



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

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NEWS RELEASE

FOR RELEASE

November 20, 2008

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

The District's revenues totaled \$13,961,661 for the year ended June 30, 2008, a 1% increase over 2007. The revenues included \$3,674,485 in local tax, \$757,112 in local option sales and services tax, \$221,040 in income surtax, charges for service of \$1,021,164, operating grants, contributions and restricted interest of \$2,187,346, capital grants, contributions and restricted interest of \$44,101, unrestricted investment earnings of \$88,508, unrestricted grants of \$5,848,486 and other general revenues of \$119,419.

Expenses for District operations totaled \$13,511,722, a 4% increase over the prior year, and included \$4,980,824 for regular instruction, \$1,941,627 for special instruction and \$1,313,781 for other instruction.

The increase in revenues is due primarily to an increase in operating grants, contributions and restricted interest and state revenue. The increase in expenses is due primarily to an increase in negotiated salaries and benefits and restricted grant expenditures.

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/reports.htm>.

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**CLARKE COMMUNITY SCHOOL DISTRICT**

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

**JUNE 30, 2008**

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**Clarke Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2007 Election)</b>		
Doug Stearns	President	2008
Linda Henry	Vice President	2008
Kris Lange	Board Member	2007
Mark Jones (Appointed)	Board Member	2007
Edward White	Board Member	2007
Michael Evink	Board Member	2009
Jeff Wilken	Board Member	2009

**Board of Education**

**(After September 2007 Election)**

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

**School Officials**

Ned Cox	Superintendent	2011
Ruth White	District Secretary/Treasurer and Business Manager	Indefinite
Jeff Krausman	Attorney	Indefinite

**Clarke Community School District**



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Independent Auditor's Report

To the Board of Education of  
Clarke Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clarke Community School District, Osceola, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

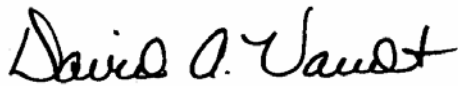
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clarke Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 10, 2008 on our consideration of Clarke Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clarke Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 10, 2008



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

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Clarke Community School District provides this Management's Discussion and Analysis of its financial statements. The analysis focuses on the District's financial performance as a whole for the fiscal year ended June 30, 2008. Please read it in conjunction with the District's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$11,075,293 in fiscal year 2007 to \$11,262,619 in fiscal year 2008, while General Fund expenditures increased from \$11,201,372 in fiscal year 2007 to \$11,976,413 in fiscal year 2008. The District's General Fund balance decreased from \$1,632,275 at June 30, 2007 to \$918,481 at June 30, 2008, a 44% decrease.
- The increase in General Fund revenues was attributable to an increase in operating grants, contributions and restricted interest and state revenue. The increase in expenditures was due primarily to an increase in negotiated salaries and benefits and restricted grant expenditures.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

