1,246	889	1,559
Thespians	3,728	4,808	5,752	2,784

Account	Balance Beginning of Year	Revenues	Expend- itures	Balance End of Year
Class of:				
2014	2,287	80	1,221	1,146
2015	-	9,225	8,974	251
2016	1,241	3,101	1,934	2,408
Art Club	670	169	77	762
Concessions	17,355	39,308	41,064	15,599
American Field Service	2,802	62	-	2,864
Vending Machine -				
Art/Cheerleaders	401	-	401	-
TOUCH	134	-	134	-
Media Club	232	5	-	237
Athletic Resale	(20,401)	7,554	1,951	(14,798)
Drill Team	1,832	4,067	4,399	1,500
FBLA	211	5	-	216
Junior High Student Council	1,004	965	528	1,441
Middle School Pop Fund Balance	745	5,371	4,996	1,120
Middle School Cheerleaders	22	-	-	22
Elementary Student Council	16,416	8,823	8,005	17,234
After Prom	3,593	8,329	8,507	3,415
Total	\$ 122,514	335,068	325,603	131,979

See accompanying independent auditor's report

Schedule 4

Clarke Community School District

Combining Balance Sheet
Capital Projects Accounts

Year ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and cash equivalents	\$ 1,229,973	392,816	1,622,789
Receivables:			
Property tax:			
Delinquent	-	3,062	3,062
Succeeding year	-	248,000	248,000
Due from other governments	484,821	296,138	780,959
Total assets	\$ 1,714,794	940,016	2,654,810
Deferred Inflows of Resources and Fund Balances			
Deferred inflows of resources:			
Unavailable revenues			
Succeeding year property tax	\$ -	248,000	248,000
Other	-	296,138	296,138
Total deferred inflows of resources	-	544,138	544,138
Fund balances:			
Restricted for:			
School infrastructure	1,714,794	-	1,714,794
Property, plant and equipment	-	395,878	395,878
Total fund balances	1,714,794	395,878	2,110,672
Total deferred inflows of resources and fund balances	\$ 1,714,794	940,016	2,654,810

See accompanying independent auditor's report.

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

Year ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	497,181	497,181
Other	44,635	8,267	52,902
State sources	1,260,555	125	1,260,680
Total revenues	<u>1,305,190</u>	<u>505,573</u>	<u>1,810,763</u>
Expenditures:			
Support services:			
Instructional staff services	-	54,236	54,236
Administration services	-	81,600	81,600
Operation and maintenance of plant services	128,104	-	128,104
Transportation services	39,998	323,644	363,642
Other expenditures:			
Facilities acquisition	350,026	70,266	420,292
Total expenditures	<u>518,128</u>	<u>529,746</u>	<u>1,047,874</u>
Excess (deficiency) of revenues over (under) expenditures	787,062	(24,173)	762,889
Other financing uses:			
Transfers out	(279,673)	(114,680)	(394,353)
Change in fund balances	507,389	(138,853)	368,536
Fund balances beginning of year	1,207,405	534,731	1,742,136
Fund balances end of year	<u>\$ 1,714,794</u>	<u>395,878</u>	<u>2,110,672</u>

See accompanying independent auditor's report.

Clarke Community School District

Clarke Community School District

Schedule of Changes in Fiduciary Assets and Liabilities –
Agency Fund

Year ended June 30, 2014

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 91,624	91,536	73,755	109,405
Due from other governments	5,000	-	5,000	-
Total assets	\$ 96,624	91,536	78,755	109,405
Liabilities				
Accounts payable	\$ 139	-	139	-
Trusts payable	96,485	91,536	78,616	109,405
Total liabilities	\$ 96,624	91,536	78,755	109,405

See accompanying independent auditor's report.

