

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Des Moines, Iowa 50319-0004

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Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE

March 31, 2020

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 \$20,579,524 for the year ended June 30, 2019, a 6.4% increase over the prior year. Expenses for the District operations for the year ended June 30, 2019 totaled \$19,534,256, a 2.2% increase over the prior year. The significant increase in revenues is due primarily to an increase in property tax revenues, state grants and investment earnings.

AUDIT FINDINGS:

Sand reported five findings related to the receipt and expenditure of taxpayer funds. They are found on pages 78 through 85 of this report. The findings address issues such as a lack of complete bank reconciliations, material amounts of investment interest 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.

Two of 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, 2019

Clarke Community School District



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Rob Sand
Auditor of State

March 19, 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, 2019. 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". The signature is stylized and cursive.

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
Bert Houge	Vice President	(Resigned Nov 2018)
Joseph Deutsch	Vice President	2021
James Bair	Board Member	2019
Lori Helgevold	Board Member	2019
Shawna Henry (Appointed Dec 2018)	Board Member	2019
Brian Crawford	Board Member	2021
Robin Galvez	Board Member	2021
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, 2019, 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, 2019, 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, 2018 (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 March 19, 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

March 19, 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, 2019. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2019 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$15,298,472 in fiscal year 2018 to \$15,946,809 in fiscal year 2019 while General Fund expenditures increased from \$16,265,719 in fiscal year 2018 to \$16,623,380 in fiscal year 2019. The District's General Fund balance decreased from \$1,973,018 at the end of fiscal year 2018 to \$1,296,447 at the end of fiscal year 2019, a 34.3% 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 special 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, 2019 compared to June 30, 2018.

	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,
2019	2018	2019	2018	2019	2018	2018-2019	
Current and other assets	\$ 23,489	13,687	691	573	24,180	14,260	9,920
Capital assets	18,117	14,794	54	64	18,171	14,858	3,313
Total assets	41,606	28,481	745	637	42,351	29,118	13,233
Deferred outflows of resources	2,458	2,604	51	58	2,509	2,662	(153)
Long-term liabilities	21,619	9,972	196	69	21,815	10,041	11,774
Other liabilities	1,883	1,929	82	203	1,965	2,132	(167)
Total liabilities	23,502	11,901	278	272	23,780	12,173	11,607
Deferred inflows of resources	5,332	4,910	11	5	5,343	4,915	428
Net position:							
Net investment in capital assets	16,613	14,794	54	64	16,667	14,858	1,809
Restricted	4,312	4,104	-	-	4,312	4,104	208
Unrestricted	(5,695)	(4,624)	453	354	(5,242)	(4,270)	(972)
Total net position	\$ 15,230	14,274	507	418	15,737	14,692	1,045

The District's total net position increased 7.1%, or approximately \$1,045,000, over 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 12.2%, or approximately \$1,809,000, over the prior year due to an increase in construction projects.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$208,000, or 5.1%, over the prior year. The increase in restricted net position is due to an increase in amounts restricted for categorical funding, an increase in amounts restricted for the management levy and an increase in amounts restricted for the physical plant and equipment levy.

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 \$972,000, or 22.8%, 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, 2019 compared to the year ended June 30, 2018.

	Change in Net Position							
	(Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
2019	2018	2019	2018	2019	2018	2018-2019		
Revenues:								
Program revenues:								
Charges for service	\$ 683	798	253	260	936	1,058	(122)	
Operating grants, contributions and restricted interest	2,849	2,605	495	529	3,344	3,134	210	
Capital grants, contributions and restricted interest	-	25	-	-	-	25	(25)	
General revenues:								
Property tax	5,257	4,941	-	-	5,257	4,941	316	
Statewide sales, services and use tax	1,494	1,320	-	-	1,494	1,320	174	
Income surtax	303	298	-	-	303	298	5	
Unrestricted state grants	8,772	8,327	-	-	8,772	8,327	445	
Unrestricted investment earnings	333	107	17	9	350	116	234	
Other	123	121	-	-	123	121	2	
Total revenues	<u>19,814</u>	<u>18,542</u>	<u>765</u>	<u>798</u>	<u>20,579</u>	<u>19,340</u>	<u>1,239</u>	
Program expenses:								
Governmental activities:								
Instruction	11,719	12,190	-	-	11,719	12,190	(471)	
Support services	5,500	5,171	-	-	5,500	5,171	329	
Non-instructional programs	10	9	676	668	686	677	9	
Other expenses	1,629	1,072	-	-	1,629	1,072	557	
Total expenses	<u>18,858</u>	<u>18,442</u>	<u>676</u>	<u>668</u>	<u>19,534</u>	<u>19,110</u>	<u>424</u>	
Change in net position	956	100	89	130	1,045	230	815	
Net position beginning of year	<u>14,274</u>	<u>14,174</u>	<u>418</u>	<u>288</u>	<u>14,692</u>	<u>14,462</u>	<u>230</u>	
Net position end 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>	

In fiscal year 2019, property tax and unrestricted state grants accounted for 70.8% of governmental activities revenues while charges for service and operating grants, contributions and restricted interest accounted for 97.8% of business type activities revenue. The District's total revenues were approximately \$20.6 million, of which approximately \$19.8 million was for governmental activities and approximately \$.80 million was for business type activities.

As shown in the analysis, the District as a whole experienced a 6.4% increase in revenues and a 2.2% increase in expenses. The increase in revenues was primarily due to an increase in property tax revenues, state grants and investment earnings.

Governmental Activities

Revenues for governmental activities were \$19,814,140 and expenses were \$18,858,214 for the year ended June 30, 2019.

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, 2019 compared to the year ended June 30, 2018.

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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Instruction	\$ 11,719	12,190	9,045	9,475
Support services	5,500	5,171	5,298	5,081
Non-instructional programs	10	9	10	9
Other expenses	1,629	1,072	973	449
Total	<u>\$ 18,858</u>	<u>18,442</u>	<u>15,326</u>	<u>15,014</u>

- The cost financed by users of the District’s programs was \$682,620.
- Federal and state governments subsidized certain operating programs with grants and contributions totaling \$2,849,157.
- The net cost of governmental activities was financed with \$5,257,070 of property tax and \$8,771,581 of unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2019 were \$765,384, a 4.2% decrease from the prior year, and expenses totaled \$676,042, a 1.1% 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 \$16,315,123, a 142.6% increase over last year’s ending fund balance of \$6,725,418.

Governmental Fund Highlights

- The General Fund balance decreased from \$1,973,018 at June 30, 2018 to \$1,296,447 at June 30, 2019, due primarily to an increase in other instruction, student and administration expenditures. Additional personnel were hired in fiscal year 2019 and resulted in an increase in expenditures.

