



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE

January 15, 2021

Contact: Marlys Gaston
515/281-5834

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

FINANCIAL HIGHLIGHTS:

The District's revenues totaled \$20,425,797 for the year ended June 30, 2020, a 0.7% decrease from the prior year. Expenses for the District operations for the year ended June 30, 2020 totaled \$20,468,600, a 4.8% increase over the prior year. The increase in expenses is due primarily to the purchase of Chromebooks, an increase in open enrollment expenses and the purchase of educational services.

AUDIT FINDINGS:

Sand reported three findings related to the receipt and expenditure of taxpayer funds. They are found on pages 76 through 81 of this report. The findings address issues such as a material amounts of capital asset additions not recorded in the District's financial statements and deficit balances in student activity accounts. Sand provided the District with recommendations to address each of the findings.

The findings discussed above are repeated from the prior year. The Community School District's Board of Education has a fiduciary responsibility to provide oversight of the Community School District's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/audit-reports>.

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CLARKE COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2020

Clarke Community School District



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Rob Sand
Auditor of State

November 30, 2020

Officials of the Board of Education of Clarke Community School District
Osceola Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for the Clarke Community School District for the year ended June 30, 2020. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the Clarke Community School District throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand".

Rob Sand
Auditor of State

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Clarke Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Dena White	President	2021
Joseph Deutsch	Vice President	2021
Robin Galvez	Board Member	2021
Brian Crawford	Board Member	2023
Shawna Henry	Board Member	2023
MacKenzie O’Hair	Board Member	2023
Wendy Short	Board Member	2023
School Officials		
Steve Seid	Superintendent	Indefinite
Ruth White	District Secretary/Treasurer and Business Manager	Indefinite
Danielle Hainfield, Ahlers & Cooney Law, P.C.	Attorney	Indefinite



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Independent Auditor's Report

To the Board of Education of Clarke Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clarke Community School District, Osceola, Iowa, as of and for the year ended June 30, 2020, 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, 2020, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the IPERS Net Pension Liability, the Schedule of District IPERS Contributions, the Schedule of Changes in the District's Total Supplemental Pension Liability and Related Ratios and the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 8 through 16 and 54 through 62 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.

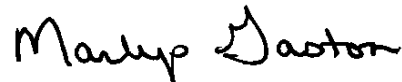
Supplementary Information

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, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), 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 November 30, 2020 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 solely 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 effectiveness of the District's 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.



Marlys K. Gaston, CPA
Deputy Auditor of State

November 30, 2020

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, 2020. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$15,946,809 in fiscal year 2019 to \$16,234,084 in fiscal year 2020 while General Fund expenditures increased from \$16,632,380 in fiscal year 2019 to \$16,703,699 in fiscal year 2020. The District's General Fund balance decreased from \$1,296,447 at the end of fiscal year 2019 to \$826,832 at the end of fiscal year 2020, a 36.2% decrease.
- The increase in General Fund revenues was primarily attributable to an increase in local tax and state revenues. The increase in expenditures was due primarily to increases in spending for regular instruction and administration.

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 IPERS net pension liability and related contributions, the changes in the District's total supplemental pension liability and related ratios, as well as presenting the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes.

Supplementary Information provides detailed information about nonmajor governmental funds, the Student Activity Accounts and the Capital Projects 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, 2020 compared to June 30, 2019.

Condensed Statement of Net Position							
(Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2020	2019	2020	2019	2020	2019	2019-2020
Current and other assets	\$ 13,093	23,489	765	691	13,858	24,180	(10,322)
Capital assets	30,254	18,117	62	54	30,316	18,171	12,145
Total assets	43,347	41,606	827	745	44,174	42,351	1,823
Deferred outflows of resources	2,116	2,458	44	51	2,160	2,509	(349)
Long-term liabilities	20,815	21,619	94	196	20,909	21,815	(906)
Other liabilities	2,879	1,883	180	82	3,059	1,965	1,094
Total liabilities	23,694	23,502	274	278	23,968	23,780	188
Deferred inflows of resources	6,640	5,332	32	11	6,672	5,343	1,329
Net position:							
Net investment in capital assets	18,434	16,613	62	54	18,496	16,667	1,829
Restricted	3,600	4,312	-	-	3,600	4,312	(712)
Unrestricted	(6,905)	(5,695)	503	453	(6,402)	(5,242)	(1,160)
Total net position	\$ 15,129	15,230	565	507	15,694	15,737	(43)

The District's total net position decreased less than 1%, or approximately \$43,000, from the prior year. One portion of the District's net position is net investment 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 11.0%, or approximately \$1,829,000, over the prior year primarily due to the middle and high school building additions.

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 decreased approximately \$712,000, or 16.5%, from the prior year. The decrease in restricted net position is due to a decrease in amounts restricted for the management levy and the physical plant and equipment levy, offset, in part, by an increase in amounts restricted for categorical funding.

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 \$1,160,000, or 22.1%, primarily due to a decrease of unrestricted amounts in the General Fund.

The analysis which follows shows the change in net position for the year ended June 30, 2020 compared to the year ended June 30, 2019.

	Change in Net Position							
	(Expressed in Thousands)							
	Governmental		Business Type		Total		Total	
	Activities		Activities		District		Change	
June 30,		June 30,		June 30,		June 30,		
2020		2019		2020		2019		2019-2020
Revenues:								
Program revenues:								
Charges for service	\$ 552	683	188	253	740	936		(196)
Operating grants, contributions and restricted interest	2,864	2,849	547	495	3,411	3,344		67
General revenues:								
Property tax	5,360	5,257	-	-	5,360	5,257		103
Statewide sales, services and use tax	1,503	1,494	-	-	1,503	1,494		9
Income surtax	322	303	-	-	322	303		19
Unrestricted state grants	8,831	8,772	-	-	8,831	8,772		59
Unrestricted investment earnings	179	333	8	17	187	350		(163)
Other	72	123	-	-	72	123		(51)
Total revenues	<u>19,683</u>	<u>19,814</u>	<u>743</u>	<u>765</u>	<u>20,426</u>	<u>20,579</u>		<u>(153)</u>
Program expenses:								
Governmental activities:								
Instruction	12,538	11,719	-	-	12,538	11,719		819
Support services	5,582	5,500	-	-	5,582	5,500		82
Non-instructional programs	15	10	685	676	700	686		14
Other expenses	1,649	1,629	-	-	1,649	1,629		20
Total expenses	<u>19,784</u>	<u>18,858</u>	<u>685</u>	<u>676</u>	<u>20,469</u>	<u>19,534</u>		<u>935</u>
Change in net position	(101)	956	58	89	(43)	1,045		(1,088)
Net position beginning of year	<u>15,230</u>	<u>14,274</u>	<u>507</u>	<u>418</u>	<u>15,737</u>	<u>14,692</u>		<u>1,045</u>
Net position end of year	<u>\$ 15,129</u>	<u>15,230</u>	<u>565</u>	<u>507</u>	<u>15,694</u>	<u>15,737</u>		<u>(43)</u>

In fiscal year 2020, property tax and unrestricted state grants accounted for 72.1% of governmental activities revenues while charges for service and operating grants, contributions and restricted interest accounted for 98.9% of business type activities revenue. The District's total revenues were approximately \$20.4 million, of which approximately \$19.7 million was for governmental activities and approximately \$.74 million was for business type activities.

As shown in the analysis, the District as a whole experienced a 0.7% decrease in revenues and a 4.8% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$19,683,124 and expenses were \$19,783,743 for the year ended June 30, 2020.

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, 2020 compared to the year ended June 30, 2019.

