

**CLEAR LAKE COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015**

Table of Contents

Board of Education and School District Officials	1
Independent Auditor’s Report	2-4
Management’s Discussion and Analysis (MD&A)	5-14
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	15
Statement of Activities.....	16
Governmental Fund Financial Statements	
Balance Sheet.....	17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	18
Statement of Revenue, Expenditures and Changes in Fund Balances.....	19
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	20
Proprietary Fund Financial Statements	
Statement of Net Position	21
Statement of Revenue, Expenses and Changes in Fund Net Position	22
Statement of Cash Flows	23
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Position	24
Statement of Changes in Fiduciary Net Position	25
Notes to the Financial Statements	26-44
Required Supplementary Information	
Schedule of Budgetary Comparison of Revenue, Expenditures/Expenses and Changes in Balances - Budget to Actual - All Governmental Funds and Proprietary Funds	45
Notes to Required Supplementary Information - Budgetary Reporting.....	46
Schedule of Proportionate Share of the Net Pension Liability	47
Schedule of Contributions.....	48
Notes to Required Supplementary Information - Pension Liability.....	49-50
Schedule of Funding Progress for the Retiree Health Plan	51
Supplementary Information	
Nonmajor Governmental Funds	
Combining Balance Sheet.....	52
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances	53
Schedule of Changes in Special Revenue Fund - Student Activity Accounts.....	54-55
Capital Projects Accounts	
Combining Balance Sheet.....	56
Combining Schedule of Revenue, Expenditures and Changes in Fund Balances	57
Nonmajor Proprietary Funds	
Combining Schedule of Net Position	58
Combining Schedule of Revenue, Expenses and Changes in Fund Net Position.....	59
Combining Schedule of Cash Flows.....	60
Schedule of Revenue by Source and Expenditures by Function - All Governmental Fund Types (Modified Accrual Basis).....	61
Schedule of Expenditures of Federal Awards	62
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	63-64
Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	65-66
Schedule of Findings and Questioned Costs	67-72

Introductory Section

Board of Education and School District Officials

As of June 30, 2015

Name	Title	Term Expires
Board of Education		
Mark Tesar	President (September, 2014 - June, 2015) Board Member (July, 2014 - September, 2014)	September, 2017
Chryl Bergvig	Vice President (September, 2014 - June, 2015) Board Member (July, 2014 - September, 2014)	September, 2017
Chad Kuhlers	Board Member (September, 2014 - June, 2015) President (July, 2014 - September, 2014)	September, 2015
Jill Wilhelm	Board Member (September, 2014 - June, 2015) Vice President (July, 2014 - September, 2014)	September, 2015
John Loge	Board Member (appointed August, 2014)	September, 2015
Deb Betz	Board Member (resigned July, 2014)	September, 2015
Officials		
Dr. Anita Micich	Superintendent	Indefinite
Lorna Leerar	District Secretary/Treasurer	Indefinite

Financial Section



Independent Auditor's Report

Board of Education
Clear Lake Community School District
Clear Lake, Iowa

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 Clear Lake Community School District as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the District's basic financial statements, as 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 accounting principles generally accepted in the United States of America; 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. Except as described in the Basis for Disclaimer of Opinion on the Discretely Presented Component Unit paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. However, because of the matter described in the Basis for Disclaimer of Opinion on the Discretely Presented Component Unit paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the discretely presented component unit.

Basis for Disclaimer of Opinion on the Discretely Presented Component Unit

The financial statements of Clear Lake Community School Foundation (Foundation) have not been audited, and we were not engaged to audit the Foundation's financial statements as part of our audit of the District's basic financial statements. The Foundation's financial activities are included in the District's basic financial statements as a discretely presented component unit and represent 100% of the assets, net position, revenue and expenses of the District's discretely presented component units.

Disclaimer of Opinion on the Discretely Presented Component Unit

Because the Foundation's financial statements have not been audited as discussed in the Basis for Disclaimer of Opinion on the Discretely Presented Component Unit, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the discretely presented component unit of Clear Lake Community School District as of and for the year ended April 30, 2015.

Unmodified Opinions

In our opinion, the financial statements referred to in the first paragraph 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 Clear Lake Community School District as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16 to the financial statements, Clear Lake Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of proportionate share of the net pension liability, the schedule of contributions and the schedule of funding progress for the retiree health plan on pages 5 through 14 and 45 through 51 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 the 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 auditing standards generally accepted in the United States of America, 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 Clear Lake 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 three years ended June 30, 2014 (which are not presented herein) and expressed a modified opinion on those financial statements. The financial statements for the six years ended June 30, 2011 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the third paragraph of this report who expressed unmodified opinions on those financial statements. The supplementary information included on pages 52 through 62, including the schedule of expenditures of federal awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in our 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 auditing standards generally accepted in the United States of America. 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 a report dated March 2, 2016 on our consideration of Clear Lake Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Clear Lake Community School District's internal control over financial reporting and compliance.

HOGAN - HANSEN

HOGAN - HANSEN

Clear Lake, Iowa
March 2, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- General Fund revenue decreased from \$14,263,400 in fiscal year 2014 to \$13,370,654 in fiscal year 2015, and General Fund expenditures increased from \$13,331,425 in fiscal year 2014 to \$13,821,274 in fiscal year 2015. The District's General Fund balance decreased from \$3,283,878 at the end of fiscal year 2014 to \$2,833,258 at the end of fiscal year 2015, a 13.7% decrease.
- The decrease in General Fund revenue was primarily attributable to a decrease in property tax revenue. The increase in General Fund expenditures was primarily attributable to additional regular instruction expenditures.

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 Clear Lake 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 Clear Lake Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Clear Lake Community School District acts solely as an agent or custodian for the benefit of those outside the District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the schedule of funding progress for the retiree health plan.

Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds. In addition, the schedule of expenditures of federal awards provides details of various federal programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

FIGURE A-1

**CLEAR LAKE COMMUNITY SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT**

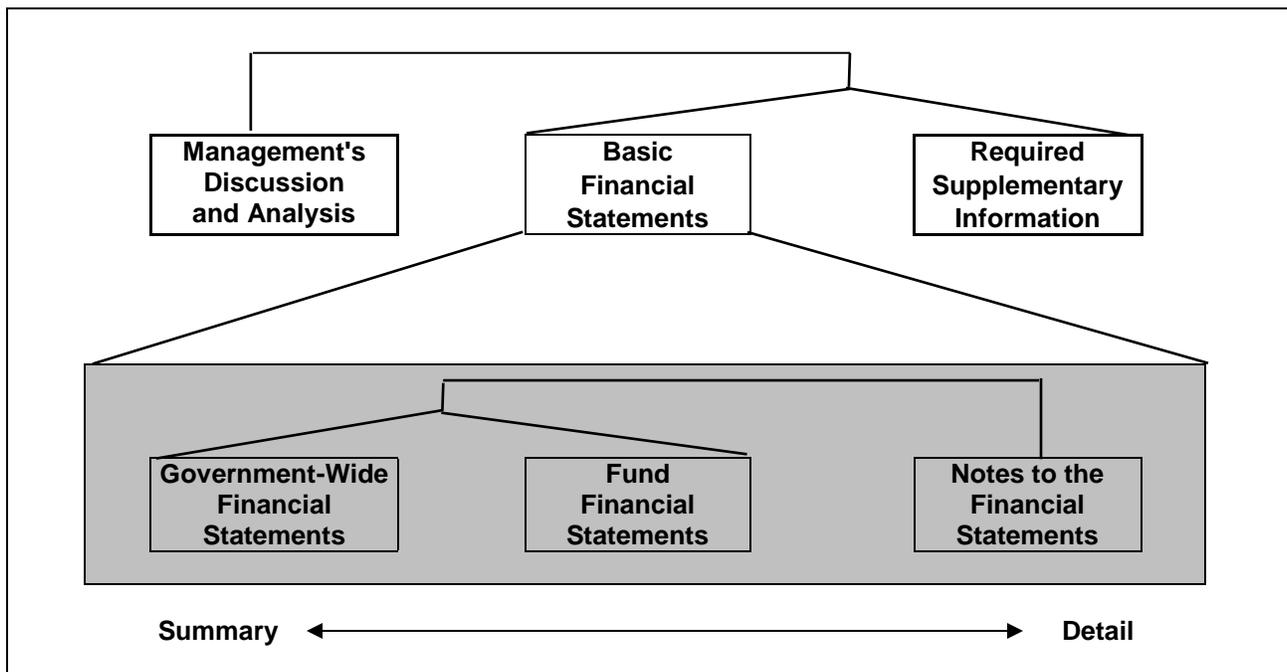


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

FIGURE A-2				
MAJOR FEATURES OF THE GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS				
	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses, such as food services and three-year-old preschool	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statements of revenue, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of fund balance that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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 revenue 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 nonfinancial 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 and Preschool programs are 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 or 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 demonstrate it is properly using certain revenue, such as federal grants.

The District has three kinds of funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial 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 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, 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 revenue, expenditures and changes in fund balances.

- *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 funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District's enterprise funds are the School Nutrition Fund and the Preschool Fund.

The required financial statements for proprietary funds include a statement of net position, a statement of revenue, expenses and changes in fund net position and a statement of cash flows.

- *Fiduciary Fund:* The District serves as the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust Fund.
 - Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary fund 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 the fiduciary fund 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

Figure A-3 below provides a summary of the District's net position as of June 30, 2015 compared to June 30, 2014.

FIGURE A-3
CONDENSED STATEMENT OF NET POSITION

	Governmental Activities June 30,		Business- Type Activities June 30,		Total District June 30,		Total Change June 30, 2014-2015
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	
Current and other assets	\$ 17,996,985	\$ 18,792,697	\$ 171,905	\$ 149,840	\$ 18,168,890	\$ 18,942,537	(4.1)%
Capital assets	18,938,083	18,538,123	138,979	151,316	19,077,062	18,689,439	2.1
Total Assets	36,935,068	37,330,820	310,884	301,156	37,245,952	37,631,976	(1.0)
Deferred Outflows of Resources	961,723	—	26,712	—	988,435	—	100.0
Total Assets and Deferred Outflows of Resources	\$ 37,896,791	\$ 37,330,820	\$ 337,596	\$ 301,156	\$ 38,234,387	\$ 37,631,976	1.6
Long-term liabilities	\$ 9,939,714	\$ 6,538,057	\$ 139,774	\$ —	\$ 10,079,488	\$ 6,538,057	54.2
Other liabilities	1,884,837	1,786,025	65,857	48,479	1,950,694	1,834,504	6.3
Total Liabilities	11,824,551	8,324,082	205,631	48,479	12,030,182	8,372,561	43.7
Deferred Inflows of Resources	8,603,121	7,006,658	53,306	—	8,656,427	7,006,658	23.5
Net Position							
Net investment in capital assets	14,358,583	12,228,123	138,979	151,316	14,497,562	12,379,439	17.1
Restricted	5,250,652	6,144,787	—	—	5,250,652	6,144,787	(14.6)
Unrestricted	(2,140,116)	3,627,170	(60,320)	101,361	(2,200,436)	3,728,531	(159.0)
Total Net Position	17,469,119	22,000,080	78,659	252,677	17,547,778	22,252,757	(21.1)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 37,896,791	\$ 37,330,820	\$ 337,596	\$ 301,156	\$ 38,234,387	\$ 37,631,976	1.6

The District's total net position decreased 21.1%, or \$4,704,979, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

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 by 14.6%, or \$894,135, from the prior period. The decrease was primarily the result of spending down debt service and capital projects balances.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased 159%, or \$5,928,967. The decrease in unrestricted net position was primarily the result of the District's net pension liability recorded in the current year.

The Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27*, was implemented during fiscal year 2015. The beginning net position as of July 31, 2014 for governmental activities and business-type activities were restated by \$5,775,882 and \$178,635, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 as compared to the year ended June 30, 2014.

**FIGURE A-4
CHANGES IN NET POSITION**

	Governmental Activities June 30,		Business- Type Activities June 30,		Total District June 30,		Total Change 2014-2015
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	
Revenue							
Program Revenue							
Charges for service	\$ 1,709,212	\$ 1,732,838	\$ 448,431	\$ 447,401	\$ 2,157,643	\$ 2,180,239	(1.0)%
Operating grants and contributions	1,964,559	2,160,851	291,847	299,185	2,256,406	2,460,036	(8.3)
Capital grants and contributions	—	—	13,500	—	13,500	—	100.0
General Revenue							
Property tax	7,092,210	7,849,686	—	—	7,092,210	7,849,686	(9.6)
Income surtax	590,803	601,557	—	—	590,803	601,557	(1.8)
Statewide sales, services and use tax	1,176,270	1,029,288	—	—	1,176,270	1,029,288	14.3
Unrestricted state grants	4,451,401	4,171,511	—	—	4,451,401	4,171,511	6.7
Unrestricted investment earnings	34,678	39,047	496	1,820	35,174	40,867	(13.9)
Total Revenue	17,019,133	17,584,778	754,274	748,406	17,773,407	18,333,184	(3.1)

**FIGURE A-4
CHANGES IN NET POSITION**

	Governmental Activities June 30,		Business- Type Activities June 30,		Total District June 30,		Total Change 2014-2015
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	
Program Expenses							
Instruction	\$ 9,564,921	\$ 9,422,983	\$ —	\$ —	\$ 9,564,921	\$ 9,422,983	1.5%
Support services	4,956,459	4,469,229	—	—	4,956,459	4,469,229	10.9
Noninstructional programs	—	—	749,657	777,865	749,657	777,865	(3.6)
Other expenses	<u>1,252,832</u>	<u>1,303,686</u>	<u>—</u>	<u>—</u>	<u>1,252,832</u>	<u>1,303,686</u>	<u>(3.9)</u>
Total Program Expenses	<u>15,774,212</u>	<u>15,195,898</u>	<u>749,657</u>	<u>777,865</u>	<u>16,523,869</u>	<u>15,973,763</u>	<u>3.4</u>
Change in Net Position	1,244,921	2,388,880	4,617	(29,459)	1,249,538	2,359,421	(47.0)
Net Position - Beginning of Year, as restated (Note 16)	<u>16,224,198</u>	<u>19,611,200</u>	<u>74,042</u>	<u>282,136</u>	<u>16,298,240</u>	<u>19,893,336</u>	<u>(18.1)</u>
Net Position - End of Year	<u>\$ 17,469,119</u>	<u>\$ 22,000,080</u>	<u>\$ 78,659</u>	<u>\$ 252,677</u>	<u>\$ 17,547,778</u>	<u>\$ 22,252,757</u>	<u>(21.1)%</u>

In fiscal year 2015, property tax and unrestricted state grants accounted for 67.8% of governmental activities revenue while charges for service and operating grants and contributions accounted for 98.1% of business-type activities revenue. The District's total revenue was approximately \$17.8 million, of which approximately \$17 million was for governmental activities and \$0.8 million was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 3.1% decrease in revenue and a 3.4% increase in expenses. The decrease in revenue was primarily due to a decrease in property tax revenue and the increase in expenses can be primarily attributed to an increase in operation and maintenance of plant expenses.

Governmental Activities

Revenue for governmental activities was \$17,019,133 and expenses were \$15,774,212 for the year ended June 30, 2015.

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

**FIGURE A-5
TOTAL AND NET COST OF GOVERNMENTAL ACTIVITIES**

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not Restated)	Total Change 2014-2015	2015	2014 (Not Restated)	Total Change 2014-2015
Instruction	\$ 9,564,921	\$ 9,422,983	1.5%	\$ 6,564,003	\$ 6,190,343	6.0%
Support services	4,956,459	4,469,229	10.9	4,812,854	4,335,492	11.0
Other expenses	<u>1,252,832</u>	<u>1,303,686</u>	<u>(3.9)</u>	<u>723,584</u>	<u>776,374</u>	<u>(6.8)</u>
Total	<u>\$ 15,774,212</u>	<u>\$ 15,195,898</u>	<u>3.8%</u>	<u>\$ 12,100,441</u>	<u>\$ 11,302,209</u>	<u>7.1%</u>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,709,212.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,964,559.
- The net cost of governmental activities was financed with \$8,859,283 in property and other taxes and \$4,451,401 in unrestricted state grants.

Business-Type Activities

Revenue for business-type activities during the year ended June 30, 2015 was \$754,274, representing a 0.8% increase from the prior year, while expenses totaled \$749,657, a 3.6% decrease from the prior year. The District's business-type activities include the School Nutrition Fund and the Preschool Fund. Revenue from these activities was primarily comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$8,837,348. Last year's ending fund balances were \$9,593,530. The primary reasons for the decrease in combined fund balances at the end of fiscal year 2015 was due to a decrease in property tax revenue and an increase in facilities acquisition expenditures.

Governmental Fund Highlights

- The General Fund balance decreased from \$3,283,878 to \$2,833,258 at the end of fiscal year 2015. This decrease was due, in part, to a decrease in property tax revenue and an increase in regular instruction expenditures.
- The Capital Projects Fund includes revenue from statewide sales, services and use tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting.
 - The Physical Plant and Equipment Levy (PPEL) account balance decreased from \$704,848 at the end of fiscal year 2014 to \$185,540 at the end of fiscal year 2015 due to increased expenditures for facilities acquisition and construction.
 - The Statewide Sales, Services and Use Tax account balance decreased \$146,048 due to facilities acquisition and construction expenditures and transfers in excess of revenue. Fiscal year 2015 ended with a balance of \$3,838,524 consisting primarily of unexpended statewide sales, services and use tax which will be expended as needed.

Proprietary Fund Highlights

The School Nutrition Fund balance increased from \$74,006 as of June 30, 2014 to \$78,515 as of June 30, 2015. The increase is due in part to a decrease in supplies expenses.

The Preschool Fund balance increased from \$36 as of June 30, 2014 to \$144 as of June 30, 2015.

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 the private purpose trust fund. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis. 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. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

Over the course of the year, Clear Lake Community School District did not amend its budget.

The District's total revenue was \$213,447 more than total budgeted revenue, a variance of 1.2%. The variance primarily resulted from under-budgeting state revenue.

Total expenditures were 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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2015, the District had invested \$19,077,062, net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of \$387,623, or 2.1%, from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation/amortization expense for the year was \$695,869.

**FIGURE A-6
CAPITAL ASSETS, NET OF DEPRECIATION/AMORTIZATION**

	Governmental Activities June 30,		Business-Type Activities June 30,		Total District June 30,		Total Change June 30, 2014-2015
	2015	2014	2015	2014	2015	2014	
Land	\$ 106,704	\$ 106,704	\$ —	\$ —	\$ 106,704	\$ 106,704	0.0%
Construction in progress	420,422	68,946	—	—	420,422	68,946	509.8
Buildings	17,080,014	17,586,588	—	—	17,080,014	17,586,588	(2.9)
Improvements other than buildings	884,730	254,773	—	—	884,730	254,773	247.3
Furniture and equipment	446,213	521,112	138,979	151,316	585,192	672,428	(13.0)
Total	<u>\$ 18,938,083</u>	<u>\$ 18,538,123</u>	<u>\$ 138,979</u>	<u>\$ 151,316</u>	<u>\$ 19,077,062</u>	<u>\$ 18,689,439</u>	<u>2.1%</u>

Long-Term Debt

As of June 30, 2015, the District had a total of \$5,260,000 in general obligation and revenue bonds outstanding. This represents a decrease of \$1,050,000 from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The constitution of the State of Iowa limits the amount of debt districts can issue to 5% of the assessed value of all taxable property within the District. The District's outstanding bonded indebtedness is significantly below its constitutional debt limit of approximately \$55 million.

**FIGURE A-7
OUTSTANDING LONG-TERM OBLIGATIONS**

	Total District June 30,		Total Change June 30, 2014-2015
	2015	2014	
General obligation bonds	\$ 520,000	\$ 1,035,000	(49.8)%
Revenue bonds	<u>4,740,000</u>	<u>5,275,000</u>	<u>(10.1)</u>
Total	<u>\$ 5,260,000</u>	<u>\$ 6,310,000</u>	<u>(16.6)%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

School financing is highly dependent upon student enrollment. The District's October, 2015 enrollment increased by 12 students and projections show declining enrollment over the next several years.

The contracts with the Clear Lake Education Teacher Association (CLEA) and other groups always have an impact on the District's financial health. The settlements were in excess of "new money" or allowable growth in state funding and will have an adverse effect on the District's future General Fund budget and related fund balance.

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 Lorna Leerar, Business Manager/Board Secretary, Clear Lake Community School District, 1529 - 3rd Avenue, N, Clear Lake, IA 50428.

Basic Financial Statements

Statement of Net Position

As of June 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Clear Lake Community School Foundation
Assets and Deferred Outflows of Resources				
Assets				
Cash, cash equivalents and pooled investments....	\$ 10,195,955	\$ 105,974	\$ 10,301,929	\$ 979,235
Receivables				
Property Tax, Net of Allowance				
Current year delinquent.....	45,520	—	45,520	—
Succeeding year	6,782,459	—	6,782,459	—
Accounts	14,235	634	14,869	—
Internal balances.....	(29,381)	29,381	—	—
Due from other governments	925,967	2,023	927,990	—
Inventories and prepaid items.....	62,230	33,893	96,123	—
Capital assets, net of accumulated depreciation/ amortization	18,938,083	138,979	19,077,062	—
Total Assets	<u>36,935,068</u>	<u>310,884</u>	<u>37,245,952</u>	<u>979,235</u>
Deferred Outflows of Resources				
Pension-related deferred outflows	<u>961,723</u>	<u>26,712</u>	<u>988,435</u>	<u>—</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 37,896,791</u>	<u>\$ 337,596</u>	<u>\$ 38,234,387</u>	<u>\$ 979,235</u>
Liabilities, Deferred Inflows of Resources and Net Position				
Liabilities				
Accounts payable.....	\$ 282,035	\$ 361	\$ 282,396	\$ —
Salaries and benefits payable.....	1,352,722	53,508	1,406,230	—
Due to other governments	182,315	—	182,315	—
Accrued interest payable	67,765	—	67,765	—
Unearned revenue	—	11,988	11,988	—
Long-Term Liabilities				
Portion Due Within One Year				
General obligation bonds.....	520,000	—	520,000	—
Revenue bonds.....	475,000	—	475,000	—
Early retirement.....	70,019	—	70,019	—
Compensated absences.....	43,162	—	43,162	—
Portion Due After One Year				
Revenue bonds.....	4,265,000	—	4,265,000	—
Early retirement.....	47,194	—	47,194	—
Net pension liability.....	4,519,339	139,774	4,659,113	—
Total Liabilities	<u>11,824,551</u>	<u>205,631</u>	<u>12,030,182</u>	<u>—</u>
Deferred Inflows of Resources				
Unavailable property tax revenue	6,782,459	—	6,782,459	—
Pension-related deferred inflows	1,820,662	53,306	1,873,968	—
Total Deferred Inflows of Resources	<u>8,603,121</u>	<u>53,306</u>	<u>8,656,427</u>	<u>—</u>
Net Position				
Net investment in capital assets	14,358,583	138,979	14,497,562	—
Restricted for				
Categorical funding	116,089	—	116,089	—
Capital improvements.....	58,181	—	58,181	—
Debt service.....	715,363	—	715,363	—
School infrastructure	3,158,024	—	3,158,024	—
Physical plant and equipment	123,310	—	123,310	—
Management levy purposes	760,484	—	760,484	—
Student activities	319,201	—	319,201	—
Unrestricted.....	(2,140,116)	(60,320)	(2,200,436)	979,235
Total Net Position	<u>17,469,119</u>	<u>78,659</u>	<u>17,547,778</u>	<u>979,235</u>
Total Liabilities, Deferred Inflows of Resources and Net Position.....	<u>\$ 37,896,791</u>	<u>\$ 337,596</u>	<u>\$ 38,234,387</u>	<u>\$ 979,235</u>

See accompanying notes to the financial statements.

