



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

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**NEWS RELEASE**

FOR RELEASE

December 7, 2018

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

The District's revenues totaled \$19,340,173 for the year ended June 30, 2018, a 1.6% decrease from the prior year. The revenues included \$4,941,132 of local tax, \$1,320,176 of statewide sales, services and use tax, \$298,065 of income surtax, charges for service of \$1,058,596, operating grants, contributions and restricted interest of \$3,133,701, capital grants contributions and restricted interest of \$25,000, unrestricted investment earnings of \$115,926, unrestricted state grants of \$8,326,823, gain on disposal of assets of \$2,886 and other general revenues of \$117,868.

Expenses for District operations for the year ended June 30, 2018 totaled \$19,110,744, a 5.4% increase over the prior year, and included \$7,081,077 for regular instruction, \$2,745,524 for special instruction and \$2,363,133 for other instruction.

A copy of the audit report is available for review in the District Secretary's office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/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, 2018**

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**Clarke Community School District**

**Officials**

**(Before September 2017 Election)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Dena White	President	2017
Bert Houge	Vice President	2019
Brian Crawford (Appointed)	Board Member	2017
Joseph Deutsch	Board Member	2017
Gerard Linskens	Board Member	2017
James Bair	Board Member	2019
Lori Helgevold	Board Member	2019

**(After September 2017 Election)**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Dena White	President	2021
Bert Houge	Vice President	2019
James Bair	Board Member	2019
Lori Helgevold	Board Member	2019
Brian Crawford	Board Member	2021
Joseph Deutsch	Board Member	2021
Robin Galvez	Board Member	2021
<b>School Officials</b>		
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, 2018, 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, 2018, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Emphasis of a Matter

As discussed in Note 12 to the financial statements, Clarke Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the 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 9 through 17 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, 2017 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 27, 2018 on our consideration of Clarke Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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.

  
MARY MOSIMAN, CPA  
Auditor of State

November 27, 2018

**Clarke Community School District**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Clarke Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2018. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2018 FINANCIAL HIGHLIGHTS

- The District implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position for governmental activities was restated by \$45,431 to retroactively report the increase in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.
- General Fund revenues increased from \$15,288,570 in fiscal year 2017 to \$15,298,472 in fiscal year 2018 while General Fund expenditures increased from \$16,054,526 in fiscal year 2017 to \$16,265,719 in fiscal year 2018. The District's General Fund balance decreased from \$2,940,265 at the end of fiscal year 2017 to \$1,973,018 at the end of fiscal year 2018, a 32.9% decrease.
- The increase in General Fund revenues was primarily attributable to an increase in local tax offset by decreases in state and federal revenues. The increase in expenditures was due primarily to increases in spending for regular and special instruction.

### 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 the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

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

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

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

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
  - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
  - Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants as a fiscal agent.

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The analysis which follows provides a summary of the District's net position at June 30, 2018 compared to June 30, 2017, before restatement. The analysis that follows focuses on the net position before restatement.

	Condensed Statement of Net Position							
	(Expressed in Thousands)							
	Governmental		Business Type		Total		Total	
	Activities		Activities		District		Change	
June 30,		June 30,		June 30,		June 30,		
2017		2017		2017				
(Not		(Not		(Not				
restated)		restated)		restated)				
2018	restated)	2018	restated)	2018	restated)	2017-2018		
Current and other assets	\$ 13,687	12,938	573	442	14,260	13,380	880	
Capital assets	14,794	14,602	64	62	14,858	14,664	194	
Total assets	28,481	27,540	637	504	29,118	28,044	1,074	
Deferred outflows of resources	2,604	2,246	58	41	2,662	2,287	375	
Long-term liabilities	9,972	9,273	69	189	10,041	9,462	579	
Other liabilities	1,929	1,772	203	57	2,132	1,829	303	
Total liabilities	11,901	11,045	272	246	12,173	11,291	882	
Deferred inflows of resources	4,910	4,521	5	12	4,915	4,533	382	
Net position:								
Net investment in capital assets	14,794	14,602	64	62	14,858	14,664	194	
Restricted	4,104	3,077	-	-	4,104	3,077	1,027	
Unrestricted	(4,624)	(3,459)	354	225	(4,270)	(3,234)	(1,036)	
Total net position	\$ 14,274	14,220	418	287	14,692	14,507	185	

Prior to restatement, the District's total net position increased 1.3%, or approximately \$185,000, over the prior year. The largest 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 1.3%, or approximately \$194,000, over the prior year, primarily due the District completing phase II of the high school renovation project, paving the elementary parking lot and the purchase of two buses.

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 \$1,027,000, or 33.4%, over the prior year. Restricted balances for physical plant and equipment levy and school infrastructure increased approximately \$785,000 due to the reduction in capital projects expenditures.

Unrestricted net position - the part of net position which can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased approximately \$1,036,000, or 32%, primarily due to an increase in pension liability of approximately \$821,000.

The analysis which follows shows the change in net position for the year ended June 30, 2018 compared to the year ended June 30, 2017, before restatement.

	<b>Change in Net Position</b>							
	<b>(Expressed in Thousands)</b>							
	Governmental		Business Type		Total		Total	
	Activities		Activities		District		Change	
June 30,		June 30,		June 30,		June 30,		
2017		2017		2017		2017		
(Not		(Not		(Not		(Not		
2018 restated)		2018 restated)		2018 restated)		2018 restated)		
						2017-2018		
Revenues:								
Program revenues:								
Charges for service	\$ 798	855	260	253	1,058	1,108	(50)	
Operating grants, contributions and restricted interest	2,605	3,022	529	552	3,134	3,574	(440)	
Capital grants, contributions and restricted interest	25	-	-	-	25	-	25	
General revenues:								
Property tax	4,941	5,165	-	-	4,941	5,165	(224)	
Statewide sales, services and use tax	1,320	1,375	-	-	1,320	1,375	(55)	
Income surtax	298	283	-	-	298	283	15	
Unrestricted state grants	8,327	7,973	-	-	8,327	7,973	354	
Unrestricted investment earnings	107	72	9	4	116	76	40	
Other	121	93	-	-	121	93	28	
Total revenues	18,542	18,838	798	809	19,340	19,647	(307)	
Program expenses:								
Governmental activities:								
Instruction	12,190	11,203	-	-	12,190	11,203	987	
Support services	5,171	5,140	-	-	5,171	5,140	31	
Non-instructional programs	9	9	668	726	677	735	(58)	
Other expenses	1,072	1,056	-	-	1,072	1,056	16	
Total expenses	18,442	17,408	668	726	19,110	18,134	976	
Change in net position	100	1,430	130	83	230	1,513	(1,283)	
Net position beginning of year, as restated	14,174	12,790	288	204	14,462	12,994	1,468	
Net position end of year	\$ 14,274	14,220	418	287	14,692	14,507	185	

In fiscal year 2018, property tax and unrestricted state grants accounted for 71.6% of governmental activities revenues while charges for service and operating grants, contributions and restricted interest accounted for 98.9% of business type activities revenue. The District's total revenues were approximately \$19.3 million, of which approximately \$18.5 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 1.6% decrease in revenues and a 5.4% increase in expenses. The increase in expenses was primarily due to an increase in instruction expenses.

