

CLEAR LAKE 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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CLEAR LAKE COMMUNITY SCHOOL DISTRICT

CLEAR LAKE COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2015 Election)		
Mark Tesar	President	2017
Chryl Bergvig	Vice President	2017
Chad Kuhlers	Board Member	2015
Jill Wilhelm	Board Member	2015
John Loge	Board Member	2015
Deb Betz	Board Member (resigned on July 14, 2014)	2015
(After September 2015 Election)		
Chryl Bergvig	President	2017
Chad Kuhlers	Vice President	2019
Mike Moeller	Board Member	2019
Mark Tesar	Board Member	2017
John Brady	Board Member	2019
School Officials		
Doug Gee	Superintendent of Schools	Indefinite
Dr. Anita Micich	Former Superintendent	Retired June 2016
Lorna Leerar	Business Manager/Board Secretary	Indefinite

Clear Lake Community School District

Independent Auditor's Report

To the Board of Education of Clear Lake 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 Clear Lake Community School District, Clear Lake, IA, 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.

Basis for Disclaimer of Opinion on the Discretely Presented Component Unit

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

Disclaimer of Opinion on the Discretely Presented Component Unit

Because the Foundation's financial statements have not been audited as discussed in the Basis for Disclaimer of Opinion on the Discretely Presented Component Unit, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the discretely presented component unit of Clear Lake Community School District as of and for the year ended April 30, 2016.

Unmodified 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 Clear Lake Community School District as of June 30, 2016, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 16 and 48 through 63 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 Clear Lake Community School District's basic 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 nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Community CPA

Community CPA & Associates Inc
Des Moines, IA
February 6, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clear Lake Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- General Fund revenues for fiscal year 2016, ended June 30, 2016, for \$13,465,195 are in line with revenues for fiscal year 2015, ended June 30, 2015 of \$13,370,654. However, General Fund expenditures for the same fiscal 2016 ended June 30, 2016 of \$14,402,251 are higher than the \$13,821,274 incurred in fiscal year 2015. Consequently, the District's General Fund balance decreased to \$1,896,202 at June 30, 2016 from \$2,833,258 at June 30, 2015, a 33% decrease.
- The increase in General Fund expenditures were primarily due to a 3.5–4% increase in negotiated salaries and benefits for both instruction and support service staff; two additional specialized staff for special needs children and increased out tuition for special needs children. The decrease in the General Fund is mainly due to negotiated salaries and benefits being greater than the District's increase in General Fund revenue for fiscal year 2016. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

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

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

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary 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-1 below provides a summary of the District’s net position at June 30, 2016 compared to June 30, 2015.

Figure A-1							
Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015 (Restated)	2016	2015 (Restated)	2016	2015 (Restated)	2015-2016
Current and other assets	16,945,740	17,996,985	230,134	171,905	17,175,874	18,168,891	(5.5%)
Capital assets	17,996,792	17,818,307	113,535	138,979	18,110,327	17,957,286	0.9%
Total assets	34,942,532	35,815,292	343,669	310,884	35,286,201	36,126,177	(2.3%)
Deferred outflows of resources	999,091	961,723	27,868	26,712	1,026,959	988,435	3.9%
Long-term liabilities	10,216,173	9,939,714	177,890	139,774	10,394,063	10,079,488	3.1%
Other liabilities	2,023,356	1,884,837	70,054	65,857	2,093,410	1,950,694	7.3%
Total liabilities	12,239,529	11,824,551	247,944	205,631	12,487,473	12,030,182	3.8%
Deferred inflows of resources	7,088,481	8,603,121	8,641	53,306	7,097,122	8,656,427	(18.0%)
Net Position:							
Net investment in capital assets	14,269,135	13,238,807	113,535	138,979	14,382,670	13,377,786	7.5%
Restricted	6,165,681	5,250,652	-	-	6,165,681	5,250,652	17.4%
Unrestricted	(3,821,203)	(2,140,123)	1,417	(60,320)	(3,819,786)	(2,200,443)	(73.6%)
Total net position	<u>\$16,613,613</u>	<u>16,349,336</u>	<u>114,952</u>	<u>78,659</u>	<u>16,728,565</u>	<u>16,427,995</u>	<u>1.8%</u>

The District’s total net position decreased 1.8%, or \$300,570 from the prior year. The largest portion of the District’s net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net position increased by 17.4% or \$915,029 over prior year. The increase was primarily a result of a higher fund balance from the management levy 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 – this balance is down by 73.6% or \$1,617,343 on prior year primarily because of to the general increase in payroll by 3.5-4% during 2016. This increase also results in part from the effect of the District implementing GASB 68 in 2015 which continues to impact the District in the current year.

Figure A-2 shows the changes in net position for the year ended June 30, 2016 compared to the year ended June 30, 2015.