Total and Net Cost of Governmental Activities (Expressed in Thousands)				
	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Instruction	\$ 12,538	11,719	10,047	9,045
Support services	5,582	5,500	5,319	5,298
Non-instructional programs	15	10	15	10
Other expenses	1,649	1,629	987	973
Total	\$ 19,784	18,858	16,368	15,326

- The cost financed by users of the District’s programs was \$551,926.
- Federal and state governments subsidized certain operating programs with grants and contributions totaling \$2,863,838.
- The net cost of governmental activities was financed with \$5,360,333 of property tax and \$8,831,169 of unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2020 were \$742,673, a 3.0% decrease from the prior year, and expenses totaled \$684,857, a 1.3% 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 is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,602,250, a 71.8% decrease from last year’s ending fund balance of \$16,315,123.

Governmental Fund Highlights

- The General Fund balance decreased from \$1,296,447 at June 30, 2019 to \$826,832 at June 30, 2020. Revenue increased 1.8% primarily due to an increase in property tax, while expenditures increased less than .5%.

- The Special Revenue, Management Levy Fund balance decreased from \$1,259,068 at June 30, 2019 to \$988,230 at June 30, 2020. The fund balance decreased due primarily to an increase in early retirement costs compared to the prior year.
- The Debt Service Fund balance decreased from \$33,481 at June 30, 2019 to \$6,897 at June 30, 2020. Revenue decreased \$123,253 or 12.1%, primarily due to a decrease in property tax. Expenditures decreased \$120,175 or 9.4%, primarily due to a decrease in principal payments on the general obligation debt in fiscal year 2020.
- The Capital Projects Fund balance decreased from \$13,719,629 at June 30, 2019 to \$2,763,324 at June 30, 2020. Expenditures increased approximately \$9.0 million over the prior year due to the addition to the middle school/high school building and repairs to the elementary school and middle school/high school buildings.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$507,041 at June 30, 2019 to \$564,857 at June 30, 2020, an increase of 11.4%. Charges for services decreased \$66,058 or 26.0% due to the cafeteria closing in March due to COVID-19. Federal sources of revenue increased \$52,803 or 10.8%, primarily due to the receipt of COVID-19 – National School Lunch Program funding.

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 2020.

The District's total revenues were \$1,921,777 less than budgeted revenues, a variance of 8.6%. The variance primarily resulted from the District receiving less revenue from local sources, such as tuition, and state sources than originally anticipated.

Total expenditures were \$4,338,791 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 function.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the District had invested approximately \$30.3 million, net of accumulated depreciation, in a broad range of capital assets, including the current year middle school/high school building addition, repairs and remodeling at the elementary school, athletic fields and a new bus barn. 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 \$988,378.

The original cost of the District’s capital assets was approximately \$42.6 million. Governmental funds account for approximately \$42.2 million of the District’s capital assets, with the remaining \$.4 million accounted for in the Enterprise, School Nutrition Fund.

	Capital Assets, net of Depreciation							
	(expressed in thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change	
June 30,		June 30,		June 30,		June 30,		
	2020	2019	2020	2019	2020	2019		
Land	\$ 238	238	-	-	238	238	-	0.0%
Construction in progress	12,976	2,383	-	-	12,976	2,383	10,593	444.5%
Buildings	12,600	11,690	-	-	12,600	11,690	910	7.8%
Improvements other than buildings	3,343	2,285	-	-	3,343	2,285	1,058	46.3%
Furniture and equipment	1,097	1,521	62	54	1,159	1,575	(416)	-26.4%
Total	\$ 30,254	18,117	62	54	30,316	18,171	12,145	66.8%

Long-Term Debt

At June 30, 2020, the District had approximately \$12,248,000 of total long-term debt outstanding, a decrease of 1.2%. 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,	
	2020	2019	2019-2020	
General obligation bonds	\$ 11,820	12,280	-3.9%	
Lease purchase agreements	428	109	74.5%	
	\$ 12,248	12,389	-1.2%	

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 that could significantly affect its financial health in the future:

- Local option sales and services tax revenues have a significant impact on building improvements.
- The District recently built a 6th grade wing to the Middle school, as well as other major improvements to both the secondary and elementary building.
- Under Iowa’s school funding formula, District funding is highly dependent upon District enrollment. Projections indicate the District will continue to remain steady in 2020-21.
- Grants are sought to help with educational improvements in the district.
- The one to one iPad and Chromebook initiatives continue in the District for students.
- Several building and grounds improvements are being done to keep facilities in good condition. A new roadway was recently built to add a second roadway in/out of the secondary school campus.
- Construction for the general obligation bond projects are currently underway.

- Several new homes are being constructed in and near Osceola.
- Walking trails and new sidewalks for safe walking routes to school 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.

Basic Financial Statements

Exhibit A

Clarke Community School District

Statement of Net Position

June 30, 2020

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 6,763,996	711,663	7,475,659
Cash held by health plan trustee	53,805	-	53,805
Receivables:			
Property tax:			
Delinquent	43,716	-	43,716
Succeeding year	5,325,000	-	5,325,000
Accounts	13,867	9	13,876
Due from other governments	893,269	46,907	940,176
Inventories	-	6,096	6,096
Capital assets, net of accumulated depreciation	30,253,929	62,217	30,316,146
Total assets	43,347,582	826,892	44,174,474
Deferred Outflows of Resources			
Pension related deferred outflows	2,116,035	44,340	2,160,375
Liabilities			
Accounts payable	587,672	-	587,672
Salaries and benefits payable	1,560,754	71,873	1,632,627
Due to other governments	466,723	-	466,723
Accrued interest payable	32,694	-	32,694
Advances from grantors	231,160	-	231,160
Unearned revenue	-	22,015	22,015
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	480,000	-	480,000
Lease purchase agreement	204,504	-	204,504
Compensated absences	50,111	-	50,111
Portion due after one year:			
General obligation bonds	11,340,000	-	11,340,000
Lease purchase agreement	223,002	-	223,002
Total OPEB liability	202,927	6,276	209,203
Net pension liability	8,314,787	174,194	8,488,981
Total liabilities	23,694,334	274,358	23,968,692
Deferred Inflows of Resources			
Unavailable property tax revenue	5,325,000	-	5,325,000
Pension related deferred inflows	1,110,496	25,690	1,136,186
OPEB related deferred inflows	204,578	6,327	210,905
Total deferred inflows of resources	6,640,074	32,017	6,672,091

Clarke Community School District

Statement of Net Position

June 30, 2020

	Governmental Activities	Business Type Activities	Total
Net position			
Net investment in capital assets	18,433,929	62,217	18,496,146
Restricted for:			
Categorical funding	780,974	-	780,974
Mangement Levy	174,892	-	174,892
Physical plant and equipment levy	1,275,426	-	1,275,426
School infrastructure	1,352,269	-	1,352,269
Student activities	16,967	-	16,967
Unrestricted	(6,905,248)	502,640	(6,402,608)
Total net position	\$ 15,129,209	564,857	15,694,066

See notes to financial statements.

Clarke Community School District

Statement of Activities

Year ended June 30, 2020

	Program Revenues		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Instruction:			
Regular instruction	\$ 7,581,011	259,239	1,031,641
Special instruction	2,729,396	93,965	218,894
Other instruction	2,227,136	182,517	704,237
	<u>12,537,543</u>	<u>535,721</u>	<u>1,954,772</u>
Support services:			
Student	482,961	-	77,037
Instructional staff	1,053,682	9	-
Administration	1,911,012	10,552	838
Operation and maintenance of plant	1,358,671	1,435	8,556
Transportation	775,662	4,209	160,466
	<u>5,581,988</u>	<u>16,205</u>	<u>246,897</u>
Non-instructional programs	<u>14,812</u>	-	-
Other expenditures:			
Long-term debt interest	447,344	-	-
AEA flowthrough	662,169	-	662,169
Depreciation (unallocated)*	539,887	-	-
	<u>1,649,400</u>	-	<u>662,169</u>
Total governmental activities	19,783,743	551,926	2,863,838
Business type activities:			
Non-instructional programs:			
Food service operations	684,857	187,590	547,320
Total	<u>\$ 20,468,600</u>	<u>739,516</u>	<u>3,411,158</u>
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			
Other			
Total general revenues			
Change in net position			
Net position beginning of year			
Net position end of year			

