



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

Contact: Ernest Ruben
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FOR RELEASE

March 18, 2022

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

FINANCIAL HIGHLIGHTS:

The District's revenues totaled \$21,662,943 for the year ended June 30, 2021, a 6.1% increase over the prior year. Expenses for the District operations for the year ended June 30, 2021 totaled \$20,901,947, a 2.1% increase over the prior year. The increase in revenues and expenses is due primarily to an increase in property tax and pandemic response grants used to help mitigate the negative effects of COVID-19 at the District.

AUDIT FINDINGS:

Sand reported three findings related to the receipt and expenditure of taxpayer funds. They are found on pages 78 through 83 of this report. The findings address issues such as a material amount of revenues recorded to the incorrect year and deficit balances in certain student activity accounts. Sand provided the District with recommendations to address each of the findings.

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

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

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CLARKE COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021

Clarke Community School District



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Rob Sand
Auditor of State

March 4, 2022

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

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for the Clarke Community School District for the year ended June 30, 2021. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand", written in a cursive style.

Rob Sand
Auditor of State

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Clarke Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Dena White	President	2021
Robin Galvez	Vice President	2021
Brian Crawford	Board Member	2021
Joseph Deutsch	Board Member	2023
Shawna Henry	Board Member	2023
MacKenzie O'Hair	Board Member	2023
Wendy Short	Board Member	2023
School Officials		
Steve Seid	Superintendent	(Resigned Jun 2021)
Alan Dykens (Appointed Jul 2021)	Superintendent	Indefinite
Ruth White	District Secretary/Treasurer and Business Manager	(Resigned Jan 2021)
April Hughes (Appointed Jan 2021)	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, 2021, 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, 2021, 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 14 to the financial statements, Clarke Community School District adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the IPERS Net Pension Liability, the Schedule of District IPERS Contributions, the Schedule of Changes in the District's Total Supplemental Pension Liability and Related Ratios and the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes on pages 8 through 15 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, 2020 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 4, 2022 on our consideration of Clarke Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Clarke Community School District's internal control over financial reporting and compliance.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

March 4, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clarke Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2021. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2021 FINANCIAL HIGHLIGHTS

- The District implemented Governmental Accounting Standards Board Statement (GASBS) No. 84, Fiduciary Activities, during fiscal year 2021. The beginning net position for the fiduciary (custodial) funds was restated by \$121,393 and governmental activities (general) funds was restated by \$17,601 to retroactively report fiduciary funds in accordance with the GASBS. The District's net position at June 30, 2020 was restated due to material local economic development grant which was not properly reported during the year ended June 30, 2020.
- General Fund revenues increased from \$16,234,084 in fiscal year 2020 to \$17,513,939 in fiscal year 2021 while General Fund expenditures increased from \$16,703,699 in fiscal year 2020 to \$17,279,993 in fiscal year 2021. The District's General Fund balance increased from \$844,433 (restated) at the end of fiscal year 2020 to \$1,071,793 at the end of fiscal year 2021, a 26.9% increase.
- The increase in General Fund revenues was primarily attributable to an increase in local tax and state revenues and pandemic response grants used to help mitigate the negative effects of COVID-19 at the District. The increase in expenditures was due primarily to increases in spending for pandemic response to help mitigate the negative effects of COVID-19 at the District.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the IPERS net pension liability and related contributions, the changes in the District's total supplemental pension liability and related ratios, as well as presenting the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes.

Supplementary Information provides detailed information about nonmajor governmental funds, the Student Activity Accounts and the Capital Projects Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Custodial 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, 2021 compared to June 30, 2020.

	Condensed Statement of Net Position							
	(Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30, 2020		June 30, 2020		June 30, 2020		June 30, 2020-2021	
	2021	Not Restated	2021	2020	2021	2020	2020-2021	
Current and other assets	\$ 9,684	13,093	942	765	10,626	13,858	(3,232)	
Capital assets	33,453	30,254	57	62	33,510	30,316	3,194	
Total assets	43,137	43,347	999	827	44,136	44,174	(38)	
Deferred outflows of resources	2,066	2,116	42	44	2,108	2,160	(52)	
Long-term liabilities	21,016	20,815	204	94	21,220	20,909	311	
Other liabilities	2,017	2,879	84	180	2,101	3,059	(958)	
Total liabilities	23,033	23,694	288	274	23,321	23,968	(647)	
Deferred inflows of resources	6,040	6,640	10	32	6,050	6,672	(622)	
Net position:								
Net investment in capital assets	22,113	18,434	57	62	22,170	18,496	3,674	
Restricted	1,316	3,600	-	-	1,316	3,600	(2,284)	
Unrestricted	(7,299)	(6,905)	686	503	(6,613)	(6,402)	(211)	
Total net position	\$ 16,130	15,129	743	565	16,873	15,694	1,179	

The District's total net position increased 7.5%, or approximately \$1,179,000, over the prior year. One portion of the District's net position is net investment in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. This net position category increased 19.9%, or approximately \$3,674,000, over the prior year primarily due to the elementary and high school building renovations and a repaving project completed during the fiscal year.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$2,284,000, or 63.4%, from the prior year. The decrease in restricted net position is due to completion of the building renovations which began in previous year and the use of beginning fund balance for the projects.

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 \$211,000, or 3.3%.

The analysis which follows shows the change in net position for the year ended June 30, 2021 compared to the year ended June 30, 2020.

	Change in Net Position (Expressed in Thousands)						
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2021	Not Restated	2021	2020	2021	2020	2020-2021
Revenues:							
Program revenues:							
Charges for service	\$ 745	552	66	188	811	740	71
Operating grants, contributions and restricted interest	3,269	2,864	789	547	4,058	3,411	647
General revenues:							
Property tax	6,029	5,360	-	-	6,029	5,360	669
Statewide sales, services and use tax	1,438	1,503	-	-	1,438	1,503	(65)
Income surtax	332	322	-	-	332	322	10
Unrestricted state grants	8,899	8,831	-	-	8,899	8,831	68
Unrestricted investment earnings	6	179	2	8	8	187	(179)
Other	88	72	-	-	88	72	16
Total revenues	20,806	19,683	857	743	21,663	20,426	1,237
Program expenses:							
Governmental activities:							
Instruction	13,129	12,538	-	-	13,129	12,538	591
Support services	5,338	5,582	-	-	5,338	5,582	(244)
Non-instructional programs	25	15	679	685	704	700	4
Other expenses	1,731	1,649	-	-	1,731	1,649	82
Total expenses	20,223	19,784	679	685	20,902	20,469	433
Change in net position	583	(101)	178	58	761	(43)	804
Net position beginning of year, as restated	15,547	15,230	565	507	16,112	15,737	375
Net position end of year	\$ 16,130	15,129	743	565	16,873	15,694	1,179

In fiscal year 2021, property tax and unrestricted state grants accounted for 71.7% of governmental activities revenues while charges for service and operating grants, contributions and restricted interest accounted for 99.8% of business type activities revenue. The District's total revenues were approximately \$21.7 million, of which approximately \$20.8 million was for governmental activities and approximately \$0.9 million was for business type activities.

As shown in the analysis, the District as a whole experienced a 6.1% increase in revenues and a 2.1% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$20,805,832 and expenses were \$20,222,960 for the year ended June 30, 2021.

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, 2021 compared to the year ended June 30, 2020.

