



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

January 13, 2016

Contact: Andy Nielsen
515/281-5834

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

The District's revenues totaled \$18,475,646 for the year ended June 30, 2015, a 2.24% increase over the prior year. The revenues included \$4,884,964 of local tax, \$1,366,094 of statewide sales, services and use tax, \$212,308 of income surtax, charges for service of \$892,728, operating grants, contributions and restricted interest of \$2,918,544, capital grants, contributions and restricted interest of \$13,238, unrestricted investment earnings of \$30,049, unrestricted state grants of \$7,900,709 and other general revenues of \$257,012.

Expenses for District operations for the year ended June 30, 2015 totaled \$15,761,856, a less than 1% decrease from the prior year, and included \$5,935,449 for regular instruction, \$2,305,536 for special instruction and \$1,873,230 for other instruction.

A copy of the audit report is available for review in the District Secretary's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1530-1211-B00F.pdf>.

###

CLARKE COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

Table of Contents

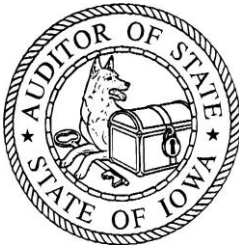
		<u>Page</u>
Officials		4
Independent Auditor’s Report		5-7
Management’s Discussion and Analysis		9-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18-19
Statement of Activities	B	20-21
Governmental Fund Financial Statements:		
Balance Sheet	C	22
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	23
Statement of Revenues, Expenditures and Changes in Fund Balances	E	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	25
Proprietary Fund Financial Statements:		
Statement of Net Position	G	26
Statement of Revenues, Expenses and Changes in Fund Net Position	H	27
Statement of Cash Flows	I	28-29
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	J	30
Statement of Changes in Fiduciary Net Position	K	31
Notes to Financial Statements		32-48
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund		50-51
Notes to Required Supplementary Information – Budgetary Reporting		52
Schedule of the District’s Proportionate Share of the Net Pension Liability		53
Schedule of District Contributions		54-55
Notes to Required Supplementary Information – IPERS Pension Liability		56-57
Schedule of Funding Progress for the Retiree Health Plan		58
Schedule of Funding Progress for the Supplemental Pension Plan		59
Schedule of District Contributions for the Supplemental Pension Plan		60
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	62
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	63
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	64-65
Capital Projects Accounts:		
Combining Balance Sheet	4	66
Combining Schedule of Revenues, Expenditures and Changes in Balances	5	67
Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund	6	68

		<u>Page</u>
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	7	70-71
Schedule of Expenditures of Federal Awards	8	72
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		75-76
Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133		79-80
Schedule of Findings and Questioned Costs		81-84
Staff		85

Clarke Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Gerard Linskens	President	2017
James Bair	Vice President	2015
Kelly Bailey	Board Member	2015
Lori Helgevold	Board Member	2015
Steve O'Tool	Board Member	2015
Joseph Deutsch	Board Member	2017
Dena White	Board Member	2017
School Officials		
Steve Seid	Superintendent	Indefinite
Ruth White	District Secretary/Treasurer and Business Manager	Indefinite
Danielle Hainfield, Ahlers & Cooney Law, P.C.	Attorney	Indefinite



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Board of Education of
Clarke Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clarke Community School District, Osceola, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clarke Community School District as of June 30, 2015, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 12 to the financial statements, Clarke Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions, the Schedules of Funding Progress for the Retiree Health and the Supplemental Pension Plans and the Schedule of District Contributions for the Supplemental Pension Plan on pages 9 through 15 and 50 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clarke Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 1, 2015 on our consideration of Clarke Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Clarke Community School District's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 1, 2015

Clarke Community School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clarke Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$14,552,417 in fiscal year 2014 to \$14,914,701 in fiscal year 2015 while General Fund expenditures increased from \$13,766,520 in fiscal year 2014 to \$13,875,784 in fiscal year 2015. The District's General Fund balance increased from \$2,813,571 at the end of fiscal year 2014 to \$3,768,488 at the end of fiscal year 2015, a 33.9% increase.
- The increase in General Fund revenues was primarily attributable to an increase in state and federal sources and local tax revenue. The increase in expenditures was due primarily to increases in spending for special instruction, other instruction and administration services and included a 4.16% increase in negotiated salaries.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The analysis which follows provides a summary of the District’s net position at June 30, 2015 compared to June 30, 2014.

	Condensed Statement of Net Position							
	(Expressed in Thousands)							
	Governmental		Business Type		Total		Total	
	Activities		Activities		District		Change	
	June 30,		June 30,		June 30,		June 30,	
2014		2014		2014				
(Not		(Not		(Not				
2015		2015		2015		2014-2015		
restated)		restated)		restated)				
Current and other assets	\$ 13,376	11,699	255	182	13,631	11,881	1,750	
Capital assets	12,634	12,136	78	91	12,712	12,227	485	
Total assets	<u>26,010</u>	<u>23,835</u>	<u>333</u>	<u>273</u>	<u>26,343</u>	<u>24,108</u>	<u>2,235</u>	
Deferred outflows of resources	1,006	-	24	-	1,030	-	1,030	
Long-term liabilities	6,695	2,435	126	11	6,821	2,446	4,375	
Other liabilities	1,925	1,595	62	56	1,987	1,651	336	
Total liabilities	<u>8,620</u>	<u>4,030</u>	<u>188</u>	<u>67</u>	<u>8,808</u>	<u>4,097</u>	<u>4,711</u>	
Deferred inflows of resources	6,140	4,321	43	-	6,183	4,321	1,862	
Net position:								
Net investment in capital assets	11,294	10,376	78	91	11,372	10,467	905	
Restricted	3,313	2,697	-	-	3,313	2,697	616	
Unrestricted	(2,351)	2,411	48	115	(2,303)	2,526	(4,829)	
Total net position	<u>\$ 12,256</u>	<u>15,484</u>	<u>126</u>	<u>206</u>	<u>12,382</u>	<u>15,690</u>	<u>(3,308)</u>	

The District’s total net position decreased 21.1%, or approximately \$3,308,000, from the prior year. The largest portion of the District’s net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. This net position category increased 8.6%, or approximately \$905,000, over the prior year, primarily due to completion of replacement of pipes at the elementary school, replacement of water lines and a new gym floor at the high school and the purchase of three buses and two suburbans.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net position increased approximately \$616,000, or 22.8%, over the prior year. The increase is primarily due to the District not starting any major capital projects in the year ended June 30, 2015 and receiving approximately \$1,366,000 of statewide sales, services and use tax.