Figures A-2							
Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2016	2015 (Restated)	2016	2015 (Restated)	2016	2015 (Restated)	2015 -2016
Revenues:							
Program revenues:							
Charges for service	\$ 2,053,573	1,709,212	446,713	448,431	2,500,286	2,157,643	15.9%
Operating grants, contributions and restricted interest	2,039,545	1,964,559	317,895	291,847	2,357,440	2,256,406	4.5%
Capital grants, contributions and restricted interest	-	-	-	13,500	-	13,500	(100.0%)
General revenues:							
Property tax	7,476,914	7,092,210	-	-	7,476,914	7,092,210	5.4%
Income surtax	558,603	590,803	-	-	558,603	590,803	(5.5%)
Statewide sales, services and use tax	1,156,048	1,176,270	-	-	1,156,048	1,176,270	(1.7%)
Unrestricted state grants	4,289,148	4,451,401	-	-	4,289,148	4,451,401	(3.6%)
Unrestricted investment earnings	39,820	34,678	873	496	40,693	35,174	15.7%
Total revenues	17,613,651	17,019,133	765,481	754,274	18,379,132	17,773,407	3.4%
Program expenses:							
Instruction	10,574,835	9,564,921	-	-	10,574,835	9,564,921	10.6%
Support services	5,550,788	4,956,459	-	-	5,550,788	4,956,459	12.0%
Non-instructional programs	-	-	766,365	749,657	766,365	749,657	2.2%
Other expenses	1,223,756	2,372,615	-	-	1,223,756	2,372,615	(48.4%)
Total expenses	17,349,379	16,893,995	766,365	749,657	18,115,744	17,643,652	2.7%
Change in net position	264,272	125,138	(884)	4,617	263,388	129,755	103.0%
Restated net position beginning of year	16,349,341	16,224,198	115,836	74,042	16,465,177	16,298,240	1.0%
Net position end of year	\$ 16,613,613	16,349,336	114,952	78,659	16,728,565	16,427,995	1.8%

During fiscal year 2016, property tax and unrestricted state grants accounted for 66.8% of governmental activities revenues while charges for service and operating grants, contributions and restricted investment earnings accounted for 99.9% of business type activities revenues. The District's total revenues amounted to \$18,379,132 of which \$17,613,651 was for governmental activities and \$765,481 for business type activities.

As shown in Figure A-2, the District as a whole experienced 3.4% increase in revenues and 2.7% increase in expenses. Property tax revenues increased by 5.4% or \$384,704.

Increase in expenses is primarily due to the 3.5-4% general increase in staff payroll during 2016.

Governmental Activities

Revenues for governmental activities were \$17,613,651 and expenses amounted to \$17,349,379 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, non-instructional programs and other expenses, for the year ended June 30, 2016 compared to those expenses for the year ended June 30, 2015.

	Total Cost of Services			Net Cost of Services		
	2016	2015	Change 2015-2016	2016	2015	Change 2015-2016
Instruction	\$ 10,574,835	9,564,921	10.6%	7,194,345	6,564,003	9.6%
Support services	5,550,788	4,956,459	12.0%	5,366,608	4,812,854	11.5%
Other expenses	1,223,756	1,252,832	(2.3%)	695,308	723,584	(3.9%)
Total	\$ 17,349,379	15,774,212	10.0%	13,256,261	12,100,441	9.6%

For the year ended June 30, 2016:

- Costs financed by users of the District's programs was \$2,053,573.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,039,545.
- The net cost of governmental activities was financed with \$9,191,565 of property and other taxes and \$4,289,148 of unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2016 were \$765,481 representing 1.5% increase over prior year, while expenses totaled \$766,365 or 2.2% increase over prior year. The District's business type activities include the School Nutrition Fund and Preschool. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined funds balance of \$7,757,568, below last year's ending total funds balance of \$8,837,348.

Governmental Fund Highlights

- The General Fund balance decreased from \$2,833,258 for the year ended June 30, 2015 to \$1,896,202 for the current year. This was mainly due to the increase in salaries and benefits and other existing expenditure commitments of the District.
- The Capital Projects Fund includes revenue from statewide sales, services and use tax and from the physical plant and equipment property tax levy. These two revenue streams and related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting.
- The physical Plant and Equipment Levy (PEEL) account balance increased from \$185,539 as of June 30, 2015 to \$320,251 as of June 30, 2016, due mainly to a positive change in fund assets for the year.
- Major equipment acquisitions in 2016 include four buses for a combined cost of \$297,420.

- The Statewide Sales, Services and Use Tax fund balance decreased from \$3,838,524 at June 30, 2015 to \$3,397,137 at June 30, 2016, due to facilities and construction expenditures and transfers in excess of current year funding.

Proprietary Fund Highlights

Proprietary funds include the School Nutrition Fund and the Preschool fund. The School Nutrition Fund's net position decreased from \$115,692 at June 30, 2015 to \$114,919 at June 30, 2016.

The Preschool Fund balance decreased from \$144 as of June 30, 2015 to \$33 as of June 30, 2016.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except the private purpose trust fund. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

The District's budget is prepared on a GAAP basis. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund.

A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

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

The District's total revenue for the year ended June 30, 2016 are higher than the budget by \$415,206 or 2.4%, resulting mainly from under-budgeting revenues from state sources.

Total expenditures were \$3,117,987 lower than the budget, due primarily to the District's excess budget for other expenditures in the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, expenditures in the instruction functional area exceeded the budget due to the timing of expenditures at year-end and lack of sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had invested \$18,110,327 net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. The net investment balance is in line with the restated balance at June 30, 2015 of \$17,957,288. During the year ended June 30, 2016, Clear Lake Community School District made adjustments to its opening capital assets net of depreciation and amortization with overall impact of reducing the balance from the reported \$19,077,062 at June 30, 2015 to \$17,957,288. This resulted from the fact that identifiable capital assets net of depreciation and amortization as reported in the itemized capital assets register were significantly less than reported (See Figure A-4). The restated opening balance reported agrees to the District's register of itemized capital assets opening balance net of accumulated depreciation and amortization.