Total and Net Cost of Governmental Activities (Expressed in Thousands)				
	Total Cost of Services		Net Cost of Services	
	June 30		June 30	
	2021	2020	2021	2020
Instruction	\$ 13,129	12,538	10,055	10,047
Support services	5,338	5,582	5,070	5,319
Non-instructional programs	25	15	25	15
Other expenses	1,731	1,649	1,059	987
Total	<u>\$ 20,223</u>	<u>19,784</u>	<u>16,209</u>	<u>16,368</u>

- The cost financed by users of the District’s programs was \$745,131.
- Federal and state governments subsidized certain operating programs with grants and contributions totaling \$3,268,513.
- The net cost of governmental activities was financed with \$6,028,703 of property tax and \$8,898,982 of unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2021 were \$857,111, a 15.4% increase over the prior year, and expenses totaled \$678,987, a 0.9% 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 is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,821,926, a 60.6% decrease from last year’s ending restated fund balance of \$4,619,851.

Governmental Fund Highlights

- The General Fund balance increased from \$844,433 at June 30, 2020 to \$1,071,793 at June 30, 2021. Revenue increased 7.9% primarily due to an increase in property tax and pandemic related grants, while expenditures increased 3.5%.

- The Special Revenue, Management Levy Fund balance decreased from \$988,230 at June 30, 2020 to \$451,337 at June 30, 2021. The fund balance decreased due primarily to the District utilizing existing funds to cover expenditures and not having a management tax levy during the fiscal year.
- The Debt Service Fund balance increased from \$6,897 at June 30, 2020 to \$42,770 at June 30, 2021. Revenue increased \$30,539 or 3.4%, primarily due to a increase in property tax. Expenditures decreased \$55,186 or 4.8%, primarily due to a decrease in principal payments on the lease purchase agreement debt in fiscal year 2021.
- The Capital Projects Fund balance decreased from \$2,763,324 at June 30, 2020 to \$189,579 at June 30, 2021. Expenditures decreased approximately \$8.9 million from the prior year due to the renovation to the elementary and high school building and repaving project for middle school/high school.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$564,857 at June 30, 2020 to \$742,981 at June 30, 2021, an increase of 31.5%. Charges for services decreased \$120,991 or 64.5% due to pandemic related grants which provided students with free lunch from September 2020 to the end of the school year. Federal sources of revenue increased \$240,747 or 44.5%, primarily due to the receipt of Child Nutrition funding.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Custodial 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 2021.

The District's total revenues were \$294,983 more than budgeted revenues, a variance of 1.4%. The variance primarily resulted from the District receiving more revenue from Federal sources for Child Nutrition funding than originally anticipated.

Total expenditures were \$2,768,802 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, 2021, the District had invested approximately \$33.5 million, net of accumulated depreciation, in a broad range of capital assets, including the current year remodeling at the elementary school and high school and repaving project. 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 \$1,054,712.

The original cost of the District’s capital assets was approximately \$46.5 million. Governmental funds account for approximately \$46.2 million of the District’s capital assets, with the remaining \$.3 million accounted for in the Enterprise, School Nutrition Fund.

	Capital Assets, net of Depreciation							
	(expressed in thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2021	2020	2021	2020	2021	2020		
Land	\$ 238	238	-	-	238	238	-	0.0%
Construction in progress	-	12,976	-	-	-	12,976	(12,976)	-100.0%
Buildings	28,427	12,600	-	-	28,427	12,600	15,827	125.6%
Improvements other than buildings	3,889	3,343	-	-	3,889	3,343	546	16.3%
Furniture and equipment	899	1,097	57	62	956	1,159	(203)	-17.5%
Total	\$ 33,453	30,254	57	62	33,510	30,316	3,194	10.5%

Long-Term Debt

At June 30, 2021, the District had approximately \$11,563,000 of total long-term debt outstanding, a decrease of 5.9%. Additional information about the District’s long-term liabilities is presented in Note 5 to the financial statements.

	Outstanding Long-Term Liabilities			
	(expressed in thousands)			
	Total District		Total Change	
	June 30,		June 30,	
	2021	2020	2020-2021	
General obligation bonds	\$ 11,340	11,820	-4.1%	
Lease purchase agreements	223	428	-47.9%	
Total	\$ 11,563	12,248	-5.6%	

ECONOMIC FACTORS BEARING ON THE DISTRICT’S FUTURE

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

- Local option sales and services tax revenues have a significant impact on building improvements.
- The District recently built a 6th grade wing to the Middle school, as well as other major improvements to both the secondary and elementary building.
- Under Iowa’s school funding formula, District funding is highly dependent upon District enrollment. Projections indicate the District will decrease and class size evaluations will be monitored in 2021-22.
- Grants are sought to help with educational improvements in the district.
- The District will start participating again in the instructional support program in 2022-2023.
- The District will start participating in the dropout prevention program in 2022-2023.
- The one to one iPad and Chromebook initiatives continue in the District for students with creating a replacement plan that will fit into the future budget.

- Building and grounds improvements are continually being done to keep facilities in good condition. A full 5 year plan will track what improvements are a priority and how the projects fit into the timeline.
- Several new homes are being constructed in and near Osceola.
- Walking trails and new sidewalks for safe walking routes to school are being constructed in Osceola.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Alan Dykens, Superintendent, or April Hughes, 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, 2021

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 2,906,338	930,726	3,837,064
Cash held by health plan trustee	81,130	-	81,130
Receivables:			
Property tax:			
Delinquent	83,689	-	83,689
Succeeding year	5,529,000	-	5,529,000
Accounts	23,162	3,288	26,450
Due from other governments	1,060,231	1,398	1,061,629
Inventories	-	6,071	6,071
Capital assets, net of accumulated depreciation	33,453,153	57,422	33,510,575
Total assets	43,136,703	998,905	44,135,608
Deferred Outflows of Resources			
Pension related deferred outflows	2,066,100	41,601	2,107,701
Liabilities			
Accounts payable	37,287	-	37,287
Salaries and benefits payable	1,648,978	60,255	1,709,233
Due to other governments	299,590	-	299,590
Accrued interest payable	31,173	-	31,173
Unearned revenue	-	23,638	23,638
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	500,000	-	500,000
Lease purchase agreement	187,572	-	187,572
Compensated absences	32,780	-	32,780
Total OPEB liability	1,015	-	1,015
Portion due after one year:			
General obligation bonds	10,840,000	-	10,840,000
Lease purchase agreement	35,430	-	35,430
Total OPEB liability	217,584	6,761	224,345
Net pension liability	9,201,426	197,309	9,398,735
Total liabilities	23,032,835	287,963	23,320,798
Deferred Inflows of Resources			
Unavailable property tax revenue	5,529,000	-	5,529,000
Pension related deferred inflows	498,600	9,171	507,771
OPEB related deferred inflows	12,648	391	13,039
Total deferred inflows of resources	6,040,248	9,562	6,049,810

Clarke Community School District

Statement of Net Position

June 30, 2021

	Governmental Activities	Business Type Activities	Total
Net position			
Net investment in capital assets	22,113,153	57,422	22,170,575
Restricted for:			
Categorical funding	935,272	-	935,272
Debt service	11,597	-	11,597
Physical plant and equipment levy	129,493	-	129,493
School infrastructure	155,186	-	155,186
Student activities	66,447	-	66,447
Other	17,912	-	17,912
Unrestricted	(7,299,340)	685,559	(6,613,781)
Total net position	\$ 16,129,720	742,981	16,872,701

See notes to financial statements.