Unrestricted net position - the part of net position which can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased approximately \$4,830,000, or 191.2%. This reduction in unrestricted net position was primarily the result of the District recording its proportionate share of IPERS' net pension liability.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, was implemented during fiscal year 2015. The beginning net position as of July 1, 2015 for governmental activities and business type activities were restated by \$5,880,455 and \$141,641, respectively, to retroactively report the net pension liability as of June 30, 2014 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

The analysis which follows shows the change in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	Change in Net Position							
	(Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change	
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-2015	
Revenues:								
Program revenues:								
Charges for service	\$ 653	645	240	240	893	885	8	
Operating grants, contributions and restricted interest	2,398	2,496	521	481	2,919	2,977	(58)	
Capital grants, contributions and restricted interest	13	30	-	-	13	30	(17)	
General revenues:								
Property tax	4,885	4,813	-	-	4,885	4,813	72	
Statewide sales, services and use tax	1,366	1,261	-	-	1,366	1,261	105	
Income surtax	212	311	-	-	212	311	(99)	
Unrestricted state grants	7,901	7,454	-	-	7,901	7,454	447	
Unrestricted investment earnings	30	70	-	-	30	70	(40)	
Other	257	271	-	-	257	271	(14)	
Total revenues	17,715	17,351	761	721	18,476	18,072	404	
Program expenses:								
Instruction	10,114	9,829	-	-	10,114	9,829	285	
Support services	3,868	4,315	-	-	3,868	4,315	(447)	
Non-instructional programs	20	13	699	668	719	681	38	
Other expenses	1,060	1,031	-	-	1,060	1,031	29	
Total expenses	15,062	15,188	699	668	15,761	15,856	(95)	
Change in net position	2,653	2,163	62	53	2,715	2,216	499	
Net position beginning of year, as restated	9,603	13,321	64	153	9,667	13,474	(3,807)	
Net position end of year	\$ 12,256	15,484	126	206	12,382	15,690	(3,308)	

In fiscal year 2015, property tax and unrestricted state grants accounted for 72.2% of governmental activities revenues while charges for service and operating grants, contributions and restricted interest accounted for 100% of business type activities revenue. The District's total revenues were approximately \$18.5 million, of which approximately \$17.7 million was for governmental activities and approximately \$.8 million was for business type activities.

As shown in the analysis, the District as a whole experienced a 2.2% increase in revenues and a less than 1% decrease in expenses. Property tax increased approximately \$72,000 to fund increases in instruction expenses.

Governmental Activities

Revenues for governmental activities were \$17,715,181 and expenses were \$15,062,549 for the year ended June 30, 2015.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	Total and Net Cost of Governmental Activities			
	(Expressed in Thousands)			
	Total Cost of Services		Net Cost of Services	
	2014		2014	
	2015 (Not restated)		2015 (Not restated)	
Instruction	\$ 10,114	9,829	7,738	7,311
Support services	3,868	4,315	3,804	4,272
Non-instructional programs	20	13	20	13
Other expenses	1,060	1,031	437	421
Total	<u>\$ 15,062</u>	<u>15,188</u>	<u>11,999</u>	<u>12,017</u>

- The cost financed by users of the District's programs was \$652,514.
- Federal and state governments subsidized certain operating programs with grants and contributions totaling \$2,398,293.
- The net cost of governmental activities was financed with \$6,463,366 of property and other tax and \$7,900,709 of unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2015 were \$760,465, a 5.5% increase over the prior year, while expenses totaled \$699,307, a 4.7% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$6,850,623, a 25.0% increase over last year's ending fund balance of \$5,479,332.

Governmental Fund Highlights

- The General Fund balance increased from \$2,813,571 at June 30, 2014 to \$3,768,488 at June 30, 2015, due primarily to increases in local tax revenue and an increase in revenue from state and federal sources.
- The Capital Projects Fund balance increased from \$2,110,672 at June 30, 2014 to \$2,491,165 at June 30, 2015. Revenues increased 7.6% over the prior year due to an increase in the statewide sales, services and use tax and local taxes. Expenditures increased 11.8% over the prior year due to the District undertaking several small projects to improve and update the elementary and high school buildings in the year ended June 30, 2015.

Proprietary Fund Highlights

School Nutrition Fund net position increased from a restated balance of \$64,360 at June 30, 2014 to \$125,518 at June 30, 2015, representing an increase of approximately 95%. This restatement was due to recognizing the District's proportionate share of the IPERS net pension liability for the school nutrition program. Revenues increased 5.5% due to increased federal reimbursements for the student meal program and expenses increased approximately 4.7% due to an increase in the cost of supplies.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on a GAAP basis. No budget amendments were certified during fiscal year 2015.

The District's total revenues were \$50,510 less than budgeted revenues, a variance of less than 1%. The variance resulted from the District receiving less federal aid than originally anticipated. The coding of the receipt of the statewide sales, services and use tax changed during fiscal year 2014 to state sources. However, the receipt of those funds was budgeted as local sources in fiscal year 2015 due to the timing of the change.

Total expenditures were \$4,751,680 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested approximately \$12.71 million, net of accumulated depreciation, in a broad range of capital assets, including a recently constructed administration and alternative classroom building, recently remodeled school buildings not significantly depreciated, athletic facilities, computer and audio-visual equipment and vehicles. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Total depreciation expense for the year was \$635,681.

The original cost of the District's capital assets was approximately \$21.3 million. Governmental funds account for approximately \$20.9 million of the District's capital assets, with the remaining \$.4 million accounted for in the Proprietary, School Nutrition Fund.

	Capital Assets, net of Depreciation					
	(expressed in thousands)					
	Governmental		Business Type		Total	
	Activities		Activities		District	
June 30,		June 30,		June 30,		
	2015	2014	2015	2014	2015	2014
Land	\$ 78	78	-	-	78	78
Construction in progress	108	-	-	-	108	-
Buildings	10,821	10,580	-	-	10,821	10,580
Improvements other than buildings	657	631	-	-	657	631
Furniture and equipment	970	847	78	91	1,048	938
Total	\$ 12,634	12,136	78	91	12,712	12,227

Long-Term Debt

At June 30, 2015, the District had \$1,340,000 of general obligation bonds outstanding. This represents a decrease of approximately 31.4% from last year. Additional information about the District's long-term liabilities is presented in Note 5 to the financial statements.

	Outstanding Long-Term Liabilities		
	(expressed in thousands)		
	Total District		Total Change
	June 30,		June 30,
	2015	2014	2014-2015
General obligation bonds	\$ 1,340	1,760	-23.9%
Lease purchase agreements	-	194	-100.0%
Total	\$ 1,340	1,954	-31.4%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Statewide sales, services and use tax revenues have a significant impact on the building improvements. These funds will also be used to decrease property tax for debt service and physical plant and equipment levies.
- District enrollment increased slightly in fiscal 2014-2015. Under Iowa's school funding formula, District funding is highly dependent upon District enrollment. Projections indicate the District's enrollment will continue to remain steady.
- Grants are being sought to help with educational improvements in the District.
- A one to one iPad initiative has been implemented in the District.
- Several building and grounds improvements are being done to keep facilities in good condition.
- Several new homes are being constructed in Osceola.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Clarke Community School District

