



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

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NEWS RELEASE

FOR RELEASE October 24, 2002

Contact: Andy Nielsen
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Auditor of State Richard Johnson today released an audit report on the Clarke Community School District in Osceola, Iowa.

Johnson reported that the District's revenues totaled \$11,286,264 for the year ended June 30, 2002, a less than one percent increase from 2001. General Fund revenues included \$2,544,310 in local tax, \$5,899,550 from the state, \$481,141 from the federal government and \$26,559 in interest on investments.

General Fund expenditures for the year totaled \$9,444,707, a one percent increase from the prior year, and included \$6,211,650 for instruction, \$2,797,460 for support services and \$429,027 for other expenditures.

A copy of the audit report is available for review in the office of the Auditor of State and the District Secretary's office.

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CLARKE COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2002

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Clarke Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education (Before September 2001 Election)

Doug Stearns	President	2002
W. Edward White	Vice President	2001
Duane Otto	Board Member	2001
Kathy Seelinger	Board Member	2001
Darwin Downing	Board Member	2002
Roger Cole	Board Member	2003
Joni Nelson	Board Member	2003

Board of Education (After September 2001 Election)

Doug Stearns	President	2002
W. Edward White	Vice President	2004
Darwin Downing	Board Member	2002
Joni Nelson	Board Member	2003
Roger Cole	Board Member	2003
Chuck DeVos	Board Member	2004
Michael Motsinger	Board Member	2004

School Officials

Steve Waterman	Superintendent	Indefinite
Ruth White	District Secretary/Treasurer and Business Manager	Indefinite
Bob Renoldson	Attorney	Indefinite
Jeff Krausman	Attorney	Indefinite

Clarke Community School District



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Independent Auditor's Report

To the Board of Education of the
Clarke Community School District:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of Clarke Community School District as of and for the year ended June 30, 2002. These general purpose financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose 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 general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements present fairly, in all material respects, the financial position of Clarke Community School District at June 30, 2002 and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with U.S. generally accepted accounting principles. Also, the Comparison of Revenues, Expenditures/Expenses and Changes in Balances - Actual to Budget presents fairly, in all material respects, the transactions and the legally adopted budget of the governmental fund types, expendable trust funds, and proprietary fund types of the Clarke Community School District for the year ended June 30, 2002.

In accordance with Government Auditing Standards, we have also issued our reports dated August 29, 2002 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 grants. Those reports are an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the three years ended June 30, 2001 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 15, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

RICHARD D. JOHNSON, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

August 29, 2002

Clarke Community School District

Financial Statements

Clarke Community School District

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Assets and Other Debits			
Cash and pooled investments	\$ 1,660,302	345,220	36,108
Receivables:			
Property tax:			
Current year delinquent	69,567	10,855	12,638
Succeeding year	2,570,000	389,000	443,000
Accounts	672	-	-
Due from other governments	135,514	-	-
Inventories	-	-	-
Property and equipment (note 3):			
Land and land improvements	-	-	-
Buildings and building improvements	-	-	-
Machinery and equipment	-	-	-
Construction in progress	-	-	-
Accumulated depreciation	-	-	-
Amount available in Debt Service Fund	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
Total assets and other debits	\$ 4,436,055	745,075	491,746

Capital Projects	Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	
55,437	131,610	3,601	81,284	-	-	2,313,562
-	-	-	-	-	-	93,060
-	-	-	-	-	-	3,402,000
-	5,601	-	-	-	-	6,273
-	36	-	-	-	-	135,550
-	7,040	-	-	-	-	7,040
-	-	-	-	1,173,166	-	1,173,166
-	-	-	-	7,822,943	-	7,822,943
-	239,178	-	-	3,229,662	-	3,468,840
-	-	-	-	2,895,317	-	2,895,317
-	(158,764)	-	-	-	-	(158,764)
-	-	-	-	-	44,455	44,455
-	-	-	-	-	6,761,533	6,761,533
55,437	224,701	3,601	81,284	15,121,088	6,805,988	27,964,975

Clarke Community School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Liabilities, Fund Equity and Other Credits			
Liabilities:			
Accounts payable	\$ 56,588	9,402	-
Salaries and benefits payable	961,148	2,469	-
Construction contracts payable	-	-	-
Early retirement payable (note 4)	-	14,959	-
Deferred revenue:			
Succeeding year property tax	2,570,000	389,000	443,000
Other	48,013	3,693	4,291
Bonds payable (note 4)	-	-	-
Capital loan notes payable (note 4)	-	-	-
Trusts payable	-	-	-
Compensated absences	12,490	-	-
Total liabilities	3,648,239	419,523	447,291
Fund equity and other credits:			
Investment in general fixed assets	-	-	-
Contributed capital	-	-	-
Unreserved retained earnings	-	-	-
Fund balance:			
Reserved for:			
Debt service	-	-	44,455
Unreserved:			
Designated for various projects	88,572	-	-
Undesignated	699,244	325,552	-
Total fund equity and other credits	787,816	325,552	44,455
Total liabilities, fund equity and other credits	\$ 4,436,055	745,075	491,746

See notes to financial statements.

Capital Projects	Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	
1,732	342	-	4,154	-	-	72,218
-	33,145	-	-	-	-	996,762
18,577	-	-	-	-	-	18,577
-	-	-	-	-	172,287	187,246
-	-	-	-	-	-	3,402,000
-	7,495	-	-	-	-	63,492
-	-	-	-	-	5,625,000	5,625,000
-	-	-	-	-	980,814	980,814
-	-	-	55,020	-	-	55,020
-	-	-	-	-	27,887	40,377
20,309	40,982	-	59,174	-	6,805,988	11,441,506
-	-	-	-	15,121,088	-	15,121,088
-	93,459	-	-	-	-	93,459
-	90,260	3,601	-	-	-	93,861
-	-	-	-	-	-	44,455
-	-	-	-	-	-	88,572
35,128	-	-	22,110	-	-	1,082,034
35,128	183,719	3,601	22,110	15,121,088	-	16,523,469
55,437	224,701	3,601	81,284	15,121,088	6,805,988	27,964,975

Clarke Community School District

Combined Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Fund Types and Expendable Trust Funds

Year ended June 30, 2002

	Governmental	
	General	Special Revenue
Revenues:		
Local sources	\$ 3,028,902	839,207
State sources	5,899,550	387
Federal sources	481,141	-
Total revenues	9,409,593	839,594
Expenditures:		
Instruction	6,211,650	261,347
Support services	2,797,460	67,573
Non-instructional programs	6,570	550
Other expenditures	429,027	451,924
Total expenditures	9,444,707	781,394
Excess (deficiency) of revenues over (under) expenditures	(35,114)	58,200
Other financing sources (uses):		
Sale of equipment	2,253	-
Operating transfers in (out)	-	(158,700)
Total other financing sources (uses)	2,253	(158,700)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(32,861)	(100,500)
Fund balance beginning of year	820,677	426,052
Fund balance end of year	\$ 787,816	325,552

See notes to financial statements.