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

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

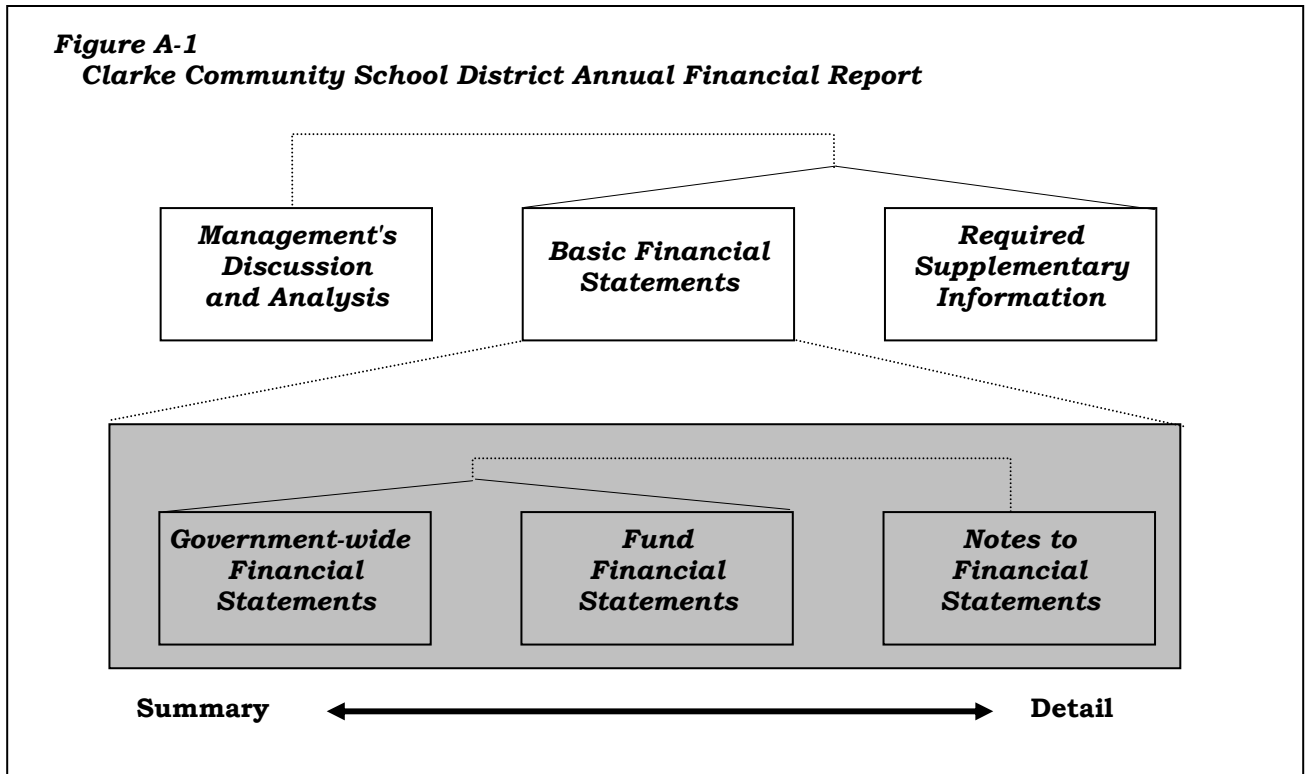


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

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

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

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

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

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

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of financial position. The following analysis shows the District’s total net assets at June 30, 2008 and 2007.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-2008
Current and other assets	\$ 7,140	7,981	72	182	7,212	8,163	(951)
Capital assets	10,417	9,559	149	69	10,566	9,628	938
Total assets	<u>17,557</u>	<u>17,540</u>	<u>221</u>	<u>251</u>	<u>17,778</u>	<u>17,791</u>	<u>(13)</u>
Long-term liabilities	4,489	4,951	-	-	4,489	4,951	(462)
Other liabilities	4,598	4,601	51	49	4,649	4,650	(1)
Total liabilities	<u>9,087</u>	<u>9,552</u>	<u>51</u>	<u>49</u>	<u>9,138</u>	<u>9,601</u>	<u>(463)</u>
Net assets:							
Invested in capital assets, net of related debt	6,163	4,877	149	69	6,312	4,946	1,366
Restricted	1,396	1,523	-	-	1,396	1,523	(127)
Unrestricted	911	1,588	21	133	932	1,721	(789)
Total net assets	<u>\$ 8,470</u>	<u>7,988</u>	<u>170</u>	<u>202</u>	<u>8,640</u>	<u>8,190</u>	<u>450</u>

Net assets increased \$449,939, or 5%. The largest portion of the District's net assets is invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints, is \$931,473.

Figure A-4 shows the change in net assets for the years ended June 30, 2008 and 2007.

<b>Figure A-4</b>							
<b>Change in Net Assets</b>							
<b>(Expressed in Thousands)</b>							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2008	2007	2008	2007	2008	2007	2007-2008
Revenues:							
Program revenues:							
Charges for service	\$ 766	809	256	272	1,022	1,081	(59)
Operating grants, contributions and restricted interest	1,900	1,666	288	280	2,188	1,946	242
Capital grants, contributions and restricted interest	44	40	-	-	44	40	4
General revenues:							
Property tax	3,674	3,645	-	-	3,674	3,645	29
Local option sales and services tax	757	811	-	-	757	811	(54)
Income surtax	221	214	-	-	221	214	7
Unrestricted state grants	5,848	5,726	-	-	5,848	5,726	122
Unrestricted investment earnings	83	127	6	10	89	137	(48)
Other	111	196	8	-	119	196	(77)
Total revenues	<u>13,404</u>	<u>13,234</u>	<u>558</u>	<u>562</u>	<u>13,962</u>	<u>13,796</u>	<u>166</u>
Program expenses:							
Instruction	8,236	7,766	-	-	8,236	7,766	470
Support services	3,663	3,603	-	-	3,663	3,603	60
Non-instructional programs	69	61	590	590	659	651	8
Other expenses	954	972	-	-	954	972	(18)
Total expenses	<u>12,922</u>	<u>12,402</u>	<u>590</u>	<u>590</u>	<u>13,512</u>	<u>12,992</u>	<u>520</u>
Change in net assets	482	832	(32)	(28)	450	804	(354)
Net assets beginning of year	<u>7,988</u>	<u>7,156</u>	<u>202</u>	<u>230</u>	<u>8,190</u>	<u>7,386</u>	<u>804</u>
Net assets end of year	<u>\$ 8,470</u>	<u>7,988</u>	<u>170</u>	<u>202</u>	<u>8,640</u>	<u>8,190</u>	<u>450</u>

Property tax and unrestricted state grants account for 71% of total revenues. The District's expenses primarily relate to instruction and support services, which account for 92% of total expenses.

### **Governmental Activities**

Revenues for governmental activities were \$13,404,231 and expenses were \$12,921,795. The increase in revenues can be attributed to an increase in operating grants, contributions and restricted interest and state revenue.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

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

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Instruction	\$ 8,236	7,766	6,160	5,969
Support services	3,663	3,603	3,600	3,435
Non-instructional programs	69	61	1	-
Other expenses	954	972	452	483
Total	<u>\$ 12,922</u>	<u>12,402</u>	<u>10,213</u>	<u>9,887</u>

- The cost financed by users of the District's programs was \$765,610.
- Federal and state governments subsidized certain operating programs with grants and contributions totaling \$1,899,514.
- The net cost of governmental activities was financed with \$4,652,637 in property and other taxes and \$5,848,486 in unrestricted state grants.

### **Business Type Activities**

Revenues for business-type activities were \$557,430 while expenses were \$589,927. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,322,394, a decrease from last year's ending fund balance of \$3,176,828.

### **Governmental Fund Highlights**

- The General Fund balance decreased from a balance of \$1,632,275 at June 30, 2007 to \$918,481 at June 30, 2008, due in part to an increase in negotiated salaries and benefits and in support services, including transportation and operation and maintenance of plant services.
- The Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund balance increased from a balance of \$577,711 at June 30, 2007 to \$743,396 at June 30, 2008. Revenues remained fairly consistent, while the District incurred additional spending for the construction of the new central office and alternative education classrooms building.

## Proprietary Fund Highlights

- School Nutrition Fund net assets decreased from \$201,999 at June 30, 2007 to \$169,502 at June 30, 2008.

## BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on a GAAP basis. The certified budget was amended once in fiscal year 2008 due to the District refunding an existing bond and receiving a preschool grant.

The District's revenues were \$529,442 less than budgeted revenues. The most significant variance resulted from the District receiving less state and federal aid than originally anticipated.

Total expenditures were less than budgeted, due in part to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line item budget. The District's expenditures in other expenditures is significantly less than budgeted due to the District budgeting the payoff of the refunded debt as an expenditure rather than an other financing use, which is how it is reported.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2008, the District had invested, net of depreciation, \$10.6 million in a broad range of assets, including a newly constructed administration and alternative classroom building, recently remodeled school buildings that are not significantly depreciated, athletic facilities, computer and audio-visual equipment, and vehicles. (See Figure A-6). More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Total depreciation expense for the year was \$437,231.

The original cost of the District's capital assets was \$16.4 million. Governmental funds account for \$16 million, with the remaining \$0.4 million accounted for in the Proprietary, School Nutrition Fund.