Basic Financial Statements

Exhibit A

Clarke Community School District

Statement of Net Position

Year ended June 30, 2015

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 8,029,784	243,647	8,273,431
Receivables:			
Property tax:			
Delinquent	65,595	-	65,595
Succeeding year	4,337,000	-	4,337,000
Accounts	106,165	974	107,139
Due from other governments	756,678	-	756,678
Inventories	-	7,228	7,228
Prepaid insurance	80,629	3,018	83,647
Capital assets, net of accumulated depreciation	12,634,454	78,172	12,712,626
Total assets	26,010,305	333,039	26,343,344
Deferred Outflows of Resources			
Pension related deferred outflows	1,006,321	24,239	1,030,560
Liabilities			
Accounts payable	52,242	44	52,286
Salaries and benefits payable	1,460,723	47,851	1,508,574
Due to other governments	117,264	-	117,264
Accrued interest payable	7,835	-	7,835
Advances from grantors	287,481	-	287,481
Unearned student meals	-	14,117	14,117
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	430,000	-	430,000
Compensated absences	44,439	-	44,439
Portion due after one year:			
General obligation bonds	910,000	-	910,000
Net OPEB liability	255,974	12,426	268,400
Net supplemental pension liability	326,100	-	326,100
Net IPERS pension liability	4,728,300	113,888	4,842,188
Total liabilities	8,620,358	188,326	8,808,684
Deferred Inflows of Resources			
Unavailable property tax revenue	4,337,000	-	4,337,000
Pension related deferred inflows	1,803,237	43,434	1,846,671
Total deferred inflows of resources	6,140,237	43,434	6,183,671

Clarke Community School District

Statement of Net Position

Year ended June 30, 2015

	Governmental Activities	Business Type Activities	Total
Net position			
Net investment in capital assets	11,294,454	78,172	11,372,626
Restricted for:			
Categorical funding	312,365	-	312,365
Debt service	6,594	-	6,594
Management levy purposes	127,400	-	127,400
Physical plant and equipment levy	775,651	-	775,651
School infrastructure	1,967,626	-	1,967,626
Student activities	123,041	-	123,041
Unrestricted	(2,351,100)	47,346	(2,303,754)
Total net position	\$ 12,256,031	125,518	12,381,549

See notes to financial statements.

Clarke Community School District

Statement of Activities

Year ended June 30, 2015

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	
Functions/Programs:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 5,935,449	192,892	1,036,939	-
Special instruction	2,305,536	92,987	221,105	-
Other instruction	1,873,230	350,853	481,621	-
Total instruction	10,114,215	636,732	1,739,665	-
Support services:				
Student services	346,662	-	48,276	-
Instructional staff services	290,233	281	-	-
Administration services	1,377,927	8,654	-	-
Operation and maintenance of plant services	1,167,775	5,630	-	-
Transportation services	685,425	1,217	-	-
Total support services	3,868,022	15,782	48,276	-
Non-instructional programs	20,116	-	-	-
Other expenditures:				
Facilities acquisition	-	-	-	13,238
Long-term debt interest	63,354	-	829	-
AEA flowthrough	609,523	-	609,523	-
Depreciation (unallocated)*	387,319	-	-	-
Total other expenditures	1,060,196	-	610,352	13,238
Total governmental activities	15,062,549	652,514	2,398,293	13,238
Business type activities:				
Non-instructional programs:				
Food service operations	699,307	240,214	520,251	-
Total	\$ 15,761,856	892,728	2,918,544	13,238

General Revenues:

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

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business Type Activities	Total
(4,705,618)	-	(4,705,618)
(1,991,444)	-	(1,991,444)
(1,040,756)	-	(1,040,756)
(7,737,818)	-	(7,737,818)
(298,386)	-	(298,386)
(289,952)	-	(289,952)
(1,369,273)	-	(1,369,273)
(1,162,145)	-	(1,162,145)
(684,208)	-	(684,208)
(3,803,964)	-	(3,803,964)
(20,116)	-	(20,116)
13,238	-	13,238
(62,525)	-	(62,525)
-	-	-
(387,319)	-	(387,319)
(436,606)	-	(436,606)
(11,998,504)	-	(11,998,504)
-	61,158	61,158
(11,998,504)	61,158	(11,937,346)
\$ 4,401,561	-	4,401,561
203,373	-	203,373
280,030	-	280,030
1,366,094	-	1,366,094
212,308	-	212,308
7,900,709	-	7,900,709
30,049	-	30,049
1,400	-	1,400
255,612	-	255,612
14,651,136	-	14,651,136
2,652,632	61,158	2,713,790
9,603,399	64,360	9,667,759
\$ 12,256,031	125,518	12,381,549

Exhibit C

Clarke Community School District

Balance Sheet
Governmental Funds

June 30, 2015

	General	Capital Projects	Nonmajor	Total
Assets				
Cash, cash equivalents and pooled investments	\$ 5,150,201	2,279,470	581,707	8,011,378
Receivables:				
Property tax:				
Delinquent	55,003	3,614	6,978	65,595
Succeeding year	3,391,000	246,000	700,000	4,337,000
Accounts	75,583	30,532	50	106,165
Due from other governments	290,484	465,119	1,075	756,678
Prepaid insurance	77,591	-	3,038	80,629
Total assets	\$ 9,039,862	3,024,735	1,292,848	13,357,445
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 16,248	35,458	536	52,242
Salaries and benefits payable	1,459,381	-	1,342	1,460,723
Due to other governments	117,264	-	-	117,264
Advances from grantors	287,481	-	-	287,481
Total liabilities	1,880,374	35,458	1,878	1,917,710
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	3,391,000	246,000	700,000	4,337,000
Other	-	252,112	-	252,112
Total deferred inflows of resources	3,391,000	498,112	700,000	4,589,112
Fund balances:				
Nonspendable:				
Prepaid insurance	77,591	-	3,038	80,629
Restricted for:				
Categorical funding	312,365	-	-	312,365
Management levy purposes	-	-	450,462	450,462
Student activities	-	-	123,041	123,041
Debt service	-	-	14,429	14,429
School infrastructure	-	1,967,626	-	1,967,626
Physical plant and equipment	-	523,539	-	523,539
Unassigned	3,378,532	-	-	3,378,532
Total fund balances	3,768,488	2,491,165	590,970	6,850,623
Total liabilities, deferred inflows of resources and fund balances	\$ 9,039,862	3,024,735	1,292,848	13,357,445

See notes to financial statements.