Detailed information about the District's capital assets and corresponding adjustments is presented in Note 5 to the financial statements.

Figure A-4
Capital Assets, net of Depreciation/Amortization

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015 (Restated)	2016	2015 (Restated)	2016	2015 (Restated)	2015-2016
Land	\$ 111,704	111,704	-	-	111,704	111,704	0.0%
Construction in progress	311,344	420,422	-	-	311,344	420,422	(25.9%)
Buildings	15,854,257	16,331,037	-	-	15,854,257	16,331,037	(2.9%)
Improvements other than buildings	270,992	211,626	-	-	270,992	211,626	28.1%
Furniture and equipment	1,448,495	743,519	113,535	138,980	1,562,030	882,499	77.0%
Total	\$17,996,792	17,818,308	113,535	138,980	18,110,327	17,957,288	0.9%

Long-Term Debt

At June 30, 2016, the District had \$4,265,000 of long term debt outstanding (revenue bonds). This represents a decrease of 18.9% from last year mainly due to the full settlement of General Obligation bonds outstanding of \$520,000 as of June 30, 2015, and a continuous repayment of Revenue bonds in line with the bond agreement. (See details in Figure A-5) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-5
Outstanding Long-Term Obligations

	Total District		Total Change
	June 30,		June 30,
	2016	2015	2015-2016
General obligation bonds	\$ -	520,000	(100.0%)
Revenue bonds	4,265,000	4,740,000	(10.0%)
Total	\$4,265,000	5,260,000	(18.9%)

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 which could significantly affect its financial health in the future:

- School financing is highly dependent upon student enrollment. The District's October 2016 enrollment increased by 2.4 students and the projection shows a declining enrollment over the next several years.
- The contracts with the Clear Lake Education Teacher Association (CLEA) and other groups always have an impact on the District's financial health. The settlements were in excess of "new money" or allowable growth in state funding and will have an adverse effect on the District's future General Fund budget and related fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lorna Leerar, Business Manager/Board Secretary, Clear Lake Community School District, 1529 – 3rd Avenue, N, Clear Lake, IA 50428

Clear Lake Community School District

Basic Financial Statements

Clear Lake Community School District

Statement of Net Position

Year ended June 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Clear Lakes Community School Foundation
Assets				
Cash, cash equivalents and pooled investments	\$ 9,227,870	121,216	9,349,086	957,307
Receivables:				
Property tax:				
Delinquent	38,289	-	38,289	-
Succeeding year	6,711,999	-	6,711,999	-
Accounts	8,459	37,430	45,889	-
Other receivables	157,009	-	157,009	-
Internal balances	(37,177)	37,177	-	-
Due from other governments	839,291	-	839,291	-
Inventories	-	34,311	34,311	-
Capital assets, net of accumulated depreciation/amortization	17,996,792	113,535	18,110,327	-
Total assets	34,942,532	343,669	35,286,201	957,307
Deferred Outflows of Resources				
Pension related deferred outflows	999,091	27,868	1,026,959	-
Total Assets and Deferred Outflows of Resources	35,941,623	371,537	36,313,160	957,307
Liabilities				
Accounts payable	564,741	6,568	571,309	-
Salaries and benefits payable	1,399,652	51,498	1,451,150	-
Accrued interest payable	58,963	-	58,963	-
Unearned revenue	-	11,988	11,988	-
Long-term liabilities:				
Portion due within one year:				
Revenue bonds	485,000	-	485,000	-
Early retirement	60,901	-	60,901	-
Compensated absences	41,070	-	41,070	-
Portion due after one year:				
Revenue bonds	3,780,000	-	3,780,000	-
Early retirement	97,413	-	97,413	-
Net pension liability	5,751,789	177,890	5,929,679	-
Total liabilities	12,239,529	247,944	12,487,473	-
Deferred Inflows of Resources				
Unavailable property tax revenue	6,711,999	-	6,711,999	-
Pension related deferred outflows	376,482	8,641	385,123	-
Total deferred inflows of resources	7,088,481	8,641	7,097,122	-
Net Position				
Net investment in capital assets	14,269,135	113,535	14,382,670	-
Restricted for:				
Categorical funding	147,312	-	147,312	-
Debt service	1,285,734	-	1,285,734	-
School infrastructure	2,818,944	-	2,818,944	-
Physical plant and equipment	320,251	-	320,251	-
Management levy purposes	1,260,697	-	1,260,697	-
Student activities	332,743	-	332,743	-
Unrestricted	(3,821,203)	1,417	(3,819,786)	957,307
Total net position	16,613,613	114,952	16,728,565	957,307
Total Liabilities and Deferred Inflows of Resources	\$ 35,941,623	371,537	36,313,160	957,307

See notes to financial statements.