- The Special Revenue, Management Levy Fund balance decreased from \$1,410,043 at June 30, 2018 to \$1,259,068 at June 30, 2019. The District did not levy property tax in fiscal year 2019 to fund early retirement benefits but used funds on hand to fund the expenditures.
- The Debt Service Fund balance increased from \$271 at June 30, 2018 to \$33,481 at June 30, 2019. The District levied property tax in fiscal year 2019 in order to fund upcoming debt payments on general obligation bonds.
- The Capital Projects Fund balance increased from \$3,319,680 at June 30, 2018 to \$13,719,629 at June 30, 2019. Expenditures increased approximately \$3.5 million over the prior year due to the District spending more on construction projects during the year ended June 30, 2019. The increase in expenditures was offset by the receipt of approximately \$13 million of general obligation bond proceeds.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$417,699 at June 30, 2018 to \$507,041 at June 30, 2019, representing an increase of 21.4%. Revenues decreased 4.1% due to a decrease in federal reimbursements. Expenses increased 1.1% due to an increase in purchases of supplies.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on a GAAP basis. One budget amendment was certified during fiscal year 2019 to increase expenditures for land acquisition and construction projects.

The District's total revenues were \$1,618,774 less than budgeted revenues, a variance of 7.4%. 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 \$5,363,248 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, 2019, the District had invested approximately \$18.2 million, net of accumulated depreciation, in a broad range of capital assets, including a recently constructed administration and alternative classroom building, recently remodeled school buildings not significantly depreciated, athletic facilities, a new bus barn, computer and audio-visual equipment and vehicles. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Total depreciation expense for the year was \$908,065.

The original cost of the District's capital assets was approximately \$29.5 million. Governmental funds account for approximately \$29.1 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 June 30,		Business Type Activities June 30,		Total District June 30,		Total Change June 30,	
	2019	2018	2019	2018	2019	2018		
Land	\$ 238	128	-	-	238	128	110	85.9%
Construction in progress	2,383	155	-	-	2,383	155	2,228	1437.4%
Buildings	11,865	12,120	-	-	11,865	12,120	(255)	-2.1%
Improvements other than buildings	2,259	1,005	-	-	2,259	1,005	1,254	124.8%
Furniture and equipment	1,372	1,386	54	64	1,426	1,450	(24)	-1.7%
Total	\$ 18,117	14,794	54	64	18,171	14,858	3,313	22.3%

Long-Term Debt

At June 30, 2019, the District had approximately \$12,389,000 of total long-term debt outstanding, an increase of 98.5% due to the issuance of general obligation bonds. 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,
	2019	2018	2018-2019
General obligation bonds	\$ 12,280	-	100.0%
Lease purchase agreements	109	191	-75.2%
	\$ 12,389	191	98.5%

In November 2018, the District issued \$13,000,000 of general obligation bonds to pay for a new bus barn, new roadway into secondary campus, building on a 6th grade wing to the middle school, as well as other improvements to both the secondary and elementary buildings.

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 passed a general obligation bond for a new bus barn, new roadway into secondary campus, building on a 6th grade wing to the middle school, as well as other improvements to both the secondary and elementary buildings.
- District enrollment increased by approximately 3% in fiscal year 2018/2019. Under Iowa's school funding formula, District funding is highly dependent upon District enrollment. Projections indicate the District will continue to remain steady in 2019-20.
- 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. Synthetic turf was recently installed on the football field.
- Land has been purchased to make a second roadway out of middle school/high school property for increased traffic flow and safety and for the new bus barn location.
- Construction for the general obligation bond projects are currently underway.
- Several new homes are being constructed in and near Osceola.
- Iowa Select has recently built a new warehouse/convention center 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, 2019

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 17,438,264	678,356	18,116,620
Cash held by health plan trustee	26,626	-	26,626
Receivables:			
Property tax:			
Delinquent	53,806	-	53,806
Succeeding year	4,901,000	-	4,901,000
Accounts	6,191	10	6,201
Accrued interest	167,603	-	167,603
Due from other governments	806,115	1,860	807,975
Inventories	-	7,987	7,987
Prepaid insurance	89,267	3,086	92,353
Capital assets, net of accumulated depreciation	18,116,841	54,146	18,170,987
Total assets	41,605,713	745,445	42,351,158
Deferred Outflows of Resources			
Pension related deferred outflows	2,458,641	50,998	2,509,639
Liabilities			
Accounts payable	92,149	13	92,162
Salaries and benefits payable	1,600,591	67,717	1,668,308
Due to other governments	156,469	-	156,469
Accrued interest payable	34,152	-	34,152
Unearned student meals	-	14,721	14,721
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	460,000	-	460,000
Lease purchase agreement	91,971	-	91,971
Compensated absences	37,575	-	37,575
Portion due after one year:			
General obligation bonds	11,820,000	-	11,820,000
Lease purchase agreement	16,932	-	16,932
Total OPEB liability	394,268	12,194	406,462
Net pension liability	8,798,561	184,005	8,982,566
Total liabilities	23,502,668	278,650	23,781,318
Deferred Inflows of Resources			
Unavailable property tax revenue	4,901,000	-	4,901,000
Pension related deferred inflows	415,783	10,286	426,069
OPEB related deferred inflows	15,075	466	15,541
Total deferred inflows of resources	5,331,858	10,752	5,342,610

Clarke Community School District

Statement of Net Position

June 30, 2019

	Governmental Activities	Business Type Activities	Total
Net position			
Net investment in capital assets	16,612,390	54,146	16,666,536
Restricted for:			
Categorical funding	635,683	-	635,683
Mangement Levy	446,795	-	446,795
Physical plant and equipment levy	1,253,174	-	1,253,174
School infrastructure	1,970,065	-	1,970,065
Student activities	6,498	-	6,498
Unrestricted	(5,694,777)	452,895	(5,241,882)
Total net position	\$ 15,229,828	507,041	15,736,869

See notes to financial statements.

Clarke Community School District

Statement of Activities

Year ended June 30, 2019

	Expenses	Program Revenues	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Instruction:			
Regular instruction	\$ 6,733,673	265,058	1,019,431
Special instruction	2,639,923	127,257	240,299
Other instruction	2,345,627	254,770	767,286
	<u>11,719,223</u>	<u>647,085</u>	<u>2,027,016</u>
Support services:			
Student	496,259	-	51,261
Instructional staff	680,825	350	-
Administration	1,813,395	18,852	-
Operation and maintenance of plant	1,771,486	1,485	-
Transportation	737,627	14,848	115,045
	<u>5,499,592</u>	<u>35,535</u>	<u>166,306</u>
Non-instructional programs	10,057	-	-
Other expenditures:			
Long-term debt interest	510,552	-	-
AEA flowthrough	655,835	-	655,835
Depreciation (unallocated)*	462,955	-	-
	<u>1,629,342</u>	<u>-</u>	<u>655,835</u>
Total governmental activities	18,858,214	682,620	2,849,157
Business type activities:			
Non-instructional programs:			
Food service operations	676,042	253,648	494,782
Total	<u>\$ 19,534,256</u>	<u>936,268</u>	<u>3,343,939</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
Gain from disposition of capital assets
Other
Total general revenues
Change in net position
Net position beginning of year
Net position end of year