**Governmental Activities**

Revenues for governmental activities were \$18,541,914 and expenses were \$18,442,286 for the year ended June 30, 2018.

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, 2018 compared to the year ended June 30, 2017, before restatement.

<b>Total and Net Cost of Governmental Activities (Expressed in Thousands)</b>				
	Total Cost of Services		Net Cost of Services	
	June 30		June 30	
	2018	2017	2018	2017
Instruction	\$ 12,190	11,203	9,475	7,998
Support services	5,171	5,140	5,081	5,084
Non-instructional programs	9	9	9	9
Other expenses	1,072	1,056	449	441
Total	<u>\$ 18,442</u>	<u>17,408</u>	<u>15,014</u>	<u>13,532</u>

- The cost financed by users of the District’s programs was \$798,415.
- Federal and state governments subsidized certain operating programs with grants and contributions totaling \$2,605,012.
- The net cost of governmental activities was financed with \$6,559,373 of property and other tax and \$8,326,823 of unrestricted state grants.

**Business Type Activities**

Revenues for business type activities during the year ended June 30, 2018 were \$798,259, a 1.3% decrease from the prior year, and expenses totaled \$668,458, an 8.0% decrease from the prior year. The District’s business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

**INDIVIDUAL FUND ANALYSIS**

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$6,725,418, a 4.2% increase over last year’s ending fund balance of \$6,452,841.

**Governmental Fund Highlights**

- The General Fund balance decreased from \$2,940,265 at June 30, 2017 to \$1,973,018 at June 30, 2018, due primarily to an increase in regular instruction, special instruction and administration expenditures.

- The Special Revenue, Management Levy Fund balance increased from \$719,489 at June 30, 2017 to \$1,410,043 at June 30, 2018, due primarily to an increase in property tax of approximately \$536,000 to fund an increase for early retirement benefits.
- The Capital Projects Fund balance increased from \$2,711,454 at June 30, 2017 to \$3,319,680 at June 30, 2018. Expenditures decreased approximately 36.2% from the prior year due to the District spending less on equipment and technology during the year ended June 30, 2018.

### **Proprietary Fund Highlights**

School Nutrition Fund net position increased from \$287,898 at June 30, 2017 to \$417,699 at June 30, 2018, representing an increase of 45.1%. Revenues decreased 1.3% due to a decrease in federal reimbursements. Expenses decreased 8.0% due to a decrease 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. No budget amendments were certified during fiscal year 2018.

The District's total revenues were \$259,495 less than budgeted revenues, a variance of 1.3%. The variance primarily resulted from the District receiving less revenue from state sources than originally anticipated.

Total expenditures were \$4,261,142 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, 2018, the District had invested approximately \$14.9 million, net of accumulated depreciation, in a broad range of capital assets, including a recently constructed administration and alternative classroom building, recently remodeled school buildings not significantly depreciated, athletic facilities, computer and audio-visual equipment and vehicles. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Total depreciation expense for the year was \$878,881.

The original cost of the District’s capital assets was approximately \$25.4 million. Governmental funds account for approximately \$25.0 million of the District’s capital assets, with the remaining \$.4 million accounted for in the Enterprise, School Nutrition Fund.

	<b>Capital Assets, net of Depreciation</b>							
	<b>(expressed in thousands)</b>							
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2018	2017	2018	2017	2018	2017		
Land	\$ 128	78	-	-	128	78	-	0.0%
Construction in progress	155	57	-	-	155	57	98	171.9%
Buildings	12,120	12,282	-	-	12,120	12,282	(162)	-1.3%
Improvements other than buildings	1,005	845	-	-	1,005	845	160	18.9%
Furniture and equipment	1,386	1,340	64	62	1,450	1,402	48	3.4%
<b>Total</b>	<b>\$ 14,794</b>	<b>14,602</b>	<b>64</b>	<b>64</b>	<b>14,858</b>	<b>14,664</b>	<b>144</b>	<b>1.0%</b>

### Long-Term Debt

At June 30, 2018, the District had an outstanding lease purchase agreement for approximately \$191,000. Additional information about the District’s long-term liabilities is presented in Note 5 to the financial statements.

	<b>Outstanding Long-Term Liabilities</b>		
	<b>(expressed in thousands)</b>		
	<b>Total District</b>		<b>Total Change</b>
	June 30,		June 30,
	2018	2017	2017-2018
Lease purchase agreements	\$ 191	357	46.5%

### 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.
- District enrollment increased by approximately 3% in fiscal year 2017/2018. Under Iowa’s school funding formula, District funding is highly dependent upon District enrollment. Projections indicate the District will continue to remain steady in 2018-19.
- 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 is being 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.
- A bond issue was passed for construction to begin in 2018-2019 fiscal year.
- Several new homes are being constructed in Osceola.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

**Clarke Community School District**

## **Basic Financial Statements**

**Exhibit A**

## Clarke Community School District

## Statement of Net Position

June 30, 2018

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 8,183,491	563,516	8,747,007
Receivables:			
Property tax:			
Delinquent	51,511	-	51,511
Succeeding year	4,734,000	-	4,734,000
Accounts	6,533	1,409	7,942
Due from other governments	712,088	-	712,088
Inventories	-	8,019	8,019
Capital assets, net of accumulated depreciation	14,793,683	63,749	14,857,432
<b>Total assets</b>	<b>28,481,306</b>	<b>636,693</b>	<b>29,117,999</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	2,603,474	58,345	2,661,819
<b>Liabilities</b>			
Accounts payable	101,272	7	101,279
Salaries and benefits payable	1,665,865	53,996	1,719,861
Due to other governments	161,476	-	161,476
Unearned student meals	-	14,681	14,681
Long-term liabilities:			
Portion due within one year:			
Lease purchase agreement	165,684	-	165,684
Compensated absences	45,659	-	45,659
Portion due after one year:			
Lease purchase agreement	25,313	-	25,313
Total OPEB liability	369,314	11,422	380,736
Net pension liability	9,366,073	192,168	9,558,241
<b>Total liabilities</b>	<b>11,900,656</b>	<b>272,274</b>	<b>12,172,930</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	4,734,000	-	4,734,000
Pension related deferred inflows	165,946	4,747	170,693
OPEB related deferred inflows	10,276	318	10,594
<b>Total deferred inflows of resources</b>	<b>4,910,222</b>	<b>5,065</b>	<b>4,915,287</b>

Clarke Community School District

Statement of Net Position

June 30, 2018

	Governmental Activities	Business Type Activities	Total
<b>Net position</b>			
Net investment in capital assets	14,793,683	63,749	14,857,432
Restricted for:			
Categorical funding	466,057	-	466,057
Mangement Levy	211,848	-	211,848
Debt service	271	-	271
Physical plant and equipment levy	1,062,014	-	1,062,014
School infrastructure	2,341,811	-	2,341,811
Student activities	22,406	-	22,406
Unrestricted	(4,624,188)	353,950	(4,270,238)
<b>Total net position</b>	<b>\$ 14,273,902</b>	<b>417,699</b>	<b>14,691,601</b>

See notes to financial statements.