Exhibit B

Clear Lake Community School District

Statement of Activities

Year ended June 30, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total	Clear Lakes Community School Foundation
Functions/Programs:								
Governmental activities:								
Instruction:								
Regular instruction	\$ 7,455,364	979,401	1,425,099	-	(5,050,864)	-	(5,050,864)	-
Special instruction	2,058,031	242,723	55,673	-	(1,759,635)	-	(1,759,635)	-
Other instruction	1,061,440	658,998	18,596	-	(383,846)	-	(383,846)	-
	<u>10,574,835</u>	<u>1,881,122</u>	<u>1,499,368</u>	<u>-</u>	<u>(7,194,345)</u>	<u>-</u>	<u>(7,194,345)</u>	<u>-</u>
Support services:								
Student	165,908	-	-	-	(165,908)	-	(165,908)	-
Instructional staff	748,567	136,502	-	-	(612,065)	-	(612,065)	-
Administration	1,507,884	-	-	-	(1,507,884)	-	(1,507,884)	-
Operation and maintenance of plant	1,686,228	3,951	-	-	(1,682,277)	-	(1,682,277)	-
Transportation	1,442,201	31,998	11,729	-	(1,398,474)	-	(1,398,474)	-
	<u>5,550,788</u>	<u>172,451</u>	<u>11,729</u>	<u>-</u>	<u>(5,366,608)</u>	<u>-</u>	<u>(5,366,608)</u>	<u>-</u>
Non-instructional programs								
Other expenditures:								
Long-term debt interest	132,243	-	-	-	(132,243)	-	(132,243)	-
AEA flowthrough	528,448	-	528,448	-	-	-	-	-
Depreciation/amortization (unallocated)*	563,065	-	-	-	(563,065)	-	(563,065)	-
	<u>1,223,756</u>	<u>-</u>	<u>528,448</u>	<u>-</u>	<u>(695,308)</u>	<u>-</u>	<u>(695,308)</u>	<u>-</u>
Total governmental activities	<u>17,349,379</u>	<u>2,053,573</u>	<u>2,039,545</u>	<u>-</u>	<u>(13,256,261)</u>	<u>-</u>	<u>(13,256,261)</u>	<u>-</u>
Business type activities:								
Noninstruction Programs								
Food service operations	743,877	424,718	317,895	-	-	(1,264)	(1,264)	-
Preschool	22,488	21,995	-	-	-	(493)	(493)	-
Total business type activities	<u>766,365</u>	<u>446,713</u>	<u>317,895</u>	<u>-</u>	<u>-</u>	<u>(1,757)</u>	<u>(1,757)</u>	<u>-</u>
Total Primary Government	<u>\$ 18,115,744</u>	<u>2,500,286</u>	<u>2,357,440</u>	<u>-</u>	<u>(13,256,261)</u>	<u>(1,757)</u>	<u>(13,258,018)</u>	<u>-</u>
Component Unit - Clear Lakes Community School Foundation	<u>64,780</u>	<u>-</u>	<u>19,342</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,438)</u>
General Revenues:								
Property tax levied for:								
General purposes					\$ 5,118,154	-	5,118,154	-
Capital outlay					732,043	-	732,043	-
Management levy purposes					720,456	-	720,456	-
Debt service					906,261	-	906,261	-
Income surtax					558,603	-	558,603	-
Statewide sales, services and use tax					1,156,048	-	1,156,048	-
Unrestricted state grants					4,289,148	-	4,289,148	-
Unrestricted investment earnings					39,820	873	40,693	23,510
Total General Revenue					<u>13,520,533</u>	<u>873</u>	<u>13,521,406</u>	<u>23,510</u>
Change in net position					264,272	(884)	263,388	(21,928)
Net position beginning of year, restated					16,349,341	115,836	16,465,177	979,235
Net position end of year					<u>\$ 16,613,613</u>	<u>114,952</u>	<u>16,728,565</u>	<u>957,307</u>

* This amount excluded the depreciation/amortization included in the direct expenses of the various programs.

See notes to financial statements.

Clear Lake Community School District

Balance Sheet
Governmental Funds

June 30, 2016

	General	Capital Projects	Nonmajor	Total
Assets				
Cash, cash equivalents and pooled investments	\$ 3,423,089	3,666,327	2,138,454	9,227,870
Receivables:				
Property tax:				
Delinquent	28,480	4,211	5,598	38,289
Succeeding year	5,350,416	761,580	600,003	6,711,999
Accounts	1,118	-	7,341	8,459
Due from other governments	744,512	94,779	-	839,291
Other receivables	-	157,009	-	157,009
Total assets	9,547,615	4,683,906	2,751,396	16,982,917
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	357,788	204,938	7,415	570,141
Salaries and benefits payable	1,399,652	-	-	1,399,652
Due to other funds	31,777	-	-	31,777
Total liabilities	1,789,217	204,938	7,415	2,001,570
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	5,350,416	761,580	600,003	6,711,999
Other	511,780	-	-	511,780
Total deferred inflows of resources	5,862,196	761,580	600,003	7,223,779
Fund balances:				
Restricted for:				
Categorical funding	147,312	-	-	147,312
Debt service	-	578,192	550,537	1,128,729
Management levy purposes	-	-	1,260,698	1,260,698
Student activities	-	-	332,743	332,743
School infrastructure	-	2,818,945	-	2,818,945
Physical plant and equipment	-	320,251	-	320,251
Unassigned	1,748,890	-	-	1,748,890
Total fund balances	1,896,202	3,717,388	2,143,978	7,757,568
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 9,547,615	4,683,906	2,751,396	16,982,917

See notes to financial statements.