Clarke Community School District

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

June 30, 2015

Total fund balances of governmental funds (page 22) \$ 6,850,623

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 12,634,454

The Internal Service Fund is used by management to charge the costs of the District's flexible benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. 18,406

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 252,112

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds. (7,835)

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 1,006,321	
Deferred inflows of resources	<u>(1,803,237)</u>	(796,916)

Long-term liabilities, including bonds payable, compensated absences payable, net OPEB liability, net IPERS pension liability and net supplemental pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (6,694,813)

Net position of governmental activities (page 19) \$ 12,256,031

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, 2015

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 4,080,949	536,364	523,985	5,141,298
Tuition	190,085	-	-	190,085
Other	331,023	46,361	371,186	748,570
State sources	9,765,931	1,366,226	255	11,132,412
Federal sources	546,713	-	-	546,713
Total revenues	14,914,701	1,948,951	895,426	17,759,078
Expenditures:				
Current:				
Instruction:				
Regular instruction	5,896,100	29,926	112,388	6,038,414
Special instruction	2,309,178	-	5,406	2,314,584
Other instruction	1,529,539	-	373,993	1,903,532
Total instruction	9,734,817	29,926	491,787	10,256,530
Support services:				
Student services	353,355	-	996	354,351
Instructional staff services	330,837	-	642	331,479
Administration services	1,264,473	72,000	21,713	1,358,186
Operation and maintenance of plant services	990,429	253,459	82,856	1,326,744
Transportation services	592,350	221,981	41,035	855,366
Total support services	3,531,444	547,440	147,242	4,226,126
Non-instructional programs	-	-	20,116	20,116
Other expenditures:				
Facilities acquisition	-	594,497	-	594,497
Long-term debt:				
Principal	-	-	613,788	613,788
Interest and other charges	-	-	67,207	67,207
AEA flowthrough	609,523	-	-	609,523
Total other expenditures	609,523	594,497	680,995	1,885,015
Total expenditures	13,875,784	1,171,863	1,340,140	16,387,787
Excess (deficiency) of revenues over (under) expenditures	1,038,917	777,088	(444,714)	1,371,291
Other financing sources (uses):				
Transfers in	-	-	480,595	480,595
Transfers out	(84,000)	(396,595)	-	(480,595)
Total other financing sources (uses)	(84,000)	(396,595)	480,595	-
Change in fund balances	954,917	380,493	35,881	1,371,291
Fund balances beginning of year	2,813,571	2,110,672	555,089	5,479,332
Fund balances end of year	\$ 3,768,488	2,491,165	590,970	6,850,623

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, 2015

Change in fund balances - total governmental funds (page 24) \$ 1,371,291

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	\$ 1,119,221	
Depreciation expense	<u>(621,155)</u>	498,066

Certain revenues not collected for several months after year end are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds.		(44,026)
--	--	----------

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		613,788
---	--	---------

The current year District share of IPERS contributions is reported as expenditures in the governmental funds, but is reported as a deferred outflow of resources in the Statement of Net Position.		716,170
--	--	---------

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

Compensated absences	(5,552)	
Net OPEB liability	(55,334)	
Net supplemental pension liability	(84,900)	
Pension expense	(360,931)	
Interest on long-term debt	<u>3,853</u>	(502,864)

The Internal Service Fund is used by management to charge the costs of partial self funding of the District's flexible benefit plan to individual funds. The change in net position of the Internal Service Fund is reported in governmental activities.		<u>207</u>
--	--	------------

Change in net position of governmental activities (page 21) \$ 2,652,632

See notes to financial statements.

Clarke Community School District

Statement of Net Position
Proprietary Funds

June 30, 2015

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
Assets		
Current assets:		
Cash and cash equivalents	\$ 243,647	18,406
Accounts receivable	974	-
Inventories	7,228	-
Prepaid insurance	3,018	-
Total current assets	<u>254,867</u>	<u>18,406</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	78,172	-
Total assets	<u>333,039</u>	<u>18,406</u>
Deferred Outflows of Resources		
Pension related deferred outflows	24,239	-
Liabilities		
Current liabilities:		
Accounts payable	44	-
Salaries and benefits payable	47,851	-
Unearned student meals	14,117	-
Total current liabilities	<u>62,012</u>	<u>-</u>
Noncurrent liabilities:		
Net OPEB liability	12,426	-
Net IPERS pension liability	113,888	-
Total noncurrent liabilities	<u>126,314</u>	<u>-</u>
Total liabilities	<u>188,326</u>	<u>-</u>
Deferred inflows of resources		
Pension related deferred inflows	43,434	-
Net Position		
Net investment in capital assets	78,172	-
Unrestricted	47,346	18,406
Total net position	<u>\$ 125,518</u>	<u>18,406</u>

See notes to financial statements.

Clarke Community School District

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

Year ended June 30, 2015

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
Operating revenues:		
Local sources:		
Charges for service	\$ 240,214	-
Employee contributions	-	31,683
Total operating revenues	<u>240,214</u>	<u>31,683</u>
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	196,284	-
Benefits	90,182	-
Purchased services	16,076	-
Supplies	382,154	-
Other	85	-
Depreciation	14,526	-
Other	-	31,605
Total operating expenses	<u>699,307</u>	<u>31,605</u>
Operating gain (loss)	<u>(459,093)</u>	<u>78</u>
Non-operating revenues:		
State sources	6,883	-
Federal sources	511,885	-
Interest income	1,483	129
Net non-operating revenues	<u>520,251</u>	<u>129</u>
Change in net position	61,158	207
Net position beginning of year, as restated	<u>64,360</u>	<u>18,199</u>
Net position end of year	<u>\$ 125,518</u>	<u>18,406</u>

See notes to financial statements.

Exhibit I

Clarke Community School District

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2015

	<u>Business Type Activities</u>	<u>Governmental Activities</u>
	Enterprise - School Nutrition	Internal Service - Flex Spending
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 240,382	-
Cash received from miscellaneous operating activities	-	31,683
Cash paid to suppliers for goods or services	<u>(631,407)</u>	<u>(31,605)</u>
Net cash provided (used) by operating activities	<u>(391,025)</u>	<u>78</u>
Cash flows from non-capital financing activities:		
State grants received	6,967	-
Federal grants received	455,623	-
Net cash provided by non-capital financing activities	<u>462,590</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(1,857)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>1,483</u>	<u>129</u>
Change in cash and cash equivalents	71,191	207
Cash and cash equivalents beginning of year	<u>172,456</u>	<u>18,199</u>
Cash and cash equivalents end of year	<u>\$ 243,647</u>	<u>18,406</u>

See notes to financial statements

Clarke Community School District

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2015

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (459,093)	78
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Commodities used	56,262	-
Depreciation	14,526	-
Decrease in accounts receivable	168	-
Increase in inventories	(1,932)	-
Increase in prepaid insurance	(142)	-
Increase in deferred outflows of resources	(7,459)	-
Decrease in accounts payables	(572)	-
Increase in salaries and benefits payable	2,950	-
Increase in other postemployment benefits	1,866	-
Decrease in unearned revenue	3,500	-
Decrease in IPERS pension liability	(44,533)	-
Increase in deferred inflows of resources	43,434	-
Net cash provided (used) by operating activities	<u>\$ (391,025)</u>	<u>78</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2015, the District received \$56,262 of federal commodities.

See notes to financial statements.

Exhibit J

Clarke Community School District
Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2015

	<u>Private Purpose Trust</u>	<u>Agency</u>
	<u>Scholarship</u>	
Assets		
Cash and investments	\$ 41,721	133,085
Liabilities		
Trusts payable	-	<u>133,085</u>
Net Position		
Reserved for scholarships	<u>\$ 41,721</u>	<u>-</u>

See notes to financial statements.