Fund Types		Fiduciary Fund Type	Total
Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
499,823	1,217	296	4,369,445
439	-	-	5,900,376
-	-	-	481,141
500,262	1,217	296	10,750,962
-	-	-	6,472,997
-	-	725	2,865,758
-	-	-	7,120
655,920	12,115	-	1,548,986
655,920	12,115	725	10,894,861
(155,658)	(10,898)	(429)	(143,899)
-	-	-	2,253
158,700	-	-	-
158,700	-	-	2,253
3,042	(10,898)	(429)	(141,646)
41,413	46,026	22,539	1,356,707
44,455	35,128	22,110	1,215,061

Clarke Community School District

Clarke Community School District

Combined Statement of Revenues, Expenses and Changes in Retained Earnings

Proprietary Fund Types

Year ended June 30, 2002

	Enterprise Fund	Internal Service	Total
Operating revenue:			
Local sources	\$ 251,608	27,968	279,576
Operating expenses:			
Non-instructional programs:			
Depreciation	15,073	-	15,073
Other	473,559	-	473,559
Other expenditures:			
Employee benefits	-	25,064	25,064
Total expenses	488,632	25,064	513,696
Operating income (loss)	(237,024)	2,904	(234,120)
Non-operating revenues:			
Local sources	1,984	70	2,054
State sources	7,909	-	7,909
Federal sources	245,763	-	245,763
Total non-operating revenues	255,656	70	255,726
Net income	18,632	2,974	21,606
Retained earnings beginning of year	71,628	627	72,255
Retained earnings end of year	\$ 90,260	3,601	93,861

See notes to financial statements.

Exhibit D

Clarke Community School District
Combined Statement of Cash Flows
Proprietary Fund Types
Year ended June 30, 2002

	Enterprise Fund	Internal Service	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 254,916	-	254,916
Cash received from employees	-	27,968	27,968
Cash received from miscellaneous operating activities	1,573	-	1,573
Cash payments to employees and suppliers	(438,463)	(25,064)	(463,527)
Net cash provided by (used in) operating activities	(181,974)	2,904	(179,070)
Cash flows from non-capital financing activities:			
State grants received	7,960	-	7,960
Federal grants received	213,629	-	213,629
Net cash provided by non-capital financing activities	221,589	-	221,589
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(816)	-	(816)
Cash flows from investing activities:			
Interest on investments	1,991	70	2,061
Net cash provided by investing activities	1,991	70	2,061
Net increase in cash and cash equivalents	40,790	2,974	43,764
Cash and cash equivalents beginning of year	90,820	627	91,447
Cash and cash equivalents end of year	\$ 131,610	3,601	135,211

Clarke Community School District
 Combined Statement of Cash Flows
 Proprietary Fund Types
 Year ended June 30, 2002

	Enterprise Fund	Internal Service	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (237,024)	2,904	(234,120)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Commodities used	33,194	-	33,194
Depreciation	15,073	-	15,073
Decrease in accounts receivable	4,478	-	4,478
(Increase) in due from other governments	(36)	-	(36)
(Increase) in inventories	(4,402)	-	(4,402)
Increase in accounts payable	99	-	99
Increase in salaries and benefits payable	6,205	-	6,205
Increase in deferred revenues	439	-	439
Net cash provided by (used in) operating activities	<u>\$ (181,974)</u>	<u>2,904</u>	<u>(179,070)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2002, the District received federal commodities valued at \$33,194 and consumed \$33,194 of federal commodities.

See notes to financial statements.

Clarke Community School District

Comparison of Revenues, Expenditures/Expenses and Changes in Balances -
Actual to Budget - All Governmental Fund Types,
Expendable Trust Funds and Proprietary Fund Type

Year ended June 30, 2002

	Governmental Fund Types and Expendable Trust Funds - Actual	Proprietary Fund Types - Actual	Total Actual
Revenues:			
Local sources	\$ 4,369,445	281,630	4,651,075
State sources	5,900,376	7,909	5,908,285
Federal sources	481,141	245,763	726,904
Total revenues	<u>10,750,962</u>	<u>535,302</u>	<u>11,286,264</u>
Expenditures/expenses:			
Instruction	6,472,997	-	6,472,997
Support services	2,865,758	-	2,865,758
Non-instructional programs	7,120	488,632	495,752
Other expenditures	1,548,986	25,064	1,574,050
Total expenditures/expenses	<u>10,894,861</u>	<u>513,696</u>	<u>11,408,557</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(143,899)	21,606	(122,293)
Other financing sources, net	<u>2,253</u>	-	<u>2,253</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing uses	(141,646)	21,606	(120,040)
Balance beginning of year	<u>1,356,707</u>	<u>72,255</u>	<u>1,428,962</u>
Balance end of year	<u>\$ 1,215,061</u>	<u>93,861</u>	<u>1,308,922</u>

See notes to financial statements.

Less Funds Not Required to be Budgeted	Net	Amended Budget	Variance - Favorable (Unfavorable)	Net as % of Amended Budget
28,038	4,623,037	4,610,478	12,559	104%
-	5,908,285	6,145,374	(237,089)	96%
-	726,904	658,420	68,484	110%
<u>28,038</u>	<u>11,258,226</u>	<u>11,414,272</u>	<u>(156,046)</u>	<u>105%</u>
-	6,472,997	6,462,858	(10,139)	100%
-	2,865,758	3,588,612	722,854	80%
-	495,752	539,650	43,898	92%
25,064	1,548,986	1,756,504	207,518	88%
<u>25,064</u>	<u>11,383,493</u>	<u>12,347,624</u>	<u>964,131</u>	<u>92%</u>
2,974	(125,267)	<u>(933,352)</u>		
-	2,253			
2,974	(123,014)			
627	1,428,335			
<u>3,601</u>	<u>1,305,321</u>			

Clarke Community School District

Notes to Financial Statements

June 30, 2002

(1) Summary of Significant Accounting Policies

The 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.