Clarke Community School District

Statement of Activities

Year ended June 30, 2018

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 7,081,077	283,039	978,505	-
Special instruction	2,745,524	201,078	232,645	-
Other instruction	2,363,133	299,084	719,929	-
	<u>12,189,734</u>	<u>783,201</u>	<u>1,931,079</u>	<u>-</u>
Support services:				
Student	408,076	-	50,754	-
Instructional staff	462,609	333	-	-
Administration	1,590,464	12,146	-	-
Operation and maintenance of plant	1,788,731	2,735	-	25,000
Transportation	921,700	-	-	-
	<u>5,171,580</u>	<u>15,214</u>	<u>50,754</u>	<u>25,000</u>
Non-instructional programs	<u>8,586</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
AEA flowthrough	623,179	-	623,179	-
Depreciation (unallocated)*	449,207	-	-	-
	<u>1,072,386</u>	<u>-</u>	<u>623,179</u>	<u>-</u>
Total governmental activities	18,442,286	798,415	2,605,012	25,000
Business type activities:				
Non-instructional programs:				
Food service operations	668,458	260,181	528,689	-
Total	<u>\$ 19,110,744</u>	<u>1,058,596</u>	<u>3,133,701</u>	<u>25,000</u>
<b>General Revenues:</b>				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Statewide sales, services and use tax				
Income surtax				
Unrestricted state grants				
Unrestricted investment earnings				
Gain from disposition of capital assets				
Other				
Total general revenues				
Change in net position				
Net position beginning of year, as restated				
Net position end of year				

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

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business Type Activities	Total
(5,819,533)	-	(5,819,533)
(2,311,801)	-	(2,311,801)
(1,344,120)	-	(1,344,120)
(9,475,454)	-	(9,475,454)
(357,322)	-	(357,322)
(462,276)	-	(462,276)
(1,578,318)	-	(1,578,318)
(1,760,996)	-	(1,760,996)
(921,700)	-	(921,700)
(5,080,612)	-	(5,080,612)
(8,586)	-	(8,586)
-	-	-
(449,207)	-	(449,207)
(449,207)	-	(449,207)
(15,013,859)	-	(15,013,859)
-	120,412	120,412
(15,013,859)	120,412	(14,893,447)
\$ 4,641,418	-	4,641,418
267	-	267
299,447	-	299,447
1,320,176	-	1,320,176
298,065	-	298,065
8,326,823	-	8,326,823
106,537	9,389	115,926
2,886	-	2,886
117,868	-	117,868
15,113,487	9,389	15,122,876
99,628	129,801	229,429
14,174,274	287,898	14,462,172
\$ 14,273,902	417,699	14,691,601

Clarke Community School District

Balance Sheet  
Governmental Funds

June 30, 2018

	Special Revenue				Total
	General	Management Levy	Capital Projects	Nonmajor	
<b>Assets</b>					
Cash, cash equivalents and pooled investments	\$ 3,491,082	1,402,866	3,238,393	26,700	8,159,041
Receivables:					
Property tax:					
Delinquent	39,511	8,974	3,026	-	51,511
Succeeding year	3,550,000	-	293,000	891,000	4,734,000
Accounts	4,030	-	-	2,503	6,533
Due from other governments	325,126	-	386,962	-	712,088
<b>Total assets</b>	<b>\$ 7,409,749</b>	<b>1,411,840</b>	<b>3,921,381</b>	<b>920,203</b>	<b>13,663,173</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 61,402	-	33,559	6,311	101,272
Salaries and benefits payable	1,663,853	1,797	-	215	1,665,865
Due to other governments	161,476	-	-	-	161,476
Total liabilities	<b>1,886,731</b>	<b>1,797</b>	<b>33,559</b>	<b>6,526</b>	<b>1,928,613</b>
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	3,550,000	-	293,000	891,000	4,734,000
Other	-	-	275,142	-	275,142
Total deferred inflows of resources	<b>3,550,000</b>	<b>-</b>	<b>568,142</b>	<b>891,000</b>	<b>5,009,142</b>
Fund balances:					
Restricted for:					
Categorical funding	466,057	-	-	-	466,057
Management levy purposes	-	1,410,043	-	-	1,410,043
Student activities	-	-	-	22,406	22,406
Debt service	-	-	-	271	271
School infrastructure	-	-	2,341,811	-	2,341,811
Physical plant and equipment	-	-	977,869	-	977,869
Unassigned	1,506,961	-	-	-	1,506,961
Total fund balances	<b>1,973,018</b>	<b>1,410,043</b>	<b>3,319,680</b>	<b>22,677</b>	<b>6,725,418</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 7,409,749</b>	<b>1,411,840</b>	<b>3,921,381</b>	<b>920,203</b>	<b>13,663,173</b>

See notes to financial statements.

Clarke Community School District

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

June 30, 2018

**Total fund balances of governmental funds (page 24)** \$ 6,725,418

**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. 14,793,683

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. 24,450

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. 275,142

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	\$ 2,603,474	
Deferred inflows of resources	<u>(176,222)</u>	2,427,252

Long-term liabilities, including 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.

(9,972,043)

**Net position of governmental activities (page 21)**

\$ 14,273,902

See notes to financial statements.

**Exhibit E**

## Clarke Community School District

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

Year ended June 30, 2018

	Special Revenue			Nonmajor	Total
	General	Management Levy	Capital Projects		
Revenues:					
Local sources:					
Local tax	\$ 3,790,751	850,668	586,407	267	5,228,093
Tuition	382,676	-	-	-	382,676
Other	224,948	42,874	62,028	308,940	638,790
State sources	10,295,224	27,088	1,329,311	-	11,651,623
Federal sources	604,873	-	-	-	604,873
Total revenues	15,298,472	920,630	1,977,746	309,207	18,506,055
Expenditures:					
Current:					
Instruction:					
Regular instruction	6,925,089	51,615	4,945	-	6,981,649
Special instruction	2,658,455	27,494	-	-	2,685,949
Other instruction	1,915,476	1,379	-	353,958	2,270,813
	11,499,020	80,488	4,945	353,958	11,938,411
Support services:					
Student	392,239	839	-	-	393,078
Instructional staff	454,221	417	-	-	454,638
Administration	1,418,917	15,867	108,000	-	1,542,784
Operation and maintenance of plant	1,291,880	73,982	239,564	-	1,605,426
Transportation	586,263	49,897	164,464	598	801,222
	4,143,520	141,002	512,028	598	4,797,148
Non-instructional programs	-	8,586	-	-	8,586
Other expenditures:					
Facilities acquisition	-	-	700,470	-	700,470
Long-term debt:					
Principal	-	-	-	165,684	165,684
AEA flowthrough	623,179	-	-	-	623,179
	623,179	-	700,470	165,684	1,489,333
Total expenditures	16,265,719	230,076	1,217,443	520,240	18,233,478
Excess (deficiency) of revenues over (under) expenditures	(967,247)	690,554	760,303	(211,033)	272,577
Other financing sources (uses):					
Transfers in	-	-	-	152,077	152,077
Transfers out	-	-	(152,077)	-	(152,077)
Total other financing sources (uses)	-	-	(152,077)	152,077	-
Change in fund balances	(967,247)	690,554	608,226	(58,956)	272,577
Fund balances beginning of year	2,940,265	719,489	2,711,454	81,633	6,452,841
Fund balances end of year	\$ 1,973,018	1,410,043	3,319,680	22,677	6,725,418