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business Type Activities	Total
(6,290,131)	-	(6,290,131)
(2,416,537)	-	(2,416,537)
(1,340,382)	-	(1,340,382)
(10,047,050)	-	(10,047,050)
(405,924)	-	(405,924)
(1,053,673)	-	(1,053,673)
(1,899,622)	-	(1,899,622)
(1,348,680)	-	(1,348,680)
(610,987)	-	(610,987)
(5,318,886)	-	(5,318,886)
(14,812)	-	(14,812)
(447,344)	-	(447,344)
-	-	-
(539,887)	-	(539,887)
(987,231)	-	(987,231)
(16,367,979)	-	(16,367,979)
-	50,053	50,053
(16,367,979)	50,053	(16,317,926)
\$ 4,154,104	-	4,154,104
873,957	-	873,957
332,272	-	332,272
1,502,950	-	1,502,950
322,051	-	322,051
8,831,169	-	8,831,169
179,376	7,763	187,139
71,481	-	71,481
16,267,360	7,763	16,275,123
(100,619)	57,816	(42,803)
15,229,828	507,041	15,736,869
\$ 15,129,209	564,857	15,694,066

Clarke Community School District

Balance Sheet
Governmental Funds

June 30, 2020

	Special Revenue				Nonmajor	Total
	General	Management Levy	Debt Service	Capital Projects	Student Activities	
Assets						
Cash, cash equivalents and pooled investments	\$ 2,527,525	988,230	-	3,211,050	8,974	6,735,779
Cash held by health plan trustee	53,805	-	-	-	-	53,805
Receivables:						
Property tax:						
Delinquent	34,196	-	6,897	2,623	-	43,716
Succeeding year	4,220,000	-	803,000	302,000	-	5,325,000
Accounts	5,539	-	-	-	8,328	13,867
Due from other governments	474,818	-	-	418,451	-	893,269
Total assets	\$ 7,315,883	988,230	809,897	3,934,124	17,302	13,065,436
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable	\$ 10,414	-	-	576,923	335	587,672
Salaries and benefits payable	1,560,754	-	-	-	-	1,560,754
Due to other governments	466,723	-	-	-	-	466,723
Advances from grantors	231,160	-	-	-	-	231,160
Total liabilities	2,269,051	-	-	576,923	335	2,846,309
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	4,220,000	-	803,000	302,000	-	5,325,000
Other	-	-	-	291,877	-	291,877
Total deferred inflows of resources	4,220,000	-	803,000	593,877	-	5,616,877
Fund balances:						
Restricted for:						
Categorical funding	780,974	-	-	-	-	780,974
Management levy purposes	-	988,230	-	-	-	988,230
Debt service	-	-	6,897	-	-	6,897
Student activities	-	-	-	-	16,967	16,967
School infrastructure	-	-	-	1,352,269	-	1,352,269
Physical plant and equipment	-	-	-	1,411,055	-	1,411,055
Unassigned	45,858	-	-	-	-	45,858
Total fund balances	826,832	988,230	6,897	2,763,324	16,967	4,602,250
Total liabilities, deferred inflows of resources and fund balances	\$ 7,315,883	988,230	809,897	3,934,124	17,302	13,065,436

See notes to financial statements.

Clarke Community School District

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

June 30, 2020

Total fund balances of governmental funds (page 22) \$ 4,602,250

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. 30,253,929

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. 28,217

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. 291,877

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. (32,694)

Pension and OPEB 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	\$ 2,116,035	
Deferred inflows of resources	<u>(1,315,074)</u>	800,961

Long-term liabilities, including bonds payable, lease purchases payable, compensated absences payable, total OPEB liability and net pension liability are not due and payable in the current year and, therefore, are not reported in the governmental funds. (20,815,331)

Net position of governmental activities (page 19) \$ 15,129,209

See notes to financial statements.

Clarke Community School District

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

Year ended June 30, 2020

	Special Revenue			Nonmajor		Total
	General	Management Levy	Debt Service	Capital Projects	Student Activities	
Revenues:						
Local sources:						
Local tax	\$ 4,154,104	-	873,956	649,946	-	5,678,006
Tuition	271,473	-	-	-	-	271,473
Other	145,598	12,521	2,370	280,496	201,815	642,800
State sources	11,024,581	-	22,233	1,511,403	-	12,558,217
Federal sources	638,328	-	-	-	-	638,328
Total revenues	16,234,084	12,521	898,559	2,441,845	201,815	19,788,824
Expenditures:						
Current:						
Instruction:						
Regular	7,100,588	62,739	-	-	-	7,163,327
Special	2,679,372	-	-	-	-	2,679,372
Other	1,926,938	2,326	-	-	190,612	2,119,876
	11,706,898	65,065	-	-	190,612	11,962,575
Support services:						
Student	459,841	1,380	-	-	-	461,221
Instructional staff	469,407	759	-	562,716	-	1,032,882
Administration	1,656,139	50,127	-	180,732	-	1,886,998
Operation and maintenance of plant	1,234,385	84,883	-	149,727	-	1,468,995
Transportation	514,860	66,333	-	5,522	734	587,449
	4,334,632	203,482	-	898,697	734	5,437,545
Non-instructional programs						
	-	14,812	-	-	-	14,812
Other expenditures:						
Facilities acquisition	-	-	-	12,834,397	-	12,834,397
Long-term debt:						
Principal	-	-	704,113	-	-	704,113
Interest and other charges	-	-	448,802	-	-	448,802
AEA flowthrough	662,169	-	-	-	-	662,169
	662,169	-	1,152,915	12,834,397	-	14,649,481
Total expenditures	16,703,699	283,359	1,152,915	13,733,094	191,346	32,064,413
Excess (deficiency) of revenues over (under) expenditures	(469,615)	(270,838)	(254,356)	(11,291,249)	10,469	(12,275,589)
Other financing sources (uses):						
Proceeds from lease purchase agreement	-	-	-	562,716	-	562,716
Transfers in	-	-	227,772	-	-	227,772
Transfers out	-	-	-	(227,772)	-	(227,772)
Total other financing sources (uses)	-	-	227,772	334,944	-	562,716
Change in fund balances	(469,615)	(270,838)	(26,584)	(10,956,305)	10,469	(11,712,873)
Fund balances beginning of year	1,296,447	1,259,068	33,481	13,719,629	6,498	16,315,123
Fund balances end of year	\$ 826,832	988,230	6,897	2,763,324	16,967	4,602,250

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, 2020

Change in fund balances - total governmental funds (page 24) \$ (11,712,873)

**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. These costs are not reported in the Statement of Activities, but they are allocated over the estimated useful lives of the capital assets as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 13,114,310	
Depreciation expense	<u>(977,222)</u>	12,137,088

Because some revenues will not be collected for several months after the year end, they are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds, as follows:

Income surtax	4,377	
Other	<u>(110,402)</u>	(106,025)

Proceeds from issuing long-term liabilities provide current financial resources in the government funds, but issuing debt increases long-term liabilities in the Statement of Net Position. 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. Current year repayments exceeded issuances, as follows:

Issued	(562,716)	
Repaid	<u>704,113</u>	141,397

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.

896,977

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	(12,536)	
OPEB expense	1,838	
Pension expense	(1,450,522)	
Interest on long-term debt	<u>1,458</u>	(1,459,762)

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.

2,579

Change in net position of governmental activities (page 21) \$ (100,619)

See notes to financial statements.