Clarke Community School District

Statement of Activities

Year ended June 30, 2021

	Expenses	Program Revenues	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Instruction:			
Regular instruction	\$ 8,328,085	301,451	1,437,541
Special instruction	2,522,563	222,745	223,800
Other instruction	2,278,548	213,083	675,714
	<u>13,129,196</u>	<u>737,279</u>	<u>2,337,055</u>
Support services:			
Student	479,733	-	69,168
Instructional staff	676,289	131	-
Administration	1,678,273	7,396	-
Operation and maintenance of plant	1,798,399	325	87,766
Transportation	704,888	-	102,084
	<u>5,337,582</u>	<u>7,852</u>	<u>259,018</u>
Non-instructional programs			
	<u>24,685</u>	<u>-</u>	<u>-</u>
Other expenditures:			
Long-term debt interest	411,704	-	-
AEA flowthrough	672,440	-	672,440
Depreciation (unallocated)*	647,353	-	-
	<u>1,731,497</u>	<u>-</u>	<u>672,440</u>
Total governmental activities	20,222,960	745,131	3,268,513
Business type activities:			
Non-instructional programs:			
Food service operations	678,987	66,599	788,747
Total	<u>\$ 20,901,947</u>	<u>811,730</u>	<u>4,057,260</u>

General Revenues:

Property tax levied for:
General purposes
Debt service
Capital outlay
Statewide sales, services and use tax
Income surtax
Unrestricted state grants
Unrestricted investment earnings
Other
Total general revenues
Change in net position
Net position beginning of year, 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
(6,589,093)	-	(6,589,093)
(2,076,018)	-	(2,076,018)
(1,389,751)	-	(1,389,751)
(10,054,862)	-	(10,054,862)
(410,565)	-	(410,565)
(676,158)	-	(676,158)
(1,670,877)	-	(1,670,877)
(1,710,308)	-	(1,710,308)
(602,804)	-	(602,804)
(5,070,712)	-	(5,070,712)
(24,685)	-	(24,685)
(411,704)	-	(411,704)
-	-	-
(647,353)	-	(647,353)
(1,059,057)	-	(1,059,057)
(16,209,316)	-	(16,209,316)
-	176,359	176,359
(16,209,316)	176,359	(16,032,957)
\$ 4,776,315	-	4,776,315
908,457	-	908,457
343,931	-	343,931
1,438,395	-	1,438,395
332,282	-	332,282
8,898,982	-	8,898,982
5,562	1,765	7,327
88,264	-	88,264
16,792,188	1,765	16,793,953
582,872	178,124	760,996
15,546,848	564,857	16,111,705
\$ 16,129,720	742,981	16,872,701

Exhibit C

Clarke Community School District

Balance Sheet
Governmental Funds

June 30, 2021

	Special Revenue				Nonmajor	Total
	General	Management Levy	Debt Service	Capital Projects	Student Activities	
Assets						
Cash, cash equivalents and pooled investments	\$ 2,280,854	452,281	30,617	64,625	49,294	2,877,671
Cash held by health plan trustee	81,130	-	-	-	-	81,130
Receivables:						
Property tax:						
Delinquent	66,966	-	12,153	4,570	-	83,689
Succeeding year	4,221,000	180,000	804,000	324,000	-	5,529,000
Accounts	5,529	-	-	-	17,633	23,162
Due from other governments	621,745	-	-	438,486	-	1,060,231
Total assets	\$ 7,277,224	632,281	846,770	831,681	66,927	9,654,883
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable	\$ 36,343	944	-	-	-	37,287
Salaries and benefits payable	1,648,498	-	-	-	480	1,648,978
Due to other governments	299,590	-	-	-	-	299,590
Total liabilities	1,984,431	944	-	-	480	1,985,855
Deferred inflows of resources:						
Unavailable revenues:						
Succeeding year property tax	4,221,000	180,000	804,000	324,000	-	5,529,000
Other	-	-	-	318,102	-	318,102
Total deferred inflows of resources	4,221,000	180,000	804,000	642,102	-	5,847,102
Fund balances:						
Restricted for:						
Categorical funding	935,272	-	-	-	-	935,272
Management levy purposes	-	451,337	-	-	-	451,337
Debt service	-	-	42,770	-	-	42,770
Student activities	-	-	-	-	66,447	66,447
School infrastructure	-	-	-	155,186	-	155,186
Physical plant and equipment	-	-	-	34,393	-	34,393
Other	17,912	-	-	-	-	17,912
Unassigned	118,609	-	-	-	-	118,609
Total fund balances	1,071,793	451,337	42,770	189,579	66,447	1,821,926
Total liabilities, deferred inflows of resources and fund balances	\$ 7,277,224	632,281	846,770	831,681	66,927	9,654,883

See notes to financial statements.

Clarke Community School District

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

June 30, 2021

Total fund balances of governmental funds (page 22) \$ 1,821,926

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. 33,453,153

The Internal Service Fund is used by management to charge the costs of the District's flexible benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. 28,667

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. 318,102

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds. (31,173)

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	\$ 2,066,100	
Deferred inflows of resources	<u>(511,248)</u>	1,554,852

Long-term liabilities, including bonds payable, lease purchases payable, compensated absences payable, total OPEB liability and net pension liability are not due and payable in the current year and, therefore, are not reported in the governmental funds. (21,015,807)

Net position of governmental activities (page 19) \$ 16,129,720

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, 2021

	Special Revenue			Nonmajor		Total
	General	Management Levy	Debt Service	Capital Projects	Student Activities	
Revenues:						
Local sources:						
Local tax	\$ 4,776,315	-	908,457	649,988	-	6,334,760
Tuition	321,291	-	-	-	-	321,291
Other	188,354	1,478	530	407,736	226,837	824,935
State sources	11,087,574	-	20,111	1,443,677	-	12,551,362
Federal sources	1,154,499	-	-	-	-	1,154,499
Total revenues	17,528,033	1,478	929,098	2,501,401	226,837	21,186,847
Expenditures:						
Current:						
Instruction:						
Regular	7,809,406	206,153	-	-	-	8,015,559
Special	2,574,357	23,577	-	-	-	2,597,934
Other	1,963,985	2,390	-	-	194,855	2,161,230
Support services:						
Student	470,754	1,573	-	-	-	472,327
Instructional staff	358,379	22,327	-	276,778	-	657,484
Administration	1,651,357	42,389	-	137,887	-	1,831,633
Operation and maintenance of plant	1,304,886	124,032	-	718,084	-	2,147,002
Transportation	474,429	91,245	-	-	3,182	568,856
Non-instructional programs	-	24,685	-	-	-	24,685
Other expenditures:						
Facilities acquisition	-	-	-	3,737,893	-	3,737,893
Long-term debt:						
Principal	-	-	684,504	-	-	684,504
Interest and other charges	-	-	413,225	-	-	413,225
AEA flowthrough	672,440	-	-	-	-	672,440
Total expenditures	17,279,993	538,371	1,097,729	4,870,642	198,037	23,984,772
Excess (deficiency) of revenues over (under) expenditures	248,040	(536,893)	(168,631)	(2,369,241)	28,800	(2,797,925)
Other financing sources (uses):						
Transfers in	-	-	204,504	-	20,680	225,184
Transfers out	(20,680)	-	-	(204,504)	-	(225,184)
Total other financing sources (uses)	(20,680)	-	204,504	(204,504)	20,680	-
Change in fund balances	227,360	(536,893)	35,873	(2,573,745)	49,480	(2,797,925)
Fund balances beginning of year, as restated	844,433	988,230	6,897	2,763,324	16,967	4,619,851
Fund balances end of year	\$ 1,071,793	451,337	42,770	189,579	66,447	1,821,926

