

CLARINDA COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2016

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Clarinda Community School District

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|--------------------|---------------------|----------------------------|
|--------------------|---------------------|----------------------------|

Board of Education

(Before September 2015 Election)

| | | |
|-----------------|----------------|------|
| Darin Sunderman | President | 2015 |
| Seth Watkins | Vice President | 2015 |
| Brian Fine | Board Member | 2015 |
| Scott A. McComb | Board Member | 2017 |
| Pallin Turner | Board Member | 2017 |

(After September 2015 Election)

| | | |
|-----------------|----------------|------|
| Darin Sunderman | President | 2019 |
| Scott A. McComb | Vice President | 2017 |
| Nola Bond | Board Member | 2019 |
| Gregory Jones | Board Member | 2019 |
| Pallin Turner | Board Member | 2017 |

School Officials

| | | |
|----------------------|--|------|
| Paul Honnold | Superintendent | 2016 |
| Cindy Van Fosson | District Secretary and Business Manager | 2016 |
| Ahlers & Cooney P.C. | Attorney | 2016 |

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(a professional corporation)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of Clarinda Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clarinda Community School District, Clarinda, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clarinda Community School District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions, the Schedule of Funding Progress for the Retiree Health Plan and the Schedule of Funding Progress for the Supplemental Pension Plan on pages 7 through 15 and 46 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clarinda 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 five years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2010 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 24, 2017, on our consideration of Clarinda Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 Clarinda Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

February 24, 2017
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clarinda 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, 2016. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$10,298,531 in fiscal year 2015 to \$10,036,110 in fiscal year 2016, while General Fund expenditures also decreased from \$10,310,221 in fiscal year 2015 to \$9,962,354 in fiscal year 2016. This resulted in an increase in the District's General Fund balance from \$1,865,945 at June 30, 2015 to \$1,939,701 at June 30, 2016, a 3.95% increase from the prior year.
- The decrease in General Fund revenues was primarily attributable to decreases in tuition and state source revenue received as compared to the prior year. The decrease in expenditures was due primarily to a decrease in instruction expenditures incurred as compared to the prior year.

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 Clarinda 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 Clarinda 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 Clarinda Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan and the Schedule of Funding Progress for the Supplemental Pension Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

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

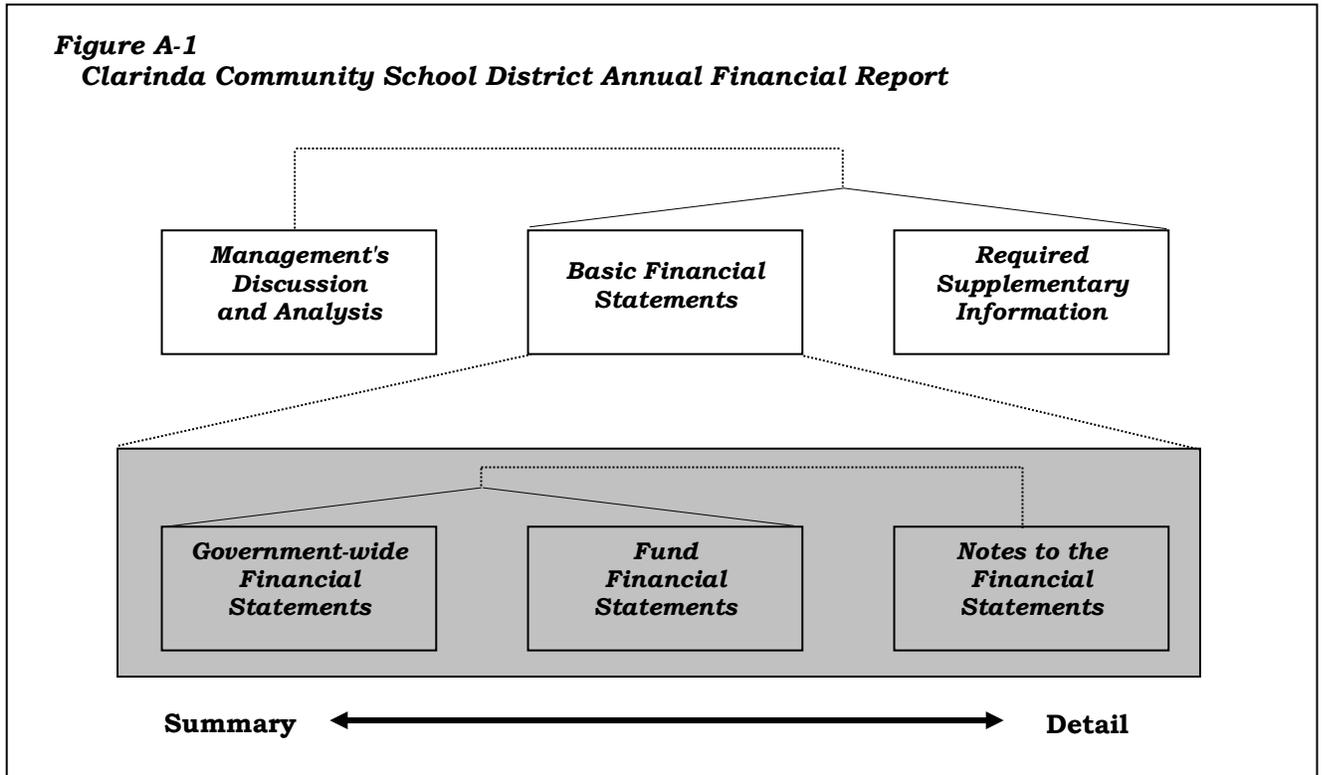


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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: food service | 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 · Statement of revenues, expenditures, and changes in fund balances | <ul style="list-style-type: none"> · Statement of net position · Statement of revenues, 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, and 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 revenues and expenses during year, regardless of when cash is received or paid | Revenues 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 revenues 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 revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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

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

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities*: The District charges fees to help cover the costs of certain services it provides. The District's School Nutrition and Cardinals Kids Zone 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 and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other 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, Debt Service Fund and Capital Projects Fund.

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provides more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Cardinal Kids Zone Fund.

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This includes 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 that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2016 compared to June 30, 2015.

Figure A-3
Condensed Statement of Net Position

| | Governmental | | Business Type | | Total | | Total |
|----------------------------------|--------------|-------------|---------------|----------|-------------|-------------|----------|
| | Activities | | Activities | | District | | Change |
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2015-16 |
| Current and other assets | \$ 9,179,338 | 9,051,668 | 107,099 | 102,958 | 9,286,437 | 9,154,626 | 1.44% |
| Capital assets | 7,675,969 | 7,829,693 | 38,954 | 46,316 | 7,714,923 | 7,876,009 | -2.05% |
| Total assets | 16,855,307 | 16,881,361 | 146,053 | 149,274 | 17,001,360 | 17,030,635 | -0.17% |
| Deferred outflows of resources | 757,066 | 780,910 | 24,740 | 24,957 | 781,806 | 805,867 | -2.99% |
| Long-term liabilities | 4,318,420 | 3,519,287 | 146,022 | 121,214 | 4,464,442 | 3,640,501 | 22.63% |
| Other liabilities | 519,852 | 886,402 | 41,622 | 40,471 | 561,474 | 926,873 | -39.42% |
| Total liabilities | 4,838,272 | 4,405,689 | 187,644 | 161,685 | 5,025,916 | 4,567,374 | 10.04% |
| Deferred inflows of resources | 3,290,573 | 4,181,910 | 12,245 | 41,021 | 3,302,818 | 4,222,931 | -21.79% |
| Net position: | | | | | | | |
| Net investment in capital assets | 7,675,969 | 7,829,693 | 38,954 | 46,316 | 7,714,923 | 7,876,009 | -2.05% |
| Restricted | 3,632,742 | 3,193,586 | - | - | 3,632,742 | 3,193,586 | 13.75% |
| Unrestricted | (1,825,183) | (1,948,607) | (68,050) | (74,791) | (1,893,233) | (2,023,398) | 6.43% |
| Total net position | \$ 9,483,528 | 9,074,672 | (29,096) | (28,475) | 9,454,432 | 9,046,197 | 4.51% |

The District's combined net position increased by 4.51%, or \$408,235, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g. land, land improvements, buildings and machinery and equipment).

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$439,156, or 13.75%, from the prior year. This increase in restricted net position was a result of the District's increase in the amount restricted for school infrastructure purposes as compared to the prior year in the Capital Projects: Statewide Sales Services and Use Tax Fund.

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 - increased \$130,165, or 6.43%. This increase in net position was contributed to by the increase in fund balance of the General Fund during fiscal year 2016.

The District's deficit unrestricted net position in its governmental activities and business type activities is due to the GASB Statement No. 68 pension and related deferred inflow and outflow reporting requirements.

Figure A-4 shows the changes in net position for the year ended June 30, 2016 compared to the year ended June 30, 2015.

Figure A-4
Change in Net Position

| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
|---|----------------------------|------------|-----------------------------|----------|-------------------|------------|-----------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2015-16 |
| Revenues: | | | | | | | |
| Program revenues: | | | | | | | |
| Charges for service | \$ 1,549,049 | 1,857,895 | 242,916 | 229,059 | 1,791,965 | 2,086,954 | -14.13% |
| Operating grants, contributions and restricted interest | 1,053,269 | 986,984 | 357,017 | 331,484 | 1,410,286 | 1,318,468 | 6.96% |
| General revenues: | | | | | | | |
| Property tax | 2,862,599 | 2,807,126 | - | - | 2,862,599 | 2,807,126 | 1.98% |
| Income surtax | 208,833 | 240,758 | - | - | 208,833 | 240,758 | -13.26% |
| Statewide sales, services and use tax | 886,301 | 886,026 | - | - | 886,301 | 886,026 | 0.03% |
| Unrestricted state grants | 4,789,071 | 4,881,164 | - | - | 4,789,071 | 4,881,164 | -1.89% |
| Unrestricted investment earnings | 8,722 | 7,570 | 92 | 93 | 8,814 | 7,663 | 15.02% |
| Other general revenues | 30,965 | 23,898 | 6,822 | 1,804 | 37,787 | 25,702 | 47.02% |
| Total revenues | 11,388,809 | 11,691,421 | 606,847 | 562,440 | 11,995,656 | 12,253,861 | -2.11% |
| Program expenses: | | | | | | | |
| Instruction | 6,780,205 | 6,979,208 | - | - | 6,780,205 | 6,979,208 | -2.85% |
| Support services | 3,522,427 | 3,563,949 | 2,211 | 2,274 | 3,524,638 | 3,566,223 | -1.17% |
| Non-instructional programs | - | - | 605,257 | 582,080 | 605,257 | 582,080 | 3.98% |
| Other expenses | 677,321 | 672,038 | - | - | 677,321 | 672,038 | 0.79% |
| Total expenses | 10,979,953 | 11,215,195 | 607,468 | 584,354 | 11,587,421 | 11,799,549 | -1.80% |
| Change in net position | 408,856 | 476,226 | (621) | (21,914) | 408,235 | 454,312 | -10.14% |
| Net position beginning of year | 9,074,672 | 8,598,446 | (28,475) | (6,561) | 9,046,197 | 8,591,885 | 5.29% |
| Net position end of year | \$ 9,483,528 | 9,074,672 | (29,096) | (28,475) | 9,454,432 | 9,046,197 | 4.51% |

In fiscal year 2016, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 76.80% of the revenue from governmental activities while charges for service and operating grants, contributions and restricted interest accounted for 98.86% of the revenue from business type activities.