A. Reporting Entity

For financial reporting purposes, Clarke Community School District has included all funds, organizations, account groups, 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. The Clarke Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - 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. Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenues and expenditures or expenses. The various funds and account groups and their designated purposes are as follows:

Governmental Funds

General Fund - The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or

contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures and fixed charges that are not paid from other funds.

Special Revenue Funds – The Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Debt Service Fund – The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

Capital Projects Funds – The Capital Projects Funds are utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

Proprietary Funds

Enterprise Fund – The Enterprise Fund is utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

Internal Service Fund – The Internal Service Fund is utilized to account for employee flexible benefits.

Fiduciary Funds

Trust Funds – The Trust Funds are used to account for assets held by the District in a trustee capacity. These include expendable trust funds which are accounted for in essentially the same manner as Governmental Funds.

Agency Funds – The Agency Funds are 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 do not involve measurement of results of operations.

Account Groups

General Fixed Assets – This account group is established to account for property and equipment of the District not accounted for in proprietary funds.

General Long-Term Debt – This account group is established to account for the general long-term debt and certain other liabilities that are not specific liabilities of proprietary funds of the District.

C. Measurement Focus

Governmental Funds and Expendable Trust Funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available spendable resources.” Governmental Fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Proprietary Funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and all liabilities, whether current or non-current, associated with their activity are included on their balance sheets. Their reported fund equity, net total assets, is segregated into contributed capital and retained earnings components. Proprietary Fund type operating statements present increases (revenue) and decreases (expenses) in net total assets.

In reporting the financial activity of its Proprietary Fund, the District applies 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.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds and the Expendable Trust Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

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

All Proprietary Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

The assets and liabilities of the Agency Fund are accounted for using the modified accrual basis of accounting.

E. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the combined balance sheet:

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

fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

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, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in Governmental Funds are 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 that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. 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 Board of Education is required to certify its budget to the County Auditor by April 15 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 and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2000 assessed property valuations; is for the tax accrual period July 1, 2001 through June 30, 2002 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2001.

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 contributed value for government commodities.

Property and Equipment:

General Fixed Assets - General fixed assets are recorded as expenditures in the Governmental Funds and are capitalized (recorded and accounted for) in the General Fixed Assets Account Group. Assets in this account group are recorded at historical cost. Assets acquired by gift are accounted for at fair market value at the date of the gift. The General Fixed Assets Account Group excludes public domain or "infrastructure" general fixed assets such as roads, bridges, curbs, gutters, streets, sidewalks and similar assets that are immovable and of value only to the government.

In accordance with standards set forth by the Governmental Accounting Standards Board, depreciation is not recorded on the balance sheet for general fixed assets. At the time an asset is removed from service, the cost is removed from the General Fixed Assets Account Group. Maintenance and repairs are recorded as expenditures in the Governmental Funds as incurred and are not capitalized.

During the year ended June 30, 2002, no interest costs were capitalized since the District's policy is not to capitalize interest costs on assets constructed or acquired with tax-exempt debt paid for from annual debt service tax levies.

Proprietary Fund - Proprietary Fund Type property and equipment is accounted for at historical cost. Contributed fixed assets are recorded at estimated fair market value at the date received.

Accumulated depreciation is reported on Proprietary Fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives for machinery and equipment is from 5 to 12 years.

During the year ended June 30, 2002, no interest costs were capitalized since there were no qualifying assets.

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 collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. The cost of vacation payments expected to be liquidated currently are recorded as a liability of the General Fund. A liability has been recorded in the General Long-Term Debt Account Group representing the District's commitment to fund non-current compensated absences. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2002.

F. Budgets, Budgetary Accounting and Budgetary Commitments

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 and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the modified accrual basis for the governmental fund types and expendable trust funds and the accrual basis for the proprietary fund type.

Encumbrances pertain to commitments related to unperformed contracts for goods or services. Used in budgeting, encumbrances are not expenditures or liabilities. Encumbrances represent the estimated amount of expenditures which may result if the unperformed contracts in process are completed. The District is not required to use encumbrance accounting, and, accordingly, commitments related to unperformed contracts for goods or services have not been recorded by the District.

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

G. Total (Memorandum Only)

The total columns of the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2002 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.

The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. The District's investments are all category 1 which means that the investments are insured or registered or the securities are held by the District or its agent in the District's name.

The District's investments at June 30, 2002 are as follows:

Type	Fair Value
Common Stock	<u>\$ 5,037</u>

(3) Property and Equipment

A summary of changes in property and equipment comprising general fixed assets for the year ended June 30, 2002 is as follows:

	Balance			Balance
	Beginning			End of
	of Year	Additions	Deletions	Year
Land and land improvements	\$ 900,256	272,910	-	1,173,166
Building and building improvements	7,816,319	6,624	-	7,822,943
Machinery and equipment	3,188,406	214,461	173,205	3,229,662
Construction in progress	2,878,162	17,155	-	2,895,317
Balance end of year	<u>\$ 14,783,143</u>	<u>511,150</u>	<u>173,205</u>	<u>15,121,088</u>

(4) Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2002 is as follows:

	Early	General	Capital	Compen-	
	Retire-	Obligation	Loan	sated	Total
	ment	Bonds	Notes	Absences	
Balance beginning of year	\$ 86,372	5,870,000	1,074,000	20,363	7,050,735
Additions	85,915	-	-	7,524	93,439
Reductions	-	245,000	93,186	-	338,186
Balance end of year	<u>\$ 172,287</u>	<u>5,625,000</u>	<u>980,814</u>	<u>27,887</u>	<u>6,805,988</u>

Early Retirement

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

Early retirement benefits paid during the year ended June 30, 2002, totaled \$29,106. The cost of early retirement payments expected to be liquidated currently is recorded as a liability of the Special Revenue, Management Levy Fund. A liability has been recorded in the General Long-Term Debt Account Group representing the District's commitment to fund non-current early retirement benefits.