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

Year ended June 30, 2015

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest income, net of decreases in fair value of \$615	\$ 13
Deductions:	
Support services:	
Scholarships awarded	3,000
Change in net position	(2,987)
Net position beginning of year	44,708
Net position end of year	\$ 41,721

See notes to financial statements.

Clarke Community School District

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary fund:

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1.5% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

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

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

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

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

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

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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the District after the measurement date but before the end of the District’s reporting period.

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

Advances from Grantors – Advances from grantors represent grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

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

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on IPERS' investments.

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

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

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

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures did not exceed the amount budgeted in any program function.

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2015 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 ensure 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, 2015, the District's investments are as follows:

Type	Fair Value
Common stock	<u>\$ 11,313</u>

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

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	General	\$ 84,000
	Capital Projects:	
	Statewide Sales, Services and Use Tax	281,915
	Physical Plant and Equipment Levy	<u>114,680</u>
Total		<u>\$ 480,595</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, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 78,000	-	-	78,000
Construction in progress	-	108,332	-	108,332
Total capital assets not being depreciated	78,000	108,332	-	186,332
Capital assets being depreciated:				
Buildings	15,892,440	572,806	-	16,465,246
Improvements other than buildings	1,621,969	81,097	-	1,703,066
Furniture and equipment	2,258,402	356,986	(92,362)	2,523,026
Total capital assets being depreciated	19,772,811	1,010,889	(92,362)	20,691,338
Less accumulated depreciation for:				
Buildings	5,311,768	332,613	-	5,644,381
Improvements other than buildings	991,145	54,705	-	1,045,850
Furniture and equipment	1,411,510	233,837	(92,362)	1,552,985
Total accumulated depreciation	7,714,423	621,155	(92,362)	8,243,216
Total capital assets being depreciated, net	12,058,388	389,734	-	12,448,122
Governmental activities capital assets, net	\$12,136,388	498,066	-	12,634,454
Business type activities:				
Furniture and equipment	\$ 402,965	1,857	-	404,822
Less accumulated depreciation	312,124	14,526	-	326,650
Business type activities capital assets, net	\$ 90,841	(12,669)	-	78,172

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular instruction	\$ 61,076
Other instruction	6,405

Support services:

Administration services	1,638
Operation and maintenance of plant services	21,379
Transportation services	143,338
	<u>233,836</u>

Unallocated

387,319

Total depreciation expense - governmental activities

\$ 621,155

Business type activities:

Food service operations

\$ 14,526

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year (as restated)	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,760,000	-	420,000	1,340,000	430,000
Lease purchase agreements	193,788	-	193,788	-	-
Compensated absences	38,887	45,942	40,390	44,439	44,439
Net OPEB liability	200,640	73,764	18,430	255,974	-
Net supplemental pension liability	241,200	141,900	57,000	326,100	-
Net IPERS pension liability	6,577,128	-	1,848,828	4,728,300	-
Total	\$ 9,011,643	261,606	2,578,436	6,694,813	474,439
	Balance Beginning of Year (as restated)	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 10,560	2,836	970	12,426	-
Net IPERS pension liability	158,421	-	44,533	113,888	-
Total	\$ 168,981	2,836	45,503	126,314	-

General Obligation Bonds

Details of the District's June 30, 2015 general obligation bond indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2008			
	Interest Rates	Principal	Interest	Total
2016	3.45%	\$ 430,000	48,055	478,055
2017	3.60	450,000	33,220	483,220
2018	3.70	460,000	17,020	477,020
Total		\$ 1,340,000	98,295	1,438,295

During the year ended June 30, 2015, the District retired \$420,000 of general obligation bonds.

Lease Purchase Agreements

During the year ended June 30, 2015, the District paid principal of \$193,788 and interest of \$4,892 to retire the lease purchase agreement debt.

(6) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50 percent for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$733,420.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$4,842,188 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.1220954 percent, which was an increase of 0.004786 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$369,623. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 52,625	\$ -
Changes of assumptions	213,712	-
Net difference between projected and actual earnings on pension plan investments	-	1,846,671
Changes in proportion and differences between District contributions and proportionate share of contributions	30,803	-
District contributions subsequent to the measurement date	733,420	-
Total	<u>\$ 1,030,560</u>	<u>\$ 1,846,671</u>

\$733,420 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2016	\$ (392,243)
2017	(392,243)
2018	(392,243)
2019	(392,243)
2020	19,441
Total	<u>\$ (1,549,531)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of IPERS' investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31%
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$9,149,179	\$4,842,188	\$ 1,206,642

Pension Plan Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS - At June 30, 2015, the District reported payables to IPERS of \$102,688 for legally required employer contributions and \$68,420 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(7) Risk Management

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

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$609,523 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(9) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for retirees, employees and their spouses. There are 108 active and 14 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 87,300
Interest on net OPEB obligation	5,300
Adjustment to annual required contribution	<u>(16,000)</u>
Annual OPEB cost	76,600
Contributions made	<u>(19,400)</u>
Increase in net OPEB obligation	57,200
Net OPEB obligation beginning of year	<u>211,200</u>
Net OPEB obligation end of year	<u>\$ 268,400</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$19,400 to the medical plan. Plan members eligible for benefits contributed \$35,800, or 64.9% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 80,700	33.1%	\$ 157,900
2014	73,200	27.2	211,200
2015	76,600	25.3	268,400

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was approximately \$450,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$450,000. The covered payroll (annual payroll of active employees eligible for coverage by the plan) was approximately \$8,213,000 and the ratio of the UAAL to covered payroll was 5.5%. As of June 30, 2015, there were no trust fund assets.

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

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

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

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

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

(10) Supplemental Pension Plan

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

There are 173 active members in the plan as of June 30, 2015. The pension benefit is defined as:

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

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

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

Annual Supplemental Pension Cost and Net Pension Obligation – The District's annual pension cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 27, as amended by GASB Statement No. 50 and GASB Statement No 68. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual pension cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net pension obligation:

Annual required contribution	\$ 157,600
Interest on net pension obligation	6,000
Adjustment to annual required contribution	<u>(21,700)</u>
Annual supplemental pension cost	141,900
Contributions made	<u>(57,000)</u>
Increase in net supplemental pension obligation	84,900
Net supplemental pension obligation beginning of year	<u>241,200</u>
Net supplemental pension obligation end of year	<u>\$ 326,100</u>

For calculation of the net pension obligation, the actuary has set the transition day as July 1, 2009. The end of year net pension obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$57,000 to the pension plan. The District's annual pension cost, the percentage of annual pension cost contributed to the plan and the net pension obligation are summarized as follows:

Year Ended June 30,	Annual Pension Cost	Percentage of Annual Supplemental Pension Cost Contributed	Net Pension Obligation
2013	\$ 99,600	60.2%	\$ 302,500
2014	131,600	146.6	241,200
2015	141,900	40.2	326,100

Funded Status and Funding Progress – As of July 1, 2013, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$1,005,800, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,005,800. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$8,213,000 and the ratio of the UAAL to covered payroll was 12.2%. As of June 30, 2015, there were no trust fund assets.