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, 2021

Change in fund balances - total governmental funds (page 24) \$ (2,797,925)

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

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

Expenditures for capital assets	\$ 4,246,124	
Depreciation expense	<u>(1,046,900)</u>	3,199,224

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

Income surtax	26,225	
Other	<u>(400,038)</u>	(373,813)

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. 684,504

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. 901,045

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	17,331	
OPEB expense	176,258	
Pension expense	(1,322,099)	
Net supplemental pension liability	96,376	
Interest on long-term debt	<u>1,521</u>	(1,030,613)

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. 450

Change in net position of governmental activities (page 21) \$ 582,872

See notes to financial statements.

Clarke Community School District

Statement of Net Position
Proprietary Funds

June 30, 2021

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
Assets		
Current assets:		
Cash and cash equivalents	\$ 930,726	\$ 28,667
Accounts receivable	3,288	-
Due from other governments	1,398	-
Inventories	6,071	-
Total current assets	941,483	28,667
Noncurrent assets:		
Capital assets, net of accumulated depreciation	57,422	-
Total assets	998,905	28,667
Deferred Outflows of Resources		
Pension related deferred outflows	41,601	-
Liabilities		
Current liabilities:		
Salaries and benefits payable	60,255	-
Unearned student meals	23,638	-
Total current liabilities	83,893	-
Noncurrent liabilities:		
Total OPEB liability	6,761	-
Net pension liability	197,309	-
Total noncurrent liabilities	204,070	-
Total liabilities	287,963	-
Deferred inflows of resources		
Pension related deferred inflows	9,171	-
OPEB related deferred inflows	391	-
Total deferred inflows of resources	9,562	-
Net Position		
Net investment in capital assets	57,422	-
Unrestricted	685,559	28,667
Total net position	\$ 742,981	\$ 28,667

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, 2021

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
Operating revenues:		
Local sources:		
Charges for service	\$ 66,599	\$ -
Employee contributions	-	14,621
Total operating revenues	<u>66,599</u>	<u>14,621</u>
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	189,775	-
Benefits	96,868	-
Purchased services	3,452	-
Supplies	381,080	-
Depreciation	7,812	-
Other	-	14,243
Total operating expenses	<u>678,987</u>	<u>14,243</u>
Operating income (loss)	<u>(612,388)</u>	<u>378</u>
Non-operating revenues:		
State sources	6,500	-
Federal sources	782,247	-
Interest income	1,765	72
Total non-operating revenues	<u>790,512</u>	<u>72</u>
Increase in net position	178,124	450
Net position beginning of year	<u>564,857</u>	<u>28,217</u>
Net position end of year	<u>\$ 742,981</u>	<u>\$ 28,667</u>

See notes to financial statements.

Exhibit I

Clarke Community School District

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2021

	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	\$ 64,943	\$ -
Cash received from miscellaneous operating activities	-	14,621
Cash paid for salaries and to suppliers for goods or services	(634,125)	(14,243)
Net cash provided (used) by operating activities	(569,182)	378
Cash flows from non-capital financing activities:		
State grants received	6,500	-
Federal grants received	782,997	-
Net cash provided by non-capital financing activities	789,497	-
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(6,327)	-
Loss on disposal of capital assets	3,310	-
Net cash provided by non-capital financing activities	(3,017)	-
Cash flows from investing activities:		
Interest on investments	1,765	72
Change in cash and cash equivalents	219,063	450
Cash and cash equivalents beginning of year	711,663	28,217
Cash and cash equivalents end of year	\$ 930,726	\$ 28,667

Clarke Community School District

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2021

	Business Type Activities	Governmental Activities
	Enterprise - School Nutrition	Internal Service - Flex Spending
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (612,388)	\$ 378
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Commodities used	44,759	-
Depreciation	7,812	-
Change in assets and liabilities:		
Increase in accounts receivable	(3,279)	-
Decrease in inventories	25	-
Decrease in deferred outflows of resources	2,739	-
Decrease in salaries and benefits payable	(11,618)	-
Increase in total OPEB liability	485	-
Increase in unearned student meals	1,623	-
Increase in IPERS net pension liability	23,115	-
Decrease in deferred inflows of resources	(22,455)	-
Net cash provided (used) by operating activities	<u>\$ (569,182)</u>	<u>\$ 378</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2020, the District received \$44,759 of federal commodities.

See notes to financial statements.

Exhibit J

Clarke Community School District
Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2021

	<u>Private Purpose Trust</u>	<u>Custodial Funds</u>
	<u>Scholarship</u>	
Assets		
Cash and investments	<u>\$ 60,863</u>	<u>\$ 76,782</u>
Net Position		
Restricted for:		
Reserved for scholarships	60,863	-
Other governments	-	<u>76,782</u>
Total net position	<u>\$ 60,863</u>	<u>\$ 76,782</u>

See notes to financial statements.

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

Year ended June 30, 2021

	Private Purpose Trust	Custodial Funds
	Scholarship	Funds
Additions:		
Local sources:		
Interest income, net of decrease in fair value	\$ 3,809	\$ 281
Other	40,415	57,026
Total additions	44,224	57,307
Deductions:		
Support services:		
Student	18,979	-
Scholarships awarded	3,500	-
Recipient payments	-	101,918
Total deductions	22,479	101,918
Change in net position	21,745	(44,611)
Net position beginning of year, as restated	39,118	121,393
Net position end of year	\$ 60,863	\$ 76,782

See notes to financial statements.

Clarke Community School District

Notes to Financial Statements

Year ended June 30, 2021

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

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

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

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

The District reports the following major governmental funds:

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

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

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

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

The District reports the following major proprietary fund:

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

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

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

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

The Custodial Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments.

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, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2020.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles acquired after July 1, 1980 are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense, the unamortized portion of the net difference between projected and actual earnings on pension plan assets 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, 2021. 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 by the General Fund.

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

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

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied and unrecognized items not yet charged to pension and OPEB expense.