General Obligation Bonds

Details of the District's June 30, 2002 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of Mar 1, 1999			
	Interest Rates	Principal	Interest	Total
2003	4.10%	\$ 250,000	242,025	492,025
2004	4.10	260,000	231,775	491,775
2005	4.10	275,000	221,115	496,115
2006	4.10	285,000	209,840	494,840
2007	4.10	295,000	198,155	493,155
2008	4.10	315,000	186,060	501,060
2009	4.10	320,000	173,145	493,145
2010	4.20	335,000	160,025	495,025
2011	4.25	350,000	145,955	495,955
2012	4.30	365,000	131,080	496,080
2013	4.35	380,000	115,385	495,385
2014	4.40	400,000	98,855	498,855
2015	4.50	420,000	81,255	501,255
2016	4.50	435,000	62,355	497,355
2017	4.50	460,000	42,780	502,780
2018	4.60	480,000	22,080	502,080
Total		\$ 5,625,000	2,321,885	7,946,885

During the year ended June 30, 2002, the District retired \$245,000 of bonds.

General Obligation Capital Loan Notes

Details of the District's June 30, 2002 general obligation capital loan note indebtedness are as follows:

Year Ending June 30,	Capital Loan Note Issue of Aug 15, 2000			
	Interest Rates	Principal	Interest	Total
2003	6.10%	\$ 98,870	59,830	158,700
2004	6.10	104,902	53,798	158,700
2005	6.10	111,171	47,529	158,700
2006	6.10	118,082	40,618	158,700
2007	6.10	125,285	33,415	158,700
2008	6.10	132,927	25,773	158,700
2009	6.10	140,987	17,713	158,700
2010	6.10	148,590	9,064	157,654
Total		\$ 980,814	287,740	1,268,554

During the year ended June 30, 2002, the District retired \$93,186 of notes.

(5) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2002, 2001, and 2000 were \$389,010, \$369,002, and \$349,677, respectively, equal to the required contributions for each year.

(6) Risk Management

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

Each member's contributions to ISEBA funds current operations and provides capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2002 were \$655,780.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2002 no liability has been recorded in the District's financial statements. As of June 30, 2002 settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

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.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$429,027 for the year ended June 30, 2002 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(8) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2002, disbursements in the instruction functional area exceeded the amount budgeted.

Clarke Community School District

Supplemental Information

Clarke Community School District

Clarke Community School District
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
Year ended June 30, 2002

Revenues:

Local sources:

Local tax:

Property tax	\$ 2,443,783
Utility tax replacement excise tax	96,411
Mobile home tax	4,116
	2,544,310

Other local sources:

Interest on investments	26,559
Tuition from other districts	247,172
Special education tuition	97,674
Transportation fees	57,012
Resale and fundraisers	24,146
Rentals	2,825
Donations	14,662
Miscellaneous	14,542
	484,592
	3,028,902

State sources:

State foundation aid	4,946,043
State mentoring and induction program	11,700
State teacher compensation program	91,819
Iowa Early Intervention Block grant	104,197
School improvement technology funding	29,586
Educational Excellence program:	
Phase I	60,079
Phase II	118,267
Phase III	67,584
Vocational education aid	7,401
Revenue in lieu of taxes - military credit	2,346
AEA flow-through	429,027
Judicial system grant	31,425
Miscellaneous	76
	5,899,550

Schedule 1

Clarke Community School District
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
Year ended June 30, 2002

Revenues (continued):

Federal sources:

Title I Grants to Local Educational Agencies	197,397
Migrant Education - Basic State Grant Program	18,964
Safe and Drug-Free Schools and Communities - State grants	5,939
Innovative Education Program Strategies	2,708
Vocational Education - Basic Grants to States	13,000
Goals 2000 - State and Local Education Systematic Improvement Grants	135,113
Class Size Reduction	39,234
Rehabilitation Services - Vocational Rehabilitation Grants to States	33,909
Technology Literacy Challenge Fund grants	12,196
Special Ed - Grants to States	22,681
	<u>481,141</u>
Total revenues	<u>9,409,593</u>

Expenditures:

Instruction:

Regular instruction:

Salaries	2,722,377
Benefits	864,451
Services	176,566
Supplies	128,957
Property	38,903
Other	949
	<u>3,932,203</u>

Special education instruction:

Salaries	857,706
Benefits	337,179
Services	132,313
Supplies	38,085
Property	9,672
	<u>1,374,955</u>

Other special instruction:

Salaries	395,542
Benefits	126,629
Services	17,343
Supplies	17,539
Property	513
Other	255
	<u>557,821</u>

Clarke Community School District
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
Year ended June 30, 2002

Expenditures (continued):	
Instruction (continued):	
Vocational instruction:	
Salaries	78,833
Benefits	23,232
Services	7,994
Supplies	27,954
Property	7,036
Other	220
	<u>145,269</u>
Co-curricular instruction:	
Salaries	173,324
Benefits	21,993
Services	2,100
Supplies	2,884
Property	251
Other	850
	<u>201,402</u>
Total instruction	<u>6,211,650</u>
Support services:	
Student support services:	
Salaries	252,860
Benefits	81,808
Services	1,442
Supplies	2,642
Property	1,078
Other	140
	<u>339,970</u>
Instructional staff support services:	
Salaries	233,986
Benefits	63,846
Services	110,217
Supplies	114,553
Property	9,431
Other	319
	<u>532,352</u>

Schedule 1

Clarke Community School District
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
Year ended June 30, 2002

Expenditures (continued):

Support services (continued):

General administration:

Salaries	108,491
Benefits	33,992
Services	46,220
Supplies	4,488
Other	4,290
	<u>197,481</u>

Building administration:

Salaries	345,364
Benefits	122,743
Services	35,499
Supplies	10,060
Property	1,639
Other	2,144
	<u>517,449</u>

Business administration:

Salaries	106,139
Benefits	35,155
Services	54,583
Supplies	20,609
Property	12,695
Other	3,859
	<u>233,040</u>

Plant operation and maintenance:

Salaries	223,618
Benefits	74,984
Services	132,925
Supplies	178,028
Property	9,562
Other	100
	<u>619,217</u>

Clarke Community School District

Statement of Revenues, Expenditures and Changes in Fund Balance

General Fund

Year ended June 30, 2002

Expenditures (continued):	
Support services (continued):	
Student transportation:	
Salaries	231,867
Benefits	41,439
Services	3,216
Supplies	81,229
Other	200
	<u>357,951</u>
Total support services	<u>2,797,460</u>
Non-instructional programs:	
Community service and education programs:	
Salaries	3,460
Benefits	419
Services	325
Supplies	2,366
Total non-instructional programs	<u>6,570</u>
Other expenditures:	
AEA flow-through	429,027
Total expenditures	<u>9,444,707</u>
Deficiency of revenues under expenditures	(35,114)
Other financing sources:	
Sale of equipment	<u>2,253</u>
Deficiency of revenues and other financing sources under expenditures	(32,861)
Fund balance beginning of year	<u>820,677</u>
Fund balance end of year	<u>\$ 787,816</u>

See accompanying independent auditor's report.

Schedule 2

Clarke Community School District

Combining Balance Sheet

Special Revenue Funds

June 30, 2002

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 212,460	82,106	50,654	345,220
Receivables:				
Property tax:				
Current year delinquent	4,342	-	6,513	10,855
Succeeding year	144,000	-	245,000	389,000
Total assets	\$ 360,802	82,106	302,167	745,075
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	5,974	3,428	9,402
Salaries and benefits payable	-	2,469	-	2,469
Early retirement payable	14,959	-	-	14,959
Deferred revenue:				
Succeeding year property tax	144,000	-	245,000	389,000
Other	1,482	-	2,211	3,693
Total liabilities	160,441	8,443	250,639	419,523
Fund equity:				
Unreserved, undesignated fund balance	200,361	73,663	51,528	325,552
Total liabilities and fund equity	\$ 360,802	82,106	302,167	745,075

See accompanying independent auditor's report.

Clarke Community School District

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Special Revenue Funds

Year ended June 30, 2002

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax:				
Property tax	\$ 152,517	-	247,735	400,252
Income tax/surtax	-	-	169,262	169,262
Utility tax replacement excise tax	6,017	-	8,978	14,995
Mobile home tax	257	-	383	640
	<u>158,791</u>	<u>-</u>	<u>426,358</u>	<u>585,149</u>
Other local sources:				
Interest on investments	3,077	1,783	1,340	6,200
Student activities	-	237,627	-	237,627
Miscellaneous	-	10,231	-	10,231
	<u>3,077</u>	<u>249,641</u>	<u>1,340</u>	<u>254,058</u>
	<u>161,868</u>	<u>249,641</u>	<u>427,698</u>	<u>839,207</u>
State sources:				
Revenue in lieu of taxes - military credit	146	-	229	375
Machinery and equipment replacement	5	-	7	12
	<u>151</u>	<u>-</u>	<u>236</u>	<u>387</u>
Total revenues	<u>162,019</u>	<u>249,641</u>	<u>427,934</u>	<u>839,594</u>
Expenditures:				
Instruction:				
Regular instruction:				
Benefits	29,779	-	-	29,779
Special programs instruction:				
Salaries	9,907	-	-	9,907
Benefits	4,349	-	-	4,349
	<u>14,256</u>	<u>-</u>	<u>-</u>	<u>14,256</u>

Schedule 3

Clarke Community School District

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Special Revenue Funds

Year ended June 30, 2002

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
Expenditures (continued):				
Instruction:				
Vocational instruction:				
Benefits	1,001	-	-	1,001
Co-curricular instruction:				
Salaries	-	8,039	-	8,039
Benefits	627	862	-	1,489
Services	-	40,603	-	40,603
Supplies	-	153,380	-	153,380
Property	-	390	-	390
Other	-	12,410	-	12,410
	627	215,684	-	216,311
Total instruction	45,663	215,684	-	261,347
Support services:				
Student support services:				
Benefits	842	-	-	842
Instructional staff support services:				
Benefits	962	-	-	962
General administration:				
Benefits	380	-	-	380
Services	10,988	-	-	10,988
	11,368	-	-	11,368
Building administration:				
Benefits	9,680	-	-	9,680
Business administration:				
Benefits	365	-	-	365
Plant and operation and maintenance:				
Benefits	780	-	-	780
Services	30,484	-	-	30,484
	31,264	-	-	31,264

Clarke Community School District

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Special Revenue Funds

Year ended June 30, 2002

	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
Expenditures (continued):				
Support services:				
Student transportation:				
Benefits	1,822	-	-	1,822
Services	11,270	-	-	11,270
	13,092	-	-	13,092
Total support services	67,573	-	-	67,573
Non-instructional programs:				
Food services operations:				
Benefits	550	-	-	550
Other expenditures:				
Facilities acquisition:				
Services	-	-	244,366	244,366
Supplies	-	-	57,475	57,475
Property	-	-	150,083	150,083
	-	-	451,924	451,924
Total expenditures	113,786	215,684	451,924	781,394
Excess (deficiency) of revenues over (under) expenditures	48,233	33,957	(23,990)	58,200
Other financing uses:				
Operating transfers out:				
Debt Service Fund	-	-	(158,700)	(158,700)
Excess (deficiency) of revenues over (under) expenditures and other financing uses	48,233	33,957	(182,690)	(100,500)
Fund balance beginning of year	152,128	39,706	234,218	426,052
Fund balance end of year	\$ 200,361	73,663	51,528	325,552

See accompanying independent auditor's report.

Schedule 4

Clarke Community School District

Statement of Revenues, Expenditures and Changes in Fund Balance

Debt Service Fund

Year ended June 30, 2002

Revenues:

Local sources:

Local tax:

Property tax	\$ 479,806
Utility tax replacement excise tax	17,420
Mobile home tax	743
	<u>497,969</u>

Other local sources:

Interest on investments	1,854
	<u>499,823</u>

State sources:

Revenue in lieu of taxes - military credit	425
Machinery and equipment replacement	14
	<u>439</u>

Total revenues	<u>500,262</u>
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Expenditures:

Other expenditures:

Debt service:

Services	150
Principal	338,186
Interest	317,584
Total expenditures	<u>655,920</u>

Deficiency of revenues under expenditures	(155,658)
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Other financing sources:

Operating transfers in:

Special Revenue Funds:

Physical Plant and Equipment Levy	<u>158,700</u>
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Excess of revenues and other financing sources over expenditures	3,042
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Fund balance beginning of year	<u>41,413</u>
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Fund balance end of year	<u><u>\$ 44,455</u></u>
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See accompanying independent auditor's report.