The District's total revenues were approximately \$12.00 million, of which approximately \$11.39 million was for governmental activities and approximately \$0.61 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.11% decrease in revenues and a 1.80% decrease in expenses. Revenues decreased primarily due to a decrease in charges for service revenue received compared to the prior year. Expenses decreased primarily due to a decrease in instruction expenses incurred in fiscal year 2016 when compared to fiscal year 2015.

Governmental Activities

Revenues for governmental activities were \$11,388,809 and expenses were \$10,979,953 for the year ended June 30, 2016.

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, 2016 compared to those expenses for the year ended June 30, 2015.

Figure A-5
Total and Net Cost of Governmental Activities

| | Total Cost of Services | | | Net Cost of Services | | |
|------------------|------------------------|------------|-------------------|----------------------|-----------|-------------------|
| | 2016 | 2015 | Change 2015-16 | 2016 | 2015 | Change 2015-16 |
| Instruction | \$ 6,780,205 | 6,979,208 | -2.85% | 4,579,620 | 4,542,226 | 0.82% |
| Support services | 3,522,427 | 3,563,949 | -1.17% | 3,502,525 | 3,539,044 | -1.03% |
| Other expenses | 677,321 | 672,038 | 0.79% | 295,490 | 289,046 | 2.23% |
| Totals | \$ 10,979,953 | 11,215,195 | -2.10% | 8,377,635 | 8,370,316 | 0.09% |

For the year ended June 30, 2016:

- The cost financed by users of the District's programs was \$1,549,049.
- Federal and state governments along with local sources subsidized certain programs with grants and contributions totaling \$1,053,269.
- The net cost of governmental activities was financed with \$2,862,599 in property tax, \$208,833 in income surtax, \$886,301 in statewide sales, services and use tax, \$4,789,071 in unrestricted state grants, \$8,722 in unrestricted investment earnings and \$30,965 in other general revenues.

Business Type Activities

Revenues of the District's business type activities for the year ended June 30, 2016 were \$606,847 and expenses were \$607,468. The District's business type activities include the School Nutrition Fund and the Cardinals Kids Zone Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Clarinda 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 \$5,490,028, above last year's ending combined fund balances of \$4,999,230. The primary reason for the increase in combined fund balances was the increase in the fund balance of the Capital Projects Fund.

Governmental Fund Highlights

- The District's General Fund financial position is the product of many factors. As compared to the previous year, a decrease in tuition and state source revenues contributed to the decrease in total revenues for the year. The decrease in total expenditures was primarily due to a decrease in instruction expenditures and costs incurred as compared to the prior year. Despite the decrease in total revenues and expenditures for fiscal year 2016, total revenues exceeded total expenditures resulting in the General Fund balance increased from \$1,865,945 at June 30, 2015 to \$1,939,701 at June 30, 2016.
- The Capital Projects Fund balance increased from \$2,737,326 at June 30, 2015 to \$3,150,674 at June 30, 2016. Total revenues remained relatively unchanged from the prior year while total expenditures increased primarily due to an increase in administration and transportation costs incurred. Despite this increase in total expenditures, revenues still outpaced expenditures for the year ensuing the increase in ending fund balance. For fiscal year 2016.

Proprietary Fund Highlights

The School Nutrition Fund net position decreased from a deficit net position of \$42,831 at June 30, 2015 to a deficit \$43,452 at June 30, 2016, representing a decrease of 1.45%. Total revenues increased due to increases in charges for service and federal source revenues received, while expenditures increased primarily due to increases in supply costs incurred as compared to the prior year. The increase in revenues was not enough to offset the increase in expenses resulting in a decrease in net position.

The Cardinal's Kids Zone net position remained unchanged with a net position of \$14,356 at June 30, 2016. There was no activity in this fund during fiscal year 2016.

BUDGETARY HIGHLIGHTS

The District's revenues were \$133,062 less than budgeted revenues, a variance of 1.10%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily due to the District's budget for the General Fund. It is the District's practice to budget expenditures using realistic projections based from prior year expenditures with a buffer built as to not exceed the annual budget. 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.

In spite of the District's budgetary practice, expenditures in the non-instructional programs exceeded the amount budgeted during fiscal year 2016.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had invested \$7,714,923, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 2.05% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$392,945.

The original cost of the District's capital assets was \$16,474,057. Governmental activities accounted for \$16,315,990 with the remainder of \$158,067 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$6,642,179 at June 30, 2016, compared to \$6,863,566 reported at June 30, 2015. This decrease was primarily due to annual depreciation incurred by the District during the year.

Figure A-6
Capital Assets, Net of Depreciation

| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
|--------------------------|-------------------------|-----------|--------------------------|--------|----------------|-----------|--------------|
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2015-16 |
| Land | \$ 120,863 | 120,863 | - | - | 120,863 | 120,863 | 0.00% |
| Construction in progress | 7,200 | 14,426 | - | - | 7,200 | 14,426 | -50.09% |
| Buildings | 6,642,179 | 6,863,566 | - | - | 6,642,179 | 6,863,566 | -3.23% |
| Land improvements | 557,213 | 492,939 | - | - | 557,213 | 492,939 | 13.04% |
| Machinery and equipment | 348,514 | 337,899 | 38,954 | 46,316 | 387,468 | 384,215 | 0.85% |
| Total | \$ 7,675,969 | 7,829,693 | 38,954 | 46,316 | 7,714,923 | 7,876,009 | -2.05% |

Long-Term Debt

At June 30, 2016, the District had other long-term liabilities of \$4,464,442. This represents an increase of 22.639% in long-term liabilities from the prior year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 3 to the financial statements.

At June 30, 2016, the District had a net pension liability associated with the District's early retirement offering of \$25,533.

At June 30, 2016, the District had a net pension liability associated with the IPERS plan funding deficit of \$4,162,908. The District's governmental activities accounted for \$4,031,542 of the total while the District's business type activities accounted for \$131,366.

At June 30, 2016, the District had a net OPEB liability of \$276,001. The District's governmental activities accounted for \$261,345 of the total while the District's business type activities accounted for \$14,656.

Figure A-7
Outstanding Long-Term Obligations

| | Governmental Activities | | Business Type Activities | | Total District | | Total Change |
|--|-------------------------|-----------|--------------------------|---------|----------------|-----------|--------------|
| | June 30, | | June 30, | | June 30, | | June 30, |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2015-16 |
| Net pension liability - early retirement | 25,533 | - | - | - | 25,533 | - | 100.00% |
| Net pension liability - IPERS | 4,031,542 | 3,274,853 | 131,366 | 107,561 | 4,162,908 | 3,382,414 | 23.08% |
| Net OPEB liability | 261,345 | 244,434 | 14,656 | 13,653 | 276,001 | 258,087 | 6.94% |
| Total | \$ 4,318,420 | 3,519,287 | 146,022 | 121,214 | 4,464,442 | 3,640,501 | 22.63% |

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District saw an increase in certified student enrollment of 40 students in the fall of 2015. However, a decrease of 22 students in the fall of 2016 puts the District in an interesting situation. Three new teaching positions were added in 2016-2017 to keep class sizes lower. Maintaining all staff positions could prove to be difficult with an 84.8% ratio of salaries and benefits to overall budget.
- Open enrollment in vs. open enrollment out nets the district approximately 96 students and over \$615,000. If open enrollment in were to drop, it would affect the district's budget negatively.
- The district is participating in the Teacher Leadership Compensation System beginning with the 2016-2017 school year. Teacher leaders are managing the \$306,884 budget.
- Unfunded mandates affect the economic health of the district by monopolizing the time of staff members who must collect, analyze, and report information to various state and federal entities.

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 Cindy VanFosson, District Secretary and Business Manager, Clarinda Community School District, 423 East Nodaway, Clarinda, Iowa, 51632.

Clarinda Community School District

BASIC FINANCIAL STATEMENTS

CLARINDA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

| | Governmental Activities | Business Type Activities | Total |
|---|----------------------------|-----------------------------|-------------------|
| ASSETS | | | |
| Cash and pooled investments | \$ 5,135,087 | 93,890 | 5,228,977 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 44,047 | - | 44,047 |
| Succeeding year | 2,956,355 | - | 2,956,355 |
| Income surtax | 213,103 | - | 213,103 |
| Accounts | - | 6,995 | 6,995 |
| Due from other governments | 830,746 | - | 830,746 |
| Inventories | - | 6,214 | 6,214 |
| Capital assets, net of accumulated depreciation | 7,675,969 | 38,954 | 7,714,923 |
| TOTAL ASSETS | 16,855,307 | 146,053 | 17,001,360 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension related deferred outflows | 757,066 | 24,740 | 781,806 |
| LIABILITIES | | | |
| Accounts payable | 385,429 | 808 | 386,237 |
| Salaries and benefits payable | 134,423 | 36,402 | 170,825 |
| Unearned revenue | - | 4,412 | 4,412 |
| Long-term liabilities: | | | |
| Portion due after one year: | | | |
| Net pension liability - early retirement | 25,533 | - | 25,533 |
| Net pension liability - IPERS | 4,031,542 | 131,366 | 4,162,908 |
| Net OPEB liability | 261,345 | 14,656 | 276,001 |
| TOTAL LIABILITIES | 4,838,272 | 187,644 | 5,025,916 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable property tax revenue | 2,956,355 | - | 2,956,355 |
| Pension related deferred inflows | 334,218 | 12,245 | 346,463 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 3,290,573 | 12,245 | 3,302,818 |
| NET POSITION | | | |
| Net investment in capital assets | 7,675,969 | 38,954 | 7,714,923 |
| Restricted for: | | | |
| Categorical funding | 82,415 | - | 82,415 |
| School infrastructure | 2,567,497 | - | 2,567,497 |
| Physical plant and equipment | 583,177 | - | 583,177 |
| Management levy purposes | 222,262 | - | 222,262 |
| Student activities | 177,391 | - | 177,391 |
| Unrestricted | (1,825,183) | (68,050) | (1,893,233) |
| TOTAL NET POSITION | \$ 9,483,528 | (29,096) | 9,454,432 |

SEE NOTES TO FINANCIAL STATEMENTS.