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business Type Activities	Total
(5,449,184)	-	(5,449,184)
(2,272,367)	-	(2,272,367)
(1,323,571)	-	(1,323,571)
(9,045,122)	-	(9,045,122)
(444,998)	-	(444,998)
(680,475)	-	(680,475)
(1,794,543)	-	(1,794,543)
(1,770,001)	-	(1,770,001)
(607,734)	-	(607,734)
(5,297,751)	-	(5,297,751)
(10,057)	-	(10,057)
(510,552)	-	(510,552)
-	-	-
(462,955)	-	(462,955)
(973,507)	-	(973,507)
(15,326,437)	-	(15,326,437)
-	72,388	72,388
(15,326,437)	72,388	(15,254,049)
\$ 3,947,917	-	3,947,917
985,048	-	985,048
324,105	-	324,105
1,494,294	-	1,494,294
303,103	-	303,103
8,771,581	-	8,771,581
333,571	16,954	350,525
5,350	-	5,350
117,394	-	117,394
16,282,363	16,954	16,299,317
955,926	89,342	1,045,268
14,273,902	417,699	14,691,601
\$ 15,229,828	507,041	15,736,869

Clarke Community School District

Balance Sheet
Governmental Funds

June 30, 2019

	Special Revenue			Nonmajor		Total
	General	Management Levy	Debt Service	Capital Projects	Student Activities	
Assets						
Cash, cash equivalents and pooled investments	\$ 2,514,764	1,258,430	23,680	13,606,927	8,825	17,412,626
Cash held by health plan trustee	26,626	-	-	-	-	26,626
Receivables:						
Property tax:						
Delinquent	40,780	-	9,801	3,225	-	53,806
Succeeding year	3,794,000	-	802,000	305,000	-	4,901,000
Accounts	5,811	-	-	-	380	6,191
Accrued interest	-	-	-	167,603	-	167,603
Due from other governments	399,815	-	-	406,300	-	806,115
Prepaid insurance	88,629	638	-	-	-	89,267
Total assets	\$ 6,870,425	1,259,068	835,481	14,489,055	9,205	23,463,234
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable	\$ 13,533	-	-	76,364	2,252	92,149
Salaries and benefits payable	1,600,376	-	-	-	215	1,600,591
Due to other governments	156,229	-	-	-	240	156,469
Total liabilities	1,770,138	-	-	76,364	2,707	1,849,209
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	3,794,000	-	802,000	305,000	-	4,901,000
Other	9,840	-	-	388,062	-	397,902
Total deferred inflows of resources	3,803,840	-	802,000	693,062	-	5,298,902
Fund balances:						
Nonspendable:						
Prepaid insurance	88,629	638	-	-	-	89,267
Restricted for:						
Categorical funding	635,683	-	-	-	-	635,683
Management levy purposes	-	1,258,430	-	-	-	1,258,430
Debt service	-	-	33,481	-	-	33,481
Student activities	-	-	-	-	6,498	6,498
School infrastructure	-	-	-	12,645,052	-	12,645,052
Physical plant and equipment	-	-	-	1,074,577	-	1,074,577
Unassigned	572,135	-	-	-	-	572,135
Total fund balances	1,296,447	1,259,068	33,481	13,719,629	6,498	16,315,123
Total liabilities, deferred inflows of resources and fund balances	\$ 6,870,425	1,259,068	835,481	14,489,055	9,205	23,463,234

See notes to financial statements.

Clarke Community School District

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

June 30, 2019

Total fund balances of governmental funds (page 22) \$ 16,315,123

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. 18,116,841

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. 25,638

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. 397,902

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. (34,152)

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	\$ 2,458,641	
Deferred inflows of resources	<u>(430,858)</u>	2,027,783

Long-term liabilities, including bonds payable, lease purchase 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.

(21,619,307)

Net position of governmental activities (page 19)

\$ 15,229,828

See notes to financial statements.

Clarke Community School District

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

Year ended June 30, 2019

	Special Revenue			Nonmajor		Total
	General	Management Levy	Debt Service	Capital Projects	Student Activities	
Revenues:						
Local sources:						
Local tax	\$ 3,947,917	-	985,048	614,850	-	5,547,815
Tuition	282,949	-	-	-	-	282,949
Other	167,132	41,348	10,681	204,428	260,381	683,970
State sources	10,929,008	-	26,083	1,502,876	-	12,457,967
Federal sources	619,803	-	-	-	-	619,803
Total revenues	15,946,809	41,348	1,021,812	2,322,154	260,381	19,592,504
Expenditures:						
Current:						
Instruction:						
Regular instruction	6,815,105	49,338	-	-	-	6,864,443
Special instruction	2,699,517	5,400	-	-	-	2,704,917
Other instruction	2,095,906	1,360	-	-	275,881	2,373,147
Total instruction	11,610,528	56,098	-	-	275,881	11,942,507
Support services:						
Student	500,613	879	-	-	-	501,492
Instructional staff	474,838	439	-	201,407	-	676,684
Administration	1,608,886	7,253	-	196,211	-	1,812,350
Operation and maintenance of plant	1,255,075	69,754	-	191,567	-	1,516,396
Transportation	517,605	47,843	-	159,502	408	725,358
Total support services	4,357,017	126,168	-	748,687	408	5,232,280
Non-instructional programs	-	10,057	-	-	-	10,057
Other expenditures:						
Facilities acquisition	-	-	-	3,976,441	-	3,976,441
Long-term debt:						
Principal	-	-	1,002,090	-	-	1,002,090
Interest and other charges	-	-	271,000	-	-	271,000
AEA flowthrough	655,835	-	-	-	-	655,835
Total other expenditures	655,835	-	1,273,090	3,976,441	-	5,905,366
Total expenditures	16,623,380	192,323	1,273,090	4,725,128	276,289	23,090,210
Deficiency of revenues under expenditures	(676,571)	(150,975)	(251,278)	(2,402,974)	(15,908)	(3,497,706)
Other financing sources (uses):						
General obligation bond proceeds, including premium of \$92,815 and net of \$205,400 issuance costs	-	-	-	12,887,415	-	12,887,415
Proceeds from lease purchase agreement	-	-	-	199,996	-	199,996
Transfers in	-	-	284,488	-	-	284,488
Transfers out	-	-	-	(284,488)	-	(284,488)
Total other financing sources (uses)	-	-	284,488	12,802,923	-	13,087,411
Change in fund balances	(676,571)	(150,975)	33,210	10,399,949	(15,908)	9,589,705
Fund balances beginning of year	1,973,018	1,410,043	271	3,319,680	22,406	6,725,418
Fund balances end of year	\$ 1,296,447	1,259,068	33,481	13,719,629	6,498	16,315,123

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, 2019

Change in fund balances - total governmental funds (page 24) \$ 9,589,705

**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	\$ 4,220,801	
Depreciation expense	<u>(897,643)</u>	3,323,158

Certain revenues not collected for several months after year end are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds. 122,760

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 issuances exceeded repayments, as follows:

Issued	(13,199,996)	
Repaid	<u>1,002,090</u>	(12,197,906)

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. 914,112

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	8,084	
OPEB expense	(29,753)	
Pension expense	(741,270)	
Interest on long-term debt	<u>(34,152)</u>	(797,091)

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. 1,188

Change in net position of governmental activities (page 21) \$ 955,926

See notes to financial statements.