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, 2018

**Change in fund balances - total governmental funds (page 26)** \$ 272,577

**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	\$ 1,031,166	
Capital assets contributed	25,000	
Depreciation expense	<u>(863,572)</u>	192,594

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (714)

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. 11,105

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. 165,684

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. 828,384

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	(11,339)	
OPEB expense	(11,341)	
Pension expense	<u>(1,347,445)</u>	(1,370,125)

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. 123

**Change in net position of governmental activities (page 23)** \$ 99,628

See notes to financial statements.

Clarke Community School District

Statement of Net Position  
Proprietary Funds

June 30, 2018

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 563,516	24,450
Accounts receivable	1,409	-
Inventories	8,019	-
Total current assets	<u>572,944</u>	<u>24,450</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>63,749</u>	<u>-</u>
<b>Total assets</b>	<u>636,693</u>	<u>24,450</u>
<b>Deferred Outflows of Resources</b>		
Pension related deferred outflows	<u>58,345</u>	<u>-</u>
<b>Liabilities</b>		
Accounts payable		
Current liabilities:		
Accounts payable	7	-
Salaries and benefits payable	53,996	-
Unearned student meals	14,681	-
Total current liabilities	<u>68,684</u>	<u>-</u>
Noncurrent liabilities:		
Total OPEB liability	11,422	-
Net IPERS pension liability	192,168	-
Total noncurrent liabilities	<u>203,590</u>	<u>-</u>
<b>Total liabilities</b>	<u>272,274</u>	<u>-</u>
<b>Deferred inflows of resources</b>		
Pension related deferred inflows	4,747	-
OPEB related deferred inflows	318	-
<b>Total deferred inflows of resources</b>	<u>5,065</u>	<u>-</u>
<b>Net Position</b>		
Net investment in capital assets	63,749	-
Unrestricted	<u>353,950</u>	<u>24,450</u>
<b>Total net position</b>	<u>\$ 417,699</u>	<u>24,450</u>

See notes to financial statements.

Clarke Community School District

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

Year ended June 30, 2018

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
Operating revenues:		
Local sources:		
Charges for service	\$ 260,181	-
Employee contributions	-	24,178
Total operating revenues	<u>260,181</u>	<u>24,178</u>
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	202,912	-
Benefits	88,567	-
Purchased services	5,773	-
Supplies	355,442	-
Depreciation	15,309	-
Other	-	24,523
Total operating expenses	<u>668,003</u>	<u>24,523</u>
Operating loss	<u>(407,822)</u>	<u>(345)</u>
Non-operating revenues (expenses):		
State sources	6,422	-
Federal sources	522,267	-
Interest income	9,389	468
Loss on disposal of assets	(455)	-
Net non-operating revenues (expenses)	<u>537,623</u>	<u>468</u>
Change in net position	129,801	123
Net position beginning of year, as restated	<u>287,898</u>	<u>24,327</u>
Net position end of year	<u>\$ 417,699</u>	<u>24,450</u>

See notes to financial statements.

**Exhibit I**

## Clarke Community School District

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2018

	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	\$ 263,208	-
Cash received from miscellaneous operating activities	-	24,178
Cash paid for salaries and to suppliers for goods or services	(596,439)	(24,523)
Net cash used by operating activities	(333,231)	(345)
Cash flows from non-capital financing activities:		
State grants received	6,422	-
Federal grants received	467,020	-
Net cash provided by non-capital financing activities	473,442	-
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(17,377)	-
Cash flows from investing activities:		
Interest on investments	9,389	468
Change in cash and cash equivalents	132,223	123
Cash and cash equivalents beginning of year	431,293	24,327
Cash and cash equivalents end of year	\$ 563,516	24,450

See notes to financial statements.

Clarke Community School District

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2018

	Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
<b>Reconciliation of operating loss to net cash used by operating activities:</b>		
Operating loss	\$ (407,822)	(345)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Commodities used	55,247	-
Depreciation	15,309	-
Increase in accounts receivable	(717)	-
Increase in inventories	(159)	-
Decrease in prepaid insurance	2,560	-
Increase in deferred outflows of resources	(16,974)	-
Decrease in accounts payables	(225)	-
Increase in salaries and benefits payable	7,834	-
Increase in other postemployment benefits	33	-
Increase in unearned student meals	3,744	-
Increase in IPERS net pension liability	14,953	-
Decrease in deferred inflows of resources	(7,014)	-
Net cash used by operating activities	<u>\$ (333,231)</u>	<u>(345)</u>

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

During the year ended June 30, 2018, the District received \$55,247 of federal commodities.

See notes to financial statements.

**Exhibit J**

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Clarke Community School District  
Statement of Fiduciary Net Position  
Fiduciary Funds

June 30, 2018

	<u>Private Purpose Trust</u>	<u>Agency</u>
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets</b>		
Cash and investments	\$ 40,386	106,560
<b>Liabilities</b>		
Trusts payable	-	106,560
<b>Net Position</b>		
Reserved for scholarships	\$ 40,386	-

See notes to financial statements.

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

Year ended June 30, 2018

		Private Purpose Trust
		Scholarship
Additions:		
Local sources:		
Interest income, net of depreciation in fair value	\$	1,880
Other		1,032
Total additions		2,912
Deductions:		
Support services:		
Student		1,415
Scholarships awarded		3,200
Total Deductions		4,615
Change in net position		(1,703)
Net position beginning of year		42,089
Net position end of year	\$	40,386

See notes to financial statements.

Clarke Community School District

Notes to Financial Statements

Year ended June 30, 2018

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

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The District reports the following major proprietary fund:

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1.5% per month penalty for delinquent payments; is based on January 1, 2016 assessed property valuations; is for the tax accrual period July 1, 2017 through June 30, 2018 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2017.

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 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, 2018. 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 outflows 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.