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, 2021, 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, 2021 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, 2021, the District had the following investment:

Investment	Fair Value
Alliant Energy Corporation Common stock	<u>\$ 21,858</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 \$21,858 was determined using the closing share price on June 30, 2021. (Level 1 input)

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Physical Plant and Equipment Levy	\$ 204,504
Special Revenue: Student Activities	General	20,680
		<u>\$ 225,184</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, 2021 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 238,022	-	-	238,022
Construction in progress	12,976,425	4,116,066	(17,092,491)	-
Total capital assets not being depreciated	13,214,447	4,116,066	(17,092,491)	238,022
Capital assets being depreciated:				
Buildings	20,054,742	16,343,118	(89,849)	36,308,011
Improvements other than buildings	4,801,904	756,319	-	5,558,223
Furniture and equipment	4,105,103	201,132	(242,861)	4,063,374
Total capital assets being depreciated	28,961,749	17,300,569	(332,710)	45,929,608
Less accumulated depreciation for:				
Buildings	7,455,236	437,702	(11,829)	7,881,109
Improvements other than buildings	1,459,202	209,651	-	1,668,853
Furniture and equipment	3,007,829	399,547	(242,861)	3,164,515
Total accumulated depreciation	11,922,267	1,046,900	(254,690)	12,714,477
Total capital assets being depreciated, net	17,039,482	16,253,669	(78,020)	33,215,131
Governmental activities capital assets, net	\$ 30,253,929	20,369,735	(17,170,511)	33,453,153
Business type activities:				
Furniture and equipment	\$ 438,212	6,327	(104,141)	340,398
Less accumulated depreciation	375,995	7,812	(100,831)	282,976
Business type activities capital assets, net	\$ 62,217	(1,485)	(3,310)	57,422

Depreciation expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular instruction	\$ 87,118
Other instruction	40,064
Support services:	
Administration	39,369
Operation and maintenance of plant	88,018
Transportation	144,978
	399,547
Unallocated	647,353
Total depreciation expense - governmental activities	\$ 1,046,900
Business type activities:	
Food service operations	\$ 7,812

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2021 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 11,820,000	-	480,000	11,340,000	500,000
Lease purchase agreements	427,506	-	204,504	223,002	187,572
Compensated absences	50,111	35,813	53,144	32,780	32,780
Total OPEB liability	202,927	15,672	-	218,599	1,015
Net pension liability	8,314,787	1,042,597	155,958	9,201,426	-
Total	\$ 20,815,331	1,094,082	893,606	21,015,807	721,367
Business type activities:					
Total OPEB liability	\$ 6,276	485	-	6,761	-
Net pension liability	174,194	23,115	-	197,309	-
Total	\$ 180,470	23,600	-	204,070	-

General Obligation Bonds

Details of the District's June 30, 2021 general obligation indebtedness are as follows:

Year Ending June 30,	Middle School/High School Additions and Repairs Elementary School Repairs and Bus Barn			
	Issued November 1, 2018			
	Interest Rates	Principal	Interest	Total
2022	4.00%	\$ 500,000	393,425	893,425
2023	4.00	520,000	373,425	893,425
2024	4.00	540,000	352,625	892,625
2025	4.00	560,000	331,025	891,025
2026	3.00	585,000	308,625	893,625
2027-2031	3.00-3.20	3,200,000	1,268,715	4,468,715
2032-2036	3.30-3.60	3,745,000	718,875	4,463,875
2037-2038	3.70	1,690,000	94,350	1,784,350
Total		\$ 11,340,000	3,841,065	15,181,065

On November 1, 2018 the District issued \$13,000,000 of general obligation school bonds, series 2018, to furnish and equip additions to the middle school/high school building, to remodel, repair and improve the existing elementary and middle school/high school buildings, including site improvements and to build, furnish and equip a bus barn, including land acquisition and site improvements. During the year ended June 30, 2021, the District retired \$480,000 of general obligation bonds.

Lease Purchase Agreements

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

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

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

Year Ending June 30,	September 9, 2019 Lease	
	Interest Rates	Principal
2022	0.00%	\$ 187,572
2023	0.00	35,430
Total		<u>\$ 223,002</u>

During the year ended June 30, 2021, the District paid principal of \$16,932 on the July 26, 2018 Chromebooks lease and \$187,572 on the September 9, 2019 Chromebooks lease.

(6) Pension Plans

Pension Plan Total Information	Supplemental		
	IPERS	Pension	Total
Net pension liability	\$ 8,597,061	801,674	9,398,735
Deferred outflows of resources related to pensions	2,022,989	84,712	2,107,701
Deferred inflows of resources related to pensions	507,771	-	507,771
Pension expense	1,351,411	93,390	1,444,801

Iowa Public Employees Retirement System

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

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

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

- A multiplier based on years of service.
- The member’s highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

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

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

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

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

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the District contributed 9.44% of covered payroll, for a total rate of 15.73%.

The District’s contributions to IPERS for the year ended June 30, 2021 totaled \$921,022.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the District reported a liability of \$8,597,061 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 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, 2020, the District’s collective proportion was 0.122383%, which was a decrease of 0.007677% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$1,351,411. At June 30, 2021, 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	\$ 9,497	203,772
Changes of assumptions	441,284	-
Net difference between projected and actual earnings on IPERS’ investments	483,291	-
Changes in proportion and differences between District contributions and proportionate share of contributions	167,895	303,999
District contributions subsequent to the measurement date	921,022	-
Total	\$ 2,022,989	507,771

\$921,022 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, 2022. 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
2022	\$ 128,028
2023	144,941
2024	128,802
2025	227,257
2026	(34,832)
Total	<u>\$ 594,196</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2020 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, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to 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	\$ 14,334,876	8,597,061	3,785,993

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

Payables to IPERS – All legally required District contributions and legally required employee contributions which had been withheld from employee wages were remitted by the District to IPERS by June 30, 2021.

Supplemental Pension Plan

Plan Description – The District administers a single-employer benefit plan which offers a supplemental pension (early retirement incentive) for all eligible employees who attain age 55 with 15 or more years of service, submit an application to the Superintendent, receive Board approval and retire by June 30 of the same year. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73.

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

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

The maximum benefit is the lesser of the calculated benefit or \$40,000.

Retired participants must be age 55 or older at retirement. At June 30, 2021, the following employees were covered by the benefit terms:

Active employees 201

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 \$801,674 was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2021.

Pension Expense and Deferred outflows of Resources Related to the Supplemental Pension – For the year ended June 30, 2021, the District recognized pension expense of \$93,390. At June 30, 2021, the District reported deferred outflows of resources related to the supplemental pension from the following resources.

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 294,344
Change in assumptions	<u>(209,632)</u>
Total	<u>\$ 84,712</u>

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

Year ending June 30,	Amount
2022	\$ 3,842
2023	3,842
2024	3,842
2025	3,842
Thereafter	69,344
	<u>\$ 84,712</u>

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

Actuarial Assumptions – The total supplemental pension liability in the July 1, 2020 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, 2021)	3.00% per annum.
Discount rate (effective June 30, 2021)	2.37% compounded annually, net of investment expense, including inflation.

Discount Rate – The discount rate used to measure the total pension liability was 2.37% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

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

The actuarial assumptions used in the July 1, 2020 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>\$ 957,632</u>
Changes for the year:	
Service cost	71,159
Interest on the total pension liability	18,389
Change in assumption	219,868
Differences between expected and actual experiences	(308,422)
Benefit payments	<u>(156,952)</u>
Net changes	<u>(155,958)</u>
Total supplemental pension liability end of year	<u>\$ 801,674</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 (1.37%) or 1% higher (3.37%) than the current discount rate.

	1% Decrease (1.37%)	Discount Rate (2.37%)	1% Increase (3.37%)
Total supplemental pension liability	\$ 809,807	801,674	789,516

(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, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active employees	<u>91</u>
Total	<u>93</u>

Total OPEB Liability – The District’s total OPEB liability of \$225,360 was measured as of June 30, 2021 and was determined by an actuarial valuation as of July 1, 2019. The total OPEB liability was rolled forward from the July 1, 2019 valuation date to the June 30, 2021 measurement date.