Clarke Community School District

Statement of Net Position
Proprietary Funds

June 30, 2019

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
Assets		
Current assets:		
Cash and cash equivalents	\$ 678,356	25,638
Accounts receivable	10	-
Due from other governments	1,860	-
Inventories	7,987	-
Prepaid insurance	3,086	-
Total current assets	691,299	25,638
Noncurrent assets:		
Capital assets, net of accumulated depreciation	54,146	-
Total assets	745,445	25,638
Deferred Outflows of Resources		
Pension related deferred outflows	50,998	-
Liabilities		
Accounts payable		
Current liabilities:		
Accounts payable	13	-
Salaries and benefits payable	67,717	-
Unearned student meals	14,721	-
Total current liabilities	82,451	-
Noncurrent liabilities:		
Total OPEB liability	12,194	-
Net IPERS pension liability	184,005	-
Total noncurrent liabilities	196,199	-
Total liabilities	278,650	-
Deferred inflows of resources		
Pension related deferred inflows	10,286	-
OPEB related deferred inflows	466	-
Total deferred inflows of resources	10,752	-
Net Position		
Net investment in capital assets	54,146	-
Unrestricted	452,895	25,638
Total net position	\$ 507,041	25,638

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, 2019

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
Operating revenues:		
Local sources:		
Charges for service	\$ 253,648	-
Employee contributions	-	22,395
Total operating revenues	<u>253,648</u>	<u>22,395</u>
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	200,434	-
Benefits	102,145	-
Purchased services	3,890	-
Supplies	359,151	-
Depreciation	10,422	-
Other	-	21,918
Total operating expenses	<u>676,042</u>	<u>21,918</u>
Operating income (loss)	<u>(422,394)</u>	<u>477</u>
Non-operating revenues:		
State sources	6,085	-
Federal sources	488,697	-
Interest income	16,954	711
Total non-operating revenues	<u>511,736</u>	<u>711</u>
Increase in net position	89,342	1,188
Net position beginning of year	<u>417,699</u>	<u>24,450</u>
Net position end of year	<u>\$ 507,041</u>	<u>25,638</u>

See notes to financial statements.

Exhibit I

Clarke Community School District

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2019

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 255,087	-
Cash received from miscellaneous operating activities	-	22,395
Cash paid for salaries and to suppliers for goods or services	(598,820)	(21,918)
Net cash provided (used) by operating activities	(343,733)	477
Cash flows from non-capital financing activities:		
State grants received	4,225	-
Federal grants received	438,213	-
Net cash provided by non-capital financing activities	442,438	-
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(819)	-
Cash flows from investing activities:		
Interest on investments	16,954	711
Change in cash and cash equivalents	114,840	1,188
Cash and cash equivalents beginning of year	563,516	24,450
Cash and cash equivalents end of year	\$ 678,356	25,638

See notes to financial statements.

Clarke Community School District

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2019

	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)	\$ (422,394)	477
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Commodities used	50,484	-
Depreciation	10,422	-
Decrease in accounts receivable	1,399	-
Decrease in inventories	32	-
Increase in prepaid insurance	(3,086)	-
Decrease in deferred outflows of resources	7,347	-
Increase in accounts payables	6	-
Increase in salaries and benefits payable	13,721	-
Increase in total OPEB liability	772	-
Increase in unearned student meals	40	-
Decrease in IPERS net pension liability	(8,163)	-
Increase in deferred inflows of resources	5,687	-
Net cash provided (used) by operating activities	<u>\$ (343,733)</u>	<u>477</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2019, the District received \$50,484 of federal commodities.

See notes to financial statements.

Exhibit J

Clarke Community School District
Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2019

	<u>Private Purpose</u>	
	<u>Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets		
Cash and investments	\$ 41,006	122,973
Liabilities		
Trusts payable	-	122,973
Net Position		
Reserved for scholarships	\$ 41,006	-

See notes to financial statements.

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

Year ended June 30, 2019

	Private Purpose Trust	Scholarship
Additions:		
Local sources:		
Interest income, net of depreciation in fair value	\$	3,800
Other		988
Total additions		4,788
Deductions:		
Support services:		
Student		968
Scholarships awarded		3,200
Total Deductions		4,168
Change in net position		620
Net position beginning of year		40,386
Net position end of year	\$	41,006

See notes to financial statements.

Clarke Community School District

Notes to Financial Statements

Year ended June 30, 2019

(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.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

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, 2017 assessed property valuations; is for the tax accrual period July 1, 2018 through June 30, 2019 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2018.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost 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 years
Improvements other than buildings	50 years
Intangibles	5-10 years
Furniture and equipment	4-12 years

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position 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, 2019. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

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

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily from 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 property tax 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, 2019, 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, 2019 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, 2019, the District had the following investment:

<u>Investment</u>	<u>Fair Value</u>
Alliant Energy Corporation Common stock	<u>\$ 19,239</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 \$19,239 was determined using the closing share price on June 30, 2019. (Level 1 input)

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Physical Plant and Equipment Levy	<u>\$ 284,488</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, 2019 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 127,821	110,201	-	238,022
Construction in progress	155,328	3,501,182	(1,273,998)	2,382,512
Total capital assets not being depreciated	283,149	3,611,383	(1,273,998)	2,620,534
Capital assets being depreciated:				
Buildings	18,823,299	129,589	-	18,952,888
Improvements other than buildings	2,233,617	1,333,354	-	3,566,971
Furniture and equipment	3,638,789	420,473	(118,012)	3,941,250
Total capital assets being depreciated	24,695,705	1,883,416	(118,012)	26,461,109
Less accumulated depreciation for:				
Buildings	6,703,473	383,997	-	7,087,470
Improvements other than buildings	1,228,742	78,958	-	1,307,700
Furniture and equipment	2,252,956	434,688	(118,012)	2,569,632
Total accumulated depreciation	10,185,171	897,643	(118,012)	10,964,802
Total capital assets being depreciated, net	14,510,534	985,773	-	15,496,307
Governmental activities capital assets, net	<u>\$ 14,793,683</u>	<u>4,597,156</u>	<u>(1,273,998)</u>	<u>18,116,841</u>
Business type activities:				
Furniture and equipment	\$ 428,247	819	(750)	428,316
Less accumulated depreciation	364,498	10,422	(750)	374,170
Business type activities capital assets, net	<u>\$ 63,749</u>	<u>(9,603)</u>	<u>-</u>	<u>54,146</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular instruction	\$ 92,416
Other instruction	38,495
Support services:	
Administration	20,663
Operation and maintenance of plant	87,772
Transportation	195,342
	<u>434,688</u>
Unallocated	<u>462,955</u>
Total depreciation expense - governmental activities	<u>\$ 897,643</u>
Business type activities:	
Food service operations	<u>\$ 10,422</u>