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 they are 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, 2018, 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, 2018 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, 2018, the District had the following investment:

<u>Investment</u>	<u>Fair Value</u>
Alliant Energy Corporation Common stock	<u>\$ 16,589</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 \$15,747 was determined using the closing share price on June 30, 2018. (Level 1 input)

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2018 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Physical Plant and Equipment Levy	<u>\$ 152,077</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, 2018 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 78,000	49,821	-	127,821
Construction in progress	57,403	436,809	(338,884)	155,328
Total capital assets not being depreciated	135,403	486,630	(338,884)	283,149
Capital assets being depreciated:				
Buildings	18,604,415	218,884	-	18,823,299
Improvements other than buildings	2,004,920	228,697	-	2,233,617
Furniture and equipment	3,278,220	460,839	(100,270)	3,638,789
Total capital assets being depreciated	23,887,555	908,420	(100,270)	24,695,705
Less accumulated depreciation for:				
Buildings	6,323,019	380,454	-	6,703,473
Improvements other than buildings	1,159,989	68,753	-	1,228,742
Furniture and equipment	1,938,147	414,365	(99,556)	2,252,956
Total accumulated depreciation	9,421,155	863,572	(99,556)	10,185,171
Total capital assets being depreciated, net	14,466,400	44,848	(714)	14,510,534
Governmental activities capital assets, net	\$ 14,601,803	531,478	(339,598)	14,793,683
<b>Business type activities:</b>				
Furniture and equipment	\$ 411,440	17,377	(570)	428,247
Less accumulated depreciation	349,304	15,309	(115)	364,498
Business type activities capital assets, net	\$ 62,136	2,068	(455)	63,749

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular instruction \$ 112,100

Other instruction 24,288

Support services:

Administration 15,962

Operation and maintenance of plant 60,379

Transportation 201,636

414,365

Unallocated 449,207

Total depreciation expense - governmental activities \$ 863,572

Business type activities:

Food service operations \$ 15,309

**(5) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2018 are summarized as follows:

	Balance Beginning of Year, as restated	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Lease purchase agreement	\$ 356,681	-	165,684	190,997	165,684
Compensated absences	34,320	54,275	42,936	45,659	45,659
Total OPEB liability	368,249	1,065	-	369,314	-
Net pension liability	8,560,024	806,049	-	9,366,073	-
Total	<u>\$ 9,319,274</u>	<u>861,389</u>	<u>208,620</u>	<u>9,972,043</u>	<u>211,343</u>

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Total OPEB liability	\$ 11,389	33	-	11,422	-
Net pension liability	177,215	14,953	-	192,168	-
Total	<u>\$ 188,604</u>	<u>14,986</u>	<u>-</u>	<u>203,590</u>	<u>-</u>

In February 2018, the School approved the issuance of a general obligation bond, not to exceed \$13,000,000, to fund the construction of improvements to the Clarke Community Elementary and Middle School/High School buildings, and the construction of building, furnishing, and equipping a bus barn. In September 2018, the District received a good faith deposit in the amount of \$130,000. The District did not receive the remainder of the bond proceeds of \$12,757,415 until November 1, 2018.

In June 2018, the School approved the 3 year lease agreement with Vantage Financial for forty 10-packs of iPads, including AppleCare, for the elementary, totaling \$149,200 financed from Apple, Inc. and to be delivered in July 2018.

Lease Purchase Agreement

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.

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

Year Ending June 30,	September 26, 2016 Lease Principal
2020	\$ 165,684
2021	25,313
Total	<u>\$ 190,997</u>

During the year ended June 30, 2018, the District paid principal of \$165,684 on the lease.

**(6) Pension Plans**

<b>Pension Plan Total Information</b>	<b>Supplemental</b>		
	<b>IPERS</b>	<b>Pension</b>	<b>Total</b>
Net pension liability	\$ 8,360,046	1,198,195	9,558,241
Deferred outflows of resources related to pensions	2,661,819	-	2,661,819
Deferred inflows of resources related to pensions	170,693	-	170,693
Pension expense	1,224,874	131,584	1,356,458

**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](http://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 2018, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% of covered payroll, for a total rate of 14.88%.

The District’s contributions to IPERS for the year ended June 30, 2018 totaled \$846,750.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the District reported a liability of \$8,360,046 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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, 2017, the District’s collective proportion was 0.125502%, which was an increase of 0.003617% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$1,224,874. At June 30, 2018, 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	\$ 76,753	72,433
Changes of assumptions	1,452,590	-
Net difference between projected and actual earnings on IPERS' investments	-	87,318
Changes in proportion and differences between District contributions and proportionate share of contributions	285,726	10,942
District contributions subsequent to the measurement date	846,750	-
Total	<u>\$ 2,661,819</u>	<u>170,693</u>

\$846,750 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, 2018. 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
2019	\$ 277,539
2020	713,573
2021	452,109
2022	91,379
2023	109,776
Total	<u>\$ 1,644,376</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2017 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, 2017 valuation were based on the results of actuarial experience study dated March 24, 2017.

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

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of 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	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
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	\$ 13,774,004	8,360,046	3,811,283

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](http://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, 2018.

**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, 2018, the following employees were covered by the benefit terms:

Active employees	227
------------------	-----

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 \$1,198,195 was measured as of June 30, 2018, 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, 2018, the District recognized pension expense of \$131,584. At June 30, 2018, the District reported no deferred outflows of resources related to the supplemental pension.

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

Actuarial Assumptions – The total supplemental pension 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 salary (effective June 30, 2018)	3.00% per annum.
Discount rate (effective June 30, 2018)	3.50% compounded annually, net of investment expense, including inflation.

Discount Rate – The discount rate used to measure the total pension liability was 3.50% 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, 2018 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Changes in the Total Supplemental Pension Liability

	<u>Total OPEB Liability</u>
Total supplemental pension liability beginning of year	<u>\$ 1,066,611</u>
Changes for the year:	
Service cost	56,485
Interest on the total pension liability	37,606
Differences between expected and actual experiences in the measurement in the total pension liability	39,844
Benefit payments	<u>(2,351)</u>
Net changes	131,584
Total supplemental pension liability end of year	<u>\$ 1,198,195</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 (2.50%) or 1% higher (4.50%) than the current discount rate.

	<u>1% Decrease (2.50%)</u>	<u>Discount Rate (3.50%)</u>	<u>1% Increase (4.50%)</u>
Total supplemental pension liability	\$ 1,272,918	1,198,195	1,174,590

**(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, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	10
Active employees	<u>105</u>
Total	<u>115</u>

Total OPEB Liability – The District’s total OPEB liability of \$380,736 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that 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, as restated	\$ 379,638
Changes for the year:	
Service cost	34,755
Interest	14,655
Differences between expected and actual experiences	(11,302)
Changes in assumptions	-
Benefit payments	<u>(37,010)</u>
Net changes	<u>1,098</u>
Total OPEB liability end of year	<u>\$ 380,736</u>

Changes of assumptions reflect a change in the discount rate from 4.50% in fiscal year 2017 to 3.72% in fiscal year 2018.

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	\$ 421,294	380,736	346,579

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	\$ 333,875	380,736	438,597

OPEB Expense and Deferred Outflows of Resources Related to OPEB – For the year ended June 30, 2018, the District recognized OPEB expense of \$48,702. At June 30, 2018, the District reported deferred outflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 10,594

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

Year ending June 30,	Amount
2019	\$ 708
2020	708
2021	708
2022	708
2023	708
Thereafter	7,054
	<u>\$ 10,594</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 \$623,179 for the year ended June 30, 2018 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, 2018 under agreements entered into by the following entities:

<u>Entitiy</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Osceola	Urban renewal and economic development projects	\$ 88,409

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, 2018, this reimbursement amounted to \$11,983.