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

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

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

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

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

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	<u>\$ 209,203</u>
Changes for the year:	
Service cost	23,971
Interest	7,332
Differences between expected and actual experiences	(14,131)
Changes in assumptions	-
Benefit payments	<u>(1,015)</u>
Net changes	<u>16,157</u>
Total OPEB liability end of year	<u>\$ 225,360</u>

Changes of assumptions reflect the same discount rate of 3.15% in fiscal year 2020 and fiscal year 2021.

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

	1% Decrease (2.15%)	Discount Rate (3.15%)	1% Increase (4.15%)
Total OPEB liability	\$ 249,238	225,360	204,291

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	\$ 193,688	225,360	263,880

OPEB Expense and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2021, the District recognized OPEB expense of \$30,211. At June 30, 2021, the District reported deferred inflows of resources related to OPEB from the following resources:

	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,039

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

Year ending June 30,	Amount
2022	\$ 1,092
2023	1,092
2024	1,092
2025	1,092
Thereafter	8,671
	<u>\$ 13,039</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 \$672,440 for the year ended June 30, 2021 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

(10) Tax Abatements

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

Tax Abatements of Other Entities

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

Property tax revenues of the District were reduced by the following amounts for the year ended June 30, 2021 under agreements entered into by the following entities:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Osceola	Urban renewal and economic development projects	\$ 38,033

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, 2021, this reimbursement amounted to \$16,347.

(11) Employee Health Insurance Plan

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

The cash balance held by Employee Benefit Systems reported in the General Fund was \$81,130 at June 30, 2021.

(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, 2021.

<u>Program</u>	<u>Amount</u>
Home school assistance	\$ 2,587
Teacher leadership supplement	88,923
Four-year-old preschool	407,838
Teacher salary supplement	48,612
Successful progression for early readers	38,976
Teacher development academics	3,652
Professional development	344,684
	<u>\$ 935,272</u>

(13) COVID-19

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

To date, the outbreak has not created a material disruption to the operations of Clarke Community School District. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the Clarke Community School District operations and finances.

(14) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities, was implemented during fiscal year 2021. The new requirements change the definition of fiduciary activity and establish new financial reporting requirements for state and local governments which report fiduciary activity. Also, material amounts of economic development grants were not recorded during the year ended June 30, 2020.

The restatements to retroactively report the change in net position are as follows:

	Governmental Activities	General Fund	Fiduciary Activities
Net position/fund balance June 30, 2020, as previously reported	\$ 15,129,209	826,832	-
Change to implement GASBS No. 84	17,601	17,601	121,393
Prior Year Unrecorded Deferred Inflow	400,038	-	-
Net position July 1, 2020, as restated	<u>\$ 15,546,848</u>	<u>844,433</u>	<u>121,393</u>

(15) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement will require reporting of certain potentially significant lease liabilities that are not currently reported.

Clarke Community School District

Required Supplementary Information

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

Required Supplementary Information

Year ended June 30, 2021

	Governmental Funds Actual	Proprietary (Enterprise) Fund Actual	Total Actual	Budgeted Amounts Original/Final	Final to Actual Variance
Revenues:					
Local sources	\$ 7,480,986	68,364	7,549,350	7,459,439	89,911
State sources	12,551,362	6,500	12,557,862	13,059,535	(501,673)
Federal sources	1,154,499	782,247	1,936,746	1,230,000	706,746
Total revenues	<u>21,186,847</u>	<u>857,111</u>	<u>22,043,958</u>	<u>21,748,974</u>	<u>294,984</u>
Expenditures/Expenses:					
Instruction	12,774,723	-	12,774,723	13,342,000	567,277
Support services	5,677,302	-	5,677,302	6,358,700	681,398
Non-instructional programs	24,685	678,987	703,672	1,530,000	826,328
Other expenditures	5,508,062	-	5,508,062	6,201,860	693,798
Total expenditures/expenses	<u>23,984,772</u>	<u>678,987</u>	<u>24,663,759</u>	<u>27,432,560</u>	<u>2,768,801</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(2,797,925)	178,124	(2,619,801)	(5,683,586)	3,063,785
Other financing sources, net	-	-	-	10,000	10,000
Change in fund balance	(2,797,925)	178,124	(2,619,801)	(5,673,586)	(3,053,785)
Balances beginning of year, as restated	4,619,851	564,857	5,184,708	5,896,415	711,707
Balances end of year	<u>\$ 1,821,926</u>	<u>742,981</u>	<u>2,564,907</u>	<u>222,829</u>	<u>(2,342,078)</u>

See accompanying independent auditor's report.

Clarke Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2021

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 Custodial Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

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

During the year ended June 30, 2021, expenditures did not exceed the amount budgeted in any function.

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

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

Required Supplementary Information

	2021	2020	2019	2018
District's proportion of the net pension liability	0.122383%	0.130060%	0.126160%	0.125502%
District's proportionate share of the net pension liability	\$ 8,597	7,531	7,984	8,360
District's covered payroll	\$ 9,713	9,904	9,483	9,373
District's proportionate share of the net pension liability as a percentage of its covered payroll	88.51%	76.04%	84.19%	89.19%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%

* 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.

2017	2016	2015
0.121885%	0.119882%	0.122095%
7,671	5,923	4,842
8,748	8,213	7,991
87.69%	72.12%	60.60%
81.82%	85.19%	87.61%

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

Required Supplementary Information

	2021	2020	2019	2018
Statutorily required contribution	\$ 921	917	934	847
Contributions in relation to the statutorily required contribution	(921)	(917)	(934)	(847)
Contribution deficiency (excess)	\$ -	-	-	-
District's covered payroll	\$ 9,748	9,713	9,904	9,483
Contributions as a percentage of covered payroll *	9.44%	9.44%	9.44%	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.

2017	2016	2015	2014	2013	2012
837	781	733	714	667	512
(837)	(781)	(733)	(714)	(667)	(512)
-	-	-	-	-	-
9,373	8,748	8,213	7,991	7,694	7,373
8.93%	8.93%	8.93%	8.93%	8.67%	6.95%

Clarke Community School District

Notes to Required Supplementary Information – IPERS Pension Liability

Year ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

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

Required Supplementary Information
 For the Last Five Years

	2021	2020	2019	2018	2017
Service cost	\$ 71,159	76,929	76,948	56,485	46,857
Interest on the total pension liability	18,389	33,888	31,639	37,606	33,834
Difference between expected and actual experience in the measurement of the total pension liability	(308,422)	(152,056)	(193,192)	39,844	25,731
Change in assumptions	219,868	-	(2,872)	-	-
Benefit payments	(156,952)	-	(111,847)	(2,351)	(43,060)
Net change in total supplemental pension liability	(155,958)	(41,239)	(199,324)	131,584	63,362
Total supplemental pension liability beginning of year	957,632	998,871	1,198,195	1,066,611	1,003,249
Total supplemental pension liability end of year	\$ 801,674	957,632	998,871	1,198,195	1,066,611
Covered-employee payroll	\$ 9,747,985	9,712,541	9,904,050	9,483,000	9,373,000
Total supplemental pension liability as a percentage of covered-employee payroll	8.2%	9.9%	10.1%	12.6%	11.4%

See accompanying Independent Auditor's Report.

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

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

Changes of benefit terms:

There were no significant changes in benefit terms.