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

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

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

(11) Construction Commitments

The District entered into contracts totaling \$ 922,322 as part of a remodeling project at the high school, air conditioning and an Elementary School window replacement project. As of June 30, 2015, the District incurred and paid costs of \$5,218 for the projects. The remaining balance on the projects will be paid as work progresses.

(12) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27, was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB Statement No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows.

	Governmental Activities	Business type Activities
Net position June 30, 2014, as previously reported	\$ 15,483,854	206,001
Net pension liability at June 30, 2014	(6,577,128)	(158,421)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	696,673	16,780
Net position July 1, 2014, as restated	\$ 9,603,399	64,360

(13) Subsequent Event

On July 10, 2015, the District entered into a lease purchase agreement with Apple, Inc. to purchase I-Pads Air for the High School. The total lease is \$181,778 due in 3 annual payments of \$62,505.

Required Supplementary Information

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

Required Supplementary Information

Year ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Revenues:			
Local sources	\$ 6,079,953	273,509	6,353,462
State sources	11,132,412	6,883	11,139,295
Federal sources	546,713	511,885	1,058,598
Total revenues	<u>17,759,078</u>	<u>792,277</u>	<u>18,551,355</u>
Expenditures/Expenses:			
Instruction	10,256,530	-	10,256,530
Support services	4,226,126	14,526	4,240,652
Non-instructional programs	20,116	716,386	736,502
Other expenditures	1,885,015	-	1,885,015
Total expenditures/expenses	<u>16,387,787</u>	<u>730,912</u>	<u>17,118,699</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	1,371,291	61,365	1,432,656
Balances beginning of year, as restated	5,479,332	82,559	5,561,891
Balances end of year	<u>\$ 6,850,623</u>	<u>143,924</u>	<u>6,994,547</u>

See accompanying independent auditor's report.

Less Funds Not Required to be Budgeted	Net	Original/ Final Budgeted Amounts	Budget to Net Variance
31,812	6,321,650	7,502,134	(1,180,484)
-	11,139,295	9,917,919	1,221,376
-	1,058,598	1,150,000	(91,402)
31,812	18,519,543	18,570,053	(50,510)
-	10,256,530	11,670,000	1,413,470
-	4,240,652	6,918,500	2,677,848
31,605	704,897	849,500	144,603
-	1,885,015	2,400,774	515,759
31,605	17,087,094	21,838,774	4,751,680
207	1,432,449	(3,268,721)	4,701,170
18,199	5,543,692	3,853,634	1,690,058
18,406	6,976,141	584,913	6,391,228

Clarke Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2015

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

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

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

During the year ended June 30, 2015, expenditures did not exceed the amount budgeted in any program function.

Clarke Community School District

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.1220954%
District's proportionate share of the net pension liability	\$ 4,842
District's covered-employee payroll	\$ 7,991
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.60%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30. See accompanying independent auditor's report.

Clarke Community School District

Schedule of District Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 733	714	667	596
Contributions in relation to the statutorily required contribution	<u>(733)</u>	<u>(714)</u>	<u>(667)</u>	<u>(596)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 8,213	7,991	7,694	7,389
Contributions as a percentage of covered-employee payroll *	8.93%	8.93%	8.67%	8.07%

* Amounts reported do not agree with calculated amounts due to rounding required contributions and covered payroll to nearest thousandth.

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
512	514	492	445	412	393
<u>(512)</u>	<u>(514)</u>	<u>(492)</u>	<u>(445)</u>	<u>(412)</u>	<u>(393)</u>
-	-	-	-	-	-
7,373	7,736	7,751	7,349	7,162	6,835
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

Clarke Community School District

Notes to Required Supplementary Information – IPERS Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

Clarke Community School District

Notes to Required Supplementary Information – IPERS Pension Liability

Year ended June 30, 2015

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Clarke Community School District

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)			
2010	July 1, 2009	-	\$ 503	503	0.0%	\$ 7,527	6.7%
2011	July 1, 2009	-	482	482	0.0	7,373	6.5
2012	July 1, 2009	-	436	436	0.0	7,389	5.9
2013	July 1, 2012	-	508	508	0.0	7,694	6.6
2014	July 1, 2012	-	476	476	0.0	7,991	6.0
2015	July 1, 2012	-	450	450	0.0	8,213	5.5

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

See accompanying independent auditor's report.

Clarke Community School District

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 893	893	0.0%	\$ 7,527	11.9%
2011	July 1, 2009	-	903	903	0.0	7,373	12.2
2012	July 1, 2011	-	838	838	0.0	7,389	11.3
2013	July 1, 2011	-	838	838	0.0	7,694	10.9
2014	July 1, 2013	-	1,006	1,006	0.0	7,991	12.6
2015	July 1, 2013	-	1,006	1,006	0.0	8,213	12.2

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

See accompanying independent auditor's report.

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

Required Supplementary Information

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2010	\$ 119	43	36%
2011	129	7	5
2012	105	24	23
2013	113	60	53
2014	138	193	140
2015	157	57	36

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

See accompanying independent auditor's report.

Supplementary Information

Schedule 1

Clarke Community School District

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2015

	Special Revenue			Total
	Management Levy	Student Activity	Debt Service	
Assets				
Cash, cash equivalents and pooled investments	\$ 446,109	123,794	11,804	581,707
Receivables:				
Property tax:				
Delinquent	4,353	-	2,625	6,978
Succeeding year	270,000	-	430,000	700,000
Accounts	-	50	-	50
Due from other governments	-	1,075	-	1,075
Prepaid insurance	3,038	-	-	3,038
Total assets	\$ 723,500	124,919	444,429	1,292,848
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	536	-	536
Salaries and benefits payable	-	1,342	-	1,342
Total liabilities	-	1,878	-	1,878
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	270,000	-	430,000	700,000
Fund equity:				
Fund balances:				
Nonspendable:				
Prepaid insurance	3,038	-	-	3,038
Restricted for:				
Management levy purposes	450,462	-	-	450,462
Student activities	-	123,041	-	123,041
Debt service	-	-	14,429	14,429
Total fund balances	453,500	123,041	14,429	590,970
Total liabilities, deferred inflows of resources and fund balances	\$ 723,500	124,919	444,429	1,292,848