	Governmental		Business Type		Total	
	Activities		Activities		District	
	June 30,		June 30,		June 30,	
	2008	2007	2008	2007	2008	2007
Land	\$ 78	78	-	-	78	78
Construction in progress	-	12	-	-	-	12
Buildings	9,267	8,384	-	-	9,267	8,384
Improvements other than buildings	527	489	-	-	527	489
Furniture and equipment	545	596	149	69	694	665
<b>Total</b>	<b>\$ 10,417</b>	<b>9,559</b>	<b>149</b>	<b>69</b>	<b>10,566</b>	<b>9,628</b>



## Long-Term Liabilities

At June 30, 2008, the District had \$4,489,506 in general obligation bonds, capital loan notes and other long-term liabilities outstanding. This represents a decrease of approximately 9% from last year (See Figure A-7). Additional information about the District's long-term liabilities is presented in Note 5 to the financial statements.

The District had total outstanding general obligation bonded indebtedness at June 30, 2008 of \$3,965,000 and outstanding capital loan notes of \$289,423.

	June 30,	
	2008	2007
General obligation bonds	\$ 3,965	4,260
Capital loan notes	289	422
Early retirement	171	214
Compensated absences	64	55
Total	<u>\$ 4,489</u>	<u>4,951</u>

## FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Local option sales and services tax revenues over the next 6 years will have a significant impact on improvement projects. These funds will also be used to decrease property tax for repaying the voted PPEL capital loan notes.
- District enrollment decreased slightly in fiscal year 2007-2008 by 8.6 students. Under Iowa's school funding formula, District funding is highly dependant upon District enrollment. Projections indicate the District's enrollment will continue to remain steady.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

**Clarke Community School District**

## **Basic Financial Statements**

## Clarke Community School District

## Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,951,835	63,772	3,015,607
Receivables:			
Property tax:			
Delinquent	103,465	-	103,465
Succeeding year	3,228,000	-	3,228,000
Accounts	2,115	1,794	3,909
Due from other governments	711,915	396	712,311
Prepaid insurance	142,667	1,234	143,901
Inventories	-	4,788	4,788
Capital assets, net of accumulated depreciation	10,417,065	148,876	10,565,941
<b>Total assets</b>	<b>17,557,062</b>	<b>220,860</b>	<b>17,777,922</b>
<b>Liabilities</b>			
Accounts payable	25,302	-	25,302
Salaries and benefits payable	1,213,993	41,758	1,255,751
Due to other governments	82,392	-	82,392
Accrued interest payable	47,836	-	47,836
Deferred revenue:			
Succeeding year property tax	3,228,000	-	3,228,000
Unearned revenue	-	9,600	9,600
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	325,000	-	325,000
Capital loan notes	141,045	-	141,045
Early retirement	60,354	-	60,354
Compensated absences	64,295	-	64,295
Portion due after one year:			
General obligation bonds	3,640,000	-	3,640,000
Capital loan notes	148,378	-	148,378
Early retirement	110,434	-	110,434
<b>Total liabilities</b>	<b>9,087,029</b>	<b>51,358</b>	<b>9,138,387</b>

## Clarke Community School District

## Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total
<b>Net assets</b>			
Invested in capital assets, net of related debt	6,162,642	148,876	6,311,518
Restricted for:			
Management levy	172,695	-	172,695
Physical plant and equipment levy	948,278	-	948,278
Other purposes	275,571	-	275,571
Unrestricted	910,847	20,626	931,473
<b>Total net assets</b>	<b>\$ 8,470,033</b>	<b>169,502</b>	<b>8,639,535</b>

See notes to financial statements.

Clarke Community School District

Statement of Activities

Year ended June 30, 2008

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 4,980,824	234,582	919,722	-
Special instruction	1,941,627	219,950	189,878	-
Other instruction	1,313,781	213,845	297,693	-
	<u>8,236,232</u>	<u>668,377</u>	<u>1,407,293</u>	<u>-</u>
Support services:				
Student services	333,832	7,947	26,962	-
Instructional staff services	308,154	536	-	-
Administration services	1,222,204	4,157	-	-
Operation and maintenance of plant services	1,184,798	4,454	-	-
Transportation services	613,647	18,747	-	-
	<u>3,662,635</u>	<u>35,841</u>	<u>26,962</u>	<u>-</u>
Non-instructional programs	68,894	61,392	6,991	-
Other expenditures:				
Facilities acquisition	-	-	-	44,101
Long-term debt interest	206,801	-	2,773	-
AEA flowthrough	455,495	-	455,495	-
Depreciation (unallocated)*	291,738	-	-	-
	<u>954,034</u>	<u>-</u>	<u>458,268</u>	<u>44,101</u>
Total governmental activities	12,921,795	765,610	1,899,514	44,101
Business type activities:				
Non-instructional programs:				
Food service operations	589,927	255,554	287,832	-
Total	<u>\$ 13,511,722</u>	<u>1,021,164</u>	<u>2,187,346</u>	<u>44,101</u>
<b>General Revenues:</b>				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Local option sales and services tax				
Income surtax				
Unrestricted state grants				
Unrestricted investment earnings				
Gain on disposal of capital assets				
Miscellaneous				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(3,826,520)	-	(3,826,520)
(1,531,799)	-	(1,531,799)
(802,243)	-	(802,243)
<u>(6,160,562)</u>	<u>-</u>	<u>(6,160,562)</u>
(298,923)	-	(298,923)
(307,618)	-	(307,618)
(1,218,047)	-	(1,218,047)
(1,180,344)	-	(1,180,344)
(594,900)	-	(594,900)
<u>(3,599,832)</u>	<u>-</u>	<u>(3,599,832)</u>
<u>(511)</u>	<u>-</u>	<u>(511)</u>
44,101	-	44,101
(204,028)	-	(204,028)
-	-	-
(291,738)	-	(291,738)
<u>(451,665)</u>	<u>-</u>	<u>(451,665)</u>
(10,212,570)	-	(10,212,570)
-	(46,541)	(46,541)
<u>(10,212,570)</u>	<u>(46,541)</u>	<u>(10,259,111)</u>
\$ 3,133,366	-	3,133,366
276,795	-	276,795
264,324	-	264,324
757,112	-	757,112
221,040	-	221,040
5,848,486	-	5,848,486
82,528	5,980	88,508
-	8,064	8,064
111,355	-	111,355
<u>10,695,006</u>	<u>14,044</u>	<u>10,709,050</u>
482,436	(32,497)	449,939
7,987,597	201,999	8,189,596
<u>\$ 8,470,033</u>	<u>169,502</u>	<u>8,639,535</u>