Clarke Community School District

Statement of Net Position
Proprietary Funds

June 30, 2020

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
Assets		
Current assets:		
Cash and cash equivalents	\$ 711,663	\$ 28,217
Accounts receivable	9	-
Due from other governments	46,907	-
Inventories	6,096	-
Total current assets	764,675	28,217
Noncurrent assets:		
Capital assets, net of accumulated depreciation	62,217	-
Total assets	826,892	28,217
Deferred Outflows of Resources		
Pension related deferred outflows	44,340	-
Liabilities		
Current liabilities:		
Salaries and benefits payable	71,873	-
Unearned student meals	22,015	-
Total current liabilities	93,888	-
Noncurrent liabilities:		
Total OPEB liability	6,276	-
Net pension liability	174,194	-
Total noncurrent liabilities	180,470	-
Total liabilities	274,358	-
Deferred inflows of resources		
Pension related deferred inflows	25,690	-
OPEB related deferred inflows	6,327	-
Total deferred inflows of resources	32,017	-
Net Position		
Net investment in capital assets	62,217	-
Unrestricted	502,640	28,217
Total net position	\$ 564,857	\$ 28,217

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, 2020

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
Operating revenues:		
Local sources:		
Charges for service	\$ 187,590	\$ -
Employee contributions	-	22,714
Total operating revenues	<u>187,590</u>	<u>22,714</u>
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	213,852	-
Benefits	96,724	-
Purchased services	3,805	-
Supplies	359,320	-
Depreciation	11,156	-
Other	-	20,460
Total operating expenses	<u>684,857</u>	<u>20,460</u>
Operating income (loss)	<u>(497,267)</u>	<u>2,254</u>
Non-operating revenues:		
State sources	5,820	-
Federal sources	541,500	-
Interest income	7,763	325
Total non-operating revenues	<u>555,083</u>	<u>325</u>
Increase in net position	57,816	2,579
Net position beginning of year	<u>507,041</u>	<u>25,638</u>
Net position end of year	<u>\$ 564,857</u>	<u>\$ 28,217</u>

See notes to financial statements.

Exhibit I

Clarke Community School District

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2020

	<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	\$ 194,885	\$ -
Cash received from miscellaneous operating activities	-	22,714
Cash paid for salaries and to suppliers for goods or services	<u>(605,641)</u>	<u>(20,460)</u>
Net cash provided (used) by operating activities	<u>(410,756)</u>	<u>2,254</u>
Cash flows from non-capital financing activities:		
State grants received	5,820	-
Federal grants received	<u>449,707</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>455,527</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(19,227)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>7,763</u>	<u>325</u>
Change in cash and cash equivalents	33,307	2,579
Cash and cash equivalents beginning of year	<u>678,356</u>	<u>25,638</u>
Cash and cash equivalents end of year	<u>\$ 711,663</u>	<u>\$ 28,217</u>

Clarke Community School District

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2020

	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)	\$ (497,267)	\$ 2,254
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Commodities used	46,746	-
Depreciation	11,156	-
Change in assets and liabilities:		
Decrease in accounts receivable	1	-
Decrease in inventories	1,891	-
Decrease in prepaid insurance	3,086	-
Decrease in deferred outflows of resources	6,658	-
Decrease in accounts payables	(13)	-
Increase in salaries and benefits payable	4,156	-
Decrease in total OPEB liability	(5,918)	-
Increase in unearned student meals	7,294	-
Decrease in IPERS net pension liability	(9,811)	-
Increase in deferred inflows of resources	21,265	-
Net cash provided (used) by operating activities	<u>\$ (410,756)</u>	<u>\$ 2,254</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2020, the District received \$46,746 of federal commodities.

See notes to financial statements.

Exhibit J

Clarke Community School District
Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2020

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and investments	\$ 39,118	\$ 138,994
Liabilities		
Trusts payable	-	138,994
Net Position		
Reserved for scholarships	\$ 39,118	\$ -

See notes to financial statements.

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

Year ended June 30, 2020

		Private Purpose Trust
		Scholarship
Additions:		
Local sources:		
Interest income, net of decrease in fair value	\$	293
Other		2,172
Total additions		2,465
Deductions:		
Support services:		
Student		1,453
Scholarships awarded		2,900
Total Deductions		4,353
Change in net position		(1,888)
Net position beginning of year		41,006
Net position end of year	\$	39,118

See notes to financial statements.

Clarke Community School District

Notes to Financial Statements

Year ended June 30, 2020

(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.

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 Management Levy Fund is used to account for management fund tax levies and for tort liability insurance premiums, unemployment compensation insurance claims and early retirement incentive payments.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

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 Balance/Net Position

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 reported as a deferred inflow of resources 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, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2019.

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 acquired after July 1, 1980 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 if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. 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. Reportable 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	\$ 500
Buildings	500
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
Improvements other than buildings	50
Intangibles	5 - 10
Furniture and equipment	4 - 12

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which 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.

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, 2020. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

Advances From Grantors – Advances from grantors includes CARES Act funds which have not been earned as of June 30, 2020.

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. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the Clark Community School District's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Enterprise, School Nutrition Fund.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position applicable to a future year(s) which 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 in the fund financial statements consist of income surtax receivable and other receivables not collected within sixty days after year end and succeeding year property tax receivable that will not be recognized until the year for which it is levied.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied, unrecognized items not yet charged to pension and OPEB expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

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

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.

Net Position – The net position of the Internal Service, Flex Spending Fund is designated for future employee health care costs of the District.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2020, expenditures did not exceed the amount budgeted in any function.

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2020 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, 2020, the District had the following investment:

<u>Investment</u>	<u>Fair Value</u>
Alliant Energy Corporation Common stock	<u>\$ 18,753</u>

The District uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The recurring fair value measurement for the Alliant Energy Corporation Common Stock of \$18,753 was determined using the closing share price on June 30, 2020. (Level 1 input)

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects:	
	Physical Plant and Equipment Levy	\$ 196,688
	Statewide Sales, Services and Use Tax	<u>31,084</u>
		<u>\$ 227,772</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, 2020 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 238,022	-	-	238,022
Construction in progress	2,382,512	12,965,539	(2,371,626)	12,976,425
Total capital assets not being depreciated	<u>2,620,534</u>	<u>12,965,539</u>	<u>(2,371,626)</u>	<u>13,214,447</u>
Capital assets being depreciated:				
Buildings	* 18,756,645	1,298,097	-	20,054,742
Improvements other than buildings	* 3,593,064	1,208,840	-	4,801,904
Furniture and equipment	* 4,111,400	35,419	(41,716)	4,105,103
Total capital assets being depreciated	<u>26,461,109</u>	<u>2,542,356</u>	<u>(41,716)</u>	<u>28,961,749</u>
Less accumulated depreciation for:				
Buildings	* 7,066,852	388,384	-	7,455,236
Improvements other than buildings	* 1,307,699	151,503	-	1,459,202
Furniture and equipment	* 2,590,251	437,335	(19,757)	3,007,829
Total accumulated depreciation	<u>10,964,802</u>	<u>977,222</u>	<u>(19,757)</u>	<u>11,922,267</u>
Total capital assets being depreciated, net	<u>15,496,307</u>	<u>1,565,134</u>	<u>(21,959)</u>	<u>17,039,482</u>
Governmental activities capital assets, net	<u>\$ 18,116,841</u>	<u>14,530,673</u>	<u>(2,393,585)</u>	<u>30,253,929</u>
Business type activities:				
Furniture and equipment	\$ 428,316	19,227	(9,331)	438,212
Less accumulated depreciation	374,170	11,156	(9,331)	375,995
Business type activities capital assets, net	<u>\$ 54,146</u>	<u>8,071</u>	<u>-</u>	<u>62,217</u>

* Beginning balances were adjusted to reflect the reallocation of assets among the asset categories.