Exhibit D

Clear Lake 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)		\$ 7,757,568
<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.		17,996,792
Other Long Term Assets not available to pay current year expenditures and, therefore, is recognized as deferred inflows of resources in the governmental funds		511,780
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.		(58,963)
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	999,091	
Deferred inflows of resources	(376,482)	622,609
Long-term liabilities are not due and payable in the current year and, therefore, are not reported in the governmental funds.		
Revenue bonds	(4,265,000)	
Early retirement	(158,314)	
Compensated absences	(41,070)	
Net pension liability	(5,751,789)	(10,216,173)
Net position of governmental activities (page 18)		<u>\$ 16,613,613</u>

See notes to financial statements.

Clear Lake 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	\$ 5,835,977	732,043	1,018,987	7,587,007
Tuition	1,050,764	-	-	1,050,764
Other	374,453	14,338	667,636	1,056,427
State sources	5,887,253	1,156,048	-	7,043,301
Federal sources	316,748	-	-	316,748
Total revenues	13,465,195	1,902,429	1,686,623	17,054,247
Expenditures:				
Current:				
Instruction:				
Regular	7,304,586	-	202,760	7,507,346
Special	2,052,572	-	-	2,052,572
Other	414,079	-	647,361	1,061,440
	9,771,237	-	850,121	10,621,358
Support services:				
Student	165,908	-	-	165,908
Instructional staff	665,425	-	-	665,425
Administration	1,363,650	-	144,234	1,507,884
Operation and maintenance of plant	1,427,456	-	-	1,427,456
Transportation	480,127	270,670	-	750,797
Other				
	4,102,566	270,670	144,234	4,517,470
Non-instructional programs				
				-
Other expenditures:				
Facilities acquisition	-	1,330,704	-	1,330,704
Long-term debt:				
Principal	-	-	995,000	995,000
Interest and fiscal charges	-	-	141,045	141,045
AEA flowthrough	528,448	-	-	528,448
	528,448	1,330,704	1,136,045	2,995,197
Total expenditures	14,402,251	1,601,374	2,130,400	18,134,025
Excess (deficiency) of revenues over (under) expenditures	(937,056)	301,055	(443,777)	(1,079,778)
Other financing sources (uses):				
Transfer in	-	-	607,730	607,730
Transfer out	-	(607,730)	-	(607,730)
Total other financing sources (uses)	-	(607,730)	607,730	-
Change in fund balances	(937,056)	(306,675)	163,953	(1,079,778)
Fund balances beginning of year	2,833,258	4,024,063	1,980,025	8,837,346
Fund balances end of year	\$ 1,896,202	3,717,388	2,143,978	7,757,568

See notes to financial statements.

Exhibit F

Clear Lake 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) \$ (1,079,778)

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

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

Expenditures for capital assets	1,071,933	
Depreciation/amortization expense	(893,448)	178,485

Certain delinquent property tax not collected for several months after year end is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. (48,326)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 8,802

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. 752,938

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	(41,101)	
Compensated absences	2,092	
Pension expense	(503,840)	(542,849)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position 995,000

Change in net position of governmental activities (page 19) \$ 264,272

See notes to financial statements.

Clear Lake Community School District

Statement of Net Position
Proprietary Fund

June 30, 2016

	<u>Enterprise</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 121,216
Accounts receivable	37,430
Due from other funds	37,177
Inventories	<u>34,311</u>
Total current assets	230,134
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>113,535</u>
Total assets	<u>343,669</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>27,868</u>
Total Assets and Deferred Outflows of Resources	<u><u>371,537</u></u>
Liabilities	
Current liabilities:	
Accounts payable	6,568
Salaries and benefits payable	51,498
Unearned revenue	<u>11,988</u>
Total current liabilities	<u>70,054</u>
Noncurrent liabilities:	
Net pension liability	<u>177,890</u>
Total liabilities	<u>247,944</u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>8,641</u>
Net Position	
Net investment in capital assets	113,535
Unrestricted	<u>1,417</u>
Total net position	<u>114,952</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 371,537</u></u>

See notes to financial statements.

Exhibit H

Clear Lake Community School District

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

Year ended June 30, 2016

	<u>Enterprise</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 446,447
Other receipts	266
Total operating revenues	<u>446,713</u>
Operating expenses:	
Noninstructional programs:	
Salaries and benefits	409,503
Purchased services	3,794
Supplies and other	327,623
Depreciation	25,445
Total operating expenses	<u>766,365</u>
Operating loss	<u>(319,652)</u>
Non-operating revenues:	
State sources	6,860
Federal sources	311,035
Interest on investments	873
Total non-operating revenues	<u>318,768</u>
Change in Net Position	(884)
Net Position - Beginning of Year, as restated	<u>115,836</u>
Net Position - End of Year	<u>\$ 114,952</u>

See notes to financial statements.