Statement of Activities

Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenue			Net (Expense), Revenue and Changes in Net Position			Component Unit Clear Lake Community School Foundation
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Governmental Activities								
Instruction								
Regular	\$ 6,999,111	\$ 916,005	\$ 1,353,249	\$ —	\$ (4,729,857)	\$ —	\$ (4,729,857)	\$ —
Special	1,748,458	191,506	55,879	—	(1,501,073)	—	(1,501,073)	—
Other	817,352	468,100	16,179	—	(333,073)	—	(333,073)	—
Total Instruction	<u>9,564,921</u>	<u>1,575,611</u>	<u>1,425,307</u>	<u>—</u>	<u>(6,564,003)</u>	<u>—</u>	<u>(6,564,003)</u>	<u>—</u>
Support Services								
Student	154,626	—	—	—	(154,626)	—	(154,626)	—
Instructional staff	633,858	89,480	—	—	(544,378)	—	(544,378)	—
Administration	1,408,641	—	—	—	(1,408,641)	—	(1,408,641)	—
Operation and maintenance of plant	2,157,437	10,183	—	—	(2,147,254)	—	(2,147,254)	—
Transportation	601,897	33,938	10,004	—	(557,955)	—	(557,955)	—
Total Support Services	<u>4,956,459</u>	<u>133,601</u>	<u>10,004</u>	<u>—</u>	<u>(4,812,854)</u>	<u>—</u>	<u>(4,812,854)</u>	<u>—</u>
Other Expenses								
Long-term debt interest and fiscal charges	154,761	—	—	—	(154,761)	—	(154,761)	—
AEA flowthrough	529,248	—	529,248	—	—	—	—	—
Depreciation/amortization - unallocated*	568,823	—	—	—	(568,823)	—	(568,823)	—
Total Other Expenses	<u>1,252,832</u>	<u>—</u>	<u>529,248</u>	<u>—</u>	<u>(723,584)</u>	<u>—</u>	<u>(723,584)</u>	<u>—</u>
Total Governmental Activities	<u>15,774,212</u>	<u>1,709,212</u>	<u>1,964,559</u>	<u>—</u>	<u>(12,100,441)</u>	<u>—</u>	<u>(12,100,441)</u>	<u>—</u>
Business-Type Activities								
Noninstructional Programs								
Food service operations	730,824	429,617	291,847	13,500	—	4,140	4,140	—
Preschool	18,833	18,814	—	—	—	(19)	(19)	—
Total Business-Type Activities	<u>749,657</u>	<u>448,431</u>	<u>291,847</u>	<u>13,500</u>	<u>—</u>	<u>4,121</u>	<u>4,121</u>	<u>—</u>
Total Primary Government	<u>\$ 16,523,869</u>	<u>\$ 2,157,643</u>	<u>\$ 2,256,406</u>	<u>\$ 13,500</u>	<u>(12,100,441)</u>	<u>4,121</u>	<u>(12,096,320)</u>	<u>—</u>
Component Unit								
Clear Lake Community School Foundation	<u>\$ 47,748</u>	<u>\$ —</u>	<u>\$ 33,678</u>	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(14,070)</u>
General Revenue								
Property Tax Levied for								
General purposes					5,192,194	—	5,192,194	—
Capital outlay					694,353	—	694,353	—
Management levy purposes					658,034	—	658,034	—
Debt service					547,629	—	547,629	—
Income surtax					590,803	—	590,803	—
Statewide sales, services and use tax					1,176,270	—	1,176,270	—
Unrestricted state grants					4,451,401	—	4,451,401	—
Unrestricted interest earnings					34,678	496	35,174	30,646
Total General Revenue					<u>13,345,362</u>	<u>496</u>	<u>13,345,858</u>	<u>30,646</u>
Change in Net Position					<u>1,244,921</u>	<u>4,617</u>	<u>1,249,538</u>	<u>16,576</u>
Net Position - Beginning of Year, as restated (Note 16)					16,224,198	74,042	16,298,240	962,659
Net Position - End of Year					<u>\$ 17,469,119</u>	<u>\$ 78,659</u>	<u>\$ 17,547,778</u>	<u>\$ 979,235</u>

* This amount excludes the depreciation/amortization that is reported in the direct expenses of the various programs.

See accompanying notes to the financial statements.

Balance Sheet - Governmental Funds

As of June 30, 2015

	General	Capital Projects	Nonmajor	Total
Assets				
Cash, cash equivalents and pooled investments	\$ 4,267,903	\$ 3,890,822	\$ 2,037,230	\$ 10,195,955
Receivables				
Property Tax, Net of Allowance				
Current year delinquent	33,248	4,506	7,766	45,520
Succeeding year	5,078,841	712,872	990,746	6,782,459
Accounts	5,965	—	8,270	14,235
Due from other governments	744,056	181,911	—	925,967
Prepaid items	—	62,230	—	62,230
Total Assets	<u>\$ 10,130,013</u>	<u>\$ 4,852,341</u>	<u>\$ 3,044,012</u>	<u>\$ 18,026,366</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 93,390	\$ 115,405	\$ 73,240	\$ 282,035
Salaries and benefits payable	1,352,722	—	—	1,352,722
Due to other funds	29,381	—	—	29,381
Due to other governments	182,315	—	—	182,315
Total Liabilities	<u>1,657,808</u>	<u>115,405</u>	<u>73,240</u>	<u>1,846,453</u>
Deferred Inflows of Resources				
Unavailable Revenue				
Succeeding year property tax	5,078,841	712,872	990,746	6,782,459
Income surtax	560,106	—	—	560,106
Total Deferred Inflows of Resources	<u>5,638,947</u>	<u>712,872</u>	<u>990,746</u>	<u>7,342,565</u>
Fund Balances				
Nonspendable prepaid items	—	62,230	—	62,230
Restricted for				
Categorical funding	116,089	—	—	116,089
Capital improvements	58,181	—	—	58,181
Debt service	—	680,500	783,128	1,463,628
School infrastructure	—	3,158,024	—	3,158,024
Physical plant and equipment	—	123,310	—	123,310
Management levy purposes	—	—	877,697	877,697
Student activities	—	—	319,201	319,201
Unassigned	2,658,988	—	—	2,658,988
Total Fund Balances	<u>2,833,258</u>	<u>4,024,064</u>	<u>1,980,026</u>	<u>8,837,348</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 10,130,013</u>	<u>\$ 4,852,341</u>	<u>\$ 3,044,012</u>	<u>\$ 18,026,366</u>

See accompanying notes to the financial statements.

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

As of June 30, 2015

Total Fund Balances for Governmental Funds (Page 17)....		\$ 8,837,348
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.....		18,938,083
Income surtax receivable is not available to pay current year expenditures and, therefore, is recognized as deferred inflows of resources in the governmental funds.....		560,106
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.....		(67,765)
Pension-related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 961,723	
Deferred inflows of resources	<u>(1,820,662)</u>	(858,939)
Long-term liabilities are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.		
General obligation bonds	\$ (520,000)	
Revenue bonds	(4,740,000)	
Early retirement.....	(117,213)	
Compensated absences.....	(43,162)	
Net pension liability	<u>(4,519,339)</u>	<u>(9,939,714)</u>
Net Position of Governmental Activities (Page 15)		<u>\$ 17,469,119</u>

Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2015

	General	Capital Projects	Nonmajor	Total
Revenue				
Local Sources				
Local tax	\$ 5,704,658	\$ 694,594	\$ 1,206,085	\$ 7,605,337
Tuition	971,627	—	—	971,627
Other	295,048	16,011	475,381	786,440
State sources	6,035,092	1,176,270	—	7,211,362
Federal sources	364,229	—	—	364,229
Total Revenue	<u>13,370,654</u>	<u>1,886,875</u>	<u>1,681,466</u>	<u>16,938,995</u>
Expenditures				
Current				
Instruction				
Regular	7,130,108	—	132,359	7,262,467
Special	1,807,817	—	—	1,807,817
Other	380,915	—	450,911	831,826
Total Instruction	<u>9,318,840</u>	<u>—</u>	<u>583,270</u>	<u>9,902,110</u>
Support Services				
Student	160,252	—	—	160,252
Instructional staff	654,341	—	—	654,341
Administration	1,312,108	—	133,721	1,445,829
Operation and maintenance of plant	1,328,807	—	—	1,328,807
Transportation	517,678	37,250	—	554,928
Total Support Services	<u>3,973,186</u>	<u>37,250</u>	<u>133,721</u>	<u>4,144,157</u>
Other Expenditures				
Facilities acquisition	—	1,909,182	—	1,909,182
Long-Term Debt				
Principal	—	—	1,050,000	1,050,000
Interest and fiscal charges	—	—	160,480	160,480
AEA flowthrough	529,248	—	—	529,248
Total Other Expenditures	<u>529,248</u>	<u>1,909,182</u>	<u>1,210,480</u>	<u>3,648,910</u>
Total Expenditures	<u>13,821,274</u>	<u>1,946,432</u>	<u>1,927,471</u>	<u>17,695,177</u>
Revenue Under Expenditures	<u>(450,620)</u>	<u>(59,557)</u>	<u>(246,005)</u>	<u>(756,182)</u>
Other Financing Sources (Uses)				
Transfers in	—	—	605,799	605,799
Transfers out	—	(605,799)	—	(605,799)
Total Other Financing Sources (Uses)	<u>—</u>	<u>(605,799)</u>	<u>605,799</u>	<u>—</u>
Change in Fund Balances	<u>(450,620)</u>	<u>(665,356)</u>	<u>359,794</u>	<u>(756,182)</u>
Fund Balances - Beginning of Year	3,283,878	4,689,420	1,620,232	9,593,530
Fund Balances - End of Year	<u>\$ 2,833,258</u>	<u>\$ 4,024,064</u>	<u>\$ 1,980,026</u>	<u>\$ 8,837,348</u>

See accompanying notes to the financial statements.

Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities —————

Year Ended June 30, 2015

Change in Fund Balances - Total Governmental Funds (Page 19) \$ (756,182)

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

Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, those costs are not reported in the statement of activities and are allocated over their estimated useful lives as depreciation/amortization expense in the statement of activities. The amounts of capital outlays and depreciation/amortization expense for the year are as follows:

Capital outlays.....	\$ 1,069,992	
Depreciation/amortization expense	<u>(670,032)</u>	399,960

Income surtax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds.		80,138
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.....		5,719
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The current year District employer 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.		713,158
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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:

Early retirement.....	\$ 73,957	
Compensated absences.....	(6,275)	
Pension expense.....	<u>(315,554)</u>	(247,872)

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		<u>1,050,000</u>
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Change in Net Position of Governmental Activities (Page 16) \$ 1,244,921

Statement of Net Position - Proprietary Funds

As of June 30, 2015

	Nonmajor Enterprise
Assets and Deferred Outflows of Resources	
Current Assets	
Cash, cash equivalents and pooled investments	\$ 105,974
Receivables	
Accounts	634
Due from other funds	29,381
Due from other governments	2,023
Inventories	<u>33,893</u>
Total Current Assets	<u>171,905</u>
Capital Assets, Net of Accumulated Depreciation	<u>138,979</u>
Total Assets	<u>310,884</u>
Pension Outflows of Resources	
Pension-related deferred outflows	<u>26,712</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 337,596</u>
Liabilities, Deferred Inflows of Resources and Net Position	
Current Liabilities	
Accounts payable	\$ 361
Salaries and benefits payable	53,508
Unearned revenue	<u>11,988</u>
Total Current Liabilities	<u>65,857</u>
Net Pension Liability	<u>139,774</u>
Total Liabilities	<u>205,631</u>
Deferred Inflows of Resources	
Pension-related deferred inflows	<u>53,306</u>
Net Position	
Net investment in capital assets	138,979
Unrestricted	<u>(60,320)</u>
Total Net Position	<u>78,659</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 337,596</u>

See accompanying notes to the financial statements.

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

Year Ended June 30, 2015

	Nonmajor Enterprise
Operating Revenue	
Local Sources	
Charges for service	\$ 446,019
Other receipts	<u>15,912</u>
Total Operating Revenue	<u>461,931</u>
Operating Expenses	
Noninstructional Programs	
Salaries and benefits.....	394,823
Purchased services.....	4,295
Supplies and other	324,702
Depreciation.....	<u>25,837</u>
Total Operating Expenses	<u>749,657</u>
Loss From Operations	<u>(287,726)</u>
Nonoperating Revenue	
State sources	6,715
Federal sources.....	285,132
Interest on investments	<u>496</u>
Total Nonoperating Revenue	<u>292,343</u>
Change in Net Position	4,617
Net Position - Beginning of Year, as restated (Note 16).....	<u>74,042</u>
Net Position - End of Year	<u>\$ 78,659</u>

Statement of Cash Flows - Proprietary Funds

Year Ended June 30, 2015

	Nonmajor Enterprise
Cash Flows From Operating Activities	
Cash received from sale of lunches, breakfasts and other services.....	\$ 438,559
Cash received from other	15,912
Cash received from preschool services	19,810
Cash paid to employees for services	(402,061)
Cash paid to suppliers for goods and services.....	<u>(263,762)</u>
Net Cash Used in Operating Activities.....	<u>(191,542)</u>
Cash Flows From Noncapital Financing Activities	
State grants received.....	6,715
Federal grants received.....	225,565
Net repayments received from loans to other funds.....	<u>5,250</u>
Net Cash Provided by Noncapital Financing Activities	<u>237,530</u>
Cash Flows From Investing Activities	
Acquisition of capital assets.....	(13,500)
Interest on investments	<u>496</u>
Net Cash Used in Investing Activities.....	<u>(13,004)</u>
Net Increase in Cash, Cash Equivalents and Pooled Investments	32,984
Cash, Cash Equivalents and Pooled Investments - Beginning of Year	<u>72,990</u>
Cash, Cash Equivalents and Pooled Investments - End of Year.....	<u>\$ 105,974</u>
Reconciliation of Loss From Operations to Net Cash Used in Operating Activities	
Loss from operations.....	\$ (287,726)
Adjustments to Reconcile Loss From Operations to Net Cash Used in Operating Activities	
Commodities used	65,100
Depreciation.....	25,837
Changes in Assets and Liabilities	
Decrease in accounts receivable	362
Increase in inventories.....	(226)
Increase in pension-related deferred outflows	(6,117)
Decrease in accounts payable.....	(599)
Increase in salaries and benefits payable	5,989
Increase in unearned revenue	11,988
Decrease in net pension liability	(59,456)
Increase in pension-related deferred inflows.....	<u>53,306</u>
Net Cash Used in Operating Activities.....	<u>\$ (191,542)</u>

Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2015, the District received \$57,544 of federal commodities.

Statement of Fiduciary Net Position - Fiduciary Fund

As of June 30, 2015

	Private Purpose Trust <u>Scholarships</u>
Assets	
Cash, cash equivalents and pooled investments	<u>\$ 1,118,554</u>
Net Position	
Reserved for scholarships	<u>\$ 1,118,554</u>

Statement of Changes in Fiduciary Net Position - Fiduciary Fund —————

Year Ended June 30, 2015

	Private Purpose Trust <hr style="border: 0.5px solid black;"/> Scholarships
Additions	
Local Sources	
Investment earnings.....	\$ 24,949
Contributions.....	<u>5,000</u>
Total Additions	<u>29,949</u>
Deductions	
Instruction	
Regular	
Scholarships.....	52,400
Investment fees.....	12,918
Decrease in fair value of investments	<u>4,979</u>
Total Deductions	<u>70,297</u>
Change in Net Position	(40,348)
Net Position - Beginning of Year.....	<u>1,158,902</u>
Net Position - End of Year	<u>\$ 1,118,554</u>

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Clear Lake Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the City of Clear Lake, Iowa, and the predominate agricultural territory in a portion of Cerro Gordo County. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board.

Reporting Entity

For financial reporting purposes, Clear Lake 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. The component unit discussed below has been included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Discretely Presented Component Unit

Clear Lake Community School Foundation (Foundation) is a legally separate entity, organized as a charitable organization under Chapter 501(c)(3) of the Internal Revenue Code. The Foundation was established to further develop, increase and extend the facilities and services of Clear Lake Community School District by providing broader educational opportunities to its students, staff, faculty and the residents of the geographical area which it serves. The Foundation is governed by a four-member Board of Directors. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The Foundation's fiscal year end is April 30, 2015. The financial information presented is as of and for the year ended April 30, 2015.

Jointly Governed Organizations

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 Cerro Gordo County Assessor's Conference Board.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities report information on all 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 revenue, are reported separately for business-type activities, which rely to a significant extent on fees and charges for service.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those clearly identifiable with a specific function. Program revenue includes: (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 and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenue are reported instead as general revenue.

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 Project Fund accounts.

The District reports the following major governmental funds:

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

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

The District's nonmajor proprietary funds are the *Enterprise, School Nutrition Fund* which is used to account for the food service operations of the District and the *Enterprise, Preschool Fund* which is used to account for the District's preschool.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund is the *Private Purpose Trust Fund* which 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.

Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days after year end.

Property tax, intergovernmental revenue (shared revenue, 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 terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenue. 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 revenue.

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 revenue and expenses from nonoperating items. Operating revenue 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 revenue of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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

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

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

Cash, Cash Equivalents and Pooled Investments

The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and nonnegotiable certificates of deposit with are stated at cost.

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1-1/2% monthly penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015; and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

Due From Other Governments

Due from other governments represents amounts due from the State of Iowa, various shared revenue, grants and reimbursements from other governments.

Inventories

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

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements on the consumption method.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Capital Assets

Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. The District did not have any intangible assets as of June 30, 2015. 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.

Land.....	\$ —
Buildings	5,000
Improvements other than buildings	5,000
Furniture and Equipment	
School Nutrition Fund equipment	500
Other furniture and equipment.....	5,000
Intangibles	100,000

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

Buildings	20 - 50 Years
Improvements other than buildings	15 Years
Furniture and equipment	5 - 12 Years
Intangibles	3 - 10 Years

Deferred Outflows of Resources

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

Salaries and Benefits Payable

Payroll and related expenditures for teachers and staff 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 paid time off 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 as of June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily 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.

(1) Summary of Significant Accounting Policies

Pensions

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

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Although certain revenue is measurable, it is 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 consists of property tax and income surtax receivable not collected within 60 days after year end.

Deferred inflows of resources in the statement of net position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity

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

Nonspendable - Amounts which cannot be spent because they are not in spendable form.

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 imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in the preceding classifications.

Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Notes to the Financial Statements

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks as of June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure 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.

As of June 30, 2015, the District had the following investments:

	Maturity Date	Fair Value
Tax-Exempt Bonds		
University of Iowa	July, 2016	\$ 51,165
U.S. Government Agency Obligations		
FHLB	December, 2016	51,932
FFCB	February, 2017	107,324
FHLB	September, 2018	50,273
FHLB	February, 2019	49,746
FHLB	June, 2019	50,249
FHLB	November, 2019	49,628
FNMA FFCB	December, 2019	50,080
FFCB	April, 2022	58,142
FFCB	March, 2023	48,447

As of June 30, 2015, the District also had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at amortized cost of \$265,223 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest Rate Risk

The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit Risk

The investments in the Iowa Schools Joint Investment Trust was rated AAAM by Standard and Poor's Financial Services. The University of Iowa bond was rated Aa2 by Moody's Investor Service.

Notes to the Financial Statements

(3) Due From and Due To Other Funds

The detail of interfund receivables and payables as of June 30, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
Enterprise School Nutrition	General	<u>\$ 29,381</u>

The General Fund is repaying the Enterprise, School Nutrition Fund for various receipts deposited into the General Fund not transferred to the Enterprise, School Nutrition Fund until after June 30, 2015. The balance is to be repaid by July 31, 2015.

(4) Interfund Transfers

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

Transfer to	Transfer From	Amount
Debt Service	Capital Projects	<u>\$ 605,799</u>

Transfers generally move revenue from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Governmental Activities				
Capital Assets Not Being Depreciated/Amortized				
Land.....	\$ 106,704	\$ —	\$ —	\$ 106,704
Construction in progress	<u>68,946</u>	<u>998,291</u>	<u>646,815</u>	<u>420,422</u>
Total Capital Assets Not Being Depreciated/ Amortized	<u>175,650</u>	<u>998,291</u>	<u>646,815</u>	<u>527,126</u>
Capital Assets Being Depreciated/ Amortized				
Buildings	23,628,849	1	—	23,628,850
Improvements other than buildings.....	842,098	663,695	—	1,505,793
Furniture and equipment	<u>2,956,323</u>	<u>54,820</u>	<u>121,996</u>	<u>2,889,147</u>
Total Capital Assets Being Depreciated/Amortized ..	<u>27,427,270</u>	<u>718,516</u>	<u>121,996</u>	<u>28,023,790</u>

Notes to the Financial Statements

(5) Capital Assets

	Balance - Beginning of Year	Increases	Decreases	Balance - End of Year
Less Accumulated Depreciation/ Amortization for				
Buildings	\$ 6,042,261	\$ 506,575	\$ —	\$ 6,548,836
Improvements other than buildings.....	587,325	33,738	—	621,063
Furniture and equipment	<u>2,435,211</u>	<u>129,719</u>	<u>121,996</u>	<u>2,442,934</u>
Total Accumulated Depreciation/Amortization	<u>9,064,797</u>	<u>670,032</u>	<u>121,996</u>	<u>9,612,833</u>
Total Capital Assets Being Depreciated/Amortized, Net	<u>18,362,473</u>	<u>48,484</u>	<u>—</u>	<u>18,410,957</u>
Governmental Activities				
Capital Assets, Net.....	<u>\$ 18,538,123</u>	<u>\$ 1,046,775</u>	<u>\$ 646,815</u>	<u>\$ 18,938,083</u>
Business-Type Activities				
Furniture and equipment	\$ 385,925	\$ 13,500	\$ —	\$ 399,425
Less accumulated depreciation	<u>234,609</u>	<u>25,837</u>	<u>—</u>	<u>260,446</u>
Business-Type Activities				
Capital Assets, Net.....	<u>\$ 151,316</u>	<u>\$ (12,337)</u>	<u>\$ —</u>	<u>\$ 138,979</u>

Depreciation/amortization expense was charged to the following functions:

Governmental Activities

Instruction			
Regular			\$ 26,241
Other.....			906
Support Services			
Operation and maintenance of plant			13,799
Transportation.....			<u>60,263</u>
Subtotal.....			101,209
Unallocated			<u>568,823</u>
Total Depreciation/Amortization Expense - Governmental Activities.....			<u>\$ 670,032</u>

Business-Type Activities

School Nutrition			<u>\$ 25,837</u>
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Notes to the Financial Statements

(6) Long-Term Liabilities

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

	Balance - Beginning of Year	Additions	Reductions	Balance - End of Year	Due Within One Year
Governmental Activities					
General obligation bonds...	\$ 1,035,000	\$ —	\$ 515,000	\$ 520,000	\$ 520,000
Revenue bonds	5,275,000	—	535,000	4,740,000	475,000
Early retirement	191,170	58,402	132,359	117,213	70,019
Compensated absences....	36,887	43,162	36,887	43,162	43,162
Net pension liability.....	6,441,767	—	1,922,428	4,519,339	—
Total	\$ 12,979,824	\$ 101,564	\$ 3,141,674	\$ 9,939,714	\$ 1,108,181
Business-Type Activities					
Net pension liability.....	\$ 199,230	\$ —	\$ 59,456	\$ 139,774	\$ —

General Obligation Bonds

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

Year Ending June 30,	Bonds Issued April, 2010			
	Interest Rates	Principal	Interest	Total
2016	2.70%	<u>\$ 520,000</u>	<u>\$ 14,040</u>	<u>\$ 534,040</u>

Revenue Bonds

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bonds Issued June, 2011			
	Interest Rates	Principal	Interest	Total
2016	1.70%	\$ 475,000	\$ 126,813	\$ 601,813
2017	2.00	485,000	117,925	602,925
2018	2.25	495,000	107,506	602,506
2019	2.50	510,000	95,563	605,563
2020	2.75	520,000	82,038	602,038
2021-2024	3.00 - 3.60	<u>2,255,000</u>	<u>158,500</u>	<u>2,413,500</u>
		\$ 4,740,000	\$ 688,345	\$ 5,428,345

The District has pledged future statewide sales, services and use tax revenue to repay the \$6,805,000 bonds issued in June, 2011. The bonds were issued to finance school school renovations and to refund the 2007 bonds which were issued for the purpose of financing a school building addition. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 40% of the statewide sales, services and use tax revenue. The total principal and interest remaining to be paid on the bonds is \$5,428,345. For the current year, principal and interest of \$535,000 and \$134,595, respectively, was paid on the bonds and total statewide sales, services and use tax revenue was \$1,176,270.

Notes to the Financial Statements

(6) Long-Term Liabilities

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- (a) \$680,500 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account.
- (b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- (c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- (d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District was in compliance with all of the provisions for the year ended June 30, 2015.

(7) Pension and Retirement Benefits

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 IPERS. IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

Pension Benefits

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

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

(7) Pension and Retirement Benefits

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 that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

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

Disability and Death Benefits

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

Contributions

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

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

The District's contributions to IPERS for the year ended June 30, 2015 were \$735,186.

Net Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported a liability of \$4,659,113 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. As of June 30, 2014, the District's collective proportion was 0.1174792% which was an increase of 0.001816% from its proportion measured as of June 30, 2013.

Notes to the Financial Statements

(7) Pension and Retirement Benefits

For the year ended June 30, 2015, the District recognized pension expense of \$325,314. As of June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 50,636	\$ —
Changes of assumptions	202,613	—
Net difference between projected and actual earnings on pension plan investments.....	—	1,776,852
Changes in proportion and differences between District contributions and proportionate share of contributions	—	97,116
District contributions subsequent to the measurement date.....	<u>735,186</u>	<u>—</u>
Total	<u>\$ 988,435</u>	<u>\$ 1,873,968</u>

\$735,186 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,

2016	\$ (407,733)
2017	(407,733)
2018	(407,733)
2019	(407,733)
2020	<u>10,213</u>
Total	<u>\$ (1,620,719)</u>

Actuarial Assumptions

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

Rate of inflation (effective June 30, 2014)	3%
Salary increases (effective June 30, 2014)	4%, average, including inflation
Investment rate of return (effective June 30, 1996)	7.5% per annum, compounded annually, net of pension plan investment expense, including inflation

Notes to the Financial Statements

(7) Pension and Retirement Benefits

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan 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
US Equity	23%	6.31%
Non-US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u><u>100%</u></u>	

Discount Rate

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

Notes to the Financial Statements

(7) Pension and Retirement Benefits

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$8,803,263	\$4,659,113	\$1,161,201

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan

As of June 30, 2015, the District reported payables to the defined benefit pension plan of \$100,058 for legally required employer contributions and \$66,668 for legally required employee contributions which had been or will be withheld from employee wages but not yet remitted to IPERS.

(8) Other Postemployment Benefits (OPEB)

Plan Description

The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 111 active and 23 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Asset

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

Notes to the Financial Statements

(8) Other Postemployment Benefits (OPEB)

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

Annual required contribution	\$ 127,954
Interest on net OPEB asset	(6,000)
Adjustment to annual required contribution.....	<u>(61,909)</u>
Annual OPEB Cost	60,045
Contributions made	<u>134,445</u>
Increase in Net OPEB Asset	(74,400)
Net OPEB Asset - Beginning of Year.....	(122,500)
Net OPEB Asset - End of Year	<u>\$ (196,900)</u>

For calculation of the net OPEB asset, the actuary has set the transition day as July 1, 2008. The end-of-year net OPEB asset was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015. The net OPEB asset was deemed immaterial and not recorded to the government-wide financial statements.

For the year ended June 30, 2015, the District contributed \$134,445 to the medical plan. Plan members eligible for benefits contributed \$22,801, or 14.3%, of the premium costs.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
June 30, 2013	\$ 141,000	117.0%	\$ 58,000
June 30, 2014	127,800	150.5	122,500
June 30, 2015	60,045	223.9	196,900

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date for the period of July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$1,671,631 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,671,631. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,052,000 and the ratio of the UAAL to covered payroll was 33.1%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress for the retiree health plan, presented as required supplementary information in the section following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Notes to the Financial Statements

(8) Other Postemployment Benefits (OPEB)

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

As of the July 1, 2012 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District funding policy. The projected annual medical trend rate is 8.0%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP-2000 Combined Healthy Generational Mortality Table with Projection Scale, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of July 1, 2011 and applying the termination factors used in IPERS Actuarial Report as of July 1, 2011.

Projected claim costs of the medical plan are \$941 per month for retirees age 60. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Early Retirement Plan

The District offers an early retirement incentive to its employees that are at least age 55 and have at least ten years of continuous full-time service with the District. The application for early retirement is subject to approval by the Board of Education.

Under the plan, the District will pay the cost of health insurance for up to four years. The District will also make a payment to the employee's 403(b) account for an amount calculated as 100% of the difference between the employee's current salary less the BA Step One base salary.

As of June 30, 2015, the District had obligations to 14 participants with a total liability of \$117,213. Early retirement benefit expenditures for the year ended June 30, 2015 totaled \$132,359.

(10) Risk Management

The District is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors or omissions, injuries to employees and natural disasters.

Workers' Compensation, Property, General Liability and Other Insurance

The District is a member of the Iowa Public School Insurance Program (IPSIP), a public entity risk pool formed in July of 2012 between certain Iowa school districts, created in accordance with Chapter 28E of the Code of Iowa. The purpose of IPSIP is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections so as to effectively manage and contain costs for insurance coverage and related administration. IPSIP had 19 members as of June 30, 2015. IPSIP is governed by a six-member Board of Directors elected by the members of IPSIP. The District has no direct control over budgeting, financing, the governing body or management selection.

Notes to the Financial Statements

(10) Risk Management

IPSIP is not intended to function as an insurance company for the participants; rather, it is a means of combining the administration of claims and of obtaining lower insurance rates through the creation of a self-insurance pool and through the purchase of commercial insurance. The District's participation in IPSIP represents a risk-sharing pool as defined by GASB Statement No. 10 in which the District pools its risks and funds with other members and shares in the cost of losses. The District is required to make annual payments, which are determined by IPSIP, based upon its direct proportion to the pro rata share of insurance costs for coverage administered by IPSIP. IPSIP may require the participating Districts to make supplemental payments if the funds on hand are insufficient to pay expenses of the administration of IPSIP. The District was not required to make any supplemental payments to IPSIP in any of the past three fiscal years. Payments to IPSIP by the District in order to maintain adequate insurance coverage in fiscal year 2015 were \$129,821.

(11) Area Education Agency Support

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 \$529,248 for the year ended June 30, 2015, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Categorical Funding

The District's restricted fund balance for categorical funding as of June 30, 2015 is comprised of the following programs:

Program	Amount
Professional development for model core curriculum.....	\$ 39,073
Educator quality, professional development	45,880
Successful progression for early readers.....	31,136
Total	<u>\$ 116,089</u>

(13) Lease Commitments

The District leases several office copy machines under an operating lease expiring in 2020.

The following is a schedule by years of future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2015:

Year Ending June 30,	Lease Payment
2016.....	\$ 43,724
2017.....	43,724
2018.....	43,724
2019.....	43,724
2020.....	18,218
Total Minimum Payments Required	<u>\$ 193,114</u>

Rental expense for all operating leases was \$99,154 for the year ended June 30, 2015.

Notes to the Financial Statements

(14) Construction Commitment

The District entered into a contract for a security system project totaling \$512,712. As of June 30, 2015, costs of \$420,422 had been incurred on the project. The remaining balance as of June 30, 2015 of \$92,290 will be paid as work progresses on the project.

(15) Subsequent Event

Management has evaluated subsequent events through January 29, 2016, the date the financial statements were available to be issued.

In October, 2015, the District approved the purchase of up to \$400,000 of kitchen equipment. The equipment purchases will be primarily funded with property tax revenue from the Capital Projects Fund - Physical Plant and Equipment Levy.

(16) Accounting Change/Restatement

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

	Governmental Activities	Business-Type Activities
Net position - June 30, 2014, as previously reported	\$ 22,000,080	\$ 252,677
Net pension liability as of June 30, 2014.....	(6,441,767)	(199,230)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>665,885</u>	<u>20,595</u>
Net Position - July 1, 2014, as Restated.....	<u>\$ 16,224,198</u>	<u>\$ 74,042</u>

Required Supplementary Information

Schedule of Budgetary Comparison of Revenue, Expenditures/Expenses and Changes in Balances - Budget to Actual - All Governmental Funds and Proprietary Funds

Year Ended June 30, 2015

	Actual			Budgeted Amounts Original and Final	Over (Under) Budget
	Governmental Funds	Proprietary Funds	Total		
Revenue					
Local sources	\$ 9,363,404	\$ 462,427	\$ 9,825,831	\$ 10,500,562	\$ (674,731)
State sources	7,211,362	6,715	7,218,077	6,340,337	877,740
Federal sources	<u>364,229</u>	<u>285,132</u>	<u>649,361</u>	<u>638,923</u>	<u>10,438</u>
Total Revenue.....	<u>16,938,995</u>	<u>754,274</u>	<u>17,693,269</u>	<u>17,479,822</u>	<u>213,447</u>
Expenditures/Expenses					
Instruction.....	9,902,110	—	9,902,110	10,575,000	(672,890)
Support services	4,144,157	—	4,144,157	5,407,000	(1,262,843)
Noninstructional programs	—	749,657	749,657	975,000	(225,343)
Other expenditures.....	<u>3,648,910</u>	<u>—</u>	<u>3,648,910</u>	<u>5,292,754</u>	<u>(1,643,844)</u>
Total Expenditures/ Expenses	<u>17,695,177</u>	<u>749,657</u>	<u>18,444,834</u>	<u>22,249,754</u>	<u>(3,804,920)</u>
Revenue Over (Under) Expenditures/Expenses....	(756,182)	4,617	(751,565)	(4,769,932)	4,018,367
Balance - Beginning of Year, as restated (Note 16)	<u>9,593,530</u>	<u>74,042</u>	<u>9,667,572</u>	<u>9,326,541</u>	<u>341,031</u>
Balance - End of Year	<u>\$ 8,837,348</u>	<u>\$ 78,659</u>	<u>\$ 8,916,007</u>	<u>\$ 4,556,609</u>	<u>\$ 4,359,398</u>

Notes to Required Supplementary Information - Budgetary Reporting ————

Year Ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard 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 the Private-Purpose Trust Fund. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the 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, noninstructional 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 that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2015, the District did not amend the budget.