Depreciation expense was charged to the following functions:

Governmental activities:		
Instruction:		
Regular instruction		\$ 92,850
Other instruction		47,318
Support services:		
Administration		21,528
Operation and maintenance of plant		94,685
Transportation		180,954
		<u>437,335</u>
Unallocated		539,887
		<u>\$ 977,222</u>
Total depreciation expense - governmental activities		
Business type activities:		
Food service operations		<u>\$ 11,156</u>

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2020 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 12,280,000	-	460,000	11,820,000	480,000
Lease purchase agreements	108,903	562,716	244,113	427,506	204,504
Compensated absences	37,575	62,528	49,992	50,111	50,111
Total OPEB liability	394,268	-	191,341	202,927	-
Net pension liability	8,798,561	-	483,774	8,314,787	-
Total	<u>\$ 21,619,307</u>	<u>625,244</u>	<u>1,429,220</u>	<u>20,815,331</u>	<u>734,615</u>
Business type activities:					
Total OPEB liability	\$ 12,194	-	5,918	6,276	-
Net pension liability	184,005	-	9,811	174,194	-
Total	<u>\$ 196,199</u>	<u>-</u>	<u>15,729</u>	<u>180,470</u>	<u>-</u>

General Obligation Bonds

Details of the District's June 30, 2020 general obligation indebtedness are as follows:

Year Ending June 30,	Interest Rates	Middle School/High School Additions and Repairs Elementary School Repairs and Bus Barn Issued November 1, 2018			
		Principal	Interest	Total	
2021	4.00%	\$ 480,000	412,625	892,625	
2022	4.00	500,000	393,425	893,425	
2023	4.00	520,000	373,425	893,425	
2024	4.00	540,000	352,625	892,625	
2025	4.00	560,000	331,025	891,025	
2026-2030	3.00-3.10	3,105,000	1,362,525	4,467,525	
2031-2035	3.20-3.60	3,625,000	842,360	4,467,360	
2036-2038	3.60-3.70	2,490,000	185,680	2,675,680	
Total		<u>\$ 11,820,000</u>	<u>4,253,690</u>	<u>16,073,690</u>	

On November 1, 2018 the District issued \$13,000,000 of general obligation school bonds, series 2018, to furnish and equip additions to the middle school/high school building, to remodel, repair and improve the existing elementary and middle school/high school buildings, including site improvements and to build, furnish and equip a bus bar, including land acquisition and site improvements. During the year ended June 30, 2020, the District retired \$460,000 of general obligation bonds.

Lease Purchase Agreements

On July 26, 2018, the District entered into a lease purchase agreement with Vantage Financial, LLC to purchase 125 Chromebooks for the 2nd grade. The District purchased the Chromebooks for \$50,796 without interest.

On September 9, 2019, the District entered into a lease purchase agreement with Vantage Financial, LLC to purchase 1,600 Chromebooks. The District purchased the Chromebooks for \$562,716 without interest.

Details of the District’s lease purchase agreements are as follows:

Year Ending June 30,	July 26, 2018 Lease		September 9, 2019 Lease		Total
	Interest Rates	Principal	Interest Rates	Principal	Principal
2021	0.00%	\$ 16,932	0.00%	\$ 187,572	\$ 204,504
2022	0.00	-	0.00	187,572	187,572
2023	0.00	-	0.00	35,430	35,430
Total		<u>\$ 16,932</u>		<u>\$ 410,574</u>	<u>\$ 427,506</u>

During the year ended June 30, 2020, the District paid principal of \$25,313 on the September 6, 2016 Chromebooks lease, \$49,726 on the iPads lease, \$16,932 on the July 26, 2018 Chromebooks lease and \$152,142 on the September 9, 2019 Chromebooks lease.

(6) Pension Plans

Pension Plan Total Information	Supplemental		Total
	IPERS	Pension	
Net pension liability	\$ 7,531,349	957,632	8,488,981
Deferred outflows of resources related to pensions	2,016,081	144,294	2,160,375
Deferred inflows of resources related to pensions	1,136,186	-	1,136,186
Pension expense	1,481,595	112,521	1,594,116

Iowa Public Employees Retirement System

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 PO 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, any time 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, except members with service before June 30, 2012 will use the highest three-year average salary as of that date 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% 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% 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 – 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 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the District contributed 9.44% of covered payroll, for a total rate of 15.73%.

The District’s contributions to IPERS for the year ended June 30, 2020 totaled \$916,864.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the District reported a liability of \$7,531,349 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 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, 2019, the District’s collective proportion was 0.130060%, which was an increase of 0.003900% over its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$1,481,595. At June 30, 2020, 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	\$ 20,879	270,788
Changes of assumptions	806,715	-
Net difference between projected and actual earnings on IPERS' investments	-	848,693
Changes in proportion and differences between District contributions and proportionate share of contributions	271,623	16,705
District contributions subsequent to the measurement date	916,864	-
Total	<u>\$ 2,016,081</u>	<u>1,136,186</u>

\$916,864 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, 2021. 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
2021	\$ 260,772
2022	(106,769)
2023	(87,253)
2024	(103,808)
2025	89
Total	<u>\$ (36,969)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.15% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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 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>
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 13,373,246	7,531,349	2,631,231

IPERS' 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 – All legally required District contributions and legally required employee contributions which had been withheld from employee wages were remitted by the District to IPERS by June 30, 2020.

Supplemental Pension Plan

Plan Description – The District administers a single-employer benefit plan which 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73.

Supplemental Pension Benefits – The supplemental pension benefit is defined as:

- 50% of the value of the employee's unused accumulated sick leave using the 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 \$40,000.

Retired participants must be age 55 or older at retirement. At June 30, 2020, the following employees were covered by the benefit terms:

Active employees	225
------------------	-----

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.

Total Pension Liability – The District's total supplemental pension liability of \$957,632 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2018 rolled forward to the measurement date of June 30, 2020.

Pension Expense and Deferred outflows of Resources Related to the Supplemental Pension
 – For the year ended June 30, 2020, the District recognized pension expense of \$112,521. At June 30, 2020, the District reported deferred outflows of resources related to the supplemental pension from the following resources.

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ <u>144,294</u>

The amount reported as deferred outflows of resources related to the supplemental pension will be recognized as pension expense as follows:

Year ending June 30,	Amount
2020	\$ 7,762
2021	7,762
2022	7,762
2023	7,762
2024	7,762
Thereafter	<u>105,484</u>
	<u>\$ 144,294</u>

There were no non-employer contributing entries to the supplemental pension plan.

Actuarial Assumptions – The total supplemental pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of salary (effective June 30, 2018)	3.00% per annum.
Discount rate (effective June 30, 2018)	3.15% compounded annually, net of investment expense, including inflation.

Discount Rate – The discount rate used to measure the total pension liability was 3.15% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP-2000 annuitant mortality table adjusted to 2015 projection of future mortality improvement. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used for IPERS.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Changes in the Total Supplemental Pension Liability

	<u>Total OPEB Liability</u>
Total supplemental pension liability beginning of year	\$ 998,871
Changes for the year:	
Service cost	76,929
Interest on the total pension liability	33,888
Differences between expected and actual experiences	<u>(152,056)</u>
Net changes	<u>(41,239)</u>
Total supplemental pension liability end of year	<u>\$ 957,632</u>

Sensitivity of the total supplemental pension liability to changes in the discount rate – The following presents the total pension liability of the District, as well as what the District’s total supplemental pension liability would be if it were calculated using a discount rate that is 1% lower (2.15%) or 1% higher (4.15%) than the current discount rate.

	<u>1% Decrease (2.15%)</u>	<u>Discount Rate (3.15%)</u>	<u>1% Increase (4.15%)</u>
Total supplemental pension liability	\$ 976,325	957,632	936,327

(7) Other Postemployment Benefits (OPEB)

Plan Description – The District administers a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by Clarke Community School District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5
Active employees	<u>97</u>
Total	<u>102</u>

Total OPEB Liability – The District’s total OPEB liability of \$209,203 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2019. The total OPEB liability was rolled forward from the July 1, 2019 valuation date to the June 30, 2020 measurement date.