Clarke Community School District

Combining Balance Sheet

Capital Projects Funds

June 30, 2002

	High School Additions	Remodeling Project	Total
Assets			
Cash and pooled investments	\$ 55,437	-	55,437
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ 1,732	-	1,732
Construction contracts payable	18,577	-	18,577
Total liabilities	20,309	-	20,309
Fund equity:			
Unreserved, undesignated fund balance	35,128	-	35,128
Total liabilities and fund equity	\$ 55,437	-	55,437

See accompanying independent auditor's report.

Schedule 6

Clarke Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Capital Projects Funds
Year ended June 30, 2002

	High School Additions	Remodeling Project	Total
Revenues:			
Local sources:			
Other local sources:			
Interest on investments	\$ 1,217	-	1,217
Expenditures:			
Other expenditures:			
Facilities acquisition and construction services:			
Services:			
Remodeling and addition projects	10,747	628	11,375
Supplies	740	-	740
	<u>11,487</u>	<u>628</u>	<u>12,115</u>
Deficiency of revenues under expenditures	(10,270)	(628)	(10,898)
Fund balance beginning of year	<u>45,398</u>	<u>628</u>	<u>46,026</u>
Fund balance end of year	<u>\$ 35,128</u>	<u>-</u>	<u>35,128</u>

See accompanying independent auditor's report.

Clarke Community School District
Statement of Revenues, Expenses and Changes in Retained Earnings
Enterprise Fund
Year ended June 30, 2002

	School Nutrition
Operating revenue:	
Local sources:	
Other local sources:	
Sale of lunches and breakfasts:	
Students	\$ 156,311
Adults	15,522
Extra milk	9,523
A la carte	68,679
Special functions	842
Miscellaneous	731
Total operating revenues	251,608
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	149,187
Benefits	60,579
Services	11,765
Supplies	249,142
Other	2,886
Depreciation	15,073
Total operating expenses	488,632
Operating loss	(237,024)
Non-operating revenues:	
Interest income	1,984
State lunch and breakfast program claims	7,909
National School Lunch Program	181,229
School Breakfast Program	31,340
Food distribution	33,194
Total non-operating revenues	255,656
Net income	18,632
Retained earnings beginning of year	71,628
Retained earnings end of year	\$ 90,260

See accompanying independent auditor's report.

Schedule 8

Clarke Community School District
Statement of Revenues, Expenses and Changes in Retained Earnings
Internal Service Fund
Year ended June 30, 2002

	<u>Flex Spending</u>
Operating revenue:	
Local sources:	
Other local sources:	
Employee contributions	\$ 27,968
Operating expenses:	
Other expenditures:	
Flex withdrawals	<u>25,064</u>
Operating income	2,904
Non-operating revenue:	
Interest income	<u>70</u>
Net income	2,974
Retained earnings beginning of year	<u>627</u>
Retained earnings end of year	<u><u>\$ 3,601</u></u>

See accompanying independent auditor's report.

Clarke Community School District

Combining Balance Sheet

Trust and Agency Funds

June 30, 2002

	Expendable Trust Fund	Agency Fund	Total
Assets			
Cash and pooled investments	\$ 22,110	59,174	81,284
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ -	4,154	4,154
Trusts payable	-	55,020	55,020
Total liabilities	-	59,174	59,174
Fund equity:			
Unreserved, undesignated fund balance	22,110	-	22,110
Total liabilities and fund equity	\$ 22,110	59,174	81,284

See accompanying independent auditor's report.

Schedule 10

Clarke Community School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Expendable Trust Funds
Year ended June 30, 2002

Revenues:

Local sources:

Other local sources:

Interest on investments	\$ 872
Net decrease in fair value of investments	(676)
Miscellaneous	100
Total revenues	<u>296</u>

Expenditures:

Support services:

Student support services:

Services	700
Supplies	25
Total expenditures	<u>725</u>

Deficiency of revenues under expenditures (429)

Fund balance beginning of year 22,539

Fund balance end of year \$ 22,110

See accompanying independent auditor's report.

Clarke Community School District
Statement of Changes in Assets and Liabilities
Agency Fund
Year ended June 30, 2002

Balance beginning of year	<u>\$ 58,551</u>
Additions:	
Athletics	6
Extracurricular	561
Clarke Community Booster Club	13,516
Clarke Community Booster Club Football Restrooms	2,581
Band Boosters	7,131
Elementary Fund	718
Parent-Teacher Community Organization	893
Empowerment Early Childhood	17,624
Empowerment Tech Assistance	22,367
Empowerment School Ready	36,837
Youth First	9
South Central Conference	6,038
Total additions	<u>108,281</u>
Deductions:	
Clarke Community Booster Club	13,373
Clarke Community Booster Club Football Restrooms	1,158
Elementary Fund	548
Parent-Teacher Community Organization	700
Empowerment Early Childhood	21,937
Empowerment Tech Assistance	22,367
Empowerment School Ready	45,517
South Central Conference	6,212
Total deductions	<u>111,812</u>
Balance end of year	<u><u>\$ 55,020</u></u>

See accompanying independent auditor's report.