CLARINDA COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | Total |
|---------------------------------------|----------------------|---------------------------|--|--|--------------------------------|--------------------|
| | Expenses | Charges for Service | Operating Grants, Contributions and Restricted Interest | Govern- mental Activities | Business Type Activities | |
| Functions/Programs: | | | | | | |
| Governmental activities: | | | | | | |
| Instruction: | | | | | | |
| Regular | \$ 3,982,833 | 835,293 | 73,392 | (3,074,148) | - | (3,074,148) |
| Special | 1,304,367 | 491,629 | 110,350 | (702,388) | - | (702,388) |
| Other | 1,493,005 | 222,127 | 467,794 | (803,084) | - | (803,084) |
| | <u>6,780,205</u> | <u>1,549,049</u> | <u>651,536</u> | <u>(4,579,620)</u> | <u>-</u> | <u>(4,579,620)</u> |
| Support services: | | | | | | |
| Student | 360,601 | - | - | (360,601) | - | (360,601) |
| Instructional staff | 546,139 | - | 8,445 | (537,694) | - | (537,694) |
| Administration | 1,197,947 | - | - | (1,197,947) | - | (1,197,947) |
| Operation and maintenance of plant | 1,075,764 | - | - | (1,075,764) | - | (1,075,764) |
| Transportation | 341,976 | - | 11,457 | (330,519) | - | (330,519) |
| | <u>3,522,427</u> | <u>-</u> | <u>19,902</u> | <u>(3,502,525)</u> | <u>-</u> | <u>(3,502,525)</u> |
| Other expenses: | | | | | | |
| AEA flowthrough | 381,831 | - | 381,831 | - | - | - |
| Depreciation(unallocated)* | 295,490 | - | - | (295,490) | - | (295,490) |
| | <u>677,321</u> | <u>-</u> | <u>381,831</u> | <u>(295,490)</u> | <u>-</u> | <u>(295,490)</u> |
| Total governmental activities | <u>10,979,953</u> | <u>1,549,049</u> | <u>1,053,269</u> | <u>(8,377,635)</u> | <u>-</u> | <u>(8,377,635)</u> |
| Business type activities: | | | | | | |
| Support services: | | | | | | |
| Operation and maintenance of plant | 2,211 | - | - | - | (2,211) | (2,211) |
| Non-instructional programs: | | | | | | |
| Food service operations | 605,257 | 242,916 | 357,017 | - | (5,324) | (5,324) |
| Total business type activities | <u>607,468</u> | <u>242,916</u> | <u>357,017</u> | <u>-</u> | <u>(5,324)</u> | <u>(7,535)</u> |
| Total | <u>\$ 11,587,421</u> | <u>1,791,965</u> | <u>1,410,286</u> | <u>(8,377,635)</u> | <u>(7,535)</u> | <u>(8,385,170)</u> |
| General Revenues: | | | | | | |
| Property tax for: | | | | | | |
| General purposes | | | | \$ 2,772,938 | - | 2,772,938 |
| Capital outlay | | | | 89,661 | - | 89,661 |
| Income surtax | | | | 208,833 | - | 208,833 |
| Statewide sales, services and use tax | | | | 886,301 | - | 886,301 |
| Unrestricted state grants | | | | 4,789,071 | - | 4,789,071 |
| Unrestricted investment earnings | | | | 8,722 | 92 | 8,814 |
| Other | | | | 30,965 | 6,822 | 37,787 |
| Total general revenues | | | | <u>8,786,491</u> | <u>6,914</u> | <u>8,793,405</u> |
| Change in net position | | | | 408,856 | (621) | 408,235 |
| Net position beginning of year | | | | 9,074,672 | (28,475) | 9,046,197 |
| Net position end of year | | | | <u>\$ 9,483,528</u> | <u>(29,096)</u> | <u>9,454,432</u> |

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

CLARINDA COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

| | General | Capital Projects | Nonmajor | Total |
|---|---------------------|---------------------|----------------|------------------|
| ASSETS | | | | |
| Cash and pooled investments | \$ 1,724,112 | 3,003,884 | 407,091 | 5,135,087 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 39,969 | 1,382 | 2,696 | 44,047 |
| Succeeding year | 2,688,012 | 93,344 | 174,999 | 2,956,355 |
| Income surtax | 213,103 | - | - | 213,103 |
| Due from other governments | 685,338 | 145,408 | - | 830,746 |
| TOTAL ASSETS | \$ 5,350,534 | 3,244,018 | 584,786 | 9,179,338 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 375,295 | - | 10,134 | 385,429 |
| Salaries and benefits payable | 134,423 | - | - | 134,423 |
| Total liabilities | 509,718 | - | 10,134 | 519,852 |
| Deferred inflows of resources: | | | | |
| Unavailable revenues: | | | | |
| Succeeding year property tax | 2,688,012 | 93,344 | 174,999 | 2,956,355 |
| Income surtax | 213,103 | - | - | 213,103 |
| Total deferred inflows of resources | 2,901,115 | 93,344 | 174,999 | 3,169,458 |
| Fund balances: | | | | |
| Restricted for: | | | | |
| Categorical funding | 82,415 | - | - | 82,415 |
| School infrastructure | - | 2,567,497 | - | 2,567,497 |
| Physical plant and equipment | - | 583,177 | - | 583,177 |
| Management levy purposes | - | - | 222,262 | 222,262 |
| Student activities | - | - | 177,391 | 177,391 |
| Unassigned | 1,857,286 | - | - | 1,857,286 |
| Total fund balances | 1,939,701 | 3,150,674 | 399,653 | 5,490,028 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 5,350,534 | 3,244,018 | 584,786 | 9,179,338 |

SEE NOTES TO FINANCIAL STATEMENTS.

CLARINDA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2016

| | | |
|---|------------------|----------------------------|
| Total fund balances of governmental funds(page 20) | | \$ 5,490,028 |
| <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. | | 7,675,969 |
| Accounts receivable income surtax is not available to pay current year expenditures, and therefore, is recognized as a deferred inflow of resources in the governmental funds. | | 213,103 |
| 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 | \$ 757,066 | |
| Deferred inflows of resources | <u>(334,218)</u> | 422,848 |
| Long-term liabilities including other postemployment benefits payable, the net pension liability associated with the District's early retirement offering and the net pension liability-IPERS are not due and payable in the current year and, therefore, are not reported in the governmental funds. | | <u>(4,318,420)</u> |
| Net position of governmental activities(page 18) | | <u><u>\$ 9,483,528</u></u> |

SEE NOTES TO FINANCIAL STATEMENTS.

CLARINDA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

| | General | Capital Projects | Nonmajor | Total |
|---|---------------------|---------------------|----------------|-------------------|
| REVENUES: | | | | |
| Local sources: | | | | |
| Local tax | \$ 2,816,829 | 89,661 | 175,248 | 3,081,738 |
| Tuition | 1,208,026 | - | - | 1,208,026 |
| Other | 165,928 | 15,869 | 223,689 | 405,486 |
| State sources | 5,194,780 | 888,109 | 3,560 | 6,086,449 |
| Federal sources | 617,416 | - | - | 617,416 |
| Total revenues | <u>10,002,979</u> | <u>993,639</u> | <u>402,497</u> | <u>11,399,115</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 4,040,935 | - | 8,578 | 4,049,513 |
| Special | 1,286,302 | - | - | 1,286,302 |
| Other | 1,258,566 | - | 229,408 | 1,487,974 |
| | <u>6,585,803</u> | <u>-</u> | <u>237,986</u> | <u>6,823,789</u> |
| Support services: | | | | |
| Student | 373,167 | - | - | 373,167 |
| Instructional staff | 363,611 | 185,735 | - | 549,346 |
| Administration | 1,089,498 | 118,746 | - | 1,208,244 |
| Operation and maintenance of plant | 887,137 | 12,952 | 160,817 | 1,060,906 |
| Transportation | 281,307 | 87,106 | - | 368,413 |
| | <u>2,994,720</u> | <u>404,539</u> | <u>160,817</u> | <u>3,560,076</u> |
| Capital outlay | - | 175,752 | - | 175,752 |
| Other expenditures: | | | | |
| AEA flowthrough | 381,831 | - | - | 381,831 |
| Total expenditures | <u>9,962,354</u> | <u>580,291</u> | <u>398,803</u> | <u>10,941,448</u> |
| Excess of revenues over expenditures | 40,625 | 413,348 | 3,694 | 457,667 |
| Other financing sources: | | | | |
| Compensation for loss of capital assets | 33,131 | - | - | 33,131 |
| Change in fund balances | 73,756 | 413,348 | 3,694 | 490,798 |
| Fund balances beginning of year | 1,865,945 | 2,737,326 | 395,959 | 4,999,230 |
| Fund balances end of year | <u>\$ 1,939,701</u> | <u>3,150,674</u> | <u>399,653</u> | <u>5,490,028</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

CLARINDA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2016

Change in fund balances - total governmental funds(page 22) \$ 490,798

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

Capital outlay to purchase or build capital assets are reported in 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 expense in the Statement of Activities. The amounts of capital outlay, depreciation expense and loss on disposal in the current year are as follows:

| | | |
|--------------------------------|--------------|-----------|
| Capital outlay | \$ 232,359 | |
| Depreciation expense | (385,583) | |
| Loss on capital asset disposal | <u>(500)</u> | (153,724) |

Income surtax account receivable is not considered available revenue and is recognized as a deferred inflow of resources in the governmental funds. (10,306)

The current year District IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. 500,012

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:

| | | |
|------------------------------------|-----------------|------------------|
| Pension expense - early retirement | (35,184) | |
| Pension expense - IPERS | (365,829) | |
| Other postemployment benefits | <u>(16,911)</u> | <u>(417,924)</u> |

Change in net position of governmental activities(page 19) \$ 408,856

SEE NOTES TO FINANCIAL STATEMENTS.