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, 2015

	Special Revenue			Total
	Management Levy	Student Activity	Debt Service	
Revenues:				
Local sources:				
Local tax	\$ 320,612	-	203,373	523,985
Other	13,604	356,753	829	371,186
State sources	159	-	96	255
Total revenues	<u>334,375</u>	<u>356,753</u>	<u>204,298</u>	<u>895,426</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	112,388	-	-	112,388
Special instruction	5,406	-	-	5,406
Other instruction	9,880	364,113	-	373,993
Support services:				
Student services	996	-	-	996
Instructional staff services	642	-	-	642
Administration services	21,713	-	-	21,713
Operation and maintenance of plant services	81,881	975	-	82,856
Transportation services	40,432	603	-	41,035
Non-instructional programs	20,116	-	-	20,116
Other expenditures:				
Long-term debt:				
Principal	-	-	613,788	613,788
Interest and other charges	-	-	67,207	67,207
Total expenditures	<u>293,454</u>	<u>365,691</u>	<u>680,995</u>	<u>1,340,140</u>
Excess (deficiency) of revenues over (under) expenditures	40,921	(8,938)	(476,697)	(444,714)
Other financing sources:				
Transfers in	-	-	480,595	480,595
Excess (deficiency) of revenues and other financing sources over (under) expenditures	40,921	(8,938)	3,898	35,881
Fund balances beginning of year	412,579	131,979	10,531	555,089
Fund balances end of year	<u>\$ 453,500</u>	<u>123,041</u>	<u>14,429</u>	<u>590,970</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, 2015

Account	Balance Beginning of Year	Revenues	Expend- itures	Balance End of Year
Pop Athletics	\$ 67	31	-	98
Athletics	1,264	10,802	7,515	4,551
Publications	5,024	7,818	9,757	3,085
High School Band	9,393	30,131	31,326	8,198
High School Co-curricular	681	387	-	1,068
High School Vocal Music	6,556	7,560	5,379	8,737
Cheerleaders	1,977	6,795	7,965	807
Speech/Debate	-	9,630	8,575	1,055
FFA	6,779	35,629	38,908	3,500
FCCLA	2,186	7,371	5,962	3,595
Cross Country	-	790	790	-
Golf	-	1,720	1,720	-
Bowling	371	3,792	3,141	1,022
Boys Basketball	4,580	10,356	8,515	6,421
Football	9,540	25,578	34,713	405
Baseball	345	15,264	11,933	3,676
Boys Track	6,266	7,441	6,502	7,205
Wrestling	-	4,885	4,587	298
Girls Basketball	6,090	7,609	8,467	5,232
Volleyball	5,104	5,977	9,729	1,352
Softball	3,149	34,363	30,171	7,341
Girls Track	4,528	8,715	7,608	5,635
Camp - Boys Basketball	703	666	1,096	273
Camp - Football	1,532	815	1,830	517
Camp - Wrestling	367	282	138	511
Camp - Girls Basketball	6,364	1,438	4,631	3,171
Camp - Volleyball	887	7	-	894
Clinic - Softball	8,175	8,280	12,703	3,752
Book Club	618	4,962	2,687	2,893
Spanish Club	1,673	12	-	1,685
High School Student Council	1,559	1,605	1,221	1,943
Thespians	2,784	6,410	5,932	3,262

Clarke Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

Account	Balance Beginning of Year	Revenues	Expend- itures	Balance End of Year
Class of:				
2014	1,146	-	1,146	-
2015	251	2	113	140
2016	2,408	5,706	7,422	692
2017	-	3,604	2,080	1,524
2018	-	361	-	361
Art Club	762	709	1,019	452
Concessions	15,599	45,709	54,424	6,884
American Field Service	2,864	21	-	2,885
Media Club	237	2	-	239
Athletic Resale	(14,798)	1,768	-	(13,030)
Drill Team	1,500	3,024	4,145	379
FBLA	216	2	-	218
Junior High Student Council	1,441	8,106	5,184	4,363
Middle School Pop Fund Balance	1,120	7,022	6,751	1,391
Middle School Cheerleaders	22	144	-	166
Elementary Student Council	17,234	13,396	9,906	20,724
After Prom	3,415	56	-	3,471
Total	\$ 131,979	356,753	365,691	123,041

See accompanying independent auditor's report

Schedule 4

Clarke Community School District

Combining Balance Sheet
Capital Projects Accounts

Year ended June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and cash equivalents	\$ 1,790,077	489,393	2,279,470
Receivables:			
Property tax:			
Delinquent	-	3,614	3,614
Succeeding year	-	246,000	246,000
Accounts	-	30,532	30,532
Due from other governments	213,007	252,112	465,119
Total assets	\$ 2,003,084	1,021,651	3,024,735
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 35,458	-	35,458
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	246,000	246,000
Other	-	252,112	252,112
Total deferred inflows of resources	-	498,112	498,112
Fund balances:			
Restricted for:			
School infrastructure	1,967,626	-	1,967,626
Property, plant and equipment	-	523,539	523,539
Total fund balances	1,967,626	523,539	2,491,165
Total liabilities, deferred inflows of resources and fund balances	\$ 2,003,084	1,021,651	3,024,735

See accompanying independent auditor's report.

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

Year ended June 30, 2015

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:			
Local sources:			
Local tax	\$ -	536,364	536,364
Other	13,109	33,252	46,361
State sources	1,366,094	132	1,366,226
Total revenues	<u>1,379,203</u>	<u>569,748</u>	<u>1,948,951</u>
Expenditures:			
Instruction:			
Regular instruction	-	29,926	29,926
Support services:			
Administration services	-	72,000	72,000
Operation and maintenance of plant services	253,459	-	253,459
Transportation services	-	221,981	221,981
Other expenditures:			
Facilities acquisition	590,997	3,500	594,497
Total expenditures	<u>844,456</u>	<u>327,407</u>	<u>1,171,863</u>
Excess (deficiency) of revenues over (under) expenditures	534,747	242,341	777,088
Other financing uses:			
Transfers out	(281,915)	(114,680)	(396,595)
Change in fund balances	252,832	127,661	380,493
Fund balances beginning of year	<u>1,714,794</u>	<u>395,878</u>	<u>2,110,672</u>
Fund balances end of year	<u>\$ 1,967,626</u>	<u>523,539</u>	<u>2,491,165</u>

See accompanying independent auditor's report.

Schedule 6

Clarke Community School District

Schedule of Changes in Fiduciary Assets and Liabilities –
Agency Fund

Year ended June 30, 2015

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 109,405	100,492	76,812	133,085
Liabilities				
Accounts payable	\$ 109,405	100,492	76,812	133,085

See accompanying independent auditor's report.

Clarke Community School District

Clarke Community School District

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

For the Last Ten Years

	2015	2014	2013	2012
Revenues:				
Local sources:				
Local tax	\$ 5,141,298	5,064,753	6,028,184	5,706,601
Tuition	190,085	209,509	211,384	223,452
Other	748,570	792,685	597,942	540,783
Intermediate sources	-	-	-	-
State sources	11,132,412	10,746,125	8,698,248	8,353,902
Federal sources	546,713	477,925	505,075	621,060
Total	<u>\$ 17,759,078</u>	<u>17,290,997</u>	<u>16,040,833</u>	<u>15,445,798</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 6,038,414	6,097,620	5,974,931	5,473,903
Special instruction	2,314,584	2,274,947	2,210,686	1,921,485
Other instruction	1,903,532	1,422,447	1,443,502	1,509,369
Support services:				
Student services	354,351	610,956	561,178	254,546
Instructional staff services	331,479	420,875	1,068,195	533,499
Administration services	1,358,186	1,324,225	1,339,117	1,262,238
Operation and maintenance of plant services	1,326,744	1,227,058	1,125,004	1,852,130
Transportation services	855,366	1,007,304	717,046	602,750
Non-instructional programs	20,116	13,185	13,504	11,369
Other expenditures:				
Facilities acquisition	594,497	420,292	993,986	55,610
Long-term debt:				
Principal	613,788	594,017	588,680	375,000
Interest and other charges	67,207	84,735	88,528	101,465
AEA flowthrough	609,523	578,176	525,955	505,350
Total	<u>\$ 16,387,787</u>	<u>16,075,837</u>	<u>16,650,312</u>	<u>14,458,714</u>

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

See accompanying independent auditor's report.