Schedule 12

Clarke Community School District

Schedule of Changes in Individual Student Activity Accounts

Year ended June 30, 2002

Account	Balance Beginning of Year	Revenues	Expend- itures	Balance End of Year
Pop Music	\$ 3	-	-	3
Pop Athletics	-	4,284	4,633	(349)
Athletics	(17)	7,109	4,781	2,311
Publications	7,459	7,455	8,580	6,334
High School Band	4,323	37,892	31,722	10,493
High School Co-curricular	-	2,044	-	2,044
High School Vocal Music	4,385	19,109	10,507	12,987
Cheerleaders	1,086	5,040	5,471	655
Speech/Debate	-	3,881	3,430	451
FFA	3,662	22,737	22,735	3,664
FHA	835	-	-	835
Medical Careers Club	143	-	-	143
Cross Country	-	531	531	-
Golf	(29)	29	-	-
Boys Basketball	(309)	5,272	2,783	2,180
Football	(114)	10,756	5,986	4,656
Baseball	(825)	3,547	2,698	24
Boys Track	-	3,242	2,045	1,197
Wrestling	-	2,632	2,632	-
Girls Basketball	-	4,348	3,740	608
Volleyball	-	2,765	2,025	740
Softball	(1,040)	5,527	5,471	(984)
Girls Track	-	3,338	1,870	1,468
Camp - Boys Basketball	309	-	150	159
Camp - Football	-	183	183	-
Camp - Wrestling	-	55	-	55
Camp - Girls Basketball	-	1,745	985	760
Camp - Volleyball	-	925	277	648
Spanish Club	1,119	-	-	1,119
High School Student Council	1,069	1,985	1,224	1,830
Thespians	1,721	4,660	4,322	2,059

Clarke Community School District
 Schedule of Changes in Individual Student Activity Accounts
 Year ended June 30, 2002

Account	Balance Beginning of Year	Revenues	Expend- itures	Balance End of Year
Class of:				
2002	(77)	80	3	-
2003	1,895	2,022	3,942	(25)
2004	-	7,202	4,090	3,112
2005	-	-	20	(20)
2006	-	11,175	7,524	3,651
Art Club	8,940	12,249	14,896	6,293
Concessions	-	35,621	36,343	(722)
American Field Service	2,089	-	-	2,089
Auto Club	340	-	-	340
Vending Machine -				
Art/Cheerleaders	625	1,192	1,487	330
TOUCH	406	-	-	406
Get A Grip	36	-	-	36
Media Club	-	21	-	21
Athletic Resale	(5,475)	6,991	4,929	(3,413)
Video/TV Fund	379	-	-	379
Drill Team	-	1,262	693	569
Elementary/Junior High				
Band Contest	-	-	285	(285)
Junior High Student Council	1,527	396	144	1,779
Elementary Student Council	4,101	3,569	6,155	1,515
After Prom	1,140	6,770	6,392	1,518
Total	\$ 39,706	249,641	215,684	73,663

See accompanying independent auditor's report.

Schedule 13

Clarke Community School District

Schedule of Changes in Individual Expendable Trust Fund Accounts

Year ended June 30, 2002

Account	Balance Beginning of Year	Revenues	Expend- itures	Balance End of Year
Gray Scholarship	\$ 4,522	93	200	4,415
Blake Scholarship	9,380	(264)	300	8,816
Fleming Scholarship	4,617	95	200	4,512
Paschall Scholarship	1,300	23	25	1,298
Routh Scholarship	999	18	-	1,017
Hardee's Scholarship	250	-	-	250
Michael Brannon Memorial	36	-	-	36
CAARE	250	-	-	250
Wrestling Room	1,185	331	-	1,516
Total	\$ 22,539	296	725	22,110

See accompanying independent auditor's report.

Clarke Community School District
Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2002	2001	2000	1999
Local sources:				
Local tax:				
Property tax	\$ 3,323,841	3,097,740	3,034,192	2,711,522
Income tax/surtax	169,262	156,249	-	-
Utility tax replacement excise tax	128,826	131,575	-	-
Mobile home tax	5,499	5,481	5,531	4,928
	<u>3,627,428</u>	<u>3,391,045</u>	<u>3,039,723</u>	<u>2,716,450</u>
State sources:				
State foundation aid	4,946,043	5,110,346	4,842,787	4,435,026
State mentoring and induction program	11,700	-	-	-
State teacher compensation program	91,819	-	-	-
Iowa Early Intervention Block grant	104,197	68,857	34,801	-
School improvement technology funding	29,586	86,576	85,718	84,242
Educational Excellence program:				
Phase I	60,079	60,079	60,079	60,079
Phase II	118,267	118,018	117,762	116,311
Phase III	67,584	65,755	65,131	63,821
Vocational education aid	7,401	7,667	7,086	8,291
Revenue in lieu of taxes - military credit	3,146	3,189	3,236	3,131
Lunch and breakfast program claims	7,909	8,418	8,696	8,463
AEA flow-through	429,027	434,503	417,371	399,667
Judicial system grant	31,425	30,510	29,621	28,759
Miscellaneous	102	25,867	13,274	20,645
	<u>5,908,285</u>	<u>6,019,785</u>	<u>5,685,562</u>	<u>5,228,435</u>
Federal sources:				
Title I Grants to Local Educational Agencies	197,397	196,311	203,544	208,231
Migrant Education - Basic State				
Grant Program	18,964	1,373	-	-
Safe and Drug-Free Schools				
and Communities - State grants	5,939	6,508	12,115	19,641
Innovative Education Program				
Strategies	2,708	11,712	19,878	-
Vocational Education - Basic Grants to States	13,000	11,910	15,337	15,794
Goals 2000 - State and Local Education				
Systematic Improvement Grants	135,113	205,952	125,975	22,884
Class Size Reduction	39,234	31,473	29,142	-
Rehabilitation Services - Vocational				
Rehabilitation Grants to States	33,909	28,208	5,901	-
Temporary Assistance for Needy Families	-	-	4,429	-

Schedule 14

Clarke Community School District
Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2002	2001	2000	1999
Federal sources (continued):				
Fund for the Improvement of Education	-	97,000	3,000	-
National School Lunch Program	181,229	173,661	177,368	172,413
School Breakfast Program	31,340	30,103	33,185	28,041
Food distribution	33,194	32,524	29,021	30,357
Technology Literacy Challenge Fund grants	12,196	27,805	-	49,520
Special Ed - Grants to States	22,681	-	-	-
Star Schools	-	20,000	-	10,000
Other	-	457	352	1,390
	<u>726,904</u>	<u>874,997</u>	<u>659,247</u>	<u>558,271</u>
Total	<u>\$ 10,262,617</u>	<u>10,285,827</u>	<u>9,384,532</u>	<u>8,503,156</u>

See accompanying independent auditor's report.