**(11) Subsequent Event**

In July 2018, the School approved a three year lease agreement with Vantage Financial for 125 Chromebooks for the 2nd grade, totaling \$49,138.

**(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, 2018.

<u>Program</u>	<u>Amount</u>
Home School Assistance	\$ 1,501
Gifted and talented program	11,627
Four-year-old preschool	235,659
Teacher salary supplement	4,523
Successful progression for early readers	62,847
Professional development	149,900
	<u>\$ 466,057</u>

**(13) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

	<u>Governmental Activities</u>	<u>Business type Activities</u>
Net position June 30, 2017, as previously reported	\$ 14,219,705	287,105
OPEB obligation measured under previous standards	322,818	12,182
Total OPEB liability at June 30, 2017	<u>(368,249)</u>	<u>(11,389)</u>
Net position July 1, 2017, as restated	<u>\$ 14,174,274</u>	<u>287,898</u>

**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, 2018

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Revenues:			
Local sources	\$ 6,249,559	294,216	6,543,775
State sources	11,651,623	6,422	11,658,045
Federal sources	604,873	522,267	1,127,140
Total revenues	<u>18,506,055</u>	<u>822,905</u>	<u>19,328,960</u>
Expenditures/Expenses:			
Instruction	11,938,411	-	11,938,411
Support services	4,797,148	-	4,797,148
Non-instructional programs	8,586	692,526	701,112
Other expenditures	1,489,333	-	1,489,333
Total expenditures/expenses	<u>18,233,478</u>	<u>692,526</u>	<u>18,926,004</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	272,577	130,379	402,956
Other financing sources, net	-	(455)	(455)
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	272,577	129,924	402,501
Balances beginning of year, as restated	<u>6,452,841</u>	<u>312,225</u>	<u>6,765,066</u>
Balances end of year	<u>\$ 6,725,418</u>	<u>442,149</u>	<u>7,167,567</u>

See accompanying independent auditor's report.

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Less Funds Not Required to be Budgeted	Net	Original/ Final Budgeted Amounts	Budget to Net Variance
24,646	6,519,129	6,399,381	119,748
-	11,658,045	12,039,428	(381,383)
-	1,127,140	1,125,000	2,140
24,646	19,304,314	19,563,809	(259,495)
-	11,938,411	12,737,000	798,589
-	4,797,148	6,066,000	1,268,852
24,523	676,589	960,000	283,411
-	1,489,333	3,399,623	1,910,290
24,523	18,901,481	23,162,623	4,261,142
123	402,833	(3,598,814)	4,001,647
-	(455)	-	(455)
123	402,378	(3,598,814)	4,001,192
24,327	6,740,739	1,110,480	5,630,259
24,450	7,143,117	(2,488,334)	9,631,451

Clarke Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2018

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

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

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

During the year ended June 30, 2018, expenditures did not exceed the amount budgeted in any function.

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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 Four Years\*  
(In Thousands)

Required Supplementary Information

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

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

Required Supplementary Information

	2018	2017	2016	2015
Statutorily required contribution	\$ 847	837	781	733
Contributions in relation to the statutorily required contribution	(847)	(837)	(781)	(733)
Contribution deficiency (excess)	\$ -	-	-	-
District's covered payroll	\$ 9,483	9,373	8,748	8,213
Contributions as a percentage of covered payroll *	8.93%	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.

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2014	2013	2012	2011	2010	2009
714	667	512	514	492	445
(714)	(667)	(512)	(514)	(492)	(445)
-	-	-	-	-	-
7,991	7,694	7,373	7,736	7,751	7,349
8.93%	8.67%	6.95%	6.65%	6.35%	6.05%

Clarke Community School District

Notes to Required Supplementary Information – IPERS Pension Liability

Year ended June 30, 2018

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 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.

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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 Two Years

	2018	2017
Service cost	\$ 56,485	46,857
Interest on the total pension liability	37,606	33,834
Difference between expected and actual experience in the measurement of the total pension liability	39,844	25,731
Benefit payments	(2,351)	(43,060)
Net change in total supplemental pension liability	131,584	63,362
Total supplemental pension liability beginning of year	1,066,611	1,003,249
Total supplemental pension liability end of year	\$ 1,198,195	1,066,611
Covered-employee payroll	\$ 9,483,000	9,373,000
Total supplemental pension liability as a percentage of covered-employee payroll	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, 2018	3.50%
Year ended June 30, 2017	3.50%
Year ended June 30, 2016	2.50%

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Clarke Community School District  
Schedule of Changes in the District's  
Total OPEB Liability, Related Ratios and Notes  
For the Current Year  
Required Supplementary Information

	2018
Service cost	\$ 34,755
Interest cost	14,655
Difference between expected and actual experiences	(11,302)
Benefit payments	(37,010)
Net change in total OPEB liability	1,098
Total OPEB liability beginning of year, as restated	379,638
Total OPEB liability end of year	\$ 380,736
Covered-employee payroll	\$ 8,900,000
Total OPEB liability as a percentage of covered-employee payroll	4.3%

See accompanying Independent Auditor's Report.

**Notes to Schedule of Changes in the County'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, 2018	3.72%
Year ended June 30, 2017	4.50%

## **Supplementary Information**

**Schedule 1**

## Clarke Community School District

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2018

	<u>Special Revenue</u>		
	Student	Debt	
	Activity	Service	Total
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 26,429	271	26,700
Receivables:			
Property tax:			
Succeeding year	-	891,000	891,000
Accounts	2,503	-	2,503
<b>Total assets</b>	<b>\$ 28,932</b>	<b>891,271</b>	<b>920,203</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 6,311	-	6,311
Salaries and benefits payable	215	-	215
Total liabilities	6,526	-	6,526
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	891,000	891,000
Fund equity:			
Fund balances:			
Restricted for:			
Debt service	-	271	271
Student activities	22,406	-	22,406
Total fund balances	22,406	271	22,677
<b>Total liabilities and fund balances</b>	<b>\$ 28,932</b>	<b>891,271</b>	<b>920,203</b>

See accompanying independent auditor's report.

## Clarke Community School District

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

Year ended June 30, 2018

	Special Revenue		Total
	Student Activity	Debt Service	
Revenues:			
Local sources:			
Local tax	\$ -	267	267
Other	308,936	4	308,940
Total revenues	308,936	271	309,207
Expenditures:			
Current:			
Instruction:			
Other instruction	353,958	-	353,958
Support services:			
Transportation	598	-	598
Other expenditures:			
Long-term debt:			
Principal	-	165,684	165,684
Total expenditures	354,556	165,684	520,240
Deficiency of revenues under expenditures	(45,620)	(165,413)	(211,033)
Other financing sources:			
Transfers in	-	152,077	152,077
Change in fund balances	(45,620)	(13,336)	(58,956)
Fund balances beginning of year	68,026	13,607	81,633
Fund balances end of year	\$ 22,406	271	22,677

See accompanying independent auditor's report.