Modified Accrual Basis					
2011	2010	2009	2008	2007	2006
5,120,483	4,831,186	4,667,723	4,643,460	4,646,077	4,375,080
287,350	391,436	353,389	332,365	374,400	339,497
445,579	539,478	426,305	548,713	720,867	458,888
-	-	-	5,523	-	-
7,930,971	6,722,487	7,784,734	7,264,290	6,760,768	6,534,151
741,710	1,424,319	589,407	539,307	555,494	770,422
14,526,093	13,908,906	13,821,558	13,333,658	13,057,606	12,478,038
5,074,795	5,132,580	5,071,939	5,040,800	4,778,673	4,337,840
1,899,278	1,967,321	1,957,714	1,945,636	1,813,039	1,918,914
1,678,329	1,766,142	1,782,475	1,313,063	1,158,946	1,136,067
275,295	335,259	319,803	338,214	300,624	306,632
325,142	457,446	326,686	314,187	350,389	271,461
1,226,303	1,175,033	1,161,780	1,261,484	1,285,995	1,134,575
1,010,013	1,003,916	1,086,043	1,219,815	1,076,053	1,021,613
510,397	647,474	533,736	540,318	606,882	655,476
9,535	1,399	1,048	8,158	3,213	9,644
397,821	189,274	639,674	1,110,495	167,641	453,790
360,000	498,039	466,384	447,936	420,293	403,090
113,885	135,458	165,902	212,491	232,271	250,806
556,547	543,479	489,537	455,495	446,669	421,018
13,437,340	13,852,820	14,002,721	14,208,092	12,640,688	12,320,926

Schedule 8

Clarke Community School District
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2015

Grantor/Program	CFDA Number	Grant Number	Expendi- tures
Direct:			
U.S. Department of Agriculture:			
Team Nutrition Grants	10.574		\$ 1,000
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY15	80,080
National School Lunch Program	10.555	FY15	430,805 *
			<u>510,885</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY15	343,955
Safe and Drug-Free Schools and Communities_National Programs	84.184	020415	5,604
Improving Teacher Quality State Grants	84.367	FY15	53,731
Grants for State Assessments and Related Activities	84.369	FY15	6,735
Green Hills Area Education Agency:			
Special Education_Grants to States	84.027	FY15	72,154
English Language Acquisition State Grants	84.365	FY15	2,406
Southwestern Community College:			
Career and Technical Education - Basic Grants to States	84.048	FY15	15,244
			<u>1,010,714</u>
Total indirect			<u>1,010,714</u>
Total			<u>\$ 1,011,714</u>

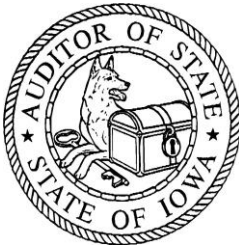
* Includes \$56,262 of non-cash awards.

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

See accompanying independent auditor's report

Clarke Community School District

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



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, 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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clarke Community School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 1, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Clarke Community School District's Responses to the Findings


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

Purpose of this Report

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

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


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 1, 2015

Clarke Community School District

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



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, 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 Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Board of Education of
Clarke Community School District:

Report on Compliance for Each Major Federal Program

We have audited Clarke Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on Clarke Community School District's major federal program for the year ended June 30, 2015. Clarke Community School District's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, Clarke Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.


Report on Internal Control Over Compliance


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

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

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

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


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 1, 2015

Clarke Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

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

- (a) Unmodified 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 unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was the Child Nutrition Cluster:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Clarke Community School District did not qualify as a low-risk auditee.

Clarke Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL 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.

INTERNAL CONTROL 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, 2015

Part IV: Other Findings Related To Required Statutory Reporting:

- IV-A-15 Certified Budget – Expenditures for the year ended June 30, 2015 did not exceed the amount budgeted in any program function.
- IV-B-15 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-15 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-15 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Steve O'Tool, Board Member, Employee of Hard Rock Wash	Detailed a school vehicle	\$ 125
Damon Helgevoid, Board member's son, Umpire for baseball and softball	Umpired baseball and softball games for the District	485

These transactions do not appear to represent a conflict of interest in accordance with Chapters 279.7A and 301.28 of the Code of Iowa since the transactions total less than \$2,500 and the individual is not acting as an agent for school textbooks or school supplies.

- IV-E-15 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- IV-F-15 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-15 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted. However, the District did not maintain records to support the basic enrollment certified for October 15, 2014.

Recommendation – The District should maintain documentation to support the enrollment counts certified to the Iowa Department of Education.

Response – With a turnover in staff handling certified enrollment the importance of maintaining proper documentation has been stressed to new staff. The District will work to ensure proper backup is documented and saved.

Conclusion – Response accepted.

Clarke Community School District
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2015

IV-H-15 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-15 Deposits and Investments – Except as noted below, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

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

IV-J-15 Certified Annual Report – The District’s Certified Annual Report was filed with the Iowa Department of Education timely.

IV-K-15 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

IV-L-15 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2015, the District’s financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning balance		\$ 1,714,794
Revenue:		
Statewide sales, services and use tax	\$ 1,366,094	
Interest on investments	13,109	1,379,203
Expenditures/transfers out:		
School infrastructure construction	590,997	
Equipment	253,459	
Debt service for school infrastructure	281,915	1,126,371
Ending balance		\$ 1,967,626

The statewide sales, services and use tax revenue received during the year ended June 30, 2015 is equivalent to a reduction in the following levies:

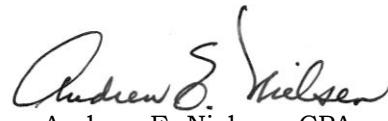
	Rate of Levy	
	Reduction	Property
	Per \$1,000	Tax
	of Taxable	Dollars
	Valuation	Reduced
Debt service levy	\$ 0.89251	281,915
Physical plant and equipment levy	3.43239	1,084,179
		\$ 1,366,094

Clarke Community School District

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Karen J. Kibbe, Senior Auditor II
Kaylynn D. Short, Senior Auditor
David A. Cook, Staff Auditor
Elizabeth P. Dawson, Auditor Intern



Andrew E. Nielsen, CPA
Deputy Auditor of State