Clarke Community School District

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

For the Last Ten Years

	2014	2013	2012	2011
Revenues:				
Local sources:				
Local tax	\$ 5,064,753	6,028,184	5,706,601	5,120,483
Tuition	209,509	211,384	223,452	287,350
Other	792,685	597,942	540,783	445,579
Intermediate sources	-	-	-	-
State sources	10,746,125	8,698,248	8,353,902	7,930,971
Federal sources	477,925	505,075	621,060	741,710
Total	\$ 17,290,997	16,040,833	15,445,798	14,526,093
Expenditures:				
Instruction:				
Regular instruction	\$ 6,097,620	5,974,931	5,473,903	5,074,795
Special instruction	2,274,947	2,210,686	1,921,485	1,899,278
Other instruction	1,422,447	1,443,502	1,509,369	1,678,329
Support services:				
Student services	610,956	561,178	254,546	275,295
Instructional staff services	420,875	1,068,195	533,499	325,142
Administration services	1,324,225	1,339,117	1,262,238	1,226,303
Operation and maintenance of plant services	1,227,058	1,125,004	1,852,130	1,010,013
Transportation services	1,007,304	717,046	602,750	510,397
Non-instructional programs	13,185	13,504	11,369	9,535
Other expenditures:				
Facilities acquisition	420,292	993,986	55,610	397,821
Long-term debt:				
Principal	594,017	588,680	375,000	360,000
Interest and other charges	84,735	88,528	101,465	113,885
AEA flowthrough	578,176	525,955	505,350	556,547
Total	\$ 16,075,837	16,650,312	14,458,714	13,437,340

Beginning in 2014, the Iowa Department of Education modified the coding of the statewide sales, services and use tax revenue from local tax to state sources.

See accompanying independent auditor's report.

Modified Accrual Basis					
2010	2009	2008	2007	2006	2005
4,831,186	4,667,723	4,643,460	4,646,077	4,375,080	4,422,423
391,436	353,389	332,365	374,400	339,497	345,637
539,478	426,305	548,713	720,867	458,888	435,668
-	-	5,523	-	-	-
6,722,487	7,784,734	7,264,290	6,760,768	6,534,151	6,221,414
1,424,319	589,407	539,307	555,494	770,422	685,694
13,908,906	13,821,558	13,333,658	13,057,606	12,478,038	12,110,836
5,132,580	5,071,939	5,040,800	4,778,673	4,337,840	4,344,951
1,967,321	1,957,714	1,945,636	1,813,039	1,918,914	2,251,134
1,766,142	1,782,475	1,313,063	1,158,946	1,136,067	636,728
335,259	319,803	338,214	300,624	306,632	284,522
457,446	326,686	314,187	350,389	271,461	317,425
1,175,033	1,161,780	1,261,484	1,285,995	1,134,575	1,027,301
1,003,916	1,086,043	1,219,815	1,076,053	1,021,613	888,722
647,474	533,736	540,318	606,882	655,476	432,681
1,399	1,048	8,158	3,213	9,644	22,898
189,274	639,674	1,110,495	167,641	453,790	354,730
498,039	466,384	447,936	420,293	403,090	386,300
135,458	165,902	212,491	232,271	250,806	272,720
543,479	489,537	455,495	446,669	421,018	410,502
13,852,820	14,002,721	14,208,092	12,640,688	12,320,926	11,630,614

Schedule 8

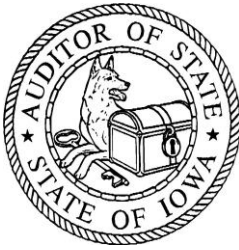
Clarke Community School District
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2014

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY14	\$ 68,014
National School Lunch Program	10.555	FY14	404,482 *
			<u>472,496</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY14	<u>260,650</u>
Improving Teacher Quality State Grants	84.367	FY14	<u>51,439</u>
Grants for State Assessments and Related Activities	84.369	FY14	<u>7,359</u>
Green Hills Area Education Agency:			
Special Education Grants to States	84.027	FY14	<u>72,583</u>
English Language Acquisition State Grants	84.365	FY14	<u>4,150</u>
Southwestern Community College:			
Career and Technical Education -- Basic Grants to States	84.048	FY14	<u>14,757</u>
Total			<u>\$ 883,434</u>

* Includes \$46,851 of non-cash awards.

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

See accompanying independent auditor's report.