Clarke Community School District
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2002

Grantor/Program	CFDA Number	Grant Number	Expend- itures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Distribution (non-cash)	10.550	FY02	\$ 33,194
School Nutrition Cluster programs:			
School Breakfast Program	10.553	FY02	31,340
National School Lunch Program	10.555	FY02	181,229
			<u>212,569</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	1211G	192,090
Title I Grants to Local Educational Agencies	84.010	1211GC	5,307
			<u>197,397</u>
Migrant Education - Basic State Grant Program	84.011	FY02	<u>18,964</u>
Innovative Education Program Strategies	84.298	FY02	<u>2,708</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY02	<u>5,939</u>
Goals 2000 - State and Local Education Systematic Improvement Grants	84.276	47501	<u>135,113</u>
Technology Literacy Challenge Fund Grants	84.318	FY02	<u>12,196</u>
Class Size Reduction	84.340	FY02	<u>39,234</u>
Green Valley Area Education Agency:			
Special Ed - Grants to States	84.027	FY02	<u>22,681</u>
Vocational Education - Basic Grants to States	84.048	FY02	<u>13,000</u>

Schedule 15

Clarke Community School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2002

Grantor/Program	CFDA Number	Grant Number	Expend- itures
Indirect (continued):			
U.S. Department of Education:			
Iowa Department of Education-Division of			
Vocational Rehabilitation Services:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	01-TAP-06 (FY01)	9,769
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	02-TAP-02 (FY02)	24,140
			<u>33,909</u>
Total			<u>\$ 726,904</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Clarke Community School District and is presented in conformity with 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 general-purpose financial statements.

See accompanying independent auditor's report.



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STATE OF IOWA

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Warren G. Jenkins, CPA
Chief Deputy Auditor of State

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Board of Education of the
Clarke Community School District:

We have audited the general purpose financial statements of Clarke Community School District as of and for the year ended June 30, 2002, and have issued our report thereon dated August 29, 2002. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Clarke Community School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2002 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose 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. Prior year statutory comments have all been resolved except for items IV-A-02, IV-K-02, and IV-L-02.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clarke Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness. Prior year reportable conditions have all been resolved except for item II-A-02.

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. 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.

RICHARD D. JOHNSON, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

August 29, 2002

**Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance**

Clarke Community School District



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

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Warren G. Jenkins, CPA
Chief Deputy Auditor of State

**Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance**

To the Board of Education of the
Clarke Community School District:

Compliance

We have audited the compliance of Clarke Community School District with the types of compliance requirements described in the 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, 2002. 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 grants 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, Chapter 11 of the Code of Iowa, and 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 provisions 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 that 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, 2002.

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

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

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

RICHARD D. JOHNSON, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

August 29, 2002

Clarke Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2002

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements. The reportable condition is not considered to be a material weakness.
- (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 identified.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no 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 as follows:
 - 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, 2002

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

II-A-02 Receipts - Although an independent person opens the mail and prepares a listing of all checks received, the listing is not later compared to the receipts and deposits.

Recommendation - The listing of checks received in the mail should be compared to the receipts and deposits.

Response - Random checks will be done by a third individual.

Conclusion - Response accepted.

Clarke Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2002

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

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

Clarke Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2002

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-02 Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2002 except for Clarke County State Bank.

Recommendation - A new resolution in an amount sufficient to cover anticipated balances at all approved depositories should be adopted by the District.

Response - A new resolution in an amount sufficient to cover anticipated balances at all approved depositories will be adopted by the District.

Conclusion - Response accepted.

IV-B-02 Certified Budget - Disbursements for the year ended June 30, 2002, exceeded the amount budgeted in the instruction functional area.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The District will amend future budgets in a more timely fashion as needs arise.

Conclusion - Response accepted.

IV-C-02 Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-02 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-E-02 Business Transactions - No business transactions between the District and District officials or employees were noted.

IV-F-02 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 that the coverage is adequate for current operations.

IV-G-02 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

IV-H-02 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-I-02 Deposits and Investments - Except as noted in IV-A-02 and as follows, 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.

Clarke Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2002

Certain Expendable Trust, Scholarship funds are invested in common stock shares, 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, with advice of its legal counsel, believes it is in the best interest of this scholarship trust fund to continue owning the stock.

IV-J-02 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely and no significant deficiencies in the amounts reported were noted.

IV-K-02 Deficit Balances - Several student activity accounts had deficit balances at June 30, 2002.

Recommendation - The District should continue to investigate alternatives to eliminate these deficits to return these accounts to a sound financial condition.

Response - The District will continued to investigate alternatives to eliminate these deficits and return these accounts to a sound financial condition.

Conclusion - Response accepted.

IV-L-02 Capital Projects Expenditures - As recommended in the fiscal 2001 audit report, the District consulted legal counsel for assistance in addressing prior year capital project expenditure findings. The District's legal counsel confirmed that certain issues are deemed to be resolved while other issues continue to be addressed by the District and legal counsel.

Findings related to the current year restroom renovation and reroofing projects are as follows:

Performance Bonds - The project manual for both the restroom renovation and re-roofing project state that a performance bond must be obtained. Of the five contractor files selected for testing, four did not contain a copy of the performance bond.

Change Orders - Of five change orders tested, one change order was not approved in the Board minutes, and three change order applications were not maintained in the District files. In addition, Board approval was obtained after the work was initiated for two change orders.

Sales Tax Refunds - When a project has been completed, the District may apply for sales tax refunds from the State of Iowa. The District has not applied for sales tax refunds related to the projects.

Recommendation - The District should ensure that performance bonds are received and retained when required. Change orders should be approved prior to performing the work and the change orders should be maintained in

Clarke Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2002

District records. The District should apply for sales tax refunds on a timely basis.

Response - The District will work to ensure that performance bonds are received and retained as required by the project manual. Change orders will be maintained in District records and change orders will be approved prior to the start of work when possible; sometimes in order to keep a project moving along it is impossible to have Board approval before the work is completed.

Conclusion - Response acknowledged. For financial and budgetary control over capital projects, Board approval should be obtained before additional work is performed. Sales tax refunds should be applied for on a timely basis.

Clarke Community School District

Staff

This audit was performed by:

Susan D. Battani, CPA, Director
Donna F. Kruger, CPA, Senior Auditor II
Kathleen S. Caggiano, Staff Auditor
Brad T. Holtan, Assistant Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State