**Schedule 3**

## Clarke Community School District

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

Year ended June 30, 2018

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Pop Athletics	\$ 100	1	101	-
Athletics	70	67,999	74,330	(6,261)
Publications	7,505	6,959	9,867	4,597
High School Band	13,136	22,123	23,425	11,834
High School Co-curricular	1,446	35	240	1,241
High School Vocal Music	3,709	4,058	7,674	93
Cheerleaders	650	5,109	5,636	123
Speech/Debate	4,570	3,492	6,886	1,176
FFA	3,843	35,989	34,560	5,272
FCCLA	2,168	13,954	13,663	2,459
Cross Country	-	575	575	-
Golf	-	573	573	-
Tennis	-	180	180	-
Bowling	-	2,983	2,914	69
Soccer Club	602	10	272	340
Boys Basketball	-	323	1,106	(783)
Football	(8,749)	12,900	27,069	(22,918)
Baseball	-	719	1,565	(846)
Boys Track	-	1,775	3,026	(1,251)
Wrestling	-	718	2,029	(1,311)
Archery Club	-	2,140	1,920	220
Girls Basketball	-	600	1,824	(1,224)
Volleyball	71	1,142	998	215
Softball	167	250	7,145	(6,728)
Girls Track	-	927	927	-
Camp - Boys Basketball	974	1,462	2,165	271
Camp - Football	-	4,023	4,774	(751)
Camp - Girls Basketball	500	20	401	119
Camp - Volleyball	741	770	1,511	-
Book Club	2,492	503	696	2,299
Elementary Literacy Library	151	2	-	153
High School Student Council	1,871	801	923	1,749
Thespians	3,520	6,682	6,747	3,455

## Clarke Community School District

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

Year ended June 30, 2018

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Class of:				
2018	4,789	59	4,848	-
2019	1,154	10,207	10,140	1,221
2020	-	5,413	2,746	2,667
Art Club	294	580	479	395
Anime Club	-	752	363	389
Media Club	-	220	-	220
Concessions	209	48,173	48,382	-
MS Health and Wellness Fund	5,549	5,436	6,495	4,490
Athletic Resale	(6,878)	2,213	-	(4,665)
Washington DC Trip Fund	404	16,085	15,665	824
Drill Team	733	216	-	949
Robotics	205	3	-	208
Junior High Student Council	2,910	8,552	7,117	4,345
Middle School Pop Fund Balance	1,369	426	570	1,225
Middle School Reading Pop Fund	-	1,237	803	434
Elementary Student Council	17,751	9,567	11,226	16,092
Total	<u>\$ 68,026</u>	<u>308,936</u>	<u>354,556</u>	<u>22,406</u>

See accompanying independent auditor's report.

**Schedule 4**

Clarke Community School District

Combining Balance Sheet  
Capital Projects Accounts

June 30, 2018

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,263,550	974,843	3,238,393
Receivables:			
Property tax:			
Delinquent	-	3,026	3,026
Succeeding year	-	293,000	293,000
Due from other governments	111,820	275,142	386,962
<b>Total assets</b>	<b>\$ 2,375,370</b>	<b>1,546,011</b>	<b>3,921,381</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 33,559	-	33,559
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	293,000	293,000
Other	-	275,142	275,142
Total deferred inflows of resources	-	568,142	568,142
Fund balances:			
Restricted for:			
School infrastructure	2,341,811	-	2,341,811
Property, plant and equipment	-	977,869	977,869
Total fund balances	2,341,811	977,869	3,319,680
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,375,370</b>	<b>1,546,011</b>	<b>3,921,381</b>

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, 2018

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	
Revenues:			
Local sources:			
Local tax	\$ -	586,407	586,407
Other	43,741	18,287	62,028
State sources	1,320,176	9,135	1,329,311
Total revenues	1,363,917	613,829	1,977,746
Expenditures:			
Instruction:			
Regular instruction	-	4,945	4,945
Support services:			
Administration	-	108,000	108,000
Operation and maintenance of plant	239,564	-	239,564
Transportation	-	164,464	164,464
	239,564	277,409	516,973
Other expenditures:			
Facilities acquisition	666,212	34,258	700,470
Total expenditures	905,776	311,667	1,217,443
Excess of revenues over expenditures	458,141	302,162	760,303
Other financing uses:			
Transfers out	-	(152,077)	(152,077)
Change in fund balances	458,141	150,085	608,226
Fund balances beginning of year	1,883,670	827,784	2,711,454
Fund balances end of year	\$ 2,341,811	977,869	3,319,680

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, 2018

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 148,905	44,485	86,830	106,560
Accounts receivable	360	-	360	-
<b>Total Assets</b>	<u>149,265</u>	<u>44,485</u>	<u>87,190</u>	<u>106,560</u>
<b>Liabilities</b>				
Trusts payable	<u>\$ 149,265</u>	<u>44,485</u>	<u>87,190</u>	<u>106,560</u>

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

	2018	2017	2016	2015
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 5,228,093	5,440,410	5,066,478	5,141,298
Tuition	382,676	390,580	252,433	190,085
Other	638,790	585,967	576,847	748,570
State sources	11,651,623	11,807,038	11,205,874	11,132,412
Federal sources	604,873	665,283	522,601	546,713
Total	<u>\$ 18,506,055</u>	<u>18,889,278</u>	<u>17,624,233</u>	<u>17,759,078</u>
<b>Expenditures:</b>				
Instruction:				
Regular instruction	\$ 6,981,649	6,814,494	6,291,828	6,038,414
Special instruction	2,685,949	2,511,170	2,439,331	2,314,584
Other instruction	2,270,813	2,167,759	2,131,772	1,903,532
Support services:				
Student	393,078	350,867	364,999	354,351
Instructional staff	454,638	1,032,821	584,669	331,479
Administration	1,542,784	1,418,369	1,413,310	1,358,186
Operation and maintenance of plant	1,605,426	1,976,185	1,645,852	1,326,744
Transportation	801,222	949,302	751,247	855,366
Non-instructional programs	8,586	9,114	11,446	20,116
Other expenditures:				
Facilities acquisition	700,470	631,471	1,122,921	594,497
Long-term debt:				
Principal	165,684	1,169,643	492,505	613,788
Interest and other charges	-	40,057	48,055	67,207
AEA flowthrough	623,179	612,234	608,731	609,523
Total	<u>\$ 18,233,478</u>	<u>19,683,486</u>	<u>17,906,666</u>	<u>16,387,787</u>

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

See accompanying independent auditor's report.