CLARINDA COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

| | Enterprise Funds | | |
|---|---------------------|------------------------|----------|
| | School Nutrition | Cardinals Kids Zone | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash and pooled investments | \$ 79,534 | 14,356 | 93,890 |
| Accounts receivable | 6,995 | - | 6,995 |
| Inventories | 6,214 | - | 6,214 |
| Total current assets | 92,743 | 14,356 | 107,099 |
| Noncurrent assets: | | | |
| Capital assets, net of accumulated depreciation | 38,954 | - | 38,954 |
| TOTAL ASSETS | 131,697 | 14,356 | 146,053 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension related deferred outflows | 24,740 | - | 24,740 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 808 | - | 808 |
| Salaries and benefits payable | 36,402 | - | 36,402 |
| Unearned revenue | 4,412 | - | 4,412 |
| Total current liabilities | 41,622 | - | 41,622 |
| Noncurrent liabilities: | | | |
| Net pension liability | 131,366 | - | 131,366 |
| Net OPEB liability | 14,656 | - | 14,656 |
| Total noncurrent liabilities | 146,022 | - | 146,022 |
| TOTAL LIABILITIES | 187,644 | - | 187,644 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension related deferred inflows | 12,245 | - | 12,245 |
| NET POSITION | | | |
| Net investment in capital assets | 38,954 | - | 38,954 |
| Unrestricted | (82,406) | 14,356 | (68,050) |
| TOTAL NET POSITION | \$ (43,452) | 14,356 | (29,096) |

SEE NOTES TO FINANCIAL STATEMENTS.

CLARINDA COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

| | Enterprise Funds | | |
|-------------------------------------|---------------------|------------------------|------------------|
| | School Nutrition | Cardinals Kids Zone | Total |
| OPERATING REVENUE: | | | |
| Local sources: | | | |
| Charges for service | \$ 242,916 | - | 242,916 |
| Miscellaneous | 470 | - | 470 |
| TOTAL OPERATING REVENUES | 243,386 | - | 243,386 |
| OPERATING EXPENSES: | | | |
| Support services: | | | |
| Operation and maintenance of plant: | | | |
| Services | 2,211 | - | 2,211 |
| Non-instructional programs: | | | |
| Food service operations: | | | |
| Salaries | 187,712 | - | 187,712 |
| Benefits | 91,169 | - | 91,169 |
| Services | 793 | - | 793 |
| Supplies | 318,221 | - | 318,221 |
| Depreciation | 7,362 | - | 7,362 |
| | 605,257 | - | 605,257 |
| TOTAL OPERATING EXPENSES | 607,468 | - | 607,468 |
| OPERATING LOSS | (364,082) | - | (364,082) |
| NON-OPERATING REVENUES: | | | |
| Insurance proceeds | 6,352 | - | 6,352 |
| State sources | 5,506 | - | 5,506 |
| Federal sources | 351,511 | - | 351,511 |
| Interest on investments | 92 | - | 92 |
| TOTAL NON-OPERATING REVENUES | 363,461 | - | 363,461 |
| Change in net position | (621) | - | (621) |
| Net position beginning of year | (42,831) | 14,356 | (28,475) |
| Net position end of year | \$ (43,452) | 14,356 | (29,096) |

SEE NOTES TO FINANCIAL STATEMENTS.

CLARINDA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

| | Enterprise Funds | | |
|---|---------------------|------------------------|-----------|
| | School Nutrition | Cardinals Kids Zone | Total |
| Cash flows from operating activities: | | | |
| Cash received from sale of lunches and breakfasts | \$ 236,148 | - | 236,148 |
| Cash received from miscellaneous | 470 | - | 470 |
| Cash payments to employees for services | (281,299) | - | (281,299) |
| Cash payments to suppliers for goods or services | (264,072) | - | (264,072) |
| Net cash used in operating activities | (308,753) | - | (308,753) |
| Cash flows from non-capital financing activities: | | | |
| State grants received | 5,506 | - | 5,506 |
| Federal grants received | 303,805 | - | 303,805 |
| Net cash provided by non-capital financing activities | 309,311 | - | 309,311 |
| Cash flows from capital and related financing activities: | | | |
| Insurance proceeds | 6,352 | - | 6,352 |
| Cash flows from investing activities: | | | |
| Interest on investments | 92 | - | 92 |
| Net increase in cash and pooled investments | 7,002 | - | 7,002 |
| Cash and pooled investments beginning of year | 72,532 | 14,356 | 86,888 |
| Cash and pooled investments end of year | \$ 79,534 | 14,356 | 93,890 |
| Reconciliation of operating loss to net cash used in operating activities: | | | |
| Operating loss | \$ (364,082) | - | (364,082) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | | |
| Commodities used | 47,900 | - | 47,900 |
| Depreciation | 7,362 | - | 7,362 |
| Decrease in inventories | 8,445 | - | 8,445 |
| Increase in accounts receivable | (5,778) | - | (5,778) |
| Increase in accounts payable | 808 | - | 808 |
| Increase in salaries and benefits payable | 1,333 | - | 1,333 |
| Decrease in unearned revenue | (990) | - | (990) |
| Increase in net pension liability | 23,805 | - | 23,805 |
| Decrease in deferred outflows of resources | 217 | - | 217 |
| Decrease in deferred inflows of resources | (28,776) | - | (28,776) |
| Increase in other postemployment benefits | 1,003 | - | 1,003 |
| Net cash used in operating activities | \$ (308,753) | - | (308,753) |

NON-CASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:

During the year ended June 30, 2016, the District received Federal commodities valued at \$47,900.

SEE NOTES TO FINANCIAL STATEMENTS.

CLARINDA COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2016

| | <u>Private Purpose Trust</u> |
|--------------------------------|----------------------------------|
| | <u>Scholarship</u> |
| ASSETS | |
| Cash and pooled investments | \$ 2,458 |
| LIABILITIES | - |
| NET POSITION | |
| Held in trust for scholarships | \$ 2,458 |

SEE NOTES TO FINANCIAL STATEMENTS.

CLARINDA COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2016

| | <u>Private Purpose Trust Scholarship</u> |
|--------------------------------|--|
| Additions: | |
| Local sources: | |
| Gifts and contributions | \$ <u>1,250</u> |
| Deductions: | |
| Instruction: | |
| Other: | |
| Scholarships awarded | <u>1,500</u> |
| Change in net position | (250) |
| Net position beginning of year | <u>2,708</u> |
| Net position end of year | <u>\$ 2,458</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

CLARINDA COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(1) Summary of Significant Accounting Policies

The Clarinda Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Clarinda, Iowa, and the agricultural territory in Page and Taylor County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

A. Reporting Entity

For financial reporting purposes, Clarinda 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 Clarinda Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do 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 Page and Taylor County Assessors' Conference Boards.

B. Basis of Presentation

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

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed 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 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 two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other 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 revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, 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 also reports the following major proprietary fund:

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

The District also reports the following nonmajor proprietary fund:

The Enterprise, Cardinal Kid Zone Fund is used to account for the classroom education operations of the District.

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

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

C. Measurement Focus and Basis of Accounting

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

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

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period 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 revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

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

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

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

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

Cash, Pooled Investments and Cash Equivalents - 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 non-negotiable certificates of deposit which 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, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are 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 represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the

following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is 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 become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2015.

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

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

Capital Assets - Capital assets, which include property, machinery, 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 market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| Asset Class | Amount |
|---------------------------------|----------|
| Land | \$ 3,000 |
| Buildings | 3,000 |
| Land improvements | 3,000 |
| Intangibles | 150,000 |
| Machinery and equipment: | |
| School Nutrition Fund equipment | 500 |
| Other machinery and equipment | 3,000 |

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

| Asset Class | Estimated Useful Lives |
|-------------------------|------------------------|
| Buildings | 50 years |
| Land improvements | 20 years |
| Intangibles | 2 or more years |
| Machinery and equipment | 5-15 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 with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Position in the Proprietary, School Nutrition Fund.

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

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

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources on 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:

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.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2016, expenditures in the non-instructional programs function exceeded the amount budgeted.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2016 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 and the Treasurer of the State

of Iowa; 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.

At June 30, 2016, the District had investments in the Iowa Schools Joint Investment Trust Direct (ISJIT) Government Obligations Portfolio which are valued at an amortized cost of \$15,167 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were not limitations or restrictions on withdrawals of the ISJIT investments. The investment in ISJIT were rated AAAM by Standard & Poor's Financial Services.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year | Due Within One Year |
|--|---------------------------------|----------------|-----------|---------------------------|---------------------------|
| Governmental Activities: | | | | | |
| Net pension liability - early retirement | \$ - | 25,533 | - | 25,533 | - |
| Net pension liability - IPERS | 3,274,853 | 756,689 | - | 4,031,542 | - |
| Net OPEB liability | 244,434 | 16,911 | - | 261,345 | - |
| Total | \$ 3,519,287 | 799,133 | - | 4,318,420 | - |
| Business Type Activities: | | | | | |
| Net pension liability - IPERS | \$ 107,561 | 23,805 | - | 131,366 | - |
| Net OPEB liability | 13,653 | 1,003 | - | 14,656 | - |
| Total | \$ 121,214 | 24,808 | - | 146,022 | - |

Termination Benefits

During the year ended June 30, 2016, the District offered a voluntary early retirement plan to its employees. Eligible employees must have been reached age 58 by June 30th of the year of retirement and a minimum of ten years of continuous service to Clarinda Community School District. The applications for early retirement were subject to approval by the Board of Education.

Early retiree benefits for classified and administrative staff equal 25% of the annual contracted salary received by the retiree in the fiscal year immediately preceding retirement. Early retiree benefits for certified staff shall equal \$15,000. These retirement benefits are a cash benefit payable in September of the year in which retirement begins.