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2019 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ -	13,000,000	720,000	12,280,000	460,000
Lease purchase agreements	190,997	199,996	282,090	108,903	91,971
Compensated absences	45,659	48,022	56,106	37,575	37,575
Total OPEB liability	369,314	24,954	-	394,268	-
Net pension liability	9,366,073	-	567,512	8,798,561	-
Total	\$ 9,972,043	13,272,972	1,625,708	21,619,307	589,546

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Total OPEB liability	\$ 11,422	772	-	12,194	-
Net pension liability	192,168	-	8,163	184,005	-
Total	\$ 203,590	772	8,163	196,199	-

General Obligation Bonds

Details of the District's June 30, 2019 general obligation indebtedness are as follows:

Year Ending June 30,	Issued November 1, 2018			
	Interest Rates	Principal	Interest	Total
2020	4.00%	\$ 460,000	431,025	891,025
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
2025-2029	3.00-4.00	3,005,000	1,458,275	4,463,275
2030-2034	3.10-3.50	3,510,000	958,405	4,468,405
2035-2038	3.60-3.70	3,265,000	304,910	3,569,910
Total		\$ 12,280,000	4,684,715	16,964,715

During the year ended June 30, 2019, the District retired \$720,000 of general obligation bonds.

Lease Purchase Agreements

On September 26, 2017, the District entered into a lease purchase agreement with Vantage Financial, LLC to purchase Chromebooks for students and staff. The District purchased the Chromebooks for \$497,052 without interest.

On July 10, 2018, the District entered into a lease purchase agreement with Vantage Financial, LLC to purchase forty 10-packs of iPads, including AppleCare, for the elementary. The District purchased the iPads for \$149,200 with an interest rate of 2.15%.

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.

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

Year Ending June 30,	September 26, 2016 Lease			July 10, 2018 Lease		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2020	0.00%	\$ 25,313	-	2.15%	\$ 49,726	1,069
2021		-	-		-	-
Total		<u>\$ 25,313</u>	<u>-</u>		<u>\$ 49,726</u>	<u>1,069</u>

Year Ending June 30,	July 26, 2018 Lease			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2020	0.00%	\$ 16,932	-	\$ 91,971	1,069	93,040
2021	0.00	16,932	-	16,932	-	16,932
Total		<u>\$ 33,864</u>	<u>-</u>	<u>\$ 108,903</u>	<u>1,069</u>	<u>109,972</u>

During the year ended June 30, 2019, the District paid principal of \$165,684 on the Chromebooks lease, \$99,474 on the iPads lease and \$16,932 on the Chromebooks for the 2nd grade lease.

(6) Pension Plans

Pension Plan Total Information	Supplemental		Total
	IPERS	Pension	
Net pension liability	\$ 7,983,695	998,871	8,982,566
Deferred outflows of resources related to pensions	2,323,041	186,598	2,509,639
Deferred inflows of resources related to pensions	426,069	-	426,069
Pension expense	1,152,182	118,053	1,270,235

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 2019, 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, 2019 totaled \$934,378.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the District reported a liability of \$7,983,696 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 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, 2018, the District’s collective proportion was 0.126160%, which was an increase of 0.000658% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$1,152,182. At June 30, 2019, 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	\$ 43,773	180,444
Changes of assumptions	1,138,924	-
Net difference between projected and actual earnings on IPERS' investments	-	219,367
Changes in proportion and differences between District contributions and proportionate share of contributions	205,966	26,258
District contributions subsequent to the measurement date	934,378	-
Total	<u>\$ 2,323,041</u>	<u>426,069</u>

\$934,378 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, 2020. 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
2020	\$ 612,692
2021	352,134
2022	(7,434)
2023	10,774
2024	(5,572)
Total	<u>\$ 962,594</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2018 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 16.25% 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, 2018 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 2018 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:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
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	\$ 13,549,936	7,983,696	3,314,447

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, 2019.

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 \$20,000.

Retired participants must be age 55 or older at retirement. At June 30, 2019, the following employees were covered by the benefit terms:

Active employees	222
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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 \$998,871 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Pension Expense and Deferred outflows of Resources Related to the Supplemental Pension
 – For the year ended June 30, 2019, the District recognized pension expense of \$118,053. At June 30, 2019, 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	\$ 183,867
Changes in assumptions	2,731
Total	<u>\$ 186,598</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	\$ 9,466
2021	9,466
2022	9,466
2023	9,466
2024	9,466
Thereafter	<u>139,268</u>
	<u>\$ 186,598</u>

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

Actuarial Assumptions – The total supplemental pension liability in the June 30, 2019 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, 2019)	3.00% per annum.
Discount rate (effective June 30, 2019)	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 June 30, 2019 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	<u>\$ 1,198,195</u>
Changes for the year:	
Service cost	76,948
Interest on the total pension liability	31,639
Differences between expected and actual experiences in the measurement in the total pension liability	(193,192)
Change in assumption	(2,872)
Benefit payments	<u>(111,847)</u>
Net changes	<u>(199,324)</u>
Total supplemental pension liability end of year	<u>\$ 998,871</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	\$ 1,010,526	998,871	983,808

(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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	9
Active employees	<u>105</u>
Total	<u>114</u>

Total OPEB Liability – The District’s total OPEB liability of \$406,462 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2018. The total OPEB liability was rolled forward from the June 30, 2018 valuation date to the June 30, 2019 measurement date.

Actuarial Assumptions – The total OPEB liability in the June 30, 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 inflation (effective June 30, 2018)	3.00% per annum.
Discount rate (effective June 30, 2018)	3.72% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2018)	6.00% per year.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.72% 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 June 30, 2018 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	\$ 380,736
Changes for the year:	
Service cost	34,604
Interest	15,320
Differences between expected and actual experiences	(16,561)
Changes in assumptions	-
Benefit payments	<u>(7,637)</u>
Net changes	<u>25,726</u>
Total OPEB liability end of year	<u>\$ 406,462</u>

Changes of assumptions reflect the same discount rate of 3.72% in fiscal year 2018 and fiscal year 2019.

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 (2.72%) or 1% higher (4.72%) than the current discount rate.

	1% Decrease (2.72%)	Discount Rate (3.72%)	1% Increase (4.72%)
Total OPEB liability	\$ 451,000	406,462	369,075

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	\$ 351,861	406,462	474,350

OPEB Expense and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2019, the District recognized OPEB expense of \$48,904. At June 30, 2019, the District reported deferred inflows of resources related to OPEB from the following resources:

	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,541

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

Year ending June 30,	Amount
2020	\$ 1,020
2021	1,020
2022	1,020
2023	1,020
2024	1,020
Thereafter	10,441
	<u>\$ 15,541</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 \$655,835 for the year ended June 30, 2019 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

Property tax revenues of the District were reduced by the following amounts for the year ended June 30, 2019 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	\$ 5,810

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, 2019, this reimbursement amounted to \$3,298.

(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 \$26,626 at June 30, 2019.

(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, 2019.