Modified Accrual Basis					
2014	2013	2012	2011	2010	2009
5,064,753	6,028,184	5,706,601	5,120,483	4,831,186	4,667,723
209,509	211,384	223,452	287,350	391,436	353,389
792,685	597,942	540,783	445,579	539,478	426,305
10,746,125	8,698,248	8,353,902	7,930,971	6,722,487	7,784,734
477,925	505,075	621,060	741,710	1,424,319	589,407
<u>17,290,997</u>	<u>16,040,833</u>	<u>15,445,798</u>	<u>14,526,093</u>	<u>13,908,906</u>	<u>13,821,558</u>
6,097,620	5,974,931	5,473,903	5,074,795	5,132,580	5,071,939
2,274,947	2,210,686	1,921,485	1,899,278	1,967,321	1,957,714
1,422,447	1,443,502	1,509,369	1,678,329	1,766,142	1,782,475
610,956	561,178	254,546	275,295	335,259	319,803
420,875	1,068,195	533,499	325,142	457,446	326,686
1,324,225	1,339,117	1,262,238	1,226,303	1,175,033	1,161,780
1,227,058	1,125,004	1,852,130	1,010,013	1,003,916	1,086,043
1,007,304	717,046	602,750	510,397	647,474	533,736
13,185	13,504	11,369	9,535	1,399	1,048
420,292	993,986	55,610	397,821	189,274	639,674
594,017	588,680	375,000	360,000	498,039	466,384
84,735	88,528	101,465	113,885	135,458	165,902
578,176	525,955	505,350	556,547	543,479	489,537
<u>16,075,837</u>	<u>16,650,312</u>	<u>14,458,714</u>	<u>13,437,340</u>	<u>13,852,820</u>	<u>14,002,721</u>

**Clarke Community School District**

Clarke Community School District  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2018

Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553		\$ 76,594
National School Lunch Program	10.555		<u>443,672</u> *
			<u>520,266</u>
Team Nutrition Grants	10.574		2,000
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010		<u>397,420</u>
Special Education - State Personnel Development	84.323		<u>17,000</u>
Improving Teacher Quality State Grants	84.367		<u>46,995</u>
Green Hills Area Education Agency:			
Special Education Grants to States	84.027		<u>71,651</u>
Southwestern Community College:			
Career and Technical Education - Basic Grants to States	84.048		<u>11,614</u>
Total			<u>\$ 1,066,946</u>

\* Includes \$55,247 of non-cash awards.

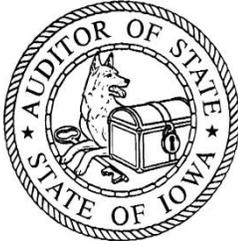
**Basis of Presentation** – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Clarke Community School District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance 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 has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.

**Clarke Community School District**



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

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
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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, 2018, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 27, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist which were not identified. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-18 to be a material weakness.

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2018 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### Clarke Community School District's Responses to the Findings

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

### Purpose of this Report

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

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

  
MARY MOSIMAN, CPA  
Auditor of State

November 27, 2018



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

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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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, 2018. 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, 2018.

## 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.

  
MARY MOSIMAN, CPA  
Auditor of State

November 27, 2018

Clarke Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2018

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

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was the Child Nutrition Cluster:
  - 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, 2018

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

**INTERNAL CONTROL DEFICIENCY:**

II-A-18 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 capital asset deletions not properly recorded in the District’s financial system. The District failed to remove three school busses sold for scrap totaling \$95,270. Additionally, the District did not accurately record construction in progress. The District did not add \$163,375 to construction in progress and did not remove \$213,196 from construction in progress. Also, the District incorrectly recorded one local option sales tax receipt for \$114,047 as a receivable when it should have been recorded as a 2019 receipt.

Cause – The District currently has a policy for additions and deletions of capital assets; however, they lack a policy for maintaining a comprehensive listing of construction in progress including when to add and remove projects from the listing. In addition the District needs to develop procedures for secondary review of the capital asset listing and the receivables listing.

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 capital asset additions and deletions are properly recorded in the District’s financial statements and the capital asset listing is reviewed by someone independent. The District’s receivable listing should be reviewed by an independent person for accuracy and completeness.

Response – While processing the bills every month, the documentation for capital assets will be scanned and labeled as to vendor and board meeting date. These scans will include, if applicable, the vendor pay sheet, PO, invoice and/or other supporting documentation to justify the cost. These will be emailed to the individual responsible for tracking capital assets. Construction in progress will be reviewed by the business manager and any completed projects will be removed to their respective capital asset categories. Procedures will be developed for a review of receivables for propriety.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Clarke Community School District  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2018

**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, 2018

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

- IV-A-18 Certified Budget – Expenditures for the year ended June 30, 2018 did not exceed the amount budgeted in any function.
- IV-B-18 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-18 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-18 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 and Secondary school repairs	\$ 300

In accordance with Chapter 279.7A of the Code of Iowa, the transactions do not represent a conflict of interest since total transactions were less than \$2,500 during the fiscal year.

- IV-E-18 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-18 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-18 Certified Enrollment – Variances in the basic enrollment data certified to the Iowa Department of Education were noted. The District understated the number of students in Preschool by one student.

Recommendation – The District should develop procedures to ensure accurate counts are taken throughout the year and accurate enrollment data is certified to the Iowa Department of Education.

Response – Our Curriculum Director will work closely with the buildings to make sure all students are entered and counted correctly through our student information system.

Conclusion – Response accepted.

Clarke Community School District  
 Schedule of Findings and Questioned Costs  
 Year ended June 30, 2018

- IV-H-18 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-18 Deposits and Investments – Except as noted below, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- The Private Purpose Trust, Scholarship Fund has an investment in common stock which does not appear to be an investment permitted by Article VIII of the Constitution of the State of Iowa and Chapter 12B.10 of the Code of Iowa. Since the money was originally donated to fund a scholarship and the stock was purchased in the 1930s, the District, based on advice of its legal counsel, believes it is in the best interest of this fund to continue owning the stock.
- IV-J-18 Certified Annual Report – The District’s Certified Annual Report was filed with the Iowa Department of Education timely.
- IV-K-18 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- IV-L-18 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, 2018, the District’s financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning balance		\$ 1,883,670
Revenue:		
Statewide sales, services and use tax	\$ 1,320,176	
Interest on investments	43,741	1,363,917
Expenditures/transfers out:		
School infrastructure construction	666,212	
Equipment	239,564	905,776
Ending balance		\$ 2,341,811

Clarke Community School District  
 Schedule of Findings and Questioned Costs  
 Year ended June 30, 2018

The statewide sales, services and use tax revenue received during the year ended June 30, 2018 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	\$ 3.837	\$ <u>1,320,176</u>

IV-M-18 Deficit Balances – The following Student Activity Accounts had deficit balances at June 30, 2018: Athletics \$6,261, Boys Basketball \$783, Football \$22,918, Baseball \$846, Boys Track \$1,251, Wrestling \$1,311, Girls Basketball \$1,224, Softball \$6,728 and Football Camp \$751.

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:

Katherine L. Rupp, CPA, Manager  
Karen J. Kibbe, Senior Auditor II  
Elizabeth P. Dawson, Staff Auditor  
Michaela M. Goergen, Assistant Auditor  
Micaela A. Tintjer, Assistant Auditor  
Ronica H. Drury, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State