Clarke Community School District

Balance Sheet  
Governmental Funds

June 30, 2008

	General	Special Revenue Physical Plant and Equipment Levy	Nonmajor	Total
<b>Assets</b>				
Cash and pooled investments	\$ 1,782,029	739,401	410,106	2,931,536
Receivables:				
Property tax:				
Delinquent	81,054	7,436	14,975	103,465
Succeeding year	2,483,000	219,000	526,000	3,228,000
Accounts	652	-	1,463	2,115
Due from other governments	339,355	201,440	171,120	711,915
Prepaid insurance	55,317	-	87,350	142,667
<b>Total assets</b>	<b>\$ 4,741,407</b>	<b>1,167,277</b>	<b>1,211,014</b>	<b>7,119,698</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 14,904	-	10,398	25,302
Salaries and benefits payable	1,206,266	-	7,727	1,213,993
Due to other governments	82,392	-	-	82,392
Deferred revenue:				
Succeeding year property tax	2,483,000	219,000	526,000	3,228,000
Other	36,364	204,881	6,372	247,617
Total liabilities	3,822,926	423,881	550,497	4,797,304
Fund balances:				
Reserved for debt service	-	-	50,855	50,855
Unreserved, reported in:				
General fund	918,481	-	-	918,481
Special revenue funds	-	743,396	438,768	1,182,164
Capital projects fund	-	-	170,894	170,894
Total fund balances	918,481	743,396	660,517	2,322,394
<b>Total liabilities and fund balances</b>	<b>\$ 4,741,407</b>	<b>1,167,277</b>	<b>1,211,014</b>	<b>7,119,698</b>

See notes to financial statements.



Clarke Community School District

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

June 30, 2008

<b>Total fund balances of governmental funds (page 22)</b>	\$ 2,322,394
 <b>Amounts reported for governmental activities in the Statement of Net Assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	10,417,065
The Internal Service Fund is used by management to charge the costs of the District's flexible benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	20,299
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	247,617
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(47,836)
Long-term liabilities, including bonds and notes, compensated absences and early retirement payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(4,489,506)</u>
<b>Net assets of governmental activities (page 19)</b>	<u><u>\$ 8,470,033</u></u>

See notes to financial statements.

**Exhibit E**

## Clarke Community School District

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

Year ended June 30, 2008

	Special Revenue			Total
	General	Physical Plant and Equipment Levy	Nonmajor	
Revenues:				
Local sources:				
Local tax	\$ 2,862,690	472,597	1,308,173	4,643,460
Tuition	332,365	-	-	332,365
Other	259,034	24,275	265,404	548,713
Intermediate sources	5,523	-	-	5,523
State sources	7,263,700	183	407	7,264,290
Federal sources	539,307	-	-	539,307
Total revenues	11,262,619	497,055	1,573,984	13,333,658
Expenditures:				
Current:				
Instruction:				
Regular instruction	4,931,256	-	109,544	5,040,800
Special instruction	1,939,770	-	5,866	1,945,636
Other instruction	1,089,638	-	223,425	1,313,063
	7,960,664	-	338,835	8,299,499
Support services:				
Student services	336,563	-	1,651	338,214
Instructional staff services	313,056	-	1,131	314,187
Administration services	1,256,431	-	5,053	1,261,484
Operation and maintenance of plant services	1,127,116	18,996	73,703	1,219,815
Transportation services	520,097	-	20,221	540,318
	3,553,263	18,996	101,759	3,674,018
Non-instructional programs	6,991	-	1,167	8,158
Other expenditures:				
Facilities acquisition	-	86,562	1,023,933	1,110,495
Long-term debt:				
Principal	-	-	447,936	447,936
Interest and fiscal charges	-	-	212,491	212,491
AEA flowthrough	455,495	-	-	455,495
	455,495	86,562	1,684,360	2,226,417
Total expenditures	11,976,413	105,558	2,126,121	14,208,092
Excess (deficiency) of revenues over (under) expenditures	(713,794)	391,497	(552,137)	(874,434)
Other financing sources (uses):				
General obligation bond proceeds	-	-	3,965,000	3,965,000
Payment to refunding bond agent	-	-	(3,945,000)	(3,945,000)
Operating transfers in	-	-	475,812	475,812
Operating transfers out	-	(225,812)	(250,000)	(475,812)
Total other financing sources (uses)	-	(225,812)	245,812	20,000
Net change in fund balances	(713,794)	165,685	(306,325)	(854,434)
Fund balances beginning of year	1,632,275	577,711	966,842	3,176,828
Fund balances end of year	\$ 918,481	743,396	660,517	2,322,394

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, 2008

**Net change in fund balances - total governmental funds (page 24)** \$ (854,434)

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

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

Expenditures for capital assets	\$ 1,280,509	
Depreciation expense	<u>(422,531)</u>	857,978

Certain revenues not collected for several months after year end are not considered available revenue and are deferred in the governmental funds. 9,178

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

Issued	(3,965,000)	
Repaid	<u>4,392,936</u>	427,936

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 5,690

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

Early retirement	43,164	
Compensated absences	<u>(9,558)</u>	33,606

The Internal Service Fund is used by management to charge the costs of the District's flexible benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported in governmental activities. 2,482

**Change in net assets of governmental activities (page 21)** \$ 482,436

See notes to financial statements.