<u>Program</u>	<u>Amount</u>
Home school assistance	\$ 523
Gifted and talented program	231
Teacher leadership supplement	25,868
Four-year-old preschool	290,613
Teacher salary supplement	1,016
Successful progression for early readers	86,368
Teacher development academics	3,652
Professional development	227,412
	<u>\$ 635,683</u>

(13) 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, 2020. 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 Fund

Required Supplementary Information

Year ended June 30, 2019

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Revenues:			
Local sources	\$ 6,514,734	293,708	6,808,442
State sources	12,457,967	6,085	12,464,052
Federal sources	619,803	488,697	1,108,500
Total revenues	<u>19,592,504</u>	<u>788,490</u>	<u>20,380,994</u>
Expenditures/Expenses:			
Instruction	11,942,507	-	11,942,507
Support services	5,232,280	-	5,232,280
Non-instructional programs	10,057	697,960	708,017
Other expenditures	5,905,366	-	5,905,366
Total expenditures/expenses	<u>23,090,210</u>	<u>697,960</u>	<u>23,788,170</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(3,497,706)	90,530	(3,407,176)
Other financing sources, net	<u>13,087,411</u>	-	<u>13,087,411</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	9,589,705	90,530	9,680,235
Balances beginning of year	<u>6,725,418</u>	<u>442,149</u>	<u>7,167,567</u>
Balances end of year	<u>\$ 16,315,123</u>	<u>532,679</u>	<u>16,847,802</u>

See accompanying independent auditor's report.

Less Funds Not Required to be Budgeted	Net	Budgeted Amounts		Final to Actual Variance
		Original	Final	
23,106	6,785,336	7,630,732	7,630,732	(845,396)
-	12,464,052	13,025,930	13,025,930	(561,878)
-	1,108,500	1,320,000	1,320,000	(211,500)
23,106	20,357,888	21,976,662	21,976,662	(1,618,774)
-	11,942,507	13,177,000	13,177,000	1,234,493
-	5,232,280	7,307,500	7,307,500	2,075,220
21,918	686,099	1,130,000	1,130,000	443,901
-	5,905,366	3,513,745	7,515,000	1,609,634
21,918	23,766,252	25,128,245	29,129,500	5,363,248
1,188	(3,408,364)	(3,151,583)	(7,152,838)	3,744,474
-	13,087,411	20,000	20,000	(13,067,411)
1,188	9,679,047	(3,131,583)	(7,132,838)	(16,811,885)
24,450	7,143,117	5,564,643	5,564,643	(1,578,474)
25,638	16,822,164	2,433,060	(1,568,195)	(18,390,359)

Clarke Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2019

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$4,001,255.

During the year ended June 30, 2019, 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 Five Years*
(In Thousands)

Required Supplementary Information

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.126160%	0.125502%	0.121885%	0.119882%	0.122095%
District's proportionate share of the net pension liability	\$ 7,984	8,360	7,671	5,923	4,842
District's covered payroll	\$ 9,483	9,373	8,748	8,213	7,991
District's proportionate share of the net pension liability as a percentage of its covered payroll	84.19%	89.19%	87.69%	72.12%	60.60%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	85.19%	87.61%

* 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.

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

Required Supplementary Information

	2019	2018	2017	2016
Statutorily required contribution	\$ 934	847	837	781
Contributions in relation to the statutorily required contribution	<u>(934)</u>	<u>(847)</u>	<u>(837)</u>	<u>(781)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	\$ 9,904	9,483	9,373	8,748
Contributions as a percentage of covered payroll *	9.44%	8.93%	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.

2015	2014	2013	2012	2011	2010
733	714	667	512	514	492
(733)	(714)	(667)	(512)	(514)	(492)
-	-	-	-	-	-
8,213	7,991	7,694	7,373	7,736	7,751
8.93%	8.93%	8.67%	6.95%	6.65%	6.35%

Clarke Community School District

Notes to Required Supplementary Information – IPERS Pension Liability

Year ended June 30, 2019

Changes of benefit terms:

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

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.

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

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

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 Three Years

	2019	2018	2017
Service cost	\$ 76,948	56,485	46,857
Interest on the total pension liability	31,639	37,606	33,834
Difference between expected and actual experience in the measurement of the total pension liability	(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	(199,324)	131,584	63,362
Total supplemental pension liability beginning of year	1,198,195	1,066,611	1,003,249
Total supplemental pension liability end of year	<u>\$ 998,871</u>	<u>1,198,195</u>	<u>1,066,611</u>
Covered-employee payroll	\$ 9,904,050	9,483,000	9,373,000
Total supplemental pension liability as a percentage of covered-employee payroll	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, 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 Two Years
 Required Supplementary Information

	2019	2018
Service cost	\$ 34,604	34,755
Interest cost	15,320	14,655
Difference between expected and actual experiences	(16,561)	(11,302)
Benefit payments	(7,637)	(37,010)
Net change in total OPEB liability	25,726	1,098
Total OPEB liability beginning of year	380,736	379,638
Total OPEB liability end of year	\$ 406,462	380,736
Covered-employee payroll	\$ 9,300,000	8,900,000
Total OPEB liability as a percentage of covered-employee payroll	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, 2019	3.72%
Year ended June 30, 2018	3.72%
Year ended June 30, 2017	4.50%

Supplementary Information

Schedule 1

Clarke Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2019

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ (6,261)	60,645	60,644	(6,260)
Publications	4,597	5,453	5,878	4,172
High School Band	11,834	12,583	11,192	13,225
High School Co-curricular	1,241	-	241	1,000
High School Vocal Music	93	4,111	4,079	125
Cheerleaders	123	5,003	8,190	(3,064)
Speech/Debate	1,176	4,935	6,618	(507)
FFA	5,272	37,907	34,277	8,902
FCCLA	2,459	13,630	14,134	1,955
Cross Country	-	1,016	305	711
Golf	-	100	950	(850)
Tennis	-	-	1,068	(1,068)
Bowling	69	2,454	2,356	167
Soccer Club	340	3	870	(527)
Boys Basketball	(783)	372	2,470	(2,881)
Football	(22,918)	10,564	19,512	(31,866)
Baseball	(846)	1,144	7,353	(7,055)
Boys Track	(1,251)	2,819	1,331	237
Wrestling	(1,311)	2,110	2,400	(1,601)
Archery Club	220	5,927	4,337	1,810
Girls Basketball	(1,224)	3,996	4,810	(2,038)
Volleyball	215	9,221	6,624	2,812
Softball	(6,728)	3,873	7,218	(10,073)
Girls Track	-	2,482	1,000	1,482
Camp - Boys Basketball	271	1,480	1,014	737
Camp - Football	(751)	1,865	1,711	(597)
Camp - Girls Basketball	119	675	-	794
Camp - Volleyball	-	150	450	(300)
Book Club	2,299	107	526	1,880
Elementary Literacy Library	153	2	-	155
High School Student Council	1,749	2,396	1,997	2,148
Thespians	3,455	8,678	9,644	2,489

Clarke Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2019

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Class of:				
2021	-	770	-	770
2019	1,221	16	1,055	182
2020	2,667	11,283	12,199	1,751
Art Club	395	490	481	404
Anime Club	389	215	292	312
Media Club	220	3	-	223
Concessions	-	296	362	(66)
MS Health and Wellness Fund	4,490	4,480	8,910	60
Athletic Resale	(4,665)	1,373	-	(3,292)
Washington DC Trip Fund	824	17,671	19,555	(1,060)
Drill Team	949	206	-	1,155
Robotics	208	3	-	211
Junior High Student Council	4,345	12,441	4,587	12,199
Middle School Pop Fund Balance	1,225	14	272	967
Middle School Reading Pop Fund Balance	434	1,634	1,564	504
Elementary Student Council	16,092	3,785	3,813	16,064
Total	\$ 22,406	260,381	276,289	6,498

See accompanying independent auditor's report.