Actuarial Assumptions – The total OPEB liability in the July 1, 2019 actuarial valuation date was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2019)	3.00% per annum.
Discount rate (effective June 30, 2019)	3.15% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2019)	6.00% per year.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.15% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA RP-2014 total dataset mortality table. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	<u>\$ 406,462</u>
Changes for the year:	
Service cost	24,002
Interest	6,805
Differences between expected and actual experiences	(13,520)
Changes in assumptions	<u>(214,546)</u>
Net changes	<u>(197,259)</u>
Total OPEB liability end of year	<u>\$ 209,203</u>

Changes of assumptions reflect a change in the discount rate from 3.72% in fiscal year 2019 to 3.15% in fiscal year 2020. In addition, the changes in assumptions includes a change in demographics due to an update in the attained age retirement rate and selection rate for the year ended June 30, 2020.

Sensitivity of the District’s Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.15%) or 1% higher (4.15%) than the current discount rate.

	1% Decrease (2.15%)	Discount Rate (3.15%)	1% Increase (4.15%)
Total OPEB liability	\$ 230,622	209,203	190,201

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.00%) or 1% higher (7.00%) than the current healthcare cost trend rates.

	1% Decrease (5.00%)	Healthcare Cost Trend Rate (6.00%)	1% Increase (7.00%)
Total OPEB liability	\$ 182,253	209,203	241,619

OPEB Expense and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the District recognized OPEB expense of \$13,646. At June 30, 2020, the District reported deferred inflows of resources related to OPEB from the following resources:

	Deferred Inflows of Resources
Differences between expected and actual experience	<u>\$ 210,905</u>

The amount reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ending June 30,	Amount
2021	\$ 17,161
2022	17,161
2023	17,161
2024	17,161
Thereafter	<u>142,261</u>
	<u>\$ 210,905</u>

(8) 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.

(9) 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 \$662,169 for the year ended June 30, 2020 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(10) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Tax Abatements of Other Entities

Other entities within the District provide tax abatements for urban renewal and economic development projects pursuant to Chapter 15 and 403 of the Code of Iowa.

Property tax revenues of the District were reduced by the following amounts for the year ended June 30, 2020 under agreements entered into by the following entities:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Osceola	Urban renewal and economic development projects	\$ 31,946

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2020, this reimbursement amounted to \$17,195.

(11) Employee Health Insurance Plan

The District partially self-funds the District’s health insurance benefit plan. The plan is funded by both employee and District contributions and is administered through a service agreement with Employee Benefits System (EBS). All claims handling procedures are performed by an independent claims administrator. Settled claims did not exceed the plan coverage during the year.

The cash balance held by Employee Benefit Systems reported in the General Fund was \$53,805 at June 30, 2020.

(12) Categorical Funding

In accordance with Iowa Administrative Code Section 98.1, categorical funding is financial support from the state and federal governments targeted for particular categories of students, special programs, or special purposes. This support is in addition to school district or area education agency general purpose revenue, for purpose beyond the basic educational program and most often has restrictions on its use. Any portion of categorical funding provided by the state that is not expended by the end of the fiscal year must be carried forward as a restricted fund balance.

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2020.

Program	Amount
Home school assistance	\$ 2,587
At-Risk	38,408
Teacher leadership supplement	13,783
Four-year-old preschool	338,543
Teacher salary supplement	29,900
Successful progression for early readers	89,158
Teacher development academics	3,652
Professional development	264,943
	<u>\$ 780,974</u>

(13) Construction Commitments

The District entered into various contracts totaling \$15,136,751 for an addition to the middle school/high school building, repairs for the middle school/high school and the elementary school buildings and paving projects. As of June 30, 2020, costs of \$11,485,933 had been incurred against the contracts. The balance of \$3,650,818 remaining at June 30, 2020 will be paid as work on the projects progress.

(14) Subsequent Events

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the Clarke Community School District, remains uncertain.

To date, the outbreak created a disruption to the operations of the Clarke Community School District due to the closure of school buildings and the move to virtual learning to complete the 2019-2020 school year. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the Clarke Community School District operations and finances.

(15) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

Clarke Community School District

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 (Enterprise) Fund

Required Supplementary Information

Year ended June 30, 2020

	Governmental Funds Actual	Proprietary (Enterprise) Fund Actual	Total Actual	Budgeted Amounts Original/Final	Final to Actual Variance
Revenues:					
Local sources	\$ 6,592,279	195,353	6,787,632	7,643,592	(855,960)
State sources	12,558,217	5,820	12,564,037	13,404,682	(840,645)
Federal sources	638,328	541,500	1,179,828	1,405,000	(225,172)
Total revenues	19,788,824	742,673	20,531,497	22,453,274	(1,921,777)
Expenditures/Expenses:					
Instruction	11,962,575	-	11,962,575	13,575,000	1,612,425
Support services	5,437,545	-	5,437,545	6,815,500	1,377,955
Non-instructional programs	14,812	684,857	699,669	1,265,000	565,331
Other expenditures	14,649,481	-	14,649,481	15,432,561	783,080
Total expenditures/expenses	32,064,413	684,857	32,749,270	37,088,061	4,338,791
Excess (deficiency) of revenues over (under) expenditures/expenses	(12,275,589)	57,816	(12,217,773)	(14,634,787)	2,417,014
Other financing sources, net	562,716	-	562,716	15,000	(547,716)
Change in fund balance	(11,712,873)	57,816	(11,655,057)	(14,619,787)	(2,964,730)
Balances beginning of year	16,315,123	507,041	16,822,164	15,256,007	(1,566,157)
Balances end of year	\$ 4,602,250	564,857	5,167,107	636,220	(4,530,887)

See accompanying independent auditor's report.

Clarke Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2020

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 ended June 30, 2020, expenditures did not exceed the amount budgeted in any function.

Clarke Community School District

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

Iowa Public Employees' Retirement System
For the Last Six Years*
(In Thousands)

Required Supplementary Information

	2020	2019	2018	2017
District's proportion of the net pension liability	0.130060%	0.126160%	0.125502%	0.121885%
District's proportionate share of the net pension liability	\$ 7,531	7,984	8,360	7,671
District's covered payroll	\$ 9,904	9,483	9,373	8,748
District's proportionate share of the net pension liability as a percentage of its covered payroll	76.04%	84.19%	89.19%	87.69%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

See accompanying independent auditor's report.

2016	2015
0.119882%	0.122095%
5,923	4,842
8,213	7,991
72.12%	60.60%
85.19%	87.61%

Clarke Community School District
Schedule of District IPERS Contributions
Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Required Supplementary Information

	2020	2019	2018	2017
Statutorily required contribution	\$ 917	934	847	837
Contributions in relation to the statutorily required contribution	(917)	(934)	(847)	(837)
Contribution deficiency (excess)	\$ -	-	-	-
District's covered payroll	\$ 9,713	9,904	9,483	9,373
Contributions as a percentage of covered payroll *	9.44%	9.44%	8.93%	8.93%

* 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.

2016	2015	2014	2013	2012	2011
781	733	714	667	512	514
(781)	(733)	(714)	(667)	(512)	(514)
-	-	-	-	-	-
8,748	8,213	7,991	7,694	7,373	7,736
8.93%	8.93%	8.93%	8.67%	6.95%	6.65%

Clarke Community School District

Notes to Required Supplementary Information – IPERS Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Clarke Community School District
 Schedule of Changes in the District's
 Total Supplemental Pension Liability and Related Ratios and Notes

Required Supplementary Information
 For the Last Four Years

	2020	2019	2018	2017
Service cost	\$ 76,929	76,948	56,485	46,857
Interest on the total pension liability	33,888	31,639	37,606	33,834
Difference between expected and actual experience in the measurement of the total pension liability	(152,056)	(193,192)	39,844	25,731
Change in assumptions	-	(2,872)	-	-
Benefit payments	-	(111,847)	(2,351)	(43,060)
Net change in total supplemental pension liability	(41,239)	(199,324)	131,584	63,362
Total supplemental pension liability beginning of year	998,871	1,198,195	1,066,611	1,003,249
Total supplemental pension liability end of year	\$ 957,632	998,871	1,198,195	1,066,611
Covered-employee payroll	\$ 9,712,541	9,904,050	9,483,000	9,373,000
Total supplemental pension liability as a percentage of covered-employee payroll	9.9%	10.1%	12.6%	11.4%

See accompanying Independent Auditor's Report.