Actual early retirement expenditures for the year ended June 30, 2016 totaled \$39,103 which was paid from the Management Levy Fund. At June 30, 2016, the District has obligations to one employee of \$8,251. The District's early retirement benefit is accounted for as a pension benefit in accordance with Governmental Accounting Standards Board Statement No. 27.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2016 is as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|--|---------------------------------|------------------|---------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 120,863 | - | - | 120,863 |
| Construction in progress | 14,426 | 31,374 | 38,600 | 7,200 |
| Total capital assets not being depreciated | <u>135,289</u> | <u>31,374</u> | <u>38,600</u> | <u>128,063</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 12,729,578 | 13,352 | - | 12,742,930 |
| Land improvements | 1,831,871 | 125,525 | 18,433 | 1,938,963 |
| Machinery and equipment | 1,462,484 | 100,708 | 57,158 | 1,506,034 |
| Total capital assets being depreciated | <u>16,023,933</u> | <u>239,585</u> | <u>75,591</u> | <u>16,187,927</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 5,866,012 | 234,739 | - | 6,100,751 |
| Land improvements | 1,338,932 | 60,751 | 17,933 | 1,381,750 |
| Machinery and equipment | 1,124,585 | 90,093 | 57,158 | 1,157,520 |
| Total accumulated depreciation | <u>8,329,529</u> | <u>385,583</u> | <u>75,091</u> | <u>8,640,021</u> |
| Total capital assets being depreciated, net | <u>7,694,404</u> | <u>(145,998)</u> | <u>500</u> | <u>7,547,906</u> |
| Governmental activities capital assets, net | <u>\$ 7,829,693</u> | <u>(114,624)</u> | <u>39,100</u> | <u>7,675,969</u> |
| Business type activities: | | | | |
| Machinery and equipment | \$ 158,067 | - | - | 158,067 |
| Less accumulated depreciation | 111,751 | 7,362 | - | 119,113 |
| Business type activities capital assets, net | <u>\$ 46,316</u> | <u>(7,362)</u> | <u>-</u> | <u>38,954</u> |

Depreciation expense was charged by the District as follows:

| | | |
|--|-----------|----------------|
| Governmental activities: | | |
| Instruction: | | |
| Regular | \$ | 3,997 |
| Other | | 1,480 |
| Support services: | | |
| Instructional staff | | 5,979 |
| Administration | | 2,813 |
| Operation and maintenance of plant | | 11,632 |
| Transportation | | 64,192 |
| | | <u>90,093</u> |
| Unallocated depreciation | | <u>295,490</u> |
| Total governmental activities depreciation expense | <u>\$</u> | <u>385,583</u> |
| Business type activities: | | |
| Food service operations | <u>\$</u> | <u>7,362</u> |

(5) Supplemental Pension Plan

Plan Description - The District offers a supplemental pension (early retirement incentive) for all full-time employees who attain age 58, has completed ten years of service to the District, submits an application to the Superintendent receives Board approval and retires by June 30 of the same year.

There are 123 active members in the plan as of June 30, 2016. The plan benefit consists of 25% of the annual contracted salary received during the fiscal year preceding retirement for classified and administrative staff and \$15,000 for certified staff.

Funding Policy - Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for payment of future benefits. The District makes the contributions from the Management Levy Fund.

Annual Pension Cost and Net Pension Obligation - The District's annual pension cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 27, as amended by GASB Statement No 50. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual pension cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the District's net pension obligation:

| | | |
|--|----|----------------|
| Annual required contribution | \$ | 43,839 |
| Interest on net pension obligation | | (129) |
| Adjustment to annual required contribution | | <u>(275)</u> |
| Annual pension cost | | 43,435 |
| Contributions made | | <u>(8,251)</u> |
| Increase in net pension obligation | | 35,184 |
| Net pension obligation - beginning of year | | <u>(9,651)</u> |
| Net pension obligation - end of year | \$ | <u>25,533</u> |

For calculation of the net pension obligation, the actuary has set the transition day as July 1, 2014. The end of year net pension obligation 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, 2016.

During the year ended June 30, 2016, the District contributed \$8,251 to the pension plan. The District's annual pension cost, the percentage of annual pension cost contributed to the plan and the net pension obligation are summarized as follows:

| Year Ended June 30, | Annual Pension Cost | Percentage of Annual Pension Cost Contributed | Net Pension Obligation |
|---------------------|---------------------|---|------------------------|
| 2015 | \$ 13,304 | 172.5% | \$ (9,651) |
| 2016 | 43,435 | 19.0% | 25,533 |

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$98,845, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$98,845. The

covered payroll (annual payroll of active employees covered by the plan) was \$5,751,700, and the ratio of the UAAL to the covered payroll was 1.7%. As of June 30, 2016, 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 employee retirement age. 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 Supplemental Pension Plan, presented as Required Supplementary Information in the section following the Notes to 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.

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 that are 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, 2014 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.50% discount rate based on the District's funding policy. The actuarial assumptions used for mortality rates, employee termination by age and group, employee retirement by age and group and others are similar to or identical to the GASB Statement No. 45 assumptions used to determine the net OPEB obligation. The UAAL is being amortized as a level dollar cost using a closed group method over 30 years.

(6) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 81 active and 13 retired members in the plan. Retired participants must be age 55 or older at retirement and have ten or more years of service to the District.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy 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 Obligation - The District's annual OPEB cost is calculated based on the annual required contribution of the District (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, 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.

The following table shows the components of the District's annual OPEB cost for June 30, 2016, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

| | | |
|--|----|-----------------------|
| Annual required contribution | \$ | 52,962 |
| Interest on net OPEB obligation | | 6,452 |
| Adjustment to annual required contribution | | (25,267) |
| Annual OPEB cost | | <u>34,147</u> |
| Contributions made | | <u>(16,232)</u> |
| Increase in net OPEB obligation | | 17,915 |
| Net OPEB obligation - beginning of year | | <u>258,086</u> |
| Net OPEB obligation - end of year | \$ | <u><u>276,001</u></u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the plans actual contributions for the year ended June 30, 2016.

For the year ended June 30, 2016, the District contributed \$16,232 to the medical plan.

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

| Year Ended June 30, | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------------|------------------|--|---------------------|
| 2014 | \$ 52,758 | 14.6% | \$ 209,273 |
| 2015 | 56,459 | 13.5% | 258,086 |
| 2016 | 34,147 | 47.5% | 276,001 |

Funded Status and Funding Progress - As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$331,752, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$331,752. The covered payroll (annual payroll of active employees covered by the plan) was \$5,751,700, and the ratio of the UAAL to the covered payroll was 5.8%. As of June 30, 2016, 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 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.

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 that are 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 July 1, 2015 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.50% discount rate based on the District's funding policy. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, projected to 2015 applied on a gender-specific basis. Annual retirement and termination probabilities were based upon the 2006 Society of Actuaries Study. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(7) Pension Plan

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 Iowa Public Employees' Retirement System (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 information purposes only. Refer to the plan documents for more information.

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

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

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month 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 - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires 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 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% of covered payroll for a total rate of 14.88%.

The District’s contributions to IPERS for the year ended June 30, 2016 were \$516,275.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the District reported a liability of \$4,162,908 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the District’s collective proportion was 0.084261 percent, which was a decrease of 0.001026 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$377,338. At June 30, 2016, 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 | \$ 62,896 | \$ - |
| Changes of assumptions | 114,615 | - |
| Net difference between projected and actual earnings on IPERS' investments | - | 346,463 |
| Changes in proportion and differences between District contributions and the District's proportionate share of contributions | 88,020 | - |
| District contributions subsequent to the measurement date | 516,275 | - |
| Total | \$ 781,806 | \$ 346,463 |

\$516,275 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 ended June 30, 2017. 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 Ended | |
|--------------|--------------------|
| June 30, | |
| 2017 | \$ (89,434) |
| 2018 | (89,434) |
| 2019 | (89,434) |
| 2020 | 184,766 |
| 2021 | 2,604 |
| Total | \$ (80,932) |

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--|--|
| Rate of inflation (effective June 30, 2014) | 3.00% per annum. |
| Rates of salary increase (effective June 30, 2010) | 4.00 to 17.00% average, including inflation. Rates vary by membership group. |
| Long-term investment rate of return (effective June 30, 1996) | 7.50%, compounded annually, net of investment expense, including inflation. |
| Wage growth (effective June 30, 1990) | 4.00%, per annum, based on 3.00% inflation and 1.00% real wage inflation. |

The actuarial assumptions used in the June 30, 2015 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 IPERS' 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:

| <u>Asset Class</u> | <u>Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|-------------------------|---|
| Core plus fixed income | 28% | 2.04 |
| Domestic equity | 24 | 6.29 |
| International equity | 16 | 6.75 |
| Private equity/debt | 11 | 11.32 |
| Real estate | 8 | 3.48 |
| Credit opportunities | 5 | 3.63 |
| U.S. TIPS | 5 | 1.91 |
| Other real assets | 2 | 6.24 |
| Cash | 1 | (0.71) |
| Total | <u>100%</u> | |

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. 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, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, 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 1% lower (6.50%) or 1% higher (8.50%) 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 | \$ 7,288,502 | \$ 4,162,908 | \$ 1,524,681 |

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

Payables to IPERS - At June 30, 2016, the District reported payables to IPERS of \$10,162 for legally required employer contributions and \$6,771 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(8) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), and Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, disability and life insurance.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2016 were \$848,909.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior notice may withdraw.

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$381,831 for the year ended June 30, 2016 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Budget Overexpenditure

Per Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2016, expenditures in the non-instructional programs functional area exceeded the budgeted amount.

(11) Categorical Funding

The District's restricted balance for categorical funding at June 30, 2016 was comprised of the following programs:

| <u>Program</u> | <u>Amount</u> |
|--|------------------|
| Gifted and talented programs | \$ 12,977 |
| Teacher salary supplement | 39,449 |
| Successful progression for early readers | 13,766 |
| Professional development for model core curriculum | 16,223 |
| Total | <u>\$ 82,415</u> |

(12) Construction Commitments

The District entered into contracts for various facility and property upgrades totaling \$209,675. As of June 30, 2016, costs of \$7,200 had been incurred against these contracts. The balance remaining on these outstanding contracts will be paid as work on the projects progresses.