Schedule 2

Clarke Community School District

Combining Balance Sheet
Capital Projects Accounts

June 30, 2019

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Capital Project GO Bond	
Assets				
Cash, cash equivalents and pooled investments	\$ 1,712,197	1,071,352	10,823,378	13,606,927
Receivables:				
Property tax:				
Delinquent	-	3,225	-	3,225
Succeeding year	-	305,000	-	305,000
Accrued interest	-	-	167,603	167,603
Due from other governments	118,800	287,500	-	406,300
Total assets	\$ 1,830,997	1,667,077	10,990,981	14,489,055
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	-	76,364	76,364
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	305,000	-	305,000
Other	-	287,500	100,562	388,062
Total deferred inflows of resources	-	592,500	100,562	693,062
Fund balances:				
Restricted for:				
School infrastructure	1,830,997	-	10,814,055	12,645,052
Property, plant and equipment	-	1,074,577	-	1,074,577
Total fund balances	1,830,997	1,074,577	10,814,055	13,719,629
Total liabilities, deferred inflows of resources and fund balances	\$ 1,830,997	1,667,077	10,990,981	14,489,055

See accompanying independent auditor's report.

Clarke Community School District

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

Year ended June 30, 2019

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Capital Project GO Bond	
Revenues:				
Local sources:				
Local tax	\$ -	614,850	-	614,850
Other	46,265	37,446	120,717	204,428
State sources	1,494,294	8,582	-	1,502,876
Total revenues	<u>1,540,559</u>	<u>660,878</u>	<u>120,717</u>	<u>2,322,154</u>
Expenditures:				
Support services:				
Instructional staff	-	201,407	-	201,407
Administration	-	114,000	82,211	196,211
Operation and maintenance of plant	191,567	-	-	191,567
Transportation	-	159,502	-	159,502
	<u>191,567</u>	<u>474,909</u>	<u>82,211</u>	<u>748,687</u>
Other expenditures:				
Facilities acquisition	1,859,806	4,769	2,111,866	3,976,441
Total expenditures	<u>2,051,373</u>	<u>479,678</u>	<u>2,194,077</u>	<u>4,725,128</u>
Excess (deficiency) of revenues over (under) expenditures	(510,814)	181,200	(2,073,360)	(2,402,974)
Other financing sources (uses):				
General obligation bond proceeds, including premium of \$92,815 and net of \$205,400 issuance costs	-	-	12,887,415	12,887,415
Proceeds from lease purchase agreement	-	199,996	-	199,996
Transfers out	-	(284,488)	-	(284,488)
Total other financing sources (uses)	<u>-</u>	<u>(84,492)</u>	<u>12,887,415</u>	<u>12,802,923</u>
Change in fund balances	(510,814)	96,708	10,814,055	10,399,949
Fund balances beginning of year	2,341,811	977,869	-	3,319,680
Fund balances end of year	<u>\$ 1,830,997</u>	<u>1,074,577</u>	<u>10,814,055</u>	<u>13,719,629</u>

See accompanying independent auditor's report.

Clarke Community School District

Clarke Community School District

Schedule of Changes in Fiduciary Assets and Liabilities –
Agency Fund

Year ended June 30, 2019

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 106,560	50,774	34,361	122,973
Total Assets	106,560	50,774	34,361	122,973
Liabilities				
Trusts payable	\$ 106,560	50,774	34,361	122,973

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

	2019	2018	2017	2016
Revenues:				
Local sources:				
Local tax	\$ 5,547,815	5,228,093	5,440,410	5,066,478
Tuition	282,949	382,676	390,580	252,433
Other	683,970	638,790	585,967	576,847
State sources	12,457,967	11,651,623	11,807,038	11,205,874
Federal sources	619,803	604,873	665,283	522,601
Total	<u>\$ 19,592,504</u>	<u>18,506,055</u>	<u>18,889,278</u>	<u>17,624,233</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 6,864,443	6,981,649	6,814,494	6,291,828
Special instruction	2,704,917	2,685,949	2,511,170	2,439,331
Other instruction	2,373,147	2,270,813	2,167,759	2,131,772
Support services:				
Student	501,492	393,078	350,867	364,999
Instructional staff	676,684	454,638	1,032,821	584,669
Administration	1,812,350	1,542,784	1,418,369	1,413,310
Operation and maintenance of plant	1,516,396	1,605,426	1,976,185	1,645,852
Transportation	725,358	801,222	949,302	751,247
Non-instructional programs	10,057	8,586	9,114	11,446
Other expenditures:				
Facilities acquisition	3,976,441	700,470	631,471	1,122,921
Long-term debt:				
Principal	1,002,090	165,684	1,169,643	492,505
Interest and other charges	271,000	-	40,057	48,055
AEA flowthrough	655,835	623,179	612,234	608,731
Total	<u>\$ 23,090,210</u>	<u>18,233,478</u>	<u>19,683,486</u>	<u>17,906,666</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.

2015	2014	2013	2012	2011	2010
5,141,298	5,064,753	6,028,184	5,706,601	5,120,483	4,831,186
190,085	209,509	211,384	223,452	287,350	391,436
748,570	792,685	597,942	540,783	445,579	539,478
11,132,412	10,746,125	8,698,248	8,353,902	7,930,971	6,722,487
546,713	477,925	505,075	621,060	741,710	1,424,319
17,759,078	17,290,997	16,040,833	15,445,798	14,526,093	13,908,906
6,038,414	6,097,620	5,974,931	5,473,903	5,074,795	5,132,580
2,314,584	2,274,947	2,210,686	1,921,485	1,899,278	1,967,321
1,903,532	1,422,447	1,443,502	1,509,369	1,678,329	1,766,142
354,351	610,956	561,178	254,546	275,295	335,259
331,479	420,875	1,068,195	533,499	325,142	457,446
1,358,186	1,324,225	1,339,117	1,262,238	1,226,303	1,175,033
1,326,744	1,227,058	1,125,004	1,852,130	1,010,013	1,003,916
855,366	1,007,304	717,046	602,750	510,397	647,474
20,116	13,185	13,504	11,369	9,535	1,399
594,497	420,292	993,986	55,610	397,821	189,274
613,788	594,017	588,680	375,000	360,000	498,039
67,207	84,735	88,528	101,465	113,885	135,458
609,523	578,176	525,955	505,350	556,547	543,479
16,387,787	16,075,837	16,650,312	14,458,714	13,437,340	13,852,820

Clarke Community School District

Clarke Community School District
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2019

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		\$ 64,527
National School Lunch Program	10.555		<u>424,171</u> *
			<u>488,698</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010		<u>410,101</u>
Special Education - State Personnel Development	84.323		<u>4,673</u>
Improving Teacher Quality State Grants	84.367		<u>49,642</u>
Green Hills Area Education Agency:			
Special Education Cluster:			
Special Education Grants to States	84.027		<u>73,224</u>
English Language Acquisition State Grants	84.365		<u>2,250</u>
Southwestern Community College:			
Career and Technical Education - Basic Grants to States	84.048		<u>12,584</u>
Total			<u>\$ 1,041,172</u>

* Includes \$50,484 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, 2019. 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 accrual or modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or 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

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

To the Board of Education of Clarke Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clarke Community School District as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 19, 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.