Clear Lake Community School District

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2016

	<u>Enterprise</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 350,478
Cash received from other	266
Cash received from preschool services	21,995
Cash paid to employees for services	(419,218)
Cash paid to suppliers for goods and services	(263,484)
Net cash provided by (used by) operating activities	<u>(309,963)</u>
Cash flows from non-capital financing activities:	
State grants received	6,860
Federal grants received	248,891
Net repayments received from loans to other funds	68,581
Net cash provided by non-capital financing activities	<u>324,332</u>
Cash flows from investing activities:	
Interest on investments	873
Net cash provided by (used by) investing activities	<u>873</u>
Net increase in cash, cash equivalents and pooled investments	15,242
Cash and cash equivalents and pooled investments beginning of year	105,974
Cash and cash equivalents and pooled investments end of year	<u><u>121,216</u></u>
Reconciliation of operating loss to net cash provided by (used by) operating activities:	
Operating loss	(319,652)
Adjustments to reconcile operating loss to net cash provided by (used by) operating activities:	
Commodities used	62,144
Depreciation	25,445
Increase in accounts receivable	(73,974)
Increase in inventories	(418)
Increase in pension-related deferred outflows	(1,156)
Decrease in accounts payable	6,207
Increase in salaries and benefits payable	(2,010)
Decrease in net pension liability	38,116
Increase in pension-related deferred inflows	(44,665)
Net cash used by operating activities	<u><u>\$ (309,963)</u></u>

Noncash Investing, Capital and Financial Activities

During the year ended June 30, 2016, the district received of \$62,145 federal commodities.

See notes to financial statements.

Exhibit J

Clear Lake Community School District

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2016

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 1,086,226
Net position	
Restricted for scholarships	<u>\$ 1,086,226</u>

See notes to financial statements.

Clear Lake Community School District
 Statement of Changes in Fiduciary Net Position
 Fiduciary Funds

Year ended June 30, 2016

			Private Purpose Trust
			Scholarship
Additions:			
Local sources:			
Investment Earnings	\$	37,186	
Contribution		7,000	
Total additions		44,186	
Deductions:			
Instruction:			
Regular:			
Scholarships awarded		75,514	
Investment Fees		1,000	
Total deductions		76,514	
Change in net position		(32,328)	
Net position beginning of year		1,118,554	
Net position end of year	\$	1,086,226	

See notes to financial statements.

Clear Lake Community School District

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies

Clear Lake Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Clear Lake, Iowa and the predominant agricultural territory in a portion of Cerro Gordo 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, Clear Lake Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

The District has a component unit that meets the Governmental Accounting Standards Board criteria. The component unit discussed below has been included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Discretely Presented Component Unit - Clear Lake Community School Foundation (Foundation) is a legally separate entity, organized as a charitable organization under Chapter 501(c)(3) of the Internal Revenue Code. The Foundation was established to further develop, increase and extend the facilities and services of Clear Lake Community School District by providing broader educational opportunities to its students, staff, faculty and the residents of the geographical area which it serves. The Foundation is governed by a four-member Board of Directors.

In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. The financial information presented is as of and for the year ended April 30, 2016.

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

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary 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 non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

The District reports the following non major proprietary fund:

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

The Enterprise, Preschool Fund is used to account for the District's preschool.

The District also reports fiduciary funds which focus on net position and changes in net position.

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for 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 non-operating revenues and expenses.

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

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

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

Cash, Cash Equivalents and Pooled Investments – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost. During fiscal year 2016, the District's investment balance in the Iowa Schools Joint Investment Trust of \$265,297 were transferred to the District's primary account.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is 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, furniture and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. 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	\$ -
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	100,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	20-50
Improvements other than buildings	15
Intangibles	3-10
Furniture and equipment	5-12

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

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

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

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

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

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

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

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are 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 exceeded the amounts budgeted in the instruction and support services functions and the District exceeded its General Fund unspent authorized budget.

F. Estimates and Assumptions

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

(2) **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks 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 ensure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured

depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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 \$265,294 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investments in ISJIT were rated AAA by Standard & Poor’s Financial Services.

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

(3) Due from and Due to Other Funds

The detail of Interfund receivables (Internal balances) and payables at June 30, 2016 is as follows:

Receivable Fund	Payable Fund	Amount
Enterprise, School Nutrition	General	\$ 37,177

The General Fund is repaying the Enterprise, School Nutrition Fund for various receipts deposited into the General Fund not transferred to the Enterprise, School Nutrition Fund until after June 30, 2016. The balance was repaid in July of 2016.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 607,730
Total		\$ 607,730

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

(5) **Capital Assets**

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

	Balance Beginning of Year	Beginning Balance Adjustments	Adjusted Balance Beginning of year	Increases	Decreases	Balance End of Year
Governmental activities:						
Capital assets not being depreciated/amortized:						
Land	\$ 106,704	5,000	111,704	-	-	111,704
Construction in progress	420,422	-	420,422	311,344	(420,422)	311,344
Total capital assets not being depreciated/amortized	527,126	5,000	532,126	311,344	(420,422)	423,048
Capital assets being depreciated/amortized:						
Buildings	23,628,850	(857,227)	22,771,623	-	-	22,771,623
Improvements other than buildings	1,505,793	(690,895)	814,898	112,200	(43,434)	883,664
Furniture and equipment	2,889,147	719,329	3,608,476	1,089,080	(377,257)	4,320,299
Total capital assets being depreciated/amortized	28,023,790	(828,793)	27,194,997	1,201,280	(420,691)	27,975,586
Less accumulated depreciation/amortization for:						
Buildings	6,548,836	(108,249)	6,440,587	476,779	-	6,917,366
Site Improvements other than buildings	621,063	(17,791)	603,272	32,564	(23,165)	612,671
Furniture and equipment	2,442,934	422,023	2,864,957	384,105	(377,257)	2,871,805
Total accumulated depreciation/amortization	9,612,833	295,983	9,908,816	893,448	(400,422)	10,401,842
Total capital assets being depreciated/amortized	18,410,957	(1,124,776)	17,286,181	307,832	(20,269)	17,573,744
Governmental activities capital assets, net	18,938,083	(1,119,776)	17,818,307	619,176	(440,691)	17,996,792
Business type activities:						
Furniture and equipment	399,427	-	399,427	-	-	399,427
Less accumulated depreciation	260,447	-	260,447	25,445	-	285,892
Business type activities capital assets, net	\$ 138,980	-	138,980	(25,445)	-	113,535