(13) Reconciliation of Governmental Fund Balances to Net Position

The following is a reconciliation of certain governmental balances to the Statement of Net Position:

| | <u>Unassigned/ Unrestricted</u> |
|--|-------------------------------------|
| Fund balance (Exhibit C) | \$ 1,857,286 |
| Income surtax receivable | 213,103 |
| Net pension liability - early retirement | (25,533) |
| Net OPEB liability - IPERS | (261,345) |
| Net pension liability | (4,031,542) |
| Pension related deferred outflows | 757,066 |
| Pension related deferred inflows | (334,218) |
| Net position (Exhibit A) | <u>\$ (1,825,183)</u> |

Clarinda Community School District

REQUIRED SUPPLEMENTARY INFORMATION

CLARINDA COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUNDS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2016

| | Governmental Funds Actual | Proprietary Funds Actual | Total Actual | Budgeted Amounts | | Final to Actual Variance |
|--|---------------------------------|--------------------------------|-------------------|-------------------|-------------------|--------------------------------|
| | | | | Original | Final | |
| Revenues: | | | | | | |
| Local sources | \$ 4,695,250 | 249,830 | 4,945,080 | 5,270,929 | 5,270,929 | (325,849) |
| State sources | 6,086,449 | 5,506 | 6,091,955 | 6,074,225 | 6,074,225 | 17,730 |
| Federal sources | 617,416 | 351,511 | 968,927 | 793,870 | 793,870 | 175,057 |
| Total revenues | <u>11,399,115</u> | <u>606,847</u> | <u>12,005,962</u> | <u>12,139,024</u> | <u>12,139,024</u> | <u>(133,062)</u> |
| Expenditures/Expenses: | | | | | | |
| Instruction | 6,823,789 | - | 6,823,789 | 7,520,806 | 7,520,806 | 697,017 |
| Support services | 3,560,076 | 2,211 | 3,562,287 | 4,205,514 | 4,205,514 | 643,227 |
| Non-instructional programs | - | 605,257 | 605,257 | 600,000 | 600,000 | (5,257) |
| Other expenditures | 557,583 | - | 557,583 | 1,513,589 | 1,513,589 | 956,006 |
| Total expenditures/expenses | <u>10,941,448</u> | <u>607,468</u> | <u>11,548,916</u> | <u>13,839,909</u> | <u>13,839,909</u> | <u>2,290,993</u> |
| Excess(Deficiency) of revenues over(under) expenditures/expenses | 457,667 | (621) | 457,046 | (1,700,885) | (1,700,885) | 2,157,931 |
| Other financing sources, net | <u>33,131</u> | <u>-</u> | <u>33,131</u> | <u>-</u> | <u>-</u> | <u>(33,131)</u> |
| Excess(Deficiency) of revenues over(under) expenditures and other financing sources | 490,798 | (621) | 490,177 | (1,700,885) | (1,700,885) | (2,191,062) |
| Balances beginning of year | <u>4,999,230</u> | <u>(28,475)</u> | <u>4,970,755</u> | <u>4,613,839</u> | <u>4,613,839</u> | <u>356,916</u> |
| Balances end of year | <u>\$ 5,490,028</u> | <u>(29,096)</u> | <u>5,460,932</u> | <u>2,912,954</u> | <u>2,912,954</u> | <u>2,547,978</u> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLARINDA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2016

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison 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 Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on 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, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional 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, 2016, expenditures in the non-instructional programs function exceeded the amount budgeted.

CLARINDA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 FOR THE LAST TWO YEARS *
 REQUIRED SUPPLEMENTARY INFORMATION

| | 2016 | 2015 |
|--|--------------|-----------|
| District's proportion of the net pension liability | 0.084261% | 0.085287% |
| District's proportionate share of the net pension liability | \$ 4,162,908 | 3,382,414 |
| District's covered-employee payroll | \$ 5,772,650 | 5,580,829 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 72.11% | 60.61% |
| IPERS' net position as a percentage of the total pension liability | 85.19% | 87.61% |

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

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled the District will present information for those years for which information is available.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLARINDA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST TEN YEARS
REQUIRED SUPPLEMENTARY INFORMATION

| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|--------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Statutorily required contribution | \$ 516,275 | 515,498 | 498,368 | 455,848 | 405,407 | 350,293 | 348,008 | 318,317 | 287,755 | 266,289 |
| Contributions in relation to the statutorily required contribution | (516,275) | (515,498) | (498,368) | (455,848) | (405,407) | (350,293) | (348,008) | (318,317) | (287,755) | (266,289) |
| Contribution deficiency (excess) | \$ - | - | - | - | - | - | - | - | - | - |
| District's covered-employee payroll | \$ 5,781,360 | 5,772,650 | 5,580,829 | 5,257,762 | 5,023,631 | 5,040,187 | 5,007,309 | 5,012,866 | 4,756,281 | 4,631,113 |
| Contributions as a percentage of covered-employee payroll | 8.93% | 8.93% | 8.93% | 8.67% | 8.07% | 6.95% | 6.95% | 6.35% | 6.05% | 5.75% |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLARINDA COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2016

Changes of benefit terms:

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

Legislative action in 2008 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.

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.
- 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.

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 the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

CLARINDA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial | | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------|--------------------------|-------------------------------|-----------------------------|---------------------------|--------------------|---------------------|---|
| | | | Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | | | |
| 2010 | July 1, 2009 | \$ - | \$ 457,987 | \$ 457,987 | 0.0 | % \$ 5,293,000 | 8.7 % |
| 2011 | July 1, 2009 | - | 411,437 | 411,437 | 0.0 | 4,093,947 | 10.0 |
| 2012 | July 1, 2009 | - | 411,437 | 411,437 | 0.0 | 5,023,635 | 8.2 |
| 2013 | July 1, 2012 | - | 433,723 | 433,723 | 0.0 | 3,403,840 | 12.7 |
| 2014 | July 1, 2012 | - | 422,374 | 422,374 | 0.0 | 5,455,742 | 7.7 |
| 2015 | July 1, 2012 | - | 396,985 | 396,985 | 0.0 | 5,670,481 | 7.0 |
| 2016 | July 1, 2015 | - | 331,752 | 331,752 | 0.0 | 5,751,700 | 5.8 |

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLARINDA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR THE SUPPLEMENTAL PENSION PLAN
 REQUIRED SUPPLEMENTARY INFORMATION

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial | | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------|--------------------------|-------------------------------|-----------------------------|---------------------------|--------------------|---------------------|---|
| | | | Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | | | |
| 2015 | July 1, 2014 | \$ - | \$ 99,762 | \$ 99,762 | 0.0 % | \$ 5,670,481 | 1.8 % |
| 2016 | July 1, 2014 | - | 98,845 | 98,845 | 0.0 | 5,751,700 | 1.7 |

See Note 5 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual pension cost and net pension obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

CLARINDA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2016

| | Special Revenue | | |
|---|-------------------------|---------------------|----------------|
| | Manage- ment Levy | Student Activity | Total |
| ASSETS | | | |
| Cash and pooled investments | \$ 227,817 | 179,274 | 407,091 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 2,696 | - | 2,696 |
| Succeeding year | 174,999 | - | 174,999 |
| TOTAL ASSETS | \$ 405,512 | 179,274 | 584,786 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 8,251 | 1,883 | 10,134 |
| Deferred inflows of resources: | | | |
| Unavailable revenues: | | | |
| Succeeding year property tax | 174,999 | - | 174,999 |
| Fund balances: | | | |
| Restricted for: | | | |
| Management levy purposes | 222,262 | - | 222,262 |
| Student activities | - | 177,391 | 177,391 |
| Total fund balances | 222,262 | 177,391 | 399,653 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 405,512 | 179,274 | 584,786 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLARINDA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2016

| | Special Revenue | | |
|------------------------------------|-------------------------|---------------------|---------|
| | Manage- ment Levy | Student Activity | Total |
| REVENUES: | | | |
| Local sources: | | | |
| Local tax | \$ 175,248 | - | 175,248 |
| Other | 18,282 | 205,407 | 223,689 |
| State sources | 3,560 | - | 3,560 |
| Total revenues | 197,090 | 205,407 | 402,497 |
| EXPENDITURES: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 8,578 | - | 8,578 |
| Other | - | 229,408 | 229,408 |
| Support services: | | | |
| Operation and maintenance of plant | 160,817 | - | 160,817 |
| Total expenditures | 169,395 | 229,408 | 398,803 |
| Change in fund balances | 27,695 | (24,001) | 3,694 |
| Fund balances beginning of year | 194,567 | 201,392 | 395,959 |
| Fund balances end of year | \$ 222,262 | 177,391 | 399,653 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLARINDA COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND ACCOUNTS
 JUNE 30, 2016

| | Capital Projects | | |
|---|--|--|------------------|
| | Statewide Sales, Services & Use Tax | Physical Plant and Equipment Levy | Total |
| ASSETS | | | |
| Cash and pooled investments | \$ 2,422,089 | 581,795 | 3,003,884 |
| Receivables: | | | |
| Delinquent | - | 1,382 | 1,382 |
| Succeeding year | - | 93,344 | 93,344 |
| Due from other governments | 145,408 | - | 145,408 |
| TOTAL ASSETS | \$ 2,567,497 | 676,521 | 3,244,018 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | |
| Liabilities: | \$ - | - | - |
| Deferred inflows of resources: | | | |
| Unavailable revenues: | | | |
| Succeeding year property tax | - | 93,344 | 93,344 |
| Fund balances: | | | |
| Restricted for: | | | |
| School infrastructure | 2,567,497 | - | 2,567,497 |
| Physical plant and equipment | - | 583,177 | 583,177 |
| Total fund balances | 2,567,497 | 583,177 | 3,150,674 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 2,567,497 | 676,521 | 3,244,018 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLARINDA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUND ACCOUNTS
 YEAR ENDED JUNE 30, 2016

| | Capital Projects | | |
|------------------------------------|--|--|-----------|
| | Statewide Sales, Services & Use Tax | Physical Plant and Equipment Levy | Total |
| REVENUES: | | | |
| Local sources: | | | |
| Local tax | \$ - | 89,661 | 89,661 |
| Other | 14,827 | 1,042 | 15,869 |
| State sources | 886,301 | 1,808 | 888,109 |
| Total revenues | 901,128 | 92,511 | 993,639 |
| EXPENDITURES: | | | |
| Current: | | | |
| Support services: | | | |
| Instructional staff | 185,735 | - | 185,735 |
| Administration | 118,746 | - | 118,746 |
| Operation and maintenance of plant | 12,952 | - | 12,952 |
| Transportation | - | 87,106 | 87,106 |
| Capital outlay | 175,752 | - | 175,752 |
| Total expenditures | 493,185 | 87,106 | 580,291 |
| Change in fund balances | 407,943 | 5,405 | 413,348 |
| Fund balances beginning of year | 2,159,554 | 577,772 | 2,737,326 |
| Fund balances end of year | \$ 2,567,497 | 583,177 | 3,150,674 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLARINDA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 FIDUCIARY FUND
 JUNE 30, 2016