Notes to Schedule of Changes in the District's Total Supplemental Pension Liability and Related Ratios

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73.

Changes of benefit terms:

There were no significant changes in benefit terms.

Changes of assumptions:

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

Year ended June 30, 2020	3.15%
Year ended June 30, 2019	3.15%
Year ended June 30, 2018	3.50%
Year ended June 30, 2017	3.50%
Year ended June 30, 2016	2.50%

Clarke Community School District
 Schedule of Changes in the District's
 Total OPEB Liability, Related Ratios and Notes

For the Last Three Years
 Required Supplementary Information

	2020	2019	2018
Service cost	\$ 24,002	34,604	34,755
Interest cost	6,805	15,320	14,655
Difference between expected and actual experiences	(13,520)	(16,561)	(11,302)
Assumption change	(214,546)	-	-
Benefit payments	-	(7,637)	(37,010)
Net change in total OPEB liability	(197,259)	25,726	1,098
Total OPEB liability beginning of year	406,462	380,736	379,638
Total OPEB liability end of year	\$ 209,203	406,462	380,736
Covered-employee payroll	\$ 9,200,000	9,300,000	8,900,000
Total OPEB liability as a percentage of covered-employee payroll	2.3%	4.4%	4.3%

See accompanying independent auditor's report.

Notes to Schedule of Changes in the District's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2020	3.15%
Year ended June 30, 2019	3.72%
Year ended June 30, 2018	3.72%
Year ended June 30, 2017	4.50%

For the year ended June 30, 2020 the demographic assumptions for assumed retirement rates were updated.

Supplementary Information

Schedule 1

Clarke Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2020

Account	Balance Beginning of Year	Revenues	Expenditures	Intra- Fund Transfers	Balance End of Year
Athletics	\$ (6,260)	44,671	35,422	(2,910)	79
Publications	4,172	8,147	8,611	-	3,708
High School Band	13,225	6,870	6,629	-	13,466
High School Co-curricular	1,000	1	-	-	1,001
High School Vocal Music	125	9,815	7,472	-	2,468
Cheerleaders	(3,064)	1,194	5,109	1,901	(5,078)
Speech/Debate	(507)	2,659	3,955	-	(1,803)
FFA	8,902	38,584	32,169	-	15,317
FCCLA	1,955	1,314	536	-	2,733
Cross Country	711	963	1,585	(89)	-
Golf	(850)	-	256	1,106	-
Tennis	(1,068)	-	238	1,306	-
Bowling	167	951	3,270	2,152	-
Soccer Club	(527)	-	-	527	-
Boys Basketball	(2,881)	-	4,824	1,189	(6,516)
Football	(31,866)	-	15,489	496	(46,859)
Baseball	(7,055)	626	3,839	3,512	(6,756)
Boys Track	237	-	949	712	-
Wrestling	(1,601)	-	1,968	3,569	-
Archery Club	1,810	11,007	5,146	-	7,671
Girls Basketball	(2,038)	-	4,002	6,040	-
Volleyball	2,812	3,626	1,969	(4,469)	-
Softball	(10,073)	4,792	2,893	563	(7,611)
Girls Track	1,482	102	1,110	(474)	-
Camp - Boys Basketball	737	452	-	(1,189)	-
Camp - Football	(597)	1,910	80	(496)	737
Camp - Girls Basketball	794	377	-	(1,171)	-
Camp - Volleyball	(300)	2,222	-	(1,922)	-
Book Club	1,880	4	-	-	1,884
Elementary Literacy Library	155	-	-	-	155
High School Student Council	2,148	2,369	1,706	-	2,811
Thespians	2,489	7,169	6,039	-	3,619
Class of:					
2019	182	-	-	(182)	-
2020	1,751	3	293	-	1,461
2021	770	9,449	5,143	-	5,076
2022	-	486	-	-	486
Art Club	404	277	75	-	606
Anime Club	312	60	-	-	372
Media Club	223	1	-	-	224
Concessions	(66)	10,205	4,139	(6,000)	-
MS Health and Wellness Fund	60	-	-	(60)	-
Athletic Resale	(3,292)	811	670	-	(3,151)
Washington DC Trip Fund	(1,060)	11,140	9,767	-	313
Drill Team	1,155	3	-	-	1,158
Robotics	211	1	-	-	212
Junior High Student Council	12,199	12,027	13,889	60	10,397
Middle School Pop Fund Balance	967	2	-	-	969
Middle School Reading Pop Fund Balance	504	156	-	-	660
Elementary Student Council	16,064	3,093	1,999	-	17,158
Athletics Pop Fund	-	4,276	105	(4,171)	-
Total	\$ 6,498	201,815	191,346	-	16,967

See accompanying independent auditor's report.

Clarke Community School District

Combining Balance Sheet
Capital Projects Accounts

June 30, 2020

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 1,802,618	1,408,432	3,211,050
Receivables:			
Property tax:			
Delinquent	-	2,623	2,623
Succeeding year	-	302,000	302,000
Due from other governments	126,574	291,877	418,451
Total assets	\$ 1,929,192	2,004,932	3,934,124
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 576,923	-	576,923
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	302,000	302,000
Other	-	291,877	291,877
Total deferred inflows of resources	-	593,877	593,877
Fund balances:			
Restricted for:			
School infrastructure	1,352,269	-	1,352,269
Property, plant and equipment	-	1,411,055	1,411,055
Total fund balances	1,352,269	1,411,055	2,763,324
Total liabilities, deferred inflows of resources and fund balances	\$ 1,929,192	2,004,932	3,934,124

See accompanying independent auditor's report.

Schedule 3

Clarke Community School District

 Combining Schedule of Revenues, Expenditures
 and Changes in Fund Balances
 Capital Projects Accounts

Year ended June 30, 2020

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Capital Project GO Bond	
Revenues:				
Local sources:				
Local tax	\$ -	649,946	-	649,946
Other	26,220	18,753	235,523	280,496
State sources	1,502,950	8,453	-	1,511,403
Total revenues	1,529,170	677,152	235,523	2,441,845
Expenditures:				
Support services:				
Instructional staff	-	562,716	-	562,716
Administration	-	137,536	43,196	180,732
Operation and maintenance of plant	149,727	-	-	149,727
Transportation	5,522	-	-	5,522
	155,249	700,252	43,196	898,697
Other expenditures:				
Facilities acquisition	1,821,565	6,450	11,006,382	12,834,397
Total expenditures	1,976,814	706,702	11,049,578	13,733,094
Deficiency of revenues under expenditures	(447,644)	(29,550)	(10,814,055)	(11,291,249)
Other financing sources (uses):				
Proceeds from lease purchase agreement	-	562,716	-	562,716
Transfers out	(31,084)	(196,688)	-	(227,772)
Total other financing sources (uses)	(31,084)	366,028	-	334,944
Change in fund balances	(478,728)	336,478	(10,814,055)	(10,956,305)
Fund balances beginning of year	1,830,997	1,074,577	10,814,055	13,719,629
Fund balances end of year	\$ 1,352,269	1,411,055	-	2,763,324

See accompanying independent auditor's report.

Clarke Community School District

Schedule of Changes in Fiduciary Assets and Liabilities –
Agency Fund

Year ended June 30, 2020

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 122,973	30,496	14,475	138,994
Liabilities				
Trusts payable	\$ 122,973	30,496	14,475	138,994

See accompanying independent auditor's report.