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 158,107
Special	5,459
Support services:	
Operation and maintenance of plant	83,142
Transportation	83,675
	<u>330,383</u>
Unallocated	563,065
Total depreciation/amortization expense - governmental activities	<u>893,448</u>
Business type activities:	
Food service operations	<u>\$ 25,445</u>

During the year ended June 30, 2016, the District adjusted to its opening capital assets net of accumulated depreciation and amortization, with overall impact of reducing its net balance from the reported \$19,077,063 at June 30, 2015 to \$17,957,288. This resulted from the fact that identifiable capital assets net of accumulated depreciation and amortization as reported in the itemized capital assets register were materially less than previously reported (See Figure A-4). The restated opening balance matches the District's register of itemized capital assets net of accumulated depreciation and amortization as of June 30, 2015.

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2016 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 520,000	-	520,000	-	-
Revenue bonds	4,740,000	-	475,000	4,265,000	485,000
Early retirement	117,213	89,880	48,279	158,814	60,901
Compensated absences	43,162	41,070	43,162	41,070	41,070
Net pension liability	4,519,339	1,232,450	-	5,751,789	-
Total	\$9,939,714	1,363,400	1,086,441	10,216,673	586,971
Business type activities:					
Net pension liability	139,774	38,116	-	177,890	-
Total	\$ 139,774	38,116	-	177,890	-

General Obligation Bonds

Details of the District's June 30, 2016 general obligation indebtedness are as follows:

Year Ending June 30,	Issued May, 2011			
	Interest Rates	Principal	Interest	Total
2017	2.00%	\$ 485,000	117,925	602,925
2018	2.25	495,000	107,506	602,506
2019	2.50	510,000	95,563	605,563
2020	2.75	520,000	82,038	602,038
2021-2024	3.00-3.60	2,255,000	158,500	2,413,500
Total		\$4,265,000	561,532	4,826,532

During the year ended June 30, 2016, the District retired \$475,000 of revenue bonds and \$520,000 of general obligation bonds.

The District has pledged future statewide sales, services and use tax revenue to repay the \$6,805,000 bonds issued in May, 2011. The bonds were issued to finance school renovations and to refund the 2007 bonds which were issued for the purpose of financing a school building addition. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require about 40% of the statewide sales, services and use tax revenue. The total principal and interest remaining to be paid on the bonds is \$4,826,532. For the current year, principal and interest of \$995,000 and \$126,813, respectively, was paid on the bonds and total statewide sales, services and use tax revenue was \$1,169,883.

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

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

The District was in compliance with all the provisions for the year ended June 30, 2016.

(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 the 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 informational purposes only. Refer to the plan documents for more information.

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

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

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

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

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

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

In fiscal year 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 totaled \$776,225.

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 \$5,929,679 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 proportion was 0.119275%, which was an increase of 0.0017958% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$542,815. 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	\$ 89,590	-
Changes in assumptions	163,259	-
Net difference between projected and actual earnings on pension plan investments	-	493,504
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	-	(108,381)
District contribution subsequent to measurement date	774,110	-
Ending Balance at June 30, 2016	<u>\$ 1,026,959</u>	<u>385,123</u>

\$774,110 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 Ending June 30,	Amount
2017	\$ (436,842)
2018	(436,842)
2019	(436,842)
2020	6,548
2021	-
Total	<u>\$ (1,303,978)</u>

There were no non-employer contributing entities to 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, as follows:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 1990)	4.00%, based on a 3% inflation and 1.00% real 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
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	100%	

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 employee contributions will be made at the contractually required rate and contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 10,381,802	5,929,679	2,171,769

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 no balance payable to IPERS.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 115 active and 23 retired members in the plan. Retired participants must be age 55 or older at retirement.

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 benefits as active employees, which results in an implicit rate 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 (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual required contribution	\$ 314,626
Interest on net OPEB obligation	(8,861)
Adjustment to annual required contribution	<u>7,858</u>
Annual OPEB cost	313,623
Contributions made	<u>165,483</u>
Increase in net OPEB obligation	148,140
Net OPEB obligation beginning of year	<u>(196,900)</u>
Net OPEB obligation end of year	<u><u>\$ (48,760)</u></u>

For calculation of the net OPEB asset, the actuary has set the transition day as July 1, 2008. The end of year net OPEB asset was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016. The net OPEB asset was deemed immaterial and not recorded to the government-wide financial statements.

For the year ended June 30, 2016, the District contributed \$165,483 to the medical plan. Plan members eligible for benefits contributed \$140,084, or 46% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 127,800	150.5%	\$ 122,500
2015	60,045	223.9%	196,900
2016	313,623	52.8%	48,760

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 approximately \$3,383,669, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$3,383,669. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,516,468 and the ratio of the UAAL to covered payroll was 61.3%. 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 health care 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 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, 2015 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 7.5%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP2014 Combined Healthy Headcount Weighted Mortality Table projected generationally with scale MP 2015 from the central year. The eligibility of the Early Retirement Incentive Program has been changed from closed to future retirees to open to future retirees.