During the year ended June 30, 2015, expenditures did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

Schedule of Proportionate Share of the Net Pension Liability ————— Iowa Public Employees' Retirement System

Last Fiscal Year*

	2015
District's proportion of the net pension liability	0.1174792%
District's proportionate share of the net pension liability	\$4,659,113
District's covered-employee payroll	\$7,686,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.62%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, the District will present information for those years for which information is available.

Schedule of Contributions
Iowa Public Employees' Retirement System

Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 735,186	\$ 686,328	\$ 657,886	\$ 607,553	\$ 525,188	\$ 511,470	\$ 473,941	\$ 444,185	\$ 416,457	\$ 395,313
Contributions in relation to the statutorily required contributions.....	<u>735,186</u>	<u>686,328</u>	<u>657,886</u>	<u>607,553</u>	<u>525,188</u>	<u>511,470</u>	<u>473,941</u>	<u>444,185</u>	<u>416,457</u>	<u>395,313</u>
Contribution Deficiency (Excess)	<u>\$ —</u>									
District's covered-employee payroll	\$ 8,233,000	\$ 7,686,000	\$ 7,588,000	\$ 7,529,000	\$ 7,557,000	\$ 7,691,000	\$ 7,464,000	\$ 7,342,000	\$ 7,243,000	\$ 6,879,000
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

Notes to Required Supplementary Information - Pension Liability ---

Year Ended June 30, 2015

Changes of Benefit Terms

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

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

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

Changes of Assumptions

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

- Decreased the inflation assumption from 3.25% 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.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

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

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

Notes to Required Supplementary Information - Pension Liability ---

Year Ended June 30, 2015

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

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

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

Schedule of Funding Progress for the Retiree Health Plan ---

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2009	7-1-08	\$ —	\$ 879,000	\$ 879,000	0%	\$ 5,576,000	15.8%
2010	7-1-08	—	879,000	879,000	0	5,063,000	17.4
2011	7-1-10	—	1,640,000	1,640,000	0	5,481,000	29.9
2012	7-1-10	—	1,640,000	1,640,000	0	5,047,000	32.5
2013	7-1-10	—	1,640,000	1,640,000	0	4,915,000	33.4
2014	7-1-12	—	1,671,631	1,671,631	0	4,802,000	34.8
2015	7-1-12	—	1,671,631	1,671,631	0	5,052,000	33.1

See Note 8 in the accompanying notes to the financial statements for the plan description, funding policy, annual OPEB cost, net OPEB asset, funded status and funding progress.

Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds

As of June 30, 2015

	<u>Special Revenue</u>		Debt Service	Total
	Management Levy	Student Activity		
Assets				
Cash, cash equivalents and pooled investments.....	\$ 929,814	\$ 327,842	\$ 779,574	\$ 2,037,230
Receivables				
Property Tax, Net of Allowance				
Current year delinquent.....	4,212	—	3,554	7,766
Succeeding year	699,997	—	290,749	990,746
Accounts	—	8,270	—	8,270
Total Assets	<u>\$ 1,634,023</u>	<u>\$ 336,112</u>	<u>\$ 1,073,877</u>	<u>\$ 3,044,012</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	<u>\$ 56,329</u>	<u>\$ 16,911</u>	<u>\$ —</u>	<u>\$ 73,240</u>
Deferred Inflows of Resources				
Unavailable Revenue				
Succeeding year property tax.....	<u>699,997</u>	<u>—</u>	<u>290,749</u>	<u>990,746</u>
Fund Balances				
Restricted for				
Debt service	—	—	783,128	783,128
Management levy purposes	877,697	—	—	877,697
Student activities	—	319,201	—	319,201
Total Fund Balances	<u>877,697</u>	<u>319,201</u>	<u>783,128</u>	<u>1,980,026</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,634,023</u>	<u>\$ 336,112</u>	<u>\$ 1,073,877</u>	<u>\$ 3,044,012</u>

Combining Schedule of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2015

	Special Revenue			
	Management Levy	Student Activity	Debt Service	Total
Revenue				
Local Sources				
Local tax	\$ 658,267	\$ —	\$ 547,818	\$ 1,206,085
Other	3,612	469,836	1,933	475,381
Total Revenue	661,879	469,836	549,751	1,681,466
Expenditures				
Current				
Instruction				
Regular	132,359	—	—	132,359
Other	—	450,911	—	450,911
Total Instruction	132,359	450,911	—	583,270
Support Services				
Administration	129,821	—	3,900	133,721
Other Expenditures				
Long-Term Debt				
Principal	—	—	1,050,000	1,050,000
Interest and fiscal charges	—	—	160,480	160,480
Total Other Expenditures	—	—	1,210,480	1,210,480
Total Expenditures	262,180	450,911	1,214,380	1,927,471
Revenue Over (Under) Expenditures	399,699	18,925	(664,629)	(246,005)
Other Financing Sources				
Transfers in	—	—	605,799	605,799
Change in Fund Balances	399,699	18,925	(58,830)	359,794
Fund Balances - Beginning of Year	477,998	300,276	841,958	1,620,232
Fund Balances - End of Year	\$ 877,697	\$ 319,201	\$ 783,128	\$ 1,980,026

Schedule of Changes in Special Revenue Fund - Student Activity Accounts

Year Ended June 30, 2015

	Balance - Beginning of Year	Revenue	Expendi- tures	Intrafund Transfers	Balance - End of Year
Drama	\$ —	\$ —	\$ 55	\$ 55	\$ —
Speech	—	3,439	3,257	(182)	—
Vocal Music	—	2,205	4,480	2,275	—
Vocal Music Trip	731	75	—	—	806
HS Band	—	2,735	2,408	(327)	—
MS Support	1	3,040	2,133	(908)	—
Band Trip	4,892	13,804	12,045	—	6,651
Band Uniforms	3,299	640	2,332	—	1,607
Muse Norris	2,570	—	—	—	2,570
Musical	—	6,419	6,507	88	—
General Athletics	170,930	16,698	24,705	15,914	178,837
Cross Country	—	1,263	750	(513)	—
Cross Country Camp	795	3,800	2,671	—	1,924
Athletic Concessions	—	24,500	14,690	(9,810)	—
MS Student Council	1,909	2,390	2,248	—	2,051
MS Athletics	—	860	7,709	6,849	—
Boys Basketball	—	6,441	6,135	(306)	—
Boys Basketball Camp	1,324	14,948	14,439	—	1,833
Football	—	22,330	18,902	(3,428)	—
Football Camp	6,400	21,974	25,156	—	3,218
Baseball	382	13,833	12,357	(926)	932
Baseball Camp	4,067	17,226	17,198	—	4,095
Boys Track	—	4,047	3,794	(253)	—
Boys Track Camp	1,696	5,077	3,213	(1)	3,559
Boys Tennis	—	313	571	258	—
Boys Tennis Camp	192	861	1,441	388	—
Boys Golf	—	418	1,331	913	—
Boys Golf Camp	2,117	5,042	4,659	—	2,500
Wrestling	—	5,730	6,719	989	—
Wrestling Camp	510	7,558	7,356	—	712
Girls Basketball	—	10,538	8,813	(1,725)	—
Girls Basketball Camp	2,415	7,936	9,924	1	428
Dance Team	6,773	30,019	26,579	—	10,213
Volleyball	—	3,105	2,303	(802)	—
Volleyball Camp	3,953	4,998	5,121	(1)	3,829
Soccer	—	3,335	4,292	957	—
Girls Soccer	—	1,135	1,548	413	—
Girls Soccer Camp	1,265	75	852	—	488
Boys Soccer Camp	984	12,948	11,159	(1)	2,772
Softball	—	6,279	7,390	1,111	—
Softball Resale	428	3,275	2,794	—	909
Softball Camp	7,467	25,436	26,784	381	6,500
Girls Track	—	2,105	2,662	557	—
Girls Track Camp	768	952	1,323	—	397

Schedule of Changes in Special Revenue Fund - Student Activity Accounts

Year Ended June 30, 2015

	Balance - Beginning of Year	Revenue	Expendi- tures	Intrafund Transfers	Balance - End of Year
Girls Tennis	\$ —	\$ —	\$ 147	\$ 147	\$ —
Girls Tennis Camp.....	69	2,161	1,438	—	792
Girls Golf	—	326	1,344	1,018	—
Girls Golf Camp.....	2,456	1,680	1,993	—	2,143
Backpack Fund.....	4,104	750	1,650	—	3,204
Outdoor Classroom	2,291	—	1,079	1	1,213
Student Model Legislature	—	630	—	—	630
National Honor Society.....	—	300	385	85	—
Student Council	3,252	2,953	5,614	—	591
Activity Tickets.....	—	14,525	—	(14,525)	—
Mock Trial.....	—	—	150	150	—
Model United Nations	1,043	11,630	11,601	1	1,073
Yearbook.....	595	16,720	17,470	155	—
Prom	11,639	3,558	1,628	1	13,570
Values for Youth Today	897	—	—	—	897
Excel	1,680	173	45	—	1,808
Magazine Campaign.....	10,202	37,954	32,658	(2,092)	13,406
Gay-Straight Alliance.....	51	—	—	—	51
MS Art Club.....	179	482	113	—	548
Clear Creek Vocal Music	—	2,767	477	—	2,290
Jump Rope For Heart.....	736	—	—	—	736
Central Book Fair	2,313	3,484	2,384	(1)	3,412
American Field Service.....	879	—	—	—	879
French Camp.....	50	—	—	—	50
Spanish Club.....	—	1,527	1,732	205	—
Washington, D.C. Trip	359	348	—	—	707
Hall of Pride.....	567	—	—	—	567
Cheerleading	—	—	1,712	1,712	—
Cheerleading Camp.....	—	15,953	13,286	—	2,667
Athletic Towel	—	797	711	(86)	—
Tim Tjaden Grant	150	500	140	—	510
HS Student Activity/Support	1,135	4,340	3,891	1	1,585
MS Student Activity/Support	7,016	1,911	3,553	(1)	5,373
Clear Creek Student Activity/ Support	19,763	9,026	13,387	—	15,402
HS Academic Excellence.....	2,753	4,000	4,484	1	2,270
6th Grade PBL.....	—	365	327	1,000	1,038
7th Grade PBL.....	—	1,742	1,554	1,000	1,188
8th Grade PBL.....	—	2,684	1,710	1,000	1,974
HS PBL	—	5,010	3,443	—	1,567
Miscellaneous.....	—	1,738	—	(1,738)	—
Tour of Homes.....	229	—	—	—	229
Total	\$ 300,276	\$ 469,836	\$ 450,911	\$ —	\$ 319,201