Clarke Community School District

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

For the Last Ten Years

	2020	2019	2018	2017
Revenues:				
Local sources:				
Local tax	\$ 5,678,006	5,547,815	5,228,093	5,440,410
Tuition	271,473	282,949	382,676	390,580
Other	642,800	683,970	638,790	585,967
State sources	12,558,217	12,457,967	11,651,623	11,807,038
Federal sources	638,328	619,803	604,873	665,283
Total	<u>\$ 19,788,824</u>	<u>19,592,504</u>	<u>18,506,055</u>	<u>18,889,278</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 7,163,327	6,864,443	6,981,649	6,814,494
Special instruction	2,679,372	2,704,917	2,685,949	2,511,170
Other instruction	2,119,876	2,373,147	2,270,813	2,167,759
Support services:				
Student	461,221	501,492	393,078	350,867
Instructional staff	1,032,882	676,684	454,638	1,032,821
Administration	1,886,998	1,812,350	1,542,784	1,418,369
Operation and maintenance of plant	1,468,995	1,516,396	1,605,426	1,976,185
Transportation	587,449	725,358	801,222	949,302
Non-instructional programs	14,812	10,057	8,586	9,114
Other expenditures:				
Facilities acquisition	12,834,397	3,976,441	700,470	631,471
Long-term debt:				
Principal	704,113	1,002,090	165,684	1,169,643
Interest and other charges	448,802	271,000	-	40,057
AEA flowthrough	662,169	655,835	623,179	612,234
Total	<u>\$ 32,064,413</u>	<u>23,090,210</u>	<u>18,233,478</u>	<u>19,683,486</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.

2016	2015	2014	2013	2012	2011
5,066,478	5,141,298	5,064,753	6,028,184	5,706,601	5,120,483
252,433	190,085	209,509	211,384	223,452	287,350
576,847	748,570	792,685	597,942	540,783	445,579
11,205,874	11,132,412	10,746,125	8,698,248	8,353,902	7,930,971
522,601	546,713	477,925	505,075	621,060	741,710
<u>17,624,233</u>	<u>17,759,078</u>	<u>17,290,997</u>	<u>16,040,833</u>	<u>15,445,798</u>	<u>14,526,093</u>
6,291,828	6,038,414	6,097,620	5,974,931	5,473,903	5,074,795
2,439,331	2,314,584	2,274,947	2,210,686	1,921,485	1,899,278
2,131,772	1,903,532	1,422,447	1,443,502	1,509,369	1,678,329
364,999	354,351	610,956	561,178	254,546	275,295
584,669	331,479	420,875	1,068,195	533,499	325,142
1,413,310	1,358,186	1,324,225	1,339,117	1,262,238	1,226,303
1,645,852	1,326,744	1,227,058	1,125,004	1,852,130	1,010,013
751,247	855,366	1,007,304	717,046	602,750	510,397
11,446	20,116	13,185	13,504	11,369	9,535
1,122,921	594,497	420,292	993,986	55,610	397,821
492,505	613,788	594,017	588,680	375,000	360,000
48,055	67,207	84,735	88,528	101,465	113,885
608,731	609,523	578,176	525,955	505,350	556,547
<u>17,906,666</u>	<u>16,387,787</u>	<u>16,075,837</u>	<u>16,650,312</u>	<u>14,458,714</u>	<u>13,437,340</u>

Clarke Community School District

Clarke Community School District
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2020

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553		\$ 46,495
National School Lunch Program	10.555		301,197 *
COVID-19 - National School Lunch Program	10.555		<u>193,807</u>
National School Lunch Program Total:	10.555		<u>495,004</u>
			<u>541,499</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010		<u>382,898</u>
Improving Teacher Quality State Grants	84.367		<u>46,307</u>
Student Support and Academic Enrichment Program	84.424		<u>32,273</u>
COVID-19 - Education Stabilization Fund	84.425		<u>49,815</u>
Green Hills Area Education Agency:			
Special Education Cluster:			
Special Education_Grants to States	84.027		<u>71,476</u>
Southwestern Community College:			
Career and Technical Education - Basic Grants to States	84.048		<u>13,422</u>
Total			<u>\$ 1,137,690</u>

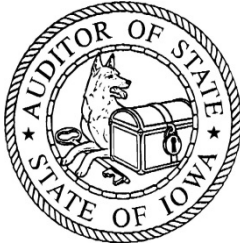
* Includes \$46,746 of non-cash awards.

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Clarke Community School District under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Clarke Community School District, it is not intended to and does not present the financial position, changes in financial position or cash flows of Clarke Community School District.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate – Clarke Community School District uses a federally negotiated indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.



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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

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, 2020, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30, 2020.

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 a 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 Clarke Community School 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 that 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-20 to be a material weakness.

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 which 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, 2020 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.

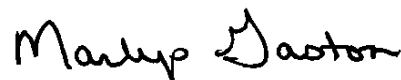
Clarke Community School District's Responses to the Findings

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.


Marlys K. Gaston, CPA
Deputy Auditor of State

November 30, 2020



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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance

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) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2020. 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 federal statutes, regulations and the terms and conditions of its federal awards 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 the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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, 2020.

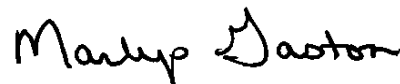
Report on Internal Control Over Compliance

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Marlys K. Gaston, CPA
Deputy Auditor of State

November 30, 2020

Clarke Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

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

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was the Child Nutrition Cluster program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (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, 2020

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-20 Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the District's financial statements.

Condition – During the audit, we identified material amounts of capital asset additions not properly recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Cause – District policies do not require, and procedures have not been established to require independent review of capital asset additions to ensure the District's financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in District employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the District's financial statements were necessary.

Recommendation – The District should establish procedures to ensure all capital asset additions are identified and properly reported in the District's financial statements.

Response – The District will review procedures to ensure capital assets are properly recorded.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Clarke Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

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, 2020

Part IV: Other Findings Related To Required Statutory Reporting:

- IV-A-20 Certified Budget – Expenditures for the year ended June 30, 2020 did not exceed the amount budgeted in any function.
- IV-B-20 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-20 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-20 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Mike White, Construction, spouse is Dena White, Board Member	School repairs	\$ 7,900

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with Mike White appear to represent a conflict of interest since transactions were more than \$6,000 during the fiscal year and competitive bidding was not used.

Recommendation – The District should consult legal counsel to determine the disposition of this matter.

Response – Quotes have been taken and the District is having difficulty finding businesses to do building repairs similar to the type Mr. White does. We will advertise for bids for any work a Board member or their spouse will potentially perform.

Conclusion – Response accepted.

- IV-E-20 Restricted Donor Activity – No transactions between the District and District officials or employees were noted.
- IV-F-20 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-20 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-20 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-20 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

Clarke Community School District
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2020

IV-I-20 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-20 Certified Annual Report – The District’s Certified Annual Report was filed with the Iowa Department of Education timely.

IV-K-19 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

IV-L-20 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. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2020, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$ 1,830,997
Revenue:		
Statewide sales, services and use tax	\$ 1,502,950	
Interest on investments	26,220	1,529,170
Expenditures/transfers out:		
School infrastructure construction	1,821,565	
Equipment	155,249	
Transfers out	31,084	2,007,898
Ending balance		\$ 1,352,269

For the year ended June 30, 2020, the District reduced the following levy as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Physical plant and equipment levy	\$ 3.980	\$ 1,502,950

Clarke Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2020

IV-M-19 Deficit Balances – The following Special Revenue Fund, Student Activity Accounts had deficit balances at June 30, 2020: Football \$46,859, Softball \$7,611, Baseball \$6,756, Boys Basketball \$6,516, Cheerleaders \$5,078, Speech/Debate \$1,803 and Athletic Resale \$3,151.

Recommendation – The District should investigate alternatives to eliminate the deficits to return the accounts to a sound financial condition.

Response – Our Activities Director will provide each activity account with a budget and any expenses over the allotted budget amount will need to have the money earned through fundraising.

Conclusion – Response accepted.

Clarke Community School District

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Michelle B. Meyer, CPA, Manager
Jamie T. Reuter, Senior Auditor II
Noelle M. Johnson, Staff Auditor
Joseph G. Timmons, Assistant Auditor
Brett A. Logsdon, Auditor Intern