Clarke Community School District

Statement of Net Assets  
Proprietary Funds

June 30, 2008

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
<b>Assets</b>		
Cash and cash equivalents	\$ 63,772	20,299
Accounts receivable	1,794	-
Due from other governments	396	-
Prepaid insurance	1,234	-
Inventories	4,788	-
Capital assets, net of accumulated depreciation	148,876	-
<b>Total assets</b>	<u>220,860</u>	<u>20,299</u>
<b>Liabilities</b>		
Salaries and benefits payable	41,758	-
Unearned revenue	9,600	-
<b>Total liabilities</b>	<u>51,358</u>	<u>-</u>
<b>Net Assets</b>		
Invested in capital assets	148,876	-
Unrestricted	20,626	20,299
<b>Total net assets</b>	<u>\$ 169,502</u>	<u>20,299</u>

See notes to financial statements.

Clarke Community School District

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

Year ended June 30, 2008

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
Operating revenues:		
Local sources:		
Charges for service	\$ 255,554	-
Employee contributions	-	31,281
Total operating revenue	<u>255,554</u>	<u>31,281</u>
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	178,095	-
Benefits	81,495	-
Purchased services	6,994	-
Supplies	308,009	-
Other	634	29,455
Depreciation	14,700	-
Total operating expenses	<u>589,927</u>	<u>29,455</u>
Operating income (loss)	<u>(334,373)</u>	<u>1,826</u>
Non-operating revenues:		
State sources	6,241	-
Federal sources	281,591	-
Interest income	5,980	656
Gain on disposal of capital assets	8,064	-
Net non-operating revenues	<u>301,876</u>	<u>656</u>
Change in net assets	(32,497)	2,482
Net assets beginning of year	<u>201,999</u>	<u>17,817</u>
Net assets end of year	<u>\$ 169,502</u>	<u>20,299</u>

See notes to financial statements.

**Exhibit I**

## Clarke Community School District

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2008

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 256,318	-
Cash received from miscellaneous operating activities	-	31,281
Cash paid to suppliers for goods or services	(540,802)	(29,455)
Net cash provided (used) by operating activities	<u>(284,484)</u>	<u>1,826</u>
Cash flows from non-capital financing activities:		
State grants received	5,845	-
Federal grants received	247,844	-
Net cash provided by non-capital financing activities	<u>253,689</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Sale of capital assets	9,450	-
Acquisition of capital assets	(95,559)	-
Net cash used by capital and related financing activities	<u>(86,109)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	5,980	656
Net increase (decrease) in cash and cash equivalents	(110,924)	2,482
Cash and cash equivalents beginning of year	174,696	17,817
Cash and cash equivalents end of year	<u>\$ 63,772</u>	<u>20,299</u>

Clarke Community School District

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2008

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ (334,373)	1,826
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Commodities used	33,747	-
Depreciation	14,700	-
Decrease in accounts receivable	355	-
Increase in prepaid insurance	(48)	-
Increase in inventories	(733)	-
Decrease in accounts payable	(108)	-
Increase in salaries and benefits payable	1,567	-
Increase in unearned revenue	409	-
Net cash provided (used) by operating activities	<u>\$ (284,484)</u>	<u>1,826</u>

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

During the year ended June 30, 2008, the District received \$33,747 of federal commodities.

See notes to financial statements.

**Exhibit J**

## Clarke Community School District

Statement of Fiduciary Net Assets  
Fiduciary Funds

June 30, 2008

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Cash and pooled investments	\$ 23,829	136,003
Accounts receivable	-	384
Due from other governments	-	2,400
<b>Total assets</b>	<b>23,829</b>	<b>138,787</b>
<b>Liabilities</b>		
Accounts payable	-	2,712
Trusts payable	-	136,075
Total liabilities	-	138,787
<b>Net assets</b>		
Reserved for scholarships	\$ 23,829	-

See notes to financial statements.



## Clarke Community School District

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2008

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Interest income, net of depreciation in fair value of \$900	\$ (12)
Deductions:	
Support services:	
Scholarships awarded	<u>500</u>
Change in net assets	(512)
Net assets beginning of year	<u>24,341</u>
Net assets end of year	<u>\$ 23,829</u>

See notes to financial statements.

Clarke Community School District

Notes to Financial Statements

June 30, 2008

**(1) Summary of Significant Accounting Policies**

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary fund:

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

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

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

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

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

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

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

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

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

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

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures did not exceed the amounts budgeted.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2008 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, 2008, the District's investments are as follows:

Type	Fair Value
Common stock	\$ <u>6,715</u>

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

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue:	
	Physical Plant and Equipment Levy	\$ 158,867
	Capital Projects:	
	School Infrastructure	
	Local Option	250,000
Capital Projects:	Special Revenue:	
School Infrastructure	Physical Plant and Equipment Levy	
Local Option		66,945
Total		<u>\$ 475,812</u>

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

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 78,000	-	-	78,000
Construction in progress	12,149	1,068,804	(1,080,953)	-
Total capital assets not being depreciated	<u>90,149</u>	<u>1,068,804</u>	<u>(1,080,953)</u>	<u>78,000</u>
Capital assets being depreciated:				
Buildings	11,833,453	1,127,465	-	12,960,918
Improvements other than buildings	1,101,418	85,569	-	1,186,987
Furniture and equipment	1,660,836	79,624	-	1,740,460
Total capital assets being depreciated	<u>14,595,707</u>	<u>1,292,658</u>	<u>-</u>	<u>15,888,365</u>
Less accumulated depreciation for:				
Buildings	3,449,695	244,297	-	3,693,992
Improvements other than buildings	612,583	47,440	-	660,023
Furniture and equipment	1,064,491	130,794	-	1,195,285
Total accumulated depreciation	<u>5,126,769</u>	<u>422,531</u>	<u>-</u>	<u>5,549,300</u>
Total capital assets being depreciated, net	<u>9,468,938</u>	<u>870,127</u>	<u>-</u>	<u>10,339,065</u>
Governmental activities capital assets, net	<u>\$ 9,559,087</u>	<u>1,938,931</u>	<u>(1,080,953)</u>	<u>10,417,065</u>
<b>Business type activities:</b>				
Furniture and equipment	\$ 288,824	95,559	(9,786)	374,597
Less accumulated depreciation	219,421	14,700	(8,400)	225,721
Business type activities capital assets, net	<u>\$ 69,403</u>	<u>80,859</u>	<u>(1,386)</u>	<u>148,876</u>



Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular instruction \$ 8,478

Support services:

Administration services 11,123

Operation and maintenance of plant services 11,776

Transportation services 99,416

130,793

Unallocated 291,738

Total depreciation expense - governmental activities \$ 422,531

Business type activities:

Food service operations \$ 14,700

**(5) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds 1999 Series	\$ 4,260,000	-	4,260,000	-	-
General obligation bonds 2008 Series	-	3,965,000	-	3,965,000	325,000
General obligation capital loan notes	422,359	-	132,936	289,423	141,045
Early retirement	213,952	40,000	83,164	170,788	60,354
Compensated absences	54,737	69,047	59,489	64,295	64,295
Total	\$ 4,951,048	4,074,047	4,535,589	4,489,506	590,694

General Obligation Bonds

Details of the District's June 30, 2008 general obligation bond indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2008			
	Interest Rates	Principal	Interest	Total
2009	3.40%	\$ 325,000	147,805	472,805
2010	3.40	350,000	125,385	475,385
2011	3.45	360,000	113,485	473,485
2012	3.45	375,000	101,065	476,065
2013	3.45	390,000	88,128	478,128
2014-2018	3.15-3.70	2,165,000	234,882	2,399,882
Total		\$ 3,965,000	810,750	4,775,750

During the year ended June 30, 2008, the District retired the March 1, 1999 bond for \$4,260,000 and issued general obligation school refunding bonds of \$3,965,000.

## General Obligation Capital Loan Notes

Details of the District's June 30, 2008 general obligation capital loan note indebtedness are as follows:

Year Ending June 30,	Capital Loan Note Issue of Aug 15, 2000			
	Interest Rate	Principal	Interest	Total
2009	6.10%	\$ 141,045	17,655	158,700
2010	6.10	148,378	9,052	157,430
Total		\$ 289,423	26,707	316,130

During the year ended June 30, 2008, the District retired \$132,936 of notes.

### Early Retirement

The District offers a voluntary early retirement plan for employees. Eligible employees must be at least age fifty-five on or before June 30 of the year in which the employee wishes to retire and employees must have completed fifteen years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive shall not exceed the employee's current year salary or \$20,000, whichever is less. The early retirement incentive for each eligible employee is equal to the sum of 50% of the employee's unused accumulated sick leave plus 5% of the current salary times the years of service beyond fifteen years, subject to the limits previously stated. Early retirement benefits paid during the year ended June 30, 2008 totaled \$83,164.

### **(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 3.90% of their annual covered salary and the District is required to contribute 6.05% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$444,614, \$411,810 and \$393,042, respectively, equal to the required contributions for each year.

### **(7) Risk Management**

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

### **(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$455,495 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

**Required Supplementary Information**

Clarke Community School District

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

Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
<b>Revenues:</b>			
Local sources	\$ 5,524,538	293,471	5,818,009
Intermediate sources	5,523	-	5,523
State sources	7,264,290	6,241	7,270,531
Federal sources	539,307	281,591	820,898
Total receipts	<u>13,333,658</u>	<u>581,303</u>	<u>13,914,961</u>
<b>Expenditures:</b>			
Instruction	8,299,499	-	8,299,499
Support services	3,674,018	-	3,674,018
Non-instructional programs	8,158	619,382	627,540
Other expenditures	2,226,417	-	2,226,417
Total disbursements	<u>14,208,092</u>	<u>619,382</u>	<u>14,827,474</u>
Excess (deficiency) of receipts over (under) disbursements	(874,434)	(38,079)	(912,513)
Other financing sources, net	<u>20,000</u>	<u>8,064</u>	<u>28,064</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(854,434)	(30,015)	(884,449)
Balances beginning of year	<u>3,176,828</u>	<u>219,816</u>	<u>3,396,644</u>
Balances end of year	<u>\$ 2,322,394</u>	<u>189,801</u>	<u>2,512,195</u>

See accompanying independent auditor's report.

Less Funds Not Required to be Budgeted	Net	Original Budgeted Amounts	Amended Final Budgeted Amounts	Budget to Net Variance
(31,937)	5,786,072	5,569,066	5,569,066	217,006
-	5,523	-	-	5,523
-	7,270,531	7,495,400	7,703,400	(432,869)
-	820,898	1,140,000	1,140,000	(319,102)
(31,937)	13,883,024	14,204,466	14,412,466	(529,442)
-	8,299,499	10,326,487	10,534,487	2,234,988
-	3,674,018	4,329,814	4,329,814	655,796
(29,455)	598,085	779,964	779,964	181,879
-	2,226,417	1,963,767	5,918,767	3,692,350
(29,455)	14,798,019	17,400,032	21,563,032	6,765,013
2,482	(914,995)	(3,195,566)	(7,150,566)	6,235,571
-	28,064	20,000	3,975,000	(3,946,936)
2,482	(886,931)	(3,175,566)	(3,175,566)	2,288,635
17,817	3,378,827	3,175,566	3,175,566	203,261
20,299	2,491,896	-	-	2,491,896

Clarke Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2008

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 adopted one budget amendment increasing budgeted expenditures by \$4,163,000.

During the year ended June 30, 2008, expenditures did not exceed the amounts budgeted.

**Other Supplementary Information**

**Schedule 1**

## Clarke Community School District

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2008

	Special Revenue		Capital Projects		
	Manage- ment Levy	Student Activity	Debt Service	School Infrastructure Local Option	Total
<b>Assets</b>					
Cash and pooled investments	\$ 248,336	109,703	46,538	5,529	410,106
Receivables:					
Property tax:					
Delinquent	7,797	-	7,178	-	14,975
Succeeding year	189,000	-	337,000	-	526,000
Accounts	-	1,463	-	-	1,463
Due from other governments	-	226	-	170,894	171,120
Prepaid insurance	87,350	-	-	-	87,350
<b>Total assets</b>	<b>\$ 532,483</b>	<b>111,392</b>	<b>390,716</b>	<b>176,423</b>	<b>1,211,014</b>
<b>Liabilities and Fund Equity</b>					
Liabilities:					
Accounts payable	\$ -	4,869	-	5,529	10,398
Salaries and benefits payable	-	7,727	-	-	7,727
Deferred revenue:					
Succeeding year property tax	189,000	-	337,000	-	526,000
Other	3,511	-	2,861	-	6,372
Total liabilities	192,511	12,596	339,861	5,529	550,497
Fund equity:					
Fund balances:					
Reserved for debt service	-	-	50,855	-	50,855
Unreserved, reported in:					
Special revenue funds	339,972	98,796	-	-	438,768
Capital projects fund	-	-	-	170,894	170,894
Total fund equity	339,972	98,796	50,855	170,894	660,517
<b>Total liabilities and fund equity</b>	<b>\$ 532,483</b>	<b>111,392</b>	<b>390,716</b>	<b>176,423</b>	<b>1,211,014</b>