| | Private Purpose Trust Fund - Scholarship Accounts | | | |
|--------------------------------|---|---------------------------|--------------------|-------|
| | CEA Scholarship | New Market Scholarship | Butler Memorial | Total |
| ASSETS | | | | |
| Cash and pooled investments | \$ 316 | 1,606 | 536 | 2,458 |
| LIABILITIES | | | | |
| | - | - | - | - |
| NET POSITION | | | | |
| Held in trust for scholarships | \$ 316 | 1,606 | 536 | 2,458 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLARINDA COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2016

| | Private Purpose Trust Fund - Scholarship Accounts | | | |
|--------------------------------|---|---------------------------|--------------------|-------|
| | CEA Scholarship | New Market Scholarship | Butler Memorial | Total |
| Additions: | | | | |
| Local sources: | | | | |
| Gifts and contributions | \$ 1,250 | - | - | 1,250 |
| Deductions: | | | | |
| Instruction: | | | | |
| Other: | | | | |
| Scholarships awarded | 1,250 | - | 250 | 1,500 |
| Change in net position | - | - | (250) | (250) |
| Net position beginning of year | 316 | 1,606 | 786 | 2,708 |
| Net position end of year | \$ 316 | 1,606 | 536 | 2,458 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLARINDA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2016

| Account | Balance Beginning of Year | Revenues | Expendi- tures | Intrafund Transfers | Balance End of Year |
|--|---------------------------------|----------------|-------------------|------------------------|---------------------------|
| <u>District-Wide Accounts:</u> | | | | | |
| Paperback Books | \$ - | 6,141 | 6,141 | - | - |
| Athletic Booster Club | - | 600 | 600 | - | - |
| Wrestling Boosters | - | 532 | 532 | - | - |
| Student Activity Interest | - | 323 | - | (323) | - |
| Gate Receipts | - | 65,221 | 8,962 | (56,259) | - |
| Cross country club | 510 | 806 | 736 | - | 580 |
| | <u>510</u> | <u>73,623</u> | <u>16,971</u> | <u>(56,582)</u> | <u>580</u> |
| <u>High School Clubs and Organizations</u> | | | | | |
| Drama | 5,000 | - | 3,562 | 3,562 | 5,000 |
| Yearbook | 5,000 | 3,681 | 6,603 | 2,922 | 5,000 |
| Concessions | 7,111 | 21,595 | 24,243 | 196 | 4,659 |
| Cheerleaders | 3,074 | 8,613 | 7,421 | 39 | 4,305 |
| Honor Society | 1,000 | - | 851 | 851 | 1,000 |
| Student Council | 3,000 | 5,460 | 5,670 | 210 | 3,000 |
| Thespian Club | 2,296 | 3,820 | 2,008 | 39 | 4,147 |
| Weightlifting Club | 2,691 | 1,123 | 540 | - | 3,274 |
| FFA | 16,924 | 30,649 | 35,442 | 112 | 12,243 |
| FCCLA | 6,729 | 18,872 | 23,085 | 22 | 2,538 |
| Sports Fundrasing | 3,946 | 7,136 | 8,655 | - | 2,427 |
| Class of 2014 | 154 | - | - | (154) | - |
| Class of 2016 | 3,521 | 11,135 | 11,421 | (3,235) | - |
| Class of 2017 | 1,080 | 1,507 | 2,269 | 3,235 | 3,553 |
| Class of 2018 | - | 1,361 | 319 | - | 1,042 |
| Activities Tickets | - | 9,850 | - | (9,850) | - |
| | <u>61,526</u> | <u>124,802</u> | <u>132,089</u> | <u>(2,051)</u> | <u>52,188</u> |
| <u>High School Athletics:</u> | | | | | |
| Cross Country | 1,500 | - | 1,254 | 1,254 | 1,500 |
| Golf | 1,500 | - | 1,228 | 1,228 | 1,500 |
| Boys Basketball | 4,500 | - | 4,700 | 5,200 | 5,000 |
| Football | 8,000 | - | 7,288 | 7,288 | 8,000 |
| Baseball | 5,000 | - | 4,683 | 4,683 | 5,000 |
| Boys Track | 3,500 | - | 4,952 | 5,452 | 4,000 |
| Boys Tennis | 1,000 | - | 187 | 187 | 1,000 |
| Wrestling | 3,500 | - | 2,362 | 2,362 | 3,500 |
| Girls Basketball | 4,000 | - | 4,250 | 5,250 | 5,000 |
| Volleyball | 4,500 | - | 4,170 | 4,170 | 4,500 |
| Softball | 4,000 | - | 3,923 | 3,923 | 4,000 |
| Girls Track | 3,500 | - | 4,615 | 5,115 | 4,000 |
| Girls Tennis | 1,000 | - | 212 | 212 | 1,000 |
| Athletic Director | 63,267 | 905 | 19,354 | 5,086 | 49,904 |
| | <u>108,767</u> | <u>905</u> | <u>63,178</u> | <u>51,410</u> | <u>97,904</u> |
| <u>Middle School Clubs and Organizations</u> | | | | | |
| Science Fair | 283 | - | - | (283) | - |
| Yearbook | 1,440 | 571 | 24 | - | 1,987 |
| Student Council | 3,056 | 3,090 | 3,441 | 295 | 3,000 |
| Sports Fundraiser | 6,692 | 706 | 3,274 | - | 4,124 |
| | <u>11,471</u> | <u>4,367</u> | <u>6,739</u> | <u>12</u> | <u>9,111</u> |
| <u>Middle School Athletics:</u> | | | | | |
| Track | 1,500 | - | 1,274 | 1,274 | 1,500 |
| Boys Basketball | 1,700 | - | 909 | 909 | 1,700 |
| Football | 3,000 | - | 2,813 | 2,813 | 3,000 |
| Wrestling | 1,000 | - | 350 | 350 | 1,000 |
| Girls Basketball | 1,500 | - | 720 | 720 | 1,500 |
| Volleyball | 1,500 | - | 1,077 | 1,077 | 1,500 |
| | <u>10,200</u> | <u>-</u> | <u>7,143</u> | <u>7,143</u> | <u>10,200</u> |
| <u>Elementary School Organizations</u> | | | | | |
| Elementary Student Council | 8,105 | 1,710 | 2,475 | 68 | 7,408 |
| Jump Rope For Heart | 813 | - | 813 | - | - |
| | <u>8,918</u> | <u>1,710</u> | <u>3,288</u> | <u>68</u> | <u>7,408</u> |
| Total | <u>\$ 201,392</u> | <u>205,407</u> | <u>229,408</u> | <u>-</u> | <u>177,391</u> |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLARINDA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

| | Modified Accrual Basis | | | | | | | | | |
|------------------------------------|------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | Years Ended June 30, | | | | | | | | | |
| | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
| Revenues: | | | | | | | | | | |
| Local sources: | | | | | | | | | | |
| Local tax | \$ 3,081,738 | 3,072,848 | 2,986,502 | 3,987,808 | 4,137,605 | 4,108,196 | 3,817,738 | 3,730,903 | 3,508,295 | 3,329,578 |
| Tuition | 1,208,026 | 1,477,587 | 1,411,933 | 1,402,166 | 1,285,740 | 1,404,024 | 1,422,416 | 1,344,751 | 1,535,721 | 1,340,106 |
| Other | 405,486 | 427,181 | 424,977 | 388,146 | 425,597 | 510,889 | 424,507 | 478,150 | 584,130 | 549,427 |
| State sources | 6,086,449 | 6,182,794 | 5,965,212 | 4,877,442 | 4,942,650 | 4,764,530 | 4,380,355 | 4,903,331 | 4,642,737 | 4,687,776 |
| Federal sources | 617,416 | 555,975 | 517,242 | 578,979 | 818,511 | 1,025,727 | 1,106,743 | 673,812 | 565,423 | 552,471 |
| Total | \$ 11,399,115 | 11,716,385 | 11,305,866 | 11,234,541 | 11,610,103 | 11,813,366 | 11,151,759 | 11,130,947 | 10,836,306 | 10,459,358 |
| Expenditures: | | | | | | | | | | |
| Instruction: | | | | | | | | | | |
| Regular | \$ 4,049,513 | 4,099,239 | 4,082,482 | 3,975,384 | 3,724,895 | 3,715,630 | 3,781,423 | 3,756,343 | 3,434,698 | 3,424,981 |
| Special | 1,286,302 | 1,599,307 | 1,516,699 | 1,526,551 | 1,442,598 | 1,678,080 | 1,707,794 | 1,696,467 | 1,551,204 | 1,546,815 |
| Other | 1,487,974 | 1,420,009 | 1,401,291 | 1,304,781 | 1,492,437 | 1,461,935 | 1,487,822 | 1,477,954 | 1,351,401 | 1,347,578 |
| Support services: | | | | | | | | | | |
| Student | 373,167 | 355,893 | 349,173 | 320,136 | 270,262 | 284,913 | 325,540 | 330,774 | 308,591 | 301,676 |
| Instructional staff | 549,346 | 564,895 | 513,023 | 596,422 | 568,710 | 551,934 | 309,735 | 357,792 | 357,533 | 345,284 |
| Administration | 1,208,244 | 1,255,983 | 1,200,905 | 1,123,457 | 1,088,960 | 1,099,585 | 1,130,011 | 979,626 | 940,816 | 905,626 |
| Operation and maintenance of plant | 1,060,906 | 1,077,818 | 1,038,648 | 1,019,445 | 1,108,064 | 927,912 | 953,602 | 906,714 | 901,997 | 814,612 |
| Transportation | 368,413 | 297,658 | 289,587 | 541,910 | 383,901 | 286,095 | 281,450 | 296,953 | 325,122 | 291,716 |
| Capital outlay | 175,752 | 231,438 | 571,354 | 622,830 | 301,875 | 79,951 | 123,983 | 283,755 | 9,050 | 164,834 |
| Long-term debt: | | | | | | | | | | |
| Principal | - | - | - | - | - | 240,000 | 555,000 | 1,280,000 | 945,000 | 495,000 |
| Interest and fiscal charges | - | - | - | - | - | 5,960 | 30,528 | 78,167 | 113,424 | 131,865 |
| Other expenditures: | | | | | | | | | | |
| AEA flow-through | 381,831 | 382,992 | 367,327 | 349,318 | 346,777 | 388,675 | 387,290 | 342,355 | 308,916 | 306,881 |
| Total | \$ 10,941,448 | 11,285,232 | 11,330,489 | 11,380,234 | 10,728,479 | 10,720,670 | 11,074,177 | 11,786,899 | 10,547,752 | 10,076,868 |