Combining Balance Sheet - Capital Projects Accounts

As of June 30, 2015

	<u>Capital Projects</u>		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equip- ment Levy	
Assets			
Cash, cash equivalents and pooled investments	\$ 3,755,288	\$ 135,534	\$ 3,890,822
Receivables			
Property Tax, Net of Allowance			
Current year delinquent	—	4,506	4,506
Succeeding year	—	712,872	712,872
Due from other governments	181,911	—	181,911
Prepaid items	<u>—</u>	<u>62,230</u>	<u>62,230</u>
Total Assets	<u>\$ 3,937,199</u>	<u>\$ 915,142</u>	<u>\$ 4,852,341</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities			
Accounts payable	<u>\$ 98,675</u>	<u>\$ 16,730</u>	<u>\$ 115,405</u>
Deferred Inflows of Resources			
Unavailable Revenue			
Succeeding year property tax	<u>—</u>	<u>712,872</u>	<u>712,872</u>
Fund Balances			
Nonspendable prepaids items	—	62,230	62,230
Restricted for			
Debt service	680,500	—	680,500
School infrastructure	3,158,024	—	3,158,024
Physical plant and equipment	<u>—</u>	<u>123,310</u>	<u>123,310</u>
Total Fund Balances	<u>3,838,524</u>	<u>185,540</u>	<u>4,024,064</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,937,199</u>	<u>\$ 915,142</u>	<u>\$ 4,852,341</u>

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

Year Ended June 30, 2015

	Capital Projects		Total
	Statewide Sales, Services and Use Tax	Physical Plant and Equip- ment Levy	
Revenue			
Local Sources			
Local tax	\$ —	\$ 694,594	\$ 694,594
Other	13,853	2,158	16,011
State sources	<u>1,176,270</u>	<u>—</u>	<u>1,176,270</u>
Total Revenue	<u>1,190,123</u>	<u>696,752</u>	<u>1,886,875</u>
Expenditures			
Current			
Support Services			
Transportation	<u>—</u>	<u>37,250</u>	<u>37,250</u>
Other Expenditures			
Facilities acquisition.....	<u>730,372</u>	<u>1,178,810</u>	<u>1,909,182</u>
Total Expenditures.....	<u>730,372</u>	<u>1,216,060</u>	<u>1,946,432</u>
Revenue Over (Under) Expenditures	<u>459,751</u>	<u>(519,308)</u>	<u>(59,557)</u>
Other Financing Uses			
Transfers out	<u>(605,799)</u>	<u>—</u>	<u>(605,799)</u>
Change in Fund Balances	(146,048)	(519,308)	(665,356)
Fund Balances - Beginning of Year	<u>3,984,572</u>	<u>704,848</u>	<u>4,689,420</u>
Fund Balances - End of Year	<u>\$ 3,838,524</u>	<u>\$ 185,540</u>	<u>\$ 4,024,064</u>

Combining Schedule of Net Position - Nonmajor Proprietary Funds

As of June 30, 2015

	<u>Enterprise</u>		Total
	School Nutrition	Preschool	
Assets and Deferred Outflows of Resources			
Current Assets			
Cash, cash equivalents and pooled investments	\$ 105,666	\$ 308	\$ 105,974
Receivables			
Accounts.....	634	—	634
Due from other funds.....	29,381	—	29,381
Due from other governments	2,023	—	2,023
Inventories.....	33,893	—	33,893
Total Current Assets	<u>171,597</u>	<u>308</u>	<u>171,905</u>
Capital Assets, Net of Accumulated Depreciation	<u>138,979</u>	<u>—</u>	<u>138,979</u>
Total Assets	<u>310,576</u>	<u>308</u>	<u>310,884</u>
Deferred Outflows of Resources			
Pension-related deferred outflows	<u>26,712</u>	<u>—</u>	<u>26,712</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 337,288</u>	<u>\$ 308</u>	<u>\$ 337,596</u>
Liabilities, Deferred Inflows of Resources and Net Position			
Current Liabilities			
Accounts payable	\$ 361	\$ —	\$ 361
Salaries and benefits payable.....	53,344	164	53,508
Unearned revenue.....	11,988	—	11,988
Total Current Liabilities	<u>65,693</u>	<u>164</u>	<u>65,857</u>
Net Pension Liability	<u>139,774</u>	<u>—</u>	<u>139,774</u>
Total Liabilities	<u>205,467</u>	<u>164</u>	<u>205,631</u>
Deferred Inflows of Resources			
Pension-related deferred inflows	<u>53,306</u>	<u>—</u>	<u>53,306</u>
Net Position			
Net investment in capital assets	138,979	—	138,979
Unrestricted	(60,464)	144	(60,320)
Total Net Position	<u>78,515</u>	<u>144</u>	<u>78,659</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 337,288</u>	<u>\$ 308</u>	<u>\$ 337,596</u>

Combining Schedule of Revenue, Expenses and Changes in Fund Net Position - Nonmajor Proprietary Funds

Year Ended June 30, 2015

	Enterprise		
	School Nutrition	Preschool	Total
Operating Revenue			
Local Sources			
Charges for service	\$ 427,205	\$ 18,814	\$ 446,019
Other receipts	15,912	—	15,912
Total Operating Revenue	443,117	18,814	461,931
Operating Expenses			
Noninstructional Programs			
Salaries and benefits	375,990	18,833	394,823
Purchased services	4,295	—	4,295
Supplies and other	324,702	—	324,702
Depreciation	25,837	—	25,837
Total Operating Expenses	730,824	18,833	749,657
Loss From Operations	(287,707)	(19)	(287,726)
Nonoperating Revenue			
State sources	6,715	—	6,715
Federal sources	285,132	—	285,132
Interest on investments	369	127	496
Total Nonoperating Revenue	292,216	127	292,343
Change in Net Position	4,509	108	4,617
Net Position - Beginning of Year, as restated (Note 16)	74,006	36	74,042
Net Position - End of Year	\$ 78,515	\$ 144	\$ 78,659

Combining Schedule of Cash Flows - Nonmajor Proprietary Funds

Year Ended June 30, 2015

	<u>Enterprise</u>		
	School Nutrition	Preschool	Total
Cash Flows From Operating Activities			
Cash received from sale of lunches, breakfasts and other services	\$ 438,559	\$ —	\$ 438,559
Cash received from other	15,912	—	15,912
Cash received from preschool services	—	19,810	19,810
Cash paid to employees for services	(382,432)	(19,629)	(402,061)
Cash paid to suppliers for goods and services.....	<u>(263,762)</u>	<u>—</u>	<u>(263,762)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(191,723)</u>	<u>181</u>	<u>(191,542)</u>
Cash Flows From Noncapital Financing Activities			
State grants received.....	6,715	—	6,715
Federal grants received.....	225,565	—	225,565
Net repayments received from loans to other funds.....	<u>5,250</u>	<u>—</u>	<u>5,250</u>
Net Cash Provided by Noncapital Financing Activities	<u>237,530</u>	<u>—</u>	<u>237,530</u>
Cash Flows From Investing Activities			
Acquisition of capital assets.....	(13,500)	—	(13,500)
Interest on investments	<u>369</u>	<u>127</u>	<u>496</u>
Net Cash Provided by (Used in) Investing Activities	<u>(13,131)</u>	<u>127</u>	<u>(13,004)</u>
Net Increase in Cash, Cash Equivalents and Pooled Investments	32,676	308	32,984
Cash, Cash Equivalents and Pooled Investments - Beginning of Year	<u>72,990</u>	<u>—</u>	<u>72,990</u>
Cash, Cash Equivalents and Pooled Investments - End of Year	<u>\$ 105,666</u>	<u>\$ 308</u>	<u>\$ 105,974</u>
Reconciliation of Loss From Operations to Net Cash Provided by (Used in) Operating Activities			
Loss from operations	\$ (287,707)	\$ (19)	\$ (287,726)
Adjustments to Reconcile Loss From Operations to Net Cash Provided by (Used in) Operating Activities			
Commodities used	65,100	—	65,100
Depreciation	25,837	—	25,837
Changes in Assets and Liabilities			
(Increase) decrease in accounts receivable	(634)	996	362
Increase in inventories	(226)	—	(226)
Increase in pension-related deferred outflows..	(6,117)	—	(6,117)
Increase (decrease) in accounts payable	361	(960)	(599)
Increase in salaries and benefits payable	5,825	164	5,989
Increase in unearned revenue.....	11,988	—	11,988
Decrease in net pension liability	(59,456)	—	(59,456)
Increase in pension-related deferred inflows	<u>53,306</u>	<u>—</u>	<u>53,306</u>
Net Cash Used in Operating Activities	<u>\$ (191,723)</u>	<u>\$ 181</u>	<u>\$ (191,542)</u>

**Schedule of Revenue by Source and Expenditures by Function -
All Governmental Fund Types (Modified Accrual Basis)**

For the Last Ten Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenue										
Local Sources										
Local tax	\$ 7,605,337	\$ 8,409,758	\$ 9,336,303	\$ 9,057,055	\$ 8,226,582	\$ 7,946,850	\$ 7,803,193	\$ 7,694,208	\$ 7,378,752	\$ 7,085,360
Tuition	971,627	952,286	1,040,157	931,284	911,346	953,917	917,792	899,344	777,788	653,066
Other	786,440	864,533	682,152	845,744	619,268	684,091	719,205	1,074,227	774,109	656,568
Intermediate sources	—	—	—	—	—	—	—	—	38	—
State sources	7,211,362	6,986,165	6,337,017	6,256,062	5,825,368	5,125,710	5,943,499	5,927,369	5,587,891	5,648,453
Federal sources	<u>364,229</u>	<u>330,551</u>	<u>307,906</u>	<u>412,829</u>	<u>644,890</u>	<u>1,044,094</u>	<u>370,025</u>	<u>251,805</u>	<u>278,400</u>	<u>342,766</u>
Total	<u>\$ 16,938,995</u>	<u>\$ 17,543,293</u>	<u>\$ 17,703,535</u>	<u>\$ 17,502,974</u>	<u>\$ 16,227,454</u>	<u>\$ 15,754,662</u>	<u>\$ 15,753,714</u>	<u>\$ 15,846,953</u>	<u>\$ 14,796,978</u>	<u>\$ 14,386,213</u>
Expenditures										
Instruction										
Regular	\$ 7,262,467	\$ 6,811,207	\$ 7,092,507	\$ 6,975,264	\$ 5,842,983	\$ 5,640,992	\$ 5,755,896	\$ 5,405,018	\$ 5,181,318	\$ 5,080,574
Special	1,807,817	1,798,740	1,773,523	1,837,226	1,701,840	1,674,586	1,701,711	1,799,576	1,666,542	1,629,080
Other	831,826	861,925	766,816	1,003,226	1,925,301	1,635,168	1,186,040	1,138,333	1,062,331	1,126,853
Support Services										
Student	160,252	198,876	180,644	87,299	116,018	191,203	269,037	270,689	302,002	296,249
Instructional staff	654,341	597,305	592,674	563,217	531,809	533,631	463,790	456,067	431,875	430,435
Administration	1,445,829	1,410,051	1,297,334	1,259,085	1,275,096	1,376,261	1,338,533	1,565,650	1,303,975	1,313,135
Operation and maintenance of plant	1,328,807	1,325,343	1,270,288	1,182,817	1,311,305	1,332,685	1,415,805	1,291,820	1,273,033	1,275,457
Transportation	554,928	768,647	604,120	550,946	458,162	483,599	575,635	572,557	581,832	412,492
Noninstructional programs	—	—	—	—	—	10,821	—	—	—	—
Other Expenditures										
Facilities acquisition	1,909,182	467,313	1,239,387	3,703,515	1,393,945	582,086	1,842,399	4,174,670	1,754,063	769,713
Long-Term Debt										
Principal	1,050,000	1,275,000	1,260,000	3,670,000	1,470,000	4,345,000	1,295,000	375,000	355,000	810,000
Interest and fiscal charges	160,480	180,692	196,862	194,148	239,376	355,998	410,285	329,479	230,430	250,854
AEA flowthrough	<u>529,248</u>	<u>527,312</u>	<u>512,760</u>	<u>523,188</u>	<u>583,614</u>	<u>585,313</u>	<u>489,800</u>	<u>470,073</u>	<u>446,342</u>	<u>429,501</u>
Total	<u>\$ 17,695,177</u>	<u>\$ 16,222,411</u>	<u>\$ 16,786,915</u>	<u>\$ 21,549,931</u>	<u>\$ 16,849,449</u>	<u>\$ 18,747,343</u>	<u>\$ 16,743,931</u>	<u>\$ 17,848,932</u>	<u>\$ 14,588,743</u>	<u>\$ 13,824,343</u>