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 which were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-19 and II-B-19 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency noted in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-C-19 to be a significant deficiency.

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, 2019 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.

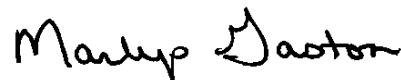
Clarke Community School District's Responses to the Findings

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

March 19, 2020



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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 Clarke Community School District's major federal program for the year ended June 30, 2019. Clarke Community School District's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Clarke Community School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and 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, 2019.

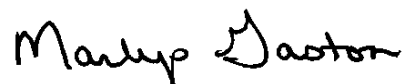
Report on Internal Control Over Compliance

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

March 19, 2020

Clarke Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2019

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) Material weaknesses and a significant deficiency in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was the Child Nutrition Cluster:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$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, 2019

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-19 Monthly Bank Reconciliation

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by reconciling bank and book balances.

Condition – Although monthly bank reconciliations are prepared, the reconciliations do not include all bank account balances and investment activity under the District’s control.

Cause – Procedures have not been established and procedures have not been implemented to ensure all bank account balances, including investments, are reconciled to book balances to ensure proper accounting for all funds.

Effect – The lack of a complete bank to book reconciliation can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – The District should establish procedures to ensure monthly bank reconciliations include all bank account balances and investment activity. Variances, if any, should be reviewed and resolved timely. In addition, the reconciliations should be reviewed by an independent person and the review should be documented by the signature or initials of the independent reviewer and the date of review.

Response – The District has implemented procedures in September 2019 to ensure all bank accounts and investment activity are included in the bank reconciliation.

Conclusion – Response accepted.

II-B-19 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 investment interest not properly recorded in the District’s financial system. As a result, accrued interest receivable was understated \$167,603, deferred revenue was understated \$100,562 and interest revenue was understated \$83,795. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Cause – Procedures have not been designed and implemented to ensure all interest on investments is recorded and accounted for in the District’s accounting system.

Clarke Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

Effect – The 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, adjustments to the District’s financial statements were necessary.

Recommendation – The District should implement procedures to ensure all investment interest is properly recorded in the District’s financial statements and reviewed by an independent person.

Response – The District will create an investment ledger and ensure all investment accounts are included in the accounting system by including investments in the bank reconciliation. In addition, the District will have an independent person review the investment ledger for accuracy. The review will be evidenced by the initials of the reviewer and date of the review.

Conclusion – Response accepted.

II-C-19 Separately Maintained Bank Account

Criteria – Chapter 281-98.70 of the Iowa Administrative Code requires money collected through school activities are public funds that are the property of the school district and are under the financial control of the board. Chapter 291.6 of the Code of Iowa requires the Board Secretary to keep an accurate accounting record of each payment from each fund which shall be provided monthly to the Board for audit and payment.

Condition – A separately maintained bank account was identified by District officials which was not included in the District’s financial statements. The account was established by a District employee for an organization not associated with the District. However, the organization provided equipment to the District and used the District logo during its fundraisers, giving the appearance the organization was affiliated with the District. It is unclear if the activity of this account should be included in the District’s financial records.

Cause – Procedures have not been established to ensure separate bank accounts are not maintained for student activities.

Effect – The lack of policies and procedures can result in inaccurate accounting records, non-compliance with the Iowa Administrative Code and the Code of Iowa and the opportunity for misappropriation of District funds.

Recommendation – The District should establish procedures to ensure all bank accounts associated with the District or District activities are reviewed and approved by the Board prior to their establishment. In addition, District officials should periodically request financial institutions to provide a list of any accounts which include abbreviations or names which indicate an affiliation with a District school and/or address. District officials should also require all employees sign an acknowledgement on an annual basis stating they have reviewed and understand the policy.

Clarke Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2019

Response – As soon as Clarke Community Schools discovered concerning information regarding this club, we immediately contacted the State’s Auditor’s Office. The District keeps outstanding records of District accounts but has no oversight of outside accounts. We have diligently recommended to all staff that financials should flow through district accounts, but this directive has not always been followed. Clearly, it is difficult to monitor outside accounts when the District is unaware the accounts even exists. The District will continue to promote all accounts flow through the District’s accounting system.

Conclusion – Response acknowledged. The District should periodically request the District’s banks to provide a list of all bank accounts with any form of the District’s name for District review. The District should follow up on any accounts which are not accounted for by the Board.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Clarke Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2019

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, 2019

Part IV: Other Findings Related To Required Statutory Reporting:

- IV-A-19 Certified Budget – Expenditures for the year ended June 30, 2019 did not exceed the amount budgeted in any function.
- IV-B-19 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-19 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-19 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	Elementary 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 \$2,500 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-19 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-19 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-19 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-19 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-19 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.

Clarke Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

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-19 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-19 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2019, the District’s financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning balance		\$	2,341,811
Revenue:			
Statewide sales, services and use tax	\$	1,494,294	
Interest on investments		46,265	1,540,559
Expenditures/transfers out:			
School infrastructure construction		1,859,806	
Equipment		191,567	2,051,373
Ending balance		\$	<u>1,830,997</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2019 is equivalent to a reduction in the following levies:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Physical plant and equipment levy	\$ 4.069	\$ <u>1,494,294</u>

- IV-M-19 Deficit Balances – The following Student Activity Accounts had deficit balances at June 30, 2019: Athletics \$6,260, Boys Basketball \$2,881, Football \$31,866, Baseball \$7,055, Wrestling \$1,601, Girls Basketball \$2,038, Softball \$10,073, Football Camp \$597, Concessions \$66, Speech/Debate \$507, Tennis \$1,068, Golf \$850, Soccer \$527, Cheerleaders \$3,064, Athletic Resale \$3,292, Washington DC Trip \$1,060 and Volleyball Camp \$300.

Clarke Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2019

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
Jennifer L. Wall, CPA, Manager
Jamie T. Reuter, Senior Auditor II
Bianca M. Cleary, Assistant Auditor
April R. Davenport, Assistant Auditor
Ronica H. Drury, Assistant Auditor