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, 2008

	Special Revenue		Capital Projects		Total
	Manage- ment Levy	Student Activity	Debt Service	School Infrastructure Local Option	
Revenues:					
Local sources:					
Local tax	\$ 274,530	-	276,531	757,112	1,308,173
Other	9,060	233,747	2,772	19,825	265,404
State sources	203	-	204	-	407
Total revenues	<u>283,793</u>	<u>233,747</u>	<u>279,507</u>	<u>776,937</u>	<u>1,573,984</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	109,544	-	-	-	109,544
Special instruction	5,866	-	-	-	5,866
Other instruction	2,511	220,914	-	-	223,425
Support services:					
Student services	1,651	-	-	-	1,651
Instructional staff services	1,131	-	-	-	1,131
Administration services	5,053	-	-	-	5,053
Operation and maintenance of plant services	40,380	2,636	-	30,687	73,703
Transportation services	14,285	5,936	-	-	20,221
Non-instructional programs	1,167	-	-	-	1,167
Other expenditures:					
Facilities acquisition	-	-	-	1,023,933	1,023,933
Long-term debt:					
Principal	-	-	447,936	-	447,936
Interest and other charges	-	-	212,491	-	212,491
Total expenditures	<u>181,588</u>	<u>229,486</u>	<u>660,427</u>	<u>1,054,620</u>	<u>2,126,121</u>
Excess (deficiency) of revenues over (under) expenditures	<u>102,205</u>	<u>4,261</u>	<u>(380,920)</u>	<u>(277,683)</u>	<u>(552,137)</u>
Other financing sources (uses):					
General obligation bond proceeds	-	-	3,965,000	-	3,965,000
Payment to refunding bond agent	-	-	(3,945,000)	-	(3,945,000)
Operating transfers in	-	-	408,867	66,945	475,812
Operating transfers out	-	-	-	(250,000)	(250,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>428,867</u>	<u>(183,055)</u>	<u>245,812</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>102,205</u>	<u>4,261</u>	<u>47,947</u>	<u>(460,738)</u>	<u>(306,325)</u>
Fund balances beginning of year	<u>237,767</u>	<u>94,535</u>	<u>2,908</u>	<u>631,632</u>	<u>966,842</u>
Fund balances end of year	<u>\$ 339,972</u>	<u>98,796</u>	<u>50,855</u>	<u>170,894</u>	<u>660,517</u>

See accompanying independent auditor's report.

**Schedule 3**

## Clarke Community School District

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

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expend- itures	Balance End of Year
Pop Music	\$ 1,538	376	1,500	414
Pop Athletics	3,549	2,175	3,264	2,460
Athletics	2,417	8,443	10,860	-
Publications	7,433	9,965	-	17,398
High School Band	1,879	37,356	33,386	5,849
High School Co-curricular	277	-	277	-
High School Vocal Music	4,943	13,165	7,106	11,002
Cheerleaders	3,548	2,282	4,646	1,184
Speech/Debate	-	4,559	4,559	-
FFA	-	25,913	23,495	2,418
FHA	960	44	-	1,004
Medical Careers Club	131	6	-	137
Boys Basketball	9,493	5,733	10,078	5,148
Football	8,189	12,825	16,147	4,867
Baseball	-	5,073	5,073	-
Boys Track	1,262	1,222	2,017	467
Wrestling	281	3,032	2,958	355
Girls Basketball	5,201	3,750	5,055	3,896
Volleyball	4,200	3,656	4,163	3,693
Softball	-	10,406	10,326	80
Girls Track	890	1,732	2,622	-
Camp - Boys Basketball	1,159	53	-	1,212
Camp - Football	2,926	3,900	3,973	2,853
Camp - Wrestling	64	3	-	67
Camp - Girls Basketball	530	1,841	-	2,371
Camp - Volleyball	744	34	-	778
Spanish Club	1,312	60	-	1,372
High School Student Council	612	1,533	1,948	197
Thespians	2,022	5,494	4,444	3,072
Class of:				
2007	579	27	-	606
2008	986	59	334	711
2009	2,819	7,689	7,770	2,738
2010	3,812	225	-	4,037
2011	2,527	147	60	2,614

Clarke Community School District  
 Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
 Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expend- itures	Balance End of Year
Art Club	613	495	240	868
Concessions	4,710	31,927	29,384	7,253
American Field Service	2,402	110	-	2,512
Vending Machine - Art/Cheerleaders	344	15	-	359
TOUCH	115	5	-	120
Media Club	367	15	173	209
Athletic Resale	(7,231)	7,613	14,600	(14,218)
Cross Country	-	443	443	-
Drill Team	2,789	702	289	3,202
FBLA	694	2,781	3,448	27
Elementary/Junior High				
Band Contest	41	-	41	-
Junior High Student Council	1,097	732	1,766	63
Middle School Pop Fund Balance	-	791	75	716
Elementary Student Council	9,807	6,104	3,962	11,949
After Prom	2,504	9,236	9,004	2,736
Total	\$ 94,535	233,747	229,486	98,796

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, 2008

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 194,655	297,290	355,942	136,003
Accounts receivable	-	384	-	384
Due from other governments	2,559	2,400	2,559	2,400
<b>Total assets</b>	<b>\$ 197,214</b>	<b>300,074</b>	<b>358,501</b>	<b>138,787</b>
<b>Liabilities</b>				
Accounts payable	\$ 57,632	2,712	57,632	2,712
Due to other governments	100	-	100	-
Trusts payable	139,482	297,362	300,769	136,075
<b>Total liabilities</b>	<b>\$ 197,214</b>	<b>300,074</b>	<b>358,501</b>	<b>138,787</b>