Changes of assumptions:

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

Year ended June 30, 2021	2.37%
Year ended June 30, 2020	3.15%
Year ended June 30, 2019	3.15%
Year ended June 30, 2018	3.50%
Year ended June 30, 2017	3.50%
Year ended June 30, 2016	2.50%

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

For the Last Four Years
 Required Supplementary Information

	2021	2020	2019	2018
Service cost	\$ 23,971	24,002	34,604	34,755
Interest cost	7,332	6,805	15,320	14,655
Difference between expected and actual experiences	(14,131)	(13,520)	(16,561)	(11,302)
Assumption change	-	(214,546)	-	-
Benefit payments	(1,015)	-	(7,637)	(37,010)
Net change in total OPEB liability	16,157	(197,259)	25,726	1,098
Total OPEB liability beginning of year	209,203	406,462	380,736	379,638
Total OPEB liability end of year	\$ 225,360	209,203	406,462	380,736
Covered-employee payroll	\$ 9,300,000	9,200,000	9,300,000	8,900,000
Total OPEB liability as a percentage of covered-employee payroll	2.4%	2.3%	4.4%	4.3%

See accompanying independent auditor's report.

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

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

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

Year ended June 30, 2021	3.15%
Year ended June 30, 2020	3.15%
Year ended June 30, 2019	3.72%
Year ended June 30, 2018	3.72%
Year ended June 30, 2017	4.50%

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

Supplementary Information

Schedule 1

Clarke Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2021

Account	Balance Beginning of Year	Revenues	Expenditures	Intra- Fund Transfers	Balance End of Year
Athletics	\$ 79	69,254	44,355	(24,966)	12
Publications	3,708	5,107	4,606	-	4,209
High School Band	13,466	9,111	9,597	-	12,980
High School Co-curricular	1,001	1	-	-	1,002
High School Vocal Music	2,468	6,304	4,755	-	4,017
Cheerleaders	(5,078)	3,580	1,874	3,372	-
Speech/Debate	(1,803)	3,456	3,020	1,367	-
FFA	15,317	33,537	29,632	-	19,222
FCCLA	2,733	11	1,091	-	1,653
Cross Country	-	350	350	-	-
Golf	-	2,595	919	-	1,676
Tennis	-	-	943	943	-
Bowling	-	2,184	2,255	71	-
Soccer Club	-	130	322	322	130
Boys Basketball	(6,516)	-	1,227	1,162	(6,581)
Football	(46,859)	25,201	9,061	4,689	(26,030)
Baseball	(6,756)	910	681	996	(5,531)
Boys Track	-	5,213	8,803	3,790	200
Wrestling	-	500	1,469	969	-
Archery Club	7,671	7	-	-	7,678
Girls Basketball	-	228	829	601	-
Volleyball	-	-	1,135	1,135	-
Softball	(7,611)	6,723	100	988	-
Girls Track	-	6,615	9,442	3,045	218
Elementary Junior High Band Contest	-	-	85	85	-
Camp - Boys Basketball	-	-	-	-	-
Camp - Football	737	1,051	-	-	1,788
Camp - Girls Basketball	-	-	-	-	-
Camp - Volleyball	-	180	725	545	-
Book Club	1,884	2	-	-	1,886
Elementary Literacy Library	155	-	-	-	155
High School Student Council	2,811	1,944	2,841	-	1,914
Thespians	3,619	9,496	7,928	-	5,187
E Sport	-	424	57	-	367
Class of:					
2020	1,461	-	1,461	-	-
2021	5,076	4	4,572	-	508
2022	486	10,827	9,342	-	1,971
2023	-	4,932	2,382	-	2,550
Art Club	606	1	-	-	607
Anime Club	372	1	-	-	373
Media Club	224	-	-	-	224
Concessions	-	-	3,475	3,475	-
MS Health and Wellness Fund	-	-	-	-	-
Athletic Resale	(3,151)	306	2,235	5,080	-
Washington DC Trip Fund	313	4,821	4,207	-	927
Drill Team	1,158	1	-	-	1,159
Robotics	212	-	-	-	212
Junior High Student Council	10,397	18,059	14,854	(64)	13,538
Middle School Pop Fund Balance	969	1	690	-	280
Middle School Reading Pop Fund Balance	660	-	706	46	-
Elementary Student Council	17,158	3,790	3,005	-	17,943
Athletics Pop Fund	-	10,660	3,006	(7,651)	3
Total	\$ 16,967	247,517	198,037	-	66,447

See accompanying independent auditor's report.

Clarke Community School District

Combining Balance Sheet
Capital Projects Accounts

June 30, 2021

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 34,802	29,823	64,625
Receivables:			
Property tax:			
Delinquent	-	4,570	4,570
Succeeding year	-	324,000	324,000
Due from other governments	120,384	318,102	438,486
Total assets	\$ 155,186	676,495	831,681
Liabilities, Deferred Inflows of Resources and Fund Balances			
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	\$ -	324,000	324,000
Other	-	318,102	318,102
Total deferred inflows of resources	-	642,102	642,102
Fund balances:			
Restricted for:			
School infrastructure	155,186	-	155,186
Property, plant and equipment	-	34,393	34,393
Total fund balances	155,186	34,393	189,579
Total liabilities, deferred inflows of resources and fund balances	\$ 155,186	676,495	831,681

See accompanying independent auditor's report.

Schedule 3

Clarke Community School District

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

Year ended June 30, 2021

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Capital Project GO Bond	
Revenues:				
Local sources:				
Local tax	\$ -	649,988	-	649,988
Other	1,174	6,524	400,038	407,736
State sources	1,438,395	5,282	-	1,443,677
Total revenues	1,439,569	661,794	400,038	2,501,401
Expenditures:				
Support services:				
Instructional staff	-	276,778	-	276,778
Administration	-	137,887	-	137,887
Operation and maintenance of plant	715,431	2,653	-	718,084
Transportation	-	-	-	-
	715,431	417,318	-	1,132,749
Other expenditures:				
Facilities acquisition	1,921,221	1,416,634	400,038	3,737,893
Total expenditures	2,636,652	1,833,952	400,038	4,870,642
Deficiency of revenues under expenditures	(1,197,083)	(1,172,158)	-	(2,369,241)
Other financing sources (uses):				
Proceeds from lease purchase agreement	-	-	-	-
Transfers out	-	(204,504)	-	(204,504)
Total other financing sources (uses)	-	(204,504)	-	(204,504)
Change in fund balances	(1,197,083)	(1,376,662)	-	(2,573,745)
Fund balances beginning of year	1,352,269	1,411,055	-	2,763,324
Fund balances end of year	\$ 155,186	34,393	-	189,579

See accompanying independent auditor's report.

Clarke Community School District
 Combining Schedule of Fiduciary Net Position
 Custodial Funds

Year ended June 30, 2021

	Parent Teacher Community Organization	Band Boosters	South Central Conference Activities	Total
Assets				
Cash, cash equivalents and pooled investments	\$ 66,295	5,127	5,360	76,782
Net Position				
Restricted for individuals, organizations and other governments	\$ 66,295	5,127	5,360	76,782

See accompanying independent auditor's report.