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CLARINDA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

| GRANTOR/PROGRAM | CFDA NUMBER | GRANT NUMBER | PROGRAM EXPENDITURES |
|---|----------------|-----------------|-------------------------|
| INDIRECT: | | | |
| U.S. DEPARTMENT OF AGRICULTURE: | | | |
| IOWA DEPARTMENT OF EDUCATION: | | | |
| CHILD NUTRITION CLUSTER: | | | |
| SCHOOL BREAKFAST PROGRAM | 10.553 | FY 16 | \$ 60,544 |
| NATIONAL SCHOOL LUNCH PROGRAM | 10.555 | FY 16 | 290,967 * |
| | | | <u>351,511</u> |
| | | | |
| U.S. DEPARTMENT OF EDUCATION: | | | |
| IOWA DEPARTMENT OF EDUCATION: | | | |
| TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES | 84.010 | FY 16 | 446,371 |
| | | | |
| IMPROVING TEACHER QUALITY STATE GRANTS | 84.367 | FY 16 | 44,058 |
| | | | |
| GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES | 84.369 | FY 16 | 4,776 |
| | | | |
| GREEN HILLS AREA EDUCATION AGENCY: | | | |
| SPECIAL EDUCATION - GRANTS TO STATES | 84.027 | FY 16 | 46,222 |
| | | | |
| CAREER AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES | 84.048 | FY 16 | 11,638 |
| | | | |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| CENTERS FOR DISEASE CONTROL AND PREVENTION: | | | |
| IOWA DEPARTMENT OF EDUCATION: | | | |
| COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL | | | |
| HEALTH PROGRAMS TO PREVENT THE SPREAD OF HIV AND OTHER | | | |
| IMPORTANT HEALTH PROBLEMS | 93.938 | FY 16 | 223 |
| | | | |
| TOTAL | | | <u>\$ 904,799</u> |

* - Includes \$47,900 of non-cash awards

Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Clarinda Community School District under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only selected portion of the operations of Clarinda Community School District, it is not intended to and does not represent the financial position, changes in financial position or cash flows of Clarinda Community School District.

Summary of Significant Accounting Policies - Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Clarinda Community School District did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

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

To the Board of Education of Clarinda Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clarinda Community School District as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 24, 2017.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-16 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clarinda Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not

express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2016 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.

Clarinda Community School District's Responses to Findings

Clarinda Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Clarinda 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 result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 24, 2017
Newton, Iowa

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

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

To the Board of Education of Clarinda Community School District:

Report on Compliance for Each Major Federal Program

We have audited Clarinda Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. Clarinda 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Clarinda 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 U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clarinda 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 of the major federal programs. However, our audit does not provide a legal determination of Clarinda Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Clarinda Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Clarinda 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 Clarinda Community School District's internal control over compliance with requirements with the type of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Clarinda Community School District's internal control over compliance.

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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal controls over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



NOLTE, CORNMAN & JOHNSON, P.C.

February 24, 2017
Newton, Iowa

CLARINDA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

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

- (a) Unmodified opinions were issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which is required to be reported in accordance with the Uniform Guidance, Section 200.516(a).
- (g) Major programs were as follows:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Clarinda Community School District did qualify as a low-risk auditee.

CLARINDA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

II-A-16 Student Activity Fundraisers - We noted during our audit that the District maintains fundraisers in the Student Activity Fund, however they do not appear to be approved by the District's Board of Education. We also noted that the fundraisers do not always have a stated purpose.

Recommendation - Better internal controls would be achieved if all fundraisers held by the District, the District's student activity groups, or under the name of the Clarinda Community School District were approved by Board. The District should have policies and/or procedures in place to address fund-raising activity including, but not limited to the following:

- a. The Board or its designee should approve all District-sponsored fundraising activity.
- b. The Board may also adopt a policy to require Board approval of all fundraising activity including fundraising activities of affiliated organizations such as Booster Clubs and the PTO.
- c. Boards should establish procedures for fund-raising activity for District sponsored fund-raisers as well as fund-raisers sponsored by outside groups and organizations to help ensure consistency and accountability over fund-raising activities.
- d. The Board should determine the extent, if any, of administrative support to be provided for District-sponsored and affiliated organization fundraising activity including the cost and/or expense associated with staff time used in collecting payments; preparing, printing and/or assembling mailings; postage; etc.
- e. Fund-raising activity should be clearly designated as District-sponsored and/or sponsored by an outside group or affiliated organization to clearly establish responsibility and accountability.
- f. If District-sponsored, the District should account for the fund-raising activity.

Response - The district will compile a list of annual fundraising activities, along with a stated purpose for each and seek approval by the Board of Education prior to the start of school each fall.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major program were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-16 Certified Budget - District expenditures for the year ended June 30, 2016 exceeded the certified budgeted amount in the non-instructional programs functional area.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - The District will more closely monitor the ongoing expenses in each functional area and amend the budget as needed annually.

Conclusion - Response accepted.

IV-B-16 Questionable Disbursements - We noted the District purchased gift cards from the Student Council account within the Student Activity Fund. Giving cash or gift cards does not allow the board to “audit and allow” final purchases in accordance with Iowa Code Section 279.29 and does not appear to meet public purpose as defined in the Attorney General’s opinion dated April 25, 1979.

Recommendation - Gift cards are not an appropriate District purchase since Iowa Code Section 279.29 requires districts to “audit and allow” all bills. Gift cards do not provide the board with the ability to perform the required function of approval of the final purchase. The District should refrain from purchasing gift cards for any purposes to be in compliance with the Attorney General’s opinion dated April 25, 1979.

Response - The district office will review Iowa Code Section 279.29 with administrators.

Conclusion - Response acknowledged. The District should also refrain from purchasing gift cards in the future.

IV-C-16 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-16 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

| Name, Title and Business Connection | Transaction Description | Amount |
|--|-------------------------|--------|
| Brian Fine, Board Member Owns Fine Services | Pest control | \$504 |

In accordance with the Chapter 279.7A of the Code of Iowa, the above transactions with the Board Member do not appear to represent a conflict of interest.

IV-E-16 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 that the coverage is adequate for current operations.

IV-F-16 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-16 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Iowa Department of Education. The number of students counted was overstated by 0.22 students for the fall 2015 count.

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

Response - The District's auditors will contact the Iowa Department of Education and Department of Management to resolve this matter.

Conclusion - Response accepted.

IV-H-16 Supplementary Weighting - No variances in supplementary weighting data certified to the Iowa Department of Education were noted.

IV-I-16 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-J-16 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-16 Categorical Funding - Except as noted, no instances of categorical funding being used to supplant rather than supplement other funds were noted. During our audit, we noted the District attributed time spent by students for AP Exams as well as College Tuition Courses taken by Juniors and Seniors as expenses of the District's gifted and talented program. Chapter 98.20(257) states in part "the purpose of the gifted and talented program is to provide for identified gifted students' needs beyond those provided by the regular school program pursuant to each gifted student's individualized plan." The coding of expenses for AP exams and college tuition courses does not appear to be limited to the students identified as gifted and talented students of the District. As a result these costs do not appear appropriate to the District's gifted and talented program in accordance with Chapter 98.20(257) of the Code of Iowa. The following is the adjustment to the ending restricted balances for gifted and talented program at June 30, 2016:

| | Restricted Balance on District's CAR | Amount of Expense Adjustment | Audited Ending Restricted Balance |
|------------------------------|--|------------------------------------|---|
| Gifted and talented programs | \$ - | \$ 12,976.54 | \$ 12,976.54 |

Recommendation - The District should review expenses coded to gifted and talented programs and ensure they meet “appropriate uses” as defined in Chapter 98.20(257) of the Iowa Administrative Code - Financial Management of Categorical Funding. The District should also contact the Iowa Department of Education regarding corrective action which may be required.

Response - The district will no longer code expenses for AP Exams or college tuition courses to the gifted and talented program.

Conclusion - Response accepted.

IV-L-16 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2016, the District reported the following information regarding the statewide sales, services and use tax revenue in the District’s CAR:

| | | |
|------------------------------------|------------|---------------------|
| Beginning balance | | \$ 2,159,554 |
| Revenues: | | |
| Sales tax revenues | \$ 886,301 | |
| Other local revenues | 14,827 | 901,128 |
| | | <u>3,060,682</u> |
| Expenditures: | | |
| School infrastructure construction | 44,727 | |
| Equipment | 195,898 | |
| Other | 252,560 | 493,185 |
| | | <u>493,185</u> |
| Ending balance | | <u>\$ 2,567,497</u> |

For the year ended June 30, 2016, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

IV-M-16 Student Activity Fund - During our audit concerns arose about the propriety of certain receipts, expenditures and accounts within the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity Fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more appropriately included in another fund. Moneys in this fund shall be used to support only the co-curricular program defined in department of education administrative rules (298A.9). More specific examples of findings are listed below.

Instructional Purchases: We noted the District purchased items which appear to be instructional in nature from accounts within the Student Activity Fund as follows:

- 1) Snacks for Iowa Assessment Skills tests from the Student Council account.
- 2) Scholastic Books purchases in the Pback Books account, which appear to be used by parents of student to buy books each month and staff collected points through each

book sold. The District then used these points to receive free books from Scholastic which were used for library and instructional purposes.

- 3) PBIS rewards purchased from Hy-Vee in the Student Council account.

Recommendation - The District should review the propriety of the revenues and expenditures that are approved and paid from the Student Activity Fund. Snacks for Iowa Skills Assessment tests, Scholastic book purchases and fairs, and PBIS incentives/rewards do not appear to be related to the co-curricular or extra-curricular activities of the District and would appear to be a part of the District's regular instructional program instead. As a result, these expenditures would be more appropriately receipted and expensed from the District's General Fund.

Response - The district office will review Department of Education administrative rules concerning student activity funds with administrators. The intent of the review will be to clarify the use of those funds.

Conclusion - Response accepted.

Administrative Purchases: We noted the District purchased a refrigerator for the middle school teachers lounge from the Sports Fundraising account within the Student Activity Fund.

Recommendation - The District should review the propriety of the revenues and expenditures that are approved and paid from the Student Activity Fund. Expenditures for the teacher's lounge or activities office would appear to be administrative expenses and not appropriate to the Student Activity Fund. Administrative expenses are not co-curricular or extra-curricular in nature and would be more appropriately paid from the District's General Fund.

Response - The District will more closely monitor expenses from the student activity fund, using Department of Education administrative rules as a guide.

Conclusion - Response accepted.