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 Seven Years

	Modified Accrual			
	2008	2007	2006	2005
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 4,643,460	4,646,077	4,375,080	4,422,423
Tuition	332,365	374,400	339,497	345,637
Other	548,713	720,867	458,888	435,668
Intermediate sources	5,523	-	-	-
State sources	7,264,290	6,760,768	6,534,151	6,221,414
Federal sources	539,307	555,494	770,422	685,694
<b>Total</b>	<b>\$ 13,333,658</b>	<b>13,057,606</b>	<b>12,478,038</b>	<b>12,110,836</b>
<b>Expenditures:</b>				
Instruction:				
Regular instruction	\$ 5,040,800	4,778,673	4,337,840	4,344,951
Special instruction	1,945,636	1,813,039	1,918,914	2,251,134
Other instruction	1,313,063	1,158,946	1,136,067	636,728
Support services:				
Student services	338,214	300,624	306,632	284,522
Instructional staff services	314,187	350,389	271,461	317,425
Administration services	1,261,484	1,285,995	1,134,575	1,027,301
Operation and maintenance of plant services	1,219,815	1,076,053	1,021,613	888,722
Transportation services	540,318	606,882	655,476	432,681
Non-instructional programs	8,158	3,213	9,644	22,898
Other expenditures:				
Facilities acquisition	1,110,495	167,641	453,790	354,730
Long-term debt:				
Principal	447,936	420,293	403,090	386,300
Interest and other charges	212,491	232,271	250,806	272,720
Other	-	-	-	-
AEA flowthrough	455,495	446,669	421,018	410,502
<b>Total</b>	<b>\$ 14,208,092</b>	<b>12,640,688</b>	<b>12,320,926</b>	<b>11,630,614</b>

See accompanying independent auditor's report.

Basis		
2004	2003	2002
4,191,392	3,736,749	3,627,428
333,122	389,967	344,846
377,892	396,302	396,875
-	-	-
5,959,245	6,044,538	5,900,376
699,462	428,237	481,141
<u>11,561,113</u>	<u>10,995,793</u>	<u>10,750,666</u>
4,118,312	3,962,238	3,961,982
2,091,487	1,515,063	1,389,211
572,922	1,109,364	1,121,804
337,336	356,596	340,812
321,255	366,422	533,314
997,654	975,611	969,383
817,383	685,159	650,481
463,895	397,987	371,043
11,691	8,366	7,120
192,537	264,798	464,039
364,902	348,870	338,186
286,673	301,855	317,584
-	300	150
410,482	433,289	429,027
<u>10,986,529</u>	<u>10,725,918</u>	<u>10,894,136</u>

**Schedule 6**

Clarke Community School District  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2008

Grantor/Program	CFDA Number	Grant Number	Expen- ditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY08	\$ 38,404
National School Lunch Program	10.555	FY08	242,791
			<u>281,195</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	1211GC	11,372
Title I Grants to Local Educational Agencies	84.010	1211G	222,076
			<u>233,448</u>
Migrant Education - State Grant Program	84.011	1211MC	4,458
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY07	6,991
State Grants for Innovative Programs	84.298	FY08	2,343
Improving Teacher Quality State Grants	84.367	FY08	67,222
Grants for State Assessments and Related Activities	84.369	FY08	8,953
Green Valley Area Education Agency:			
Special Education - Grants to States	84.027	FY08	72,277
Southwestern Community College:			
Career and Technical Education - Basic Grants to States	84.048	FY07	16,482
Iowa Department of Education - Division of Vocational Rehabilitation Services:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	07-TAP-02	40,319
Total			<u>\$ 733,688</u>

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

See accompanying independent auditor's report.





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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

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

To the Board of Education of  
Clarke Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Clarke Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 10, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Clarke Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Clarke Community School District's financial statements that is more than inconsequential will not be prevented or detected by Clarke Community School District's internal control.

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

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

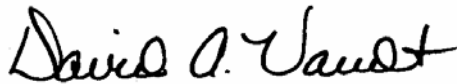
Compliance and Other Matters

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


Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 10, 2008

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

**Clarke Community School District**



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

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

To the Board of Education of  
Clarke Community School District:

Compliance

We have audited the compliance of Clarke Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2008. Clarke Community School District's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Clarke Community School District's management. Our responsibility is to express an opinion on Clarke Community School District's compliance based on our audit.

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

In our opinion, Clarke Community School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

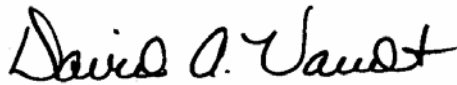
The management of Clarke Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Clarke Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Clarke Community School District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

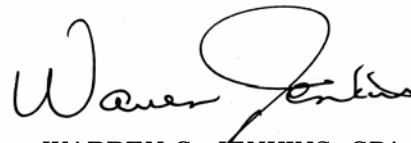
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 10, 2008

Clarke Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2008

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 84.010 – Title I Grants to Local Educational Agencies.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Clarke Community School District did qualify as a low-risk auditee.

Clarke Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2008

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

**SIGNIFICANT DEFICIENCIES:**

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

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



Clarke Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2008

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

- IV-A-08 Certified Budget – Expenditures for the year ended June 30, 2008 did not exceed the budgeted amounts.
- IV-B-08 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-08 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-08 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-08 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- IV-F-08 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-08 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-08 Deposits and Investments – Except as noted below, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

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

- IV-I-08 Certified Annual Report – The Certified Annual Report was filed with the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

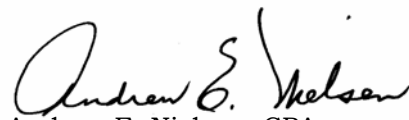
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Clarke Community School District

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager  
Karen J. Kibbe, Senior Auditor  
Jessica N. Meierotto, Staff Auditor  
James R. Wittenwyler, Staff Auditor  
Jeana R. Muhlbauer, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State