Clarke Community School District

Clarke Community School District

Combining Schedule of Changes in Fiduciary Net Position –
Custodial Fund

Year ended June 30, 2021

	Parent Teacher Community Organization	Band Boosters	South Central Conference Activities	Total
Additions:				
Local sources:				
Interest	\$ 188	73	20	281
Admissions	-	-	248	248
Membership dues	-	-	8,400	8,400
Fundraisers	10,455	1,735	-	12,190
Donations	1,645	34,543	-	36,188
Total additions	12,288	36,351	8,668	57,307
Deductions:				
Agency remittances:				
Recipient payments	31,446	64,520	5,952	101,918
Changes in net position	(19,158)	(28,169)	2,716	(44,611)
Net position beginning of year, as restated	85,453	33,296	2,644	121,393
Net position end of year	\$ 66,295	5,127	5,360	76,782

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

	2021	2020	2019	2018
Revenues:				
Local sources:				
Local tax	\$ 6,334,760	5,678,006	5,547,815	5,228,093
Tuition	321,291	271,473	282,949	382,676
Other	824,934	642,800	683,970	638,790
State sources	12,551,362	12,558,217	12,457,967	11,651,623
Federal sources	1,154,499	638,328	619,803	604,873
Total	<u>\$ 21,186,846</u>	<u>19,788,824</u>	<u>19,592,504</u>	<u>18,506,055</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 8,015,559	7,163,327	6,864,443	6,981,649
Special instruction	2,597,934	2,679,372	2,704,917	2,685,949
Other instruction	2,161,230	2,119,876	2,373,147	2,270,813
Support services:				
Student	472,327	461,221	501,492	393,078
Instructional staff	657,484	1,032,882	676,684	454,638
Administration	1,831,633	1,886,998	1,812,350	1,542,784
Operation and maintenance of plant	1,697,165	1,468,995	1,516,396	1,605,426
Transportation	568,856	587,449	725,358	801,222
Non-instructional programs	24,685	14,812	10,057	8,586
Other expenditures:				
Facilities acquisition	4,187,729	12,834,397	3,976,441	700,470
Long-term debt:				
Principal	684,504	704,113	1,002,090	165,684
Interest and other charges	413,225	448,802	271,000	-
AEA flowthrough	672,440	662,169	655,835	623,179
Total	<u>\$ 23,984,771</u>	<u>32,064,413</u>	<u>23,090,210</u>	<u>18,233,478</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.

2017	2016	2015	2014	2013	2012
5,440,410	5,066,478	5,141,298	5,064,753	6,028,184	5,706,601
390,580	252,433	190,085	209,509	211,384	223,452
585,967	576,847	748,570	792,685	597,942	540,783
11,807,038	11,205,874	11,132,412	10,746,125	8,698,248	8,353,902
665,283	522,601	546,713	477,925	505,075	621,060
18,889,278	17,624,233	17,759,078	17,290,997	16,040,833	15,445,798
6,814,494	6,291,828	6,038,414	6,097,620	5,974,931	5,473,903
2,511,170	2,439,331	2,314,584	2,274,947	2,210,686	1,921,485
2,167,759	2,131,772	1,903,532	1,422,447	1,443,502	1,509,369
350,867	364,999	354,351	610,956	561,178	254,546
1,032,821	584,669	331,479	420,875	1,068,195	533,499
1,418,369	1,413,310	1,358,186	1,324,225	1,339,117	1,262,238
1,976,185	1,645,852	1,326,744	1,227,058	1,125,004	1,852,130
949,302	751,247	855,366	1,007,304	717,046	602,750
9,114	11,446	20,116	13,185	13,504	11,369
631,471	1,122,921	594,497	420,292	993,986	55,610
1,169,643	492,505	613,788	594,017	588,680	375,000
40,057	48,055	67,207	84,735	88,528	101,465
612,234	608,731	609,523	578,176	525,955	505,350
19,683,486	17,906,666	16,387,787	16,075,837	16,650,312	14,458,714

Clarke Community School District

Clarke Community School District
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2021

Grantor/Program	Assistance Listing Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555		\$ 44,759 *
COVID-19, National School Lunch Program	10.555		<u>67,473</u>
			<u>112,232</u>
Summer Food Service Program for Children	10.559		<u>670,016</u>
			<u>782,248</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010		<u>378,466</u>
Improving Teacher Quality State Grants	84.367		<u>45,723</u>
Student Support and Academic Enrichment Program	84.424		<u>40,437</u>
COVID-19, Education Stabilization Fund	84.425		<u>448,375</u>
Green Hills Area Education Agency:			
Special Education Cluster:			
Special Education Grants to States	84.027		<u>70,698</u>
Southwestern Community College:			
Career and Technical Education -- Basic Grants to States	84.048		<u>2,798</u>
Total			<u>\$ 1,768,745</u>

* Includes \$44,759 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, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Clarke Community School District, it is not intended to and does not present the financial position, changes in financial position or cash flows of Clarke Community School District.

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

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

See accompanying independent auditor's report.



**OFFICE OF AUDITOR OF STATE
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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, 2021, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 4, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2021 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.


Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

March 4, 2022



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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 its major federal program for the year ended June 30, 2021. Clarke Community School District's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Clarke Community School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clarke Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Clarke Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

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.


Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

March 4, 2022

Clarke Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

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

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

Clarke Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-21 Financial Reporting
(2021-001)

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 – Material amounts of fiscal year 2020 receivables were not properly recorded in the fiscal year 2020 financial statements. The amounts should have been reported as deferred revenues on the fund financial statements and as revenues on the entity wide financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Cause – District policies do not require, and procedures have not been established to require independent review of financial reporting related to receivables and revenue reporting to ensure the District’s financial statements are accurate and reliable.

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

Recommendation – The District should establish procedures to ensure all revenue is identified and properly reported in the District’s financial statements during the proper fiscal year.

Response – The District will review procedures to ensure receivables and revenue are properly recorded in the proper fiscal year.

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, 2021

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, 2021

Part IV: Other Findings Related To Required Statutory Reporting:

- IV-A-21 Certified Budget – Expenditures for the year ended June 30, 2021 did not exceed the amount budgeted in any function.
- IV-B-21 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-21 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-21 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-21 Restricted Donor Activity – No transactions were noted between the District, District officials or District employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- IV-F-21 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-21 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-21 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-21 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-21 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-21 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-K-21 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.

Clarke Community School District

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

IV-L-21 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2021, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

Beginning balance		\$ 1,352,269
Revenue:		
Statewide sales, services and use tax	\$ 1,438,395	
Interest on investments	<u>1,174</u>	1,439,569
Expenditures/transfers out:		
School infrastructure construction	1,921,221	
Equipment	<u>715,431</u>	<u>2,636,652</u>
Ending balance		<u>\$ 155,186</u>

For the year ended June 30, 2021, the District reduced the following levy as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Physical plant and equipment levy	\$ 3.674	<u>\$ 1,438,395</u>

IV-M-21 Deficit Balances – The following Special Revenue Fund, Student Activity Accounts had deficit balances at June 30, 2021: Football \$26,030, Boys Basketball \$6,581 and Baseball \$5,531.

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

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

IV-N-21 Payroll Taxes – The District did not timely remit the June 2020 payment to the IRS for employee payroll taxes, causing late fees and penalties.

Recommendation – The District should implement policies and procedures to ensure payroll taxes are remitted timely as to not incur penalty and interest.

Response – The District will establish policies and procedures to ensure federal taxes are deposited timely.

Conclusion – Response accepted.

Clarke Community School District

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Deputy
Katherine L. Rupp, CPA, Manager
Jamie T. Reuter, Senior Auditor II
Noelle M. Johnson, Senior Auditor
Brett A. Logsdon, Assistant Auditor
Ireland G. Knapper, Auditor Intern