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Grant Number	Expenditures
U.S. Department of Agriculture - Indirect			
Pass-Through From Iowa Department of Education			
Child Nutrition Cluster			
School Breakfast Program.....	10.553	FY 15	\$ 31,296
National School Lunch Program	10.555	FY 15	<u>253,835*</u>
Total U.S. Department of Agriculture.....			<u>285,131</u>
U.S. Department of Education - Indirect			
Pass-Through From Area Education Agency 267			
Special Education - Grants to States.....	84.027	FY 15	<u>55,879**</u>
Pass-Through From Iowa Department of Education			
Title I Grants to Local Educational Agencies	84.010	FY 15	<u>175,898</u>
Special Education - Grants to States.....	84.027	FY 15	<u>93**</u>
Improving Teacher Quality State Grants	84.367	FY 15	<u>44,348</u>
Grants for State Assessments and Related Activities	84.369	FY 15	<u>5,019</u>
Total Pass-Through From Iowa Department of Education.....			<u>225,358</u>
Pass-Through From Mason City Community School District			
Career and Technical Education - Basic Grants to States.....	84.048	FY 15	<u>11,000</u>
Total U.S. Department of Education			<u>292,237</u>
U.S. Department of Health and Human Services - Indirect			
Pass-Through From Iowa Department of Education			
Developmental Disabilities Projects of National Significance.....	93.631	FY 15	<u>1,001</u>
Total			<u>\$ 578,369</u>

* Includes \$57,544 of noncash awards

** Total for CFDA Number 84.027 is \$55,972

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Clear Lake Community School District and is presented on the accrual or modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Subrecipients

Clear Lake Community School District provided no federal awards to subrecipients.

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

Board of Education
Clear Lake Community School District
Clear Lake, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, except as discussed in the independent auditor's report, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Clear Lake Community School District as of and for the year ended June 30, 2015, and the related notes to the financial statements. Those statements along with the unaudited financial statements of the discretely presented component unit as of and for the year ended April 30, 2015, collectively comprise the District's basic financial statements, as listed in the table of contents, and we have issued our report thereon dated March 2, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clear Lake Community School District's internal control over financial reporting (internal control) to determine the audit procedures that are 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 Clear Lake Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Clear Lake Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying schedule of findings and questioned costs as items 15-II-R-1 and 15-II-R-2 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying schedule of findings and questioned costs as items 15-II-R-3 and 15-II-R-4 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clear Lake 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, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying schedule of findings and questioned costs.

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

Clear Lake Community School District's Responses to Findings

Clear Lake Community School District's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Clear Lake 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.

HOGAN - HANSEN

HOGAN - HANSEN

Clear Lake, Iowa
March 2, 2016

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

Board of Education
Clear Lake Community School District
Clear Lake, Iowa

Report on Compliance for Each Major Federal Program

We have audited Clear Lake Community School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Clear Lake Community School District's major federal programs for the year ended June 30, 2015. Clear Lake Community School District's major federal programs are identified in Part I of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Clear Lake Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 Clear Lake 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 each major federal program. However, our audit does not provide a legal determination on Clear Lake Community School District's compliance with those requirements.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

The management of Clear Lake 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 Clear Lake Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Clear Lake Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in the District's 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 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. We consider the deficiency in internal control over compliance described in Part III of the accompanying schedule of findings and questioned costs as item 15-III-R-1 to be a material weakness.

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. We consider the deficiency in internal control over compliance described in Part III of the accompanying schedule of findings and questioned costs as item 15-III-R-2 to be a significant deficiency.

Clear Lake Community School District's responses to the internal control over compliance findings identified in our audits are described in the accompanying schedule of findings and questioned costs. Clear Lake Community School District's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

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

HOGAN - HANSEN

HOGAN - HANSEN

Clear Lake, Iowa
March 2, 2016

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Part I: Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified and Disclaimer

Internal control over financial reporting:

Material weakness identified?

yes no

Significant deficiency identified not considered to be material weakness?

yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major programs:

Material weakness identified?

yes no

Significant deficiency identified not considered to be material weakness?

yes none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133?

yes no

Identification of major programs:

CFDA Numbers or Cluster

Name of Federal Program

Child Nutrition Cluster

10.553

10.555

School Breakfast Program

National School Lunch Program

84.010

Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes no

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Part II: Findings Related to the Financial Statements

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

15-II-R-1 Segregation of Duties

Prior Year Finding and Recommendation - The limited number of personnel employed by the District in its accounting department makes it difficult to achieve adequate control procedures through the segregation of employee duties. The concentration of closely related duties and responsibilities, such as recording and preparing cash receipts, preparing and recording checks and preparation of journals and general financial information for posting makes it impossible to establish an adequate system of automatic internal checks on accounting record accuracy and reliability. The potential effect of this material weakness is an error occurring or fraudulent activity being committed and not being detected by employees or management.

We realize that segregation of duties is difficult with a limited number of office employees. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Current Year Finding - We found that the same condition still exists.

Auditor's Recommendation - We reiterate our prior year recommendation.

District's Response - We will continue to monitor our procedures and implement additional controls where possible.

Auditor's Conclusion - Response accepted.

15-II-R-2 Financial Statement Preparation

Prior Year Finding and Recommendation - The District does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with accounting principles generally accepted in the United States of America. As is inherent in many entities of this size, the District has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully prepare financial statements and the related disclosures. The potential effect of this material weakness is that there could be material errors in the financial statements which would not be discovered by management.

We recommend obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses.

Current Year Finding - We found that the same condition still exists.

Auditor's Recommendation - We reiterate our prior year recommendation.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

District's Response - We will consider obtaining additional knowledge where practical and cost effective. However, we intend to continue to rely on assistance from our audit firm to draft these financial statements and disclosures each year.

Auditor's Conclusion - Response accepted.

15-II-R-3 Purchase Orders

Prior Year Finding and Recommendation - During our audit, we noted several disbursements which were not supported by a purchase order as required by Board policy. We also noted several purchase orders which did not indicate that they had been approved by an authorized staff member as required by Board policy. The potential effect of this significant deficiency is that the District could be purchasing items that were not properly approved.

We recommend that properly approved purchase orders be used for disbursements as required by Board policy.

Current Year Finding - We found that the same condition still exists.

Auditor's Recommendation - We reiterate our prior year recommendation.

District's Response - We will review our procedures and make necessary changes to ensure properly approved purchase orders are being used.

Auditor's Conclusion - Response accepted.

15-II-R-4 Payroll

Finding - During an IPERS audit, it was discovered that the District was not reporting all required wages to IPERS. The potential effect of this under reporting is improperly calculating and remitting IPERS payments.

Auditor's Recommendation - We recommend that the District use the audit findings to properly report IPERS wages and submit payments as required.

District's Response - The necessary employees have participated in IPERS training and will verify that all required wages are reported to IPERS.

Auditor's Conclusion - Response accepted.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Part III: Findings and Questioned Costs For Federal Awards

Instances of Noncompliance

There were no reported instances of noncompliance.

Internal Control Deficiencies

All Programs Displayed on the Schedule of Expenditures of Federal Awards

15-III-R-1 Segregation of Duties (2015-001)

Prior Year Finding and Recommendation - Adequate control procedures through the segregation of employee duties is difficult to achieve due to the limited number of staff administering grants and performing accounting functions. See finding 15-II-R-1 for additional information.

CFDA Number 84.010: Title I Grants to Local Educational Agencies Federal Award Year: 2015

U.S. Department of Education

Passed Through the Iowa Department of Education

15-III-R-2 Title I Reporting (2015-002)

Finding - We noted that total expenditures reported on the final Title I budget agreed to actual expenditures but the individual line items on the budget did not agree to actual expenditures resulting in inaccurate reporting of expenditures.

Auditor's Recommendation - We recommend that the District implement procedures including review of the Title I reports by an individual separate from preparation to ensure that accurate reporting is completed as required.

District's Response - In the future, we will update the final Title I report for the year to reflect actual expenditures by line item.

Auditor's Conclusion - Response accepted.

Part IV: Other Findings Related to Statutory Reporting

15-IV-A Certified Budget - Expenditures for the year ended June 30, 2015 did not exceed the budgeted amounts.

15-IV-B Questionable Expenditures - We noted certain expenditures which did not appear to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979. Those expenditures are discussed below and also in finding 15-IV-C.

Finding - During our audit, we noted several credit card purchases that were not supported by detailed receipts. We were unable to determine if the purchases met the requirement of public purpose.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Auditor's Recommendation - The District should require and maintain detailed receipts for all credit card purchases.

District's Response - We will require employees to maintain detailed receipts for all credit card purchases.

Auditor's Conclusion - Response accepted.

15-IV-C Travel Expense

Finding - During our audit, we noted that the District is giving travel advances to employees and meal advances to students. No instances of spousal travel were noted.

Auditor's Recommendation - The District should reimburse travel and meal expenditures after proper documentation has been provided and approved.

District's Response - We will request all expenditures have proper documentation and approval and we will not provide advances to students or employees.

Auditor's Conclusion - Response accepted.

15-IV-D Business Transactions - No business transactions between the District and District officials or employees were noted.

15-IV-E 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.

15-IV-F Board Minutes - No business transactions were noted that we believe should have been approved in the Board minutes but were not.

15-IV-G Certified Enrollment

Finding - The number of students reported to the Iowa Department of Education on the Certified Enrollment Form for October, 2014 was understated by 1.00 student.

Auditor's Recommendation - The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.

District's Response - We will contact the Iowa Department of Education and the Iowa Department of Management.

Auditor's Conclusion - Response accepted.

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

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

15-IV-I Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.

15-IV-J Certified Annual Report

Finding - The Certified Annual Report was certified timely to the Iowa Department of Education; however, due to material adjusting journal entries made as a result of audit procedures, the ending audited fund balance in the Student Activity Fund, General Fund and Capital Projects Fund did not agree to the Certified Annual Report. These adjustments were made after the District certified the Certified Annual Report.

Auditor's Recommendation - The District should correct the accounting records timely to ensure that the Certified Annual Report is completed accurately.

District's Response - The District will record the necessary adjustments to ensure the accuracy of the Certified Annual Report.

Auditor's Conclusion - Response accepted.

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

15-IV-L Statewide Sales, Services and Use Tax - No instances of noncompliance with the allowable uses of the statewide sales, services and use tax revenue provided in 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, 2015, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR and adjustments identified during the fiscal year 2015 audit:

Beginning balance.....		\$ 3,984,572	
Revenue			
Sales tax revenue	\$ 1,176,270		
Other local revenue	<u>13,853</u>		1,190,123
Expenditures/Transfers Out			
School infrastructure construction	\$ 730,372		
Transfer to Debt Service Fund	<u>605,799</u>		<u>1,336,171</u>
Ending Balance			<u><u>\$ 3,838,524</u></u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.