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

To the Board of Education of
Clarke Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clarke Community School District as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 29, 2014.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-14 and II-C-14 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Clarke Community School District's Responses to the Findings

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

Purpose of this Report

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

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



MARY MOSIMAN, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 29, 2014

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

Clarke Community School District



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

To the Board of Education of
Clarke Community School District:

Report on Compliance for Each Major Federal Program

We have audited Clarke Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on Clarke Community School District's major federal program for the year ended June 30, 2014. Clarke Community School District's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Clarke Community School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clarke Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Clarke Community School District's compliance.

Opinion on the Major Federal Program

In our opinion, Clarke Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of Clarke Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Clarke Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Clarke Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



MARY MOSIMAN, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 29, 2014

Clarke Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was the Child Nutrition Cluster:
 - 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 \$300,000.
- (i) Clarke Community School District did not qualify as a low-risk auditee.

Clarke Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- II-A-14 Segregation of Duties – One important aspect of internal accounting control is the segregation of duties between employees to prevent an individual employee from handling duties which are incompatible. For the District, one individual has control over comparing time records to payroll, preparing and approving payroll input and preparing payroll checks.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. All information input to the payroll system should be reviewed by an independent individual for accuracy and the review should be documented by the signature or initials of the reviewer and the date of the review. In addition, the monthly payroll should be reviewed and approved by an independent person.

Response – Payroll input will be reviewed by a second District office employee.

Conclusion – Response accepted.

- II-B-14 Prenumbered Receipts – Although receipts were issued, they were not issued for all collections. The District's student activity fund sponsors do not always issue prenumbered receipts for fundraiser transactions.

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

Response – Administration at each building level will be reintroduced as to the necessity of detailed receipt procedures. Building administration will enforce receipt procedure is followed.

Conclusion – Response accepted.

- II-C-14 Payroll – During our review of the Districts' payroll, we noted one employee was paid approximately 33% more than the contractual amount due to overtime. The personnel file of this person included a signed agreement between the individual and the Superintendent agreeing all overtime worked after November 22, 2013 would be approved by the Superintendent. However, approximately 130 hours of overtime was accumulated after this date while only 28 hours had been approved. This resulted in unapproved overtime of 102 hours being paid, resulting in additional pay of \$1,887. In addition, several instances were noted where custodial employees were paid time and a half in weeks in which they worked less than 40 hours due to vacation, illness or other paid time off.

Clarke Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

Recommendation – The District should implement policies and procedures to ensure all overtime is appropriately approved and paid accordingly. The District should clarify its policy regarding overtime payments for weeks where less than 40 hours are worked and enforce the policy.

Response – Employee overtime compensation will be changed to match school board policy and procedures. Overtime rate will be paid to employees after forty hours of actual work time is incurred in a week.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Clarke Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2014

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

Part IV: Other Findings Related To Required Statutory Reporting:

IV-A-14 Certified Budget – Expenditures for the year ended June 30, 2014 did not exceed the amount budgeted in any program function.

IV-B-14 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-14 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-14 Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-E-14 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-14 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-14 Certified Enrollment - Variances in the basic enrollment data certified to the Iowa Department of Education were noted. The District counted a student who had left the District before October 13, 2013. Additionally, the District did not count one student for whom the District is paying tuition and five students who were dual enrolled. The cumulative error resulted in the District under reporting by .5 students.

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

Response – The District will work to ensure data is correct in the District student management system for uploading for the state certified enrollment.

Conclusion – Response accepted.

IV-H-14 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

Clarke Community School District
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2014

IV-I-14 Deposits and Investments – Except as noted below, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

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

IV-J-14 Certified Annual Report – The District’s Certified Annual Report was filed with the Iowa Department of Education timely.

IV-K-14 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

IV-L-14 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2014, the District’s financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning balance		\$ 1,207,405
Revenue:		
Statewide sales, services and use tax	\$ 1,260,555	
Interest on investments	29,742	
Insurance compensation for loss	9,720	
Contributions and donations	5,173	
	1,305,190	
Expenditures/transfers out:		
School infrastructure construction	350,026	
Equipment	168,102	
Debt service for school infrastructure	279,673	
	797,801	
Ending balance		\$ 1,714,794

The statewide sales, services and use tax revenue received during the year ended June 30, 2014 is equivalent to a reduction in the following levies:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 0.86328	279,673
Physical plant and equipment levy	3.02772	980,882
		\$ 1,260,555

Clarke Community School District

Staff

This audit was performed by:

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