Projected claim costs of the medical plan are \$1,011 per month for retirees within age group 60, and \$0 per month for retirees who have attained age 65. The salary increase rate was assumed to be 3.8% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Early Retirement Plan

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

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

As of June 30, 2016, the District had obligations to 9 participants with a total liability of \$158,314. Early retirement benefit expenditures for the year ended June 30, 2016 totaled \$48,279.

(10) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations.

Workers' Compensation, Property, General Liability and Other Insurance

The District is a member of the Iowa Public School Insurance Program (IPSIP), a public entity risk pool formed in July of 2012 between certain Iowa school districts, created in accordance with Chapter 28E of the Code of Iowa. The purpose of IPSIP is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections so as to effectively manage and contain costs for insurance coverage and related administration. IPSIP had 23 members as of June 30, 2016. IPSIP is governed by a six-member Board of Directors elected by the members of IPSIP. The District has no direct control over budgeting, financing, the governing body or management selection.

IPSIP is not intended to function as an insurance company for the participants; rather, it is a means of combining the administration of claims and of obtaining lower insurance rates through the creation of a self-insurance pool and through the purchase of commercial insurance. The District's participation in IPSIP

represents a risk-sharing pool as defined by GASB Statement No. 10 in which the District pools its risks and funds with other members and shares in the cost of losses. The District is required to make annual payments, which are determined by IPSIP, based upon its direct proportion to the pro rata share of insurance costs for coverage administered by IPSIP. IPSIP may require the participating Districts to make supplemental payments if the funds on hand are insufficient to pay expenses of the administration of IPSIP. The District was not required to make any supplemental payments to IPSIP in any of the past three fiscal years. Payments to IPSIP by the District in order to maintain adequate insurance coverage in fiscal year 2016 were \$140,084.

Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) 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 \$528,448 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.

(12) Categorical Funding

The District's restricted fund balance for categorical funding as of June 30, 2016 is comprised of the following program:

Program	Amount
Teacher Salary Supplement	\$ 616
Professional development for model core curriculum	47,487
Educator quality professional development	61,562
Successful progression for early readers	37,617
Total	\$ 147,282

(13) Lease Commitments

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

The following is a schedule by years of future minimum lease payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2016:

Year Ending June 30,	Amount
2017	\$ 43,724
2018	43,724
2019	43,724
2020	18,218
Total	\$ 149,390

Rental expenses for all operating leases was \$43,724 for the year ended June 30, 2016.

(14) Subsequent Events

Management has evaluated subsequent events through February 6, 2017, the date the financial statements were available to be issued.

There are no material subsequent events to report.

Required Supplementary Information

Clear Lake Community School District
 Budgetary Comparison Schedule of
 Revenues, Expenditures/Expenses and Changes in Balances -
 Budget and Actual – All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2016

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original and Final	Over (Under) Budget
Revenues:					
Local sources	\$ 9,694,198	447,586	10,141,784	10,767,052	(625,268)
State sources	7,043,301	6,860	7,050,161	6,010,070	1,040,091
Federal sources	316,748	311,035	627,783	627,400	383
Total revenues	<u>17,054,247</u>	<u>765,481</u>	<u>17,819,728</u>	<u>17,404,522</u>	<u>415,206</u>
Expenditures/Expense:					
Instruction	10,621,358	-	10,621,358	10,425,000	196,358
Support services	4,517,470	-	4,517,470	4,820,000	(302,530)
Non-instructional programs	-	766,365	766,365	900,000	(133,635)
Other expenditures	2,995,197	-	2,995,197	5,873,377	(2,878,180)
Total expenditures/expenses	<u>18,134,025</u>	<u>766,365</u>	<u>18,900,390</u>	<u>22,018,377</u>	<u>(3,117,987)</u>
Revenue Over (Under) Expenditures/Expenses	(1,079,778)	(884)	(1,080,662)	(4,613,855)	3,533,193
Balances beginning of year, restated	8,837,346	115,836	8,953,182	4,556,609	4,396,573
Balances end of year	<u>\$ 7,757,568</u>	<u>114,952</u>	<u>7,872,520</u>	<u>(57,246)</u>	<u>7,929,766</u>

See accompanying independent Auditor's report.

Clear Lake 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 comparisons for the General Fund and each major Special Revenue Fund.

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

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

During the year ended June 30, 2016, expenditures in the instruction function exceeded the amounts budgeted.

Clear Lake 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*
(In Thousands)

Required Supplementary Information

	2016	2015
District's proportion of the net position Liability	0.119275%	0.1174792%
District's proportionate share of the net pension liability	\$ 5,929	4,659
District's covered-employee payroll	\$ 8,698	7,686
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	68.18%	60.62%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statements No. 68, the amounts 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 ten-year trend is compiled, the District will present information for those years for which information is available.

See accompanying independent Auditor's report.

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

Required Supplementary Information

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution	\$ 776	735	686	658	608	525	511	474	444	416
Contributions in relation to the statutorily required contribution	776	735	686	658	608	525	511	474	444	416
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 8,698	8,233	7,686	7,588	7,529	7,557	7,691	7,464	7,342	7,243
Contributions as a percentage of covered-employee payroll	8.92%	8.93%	8.93%	8.67%	8.08%	6.95%	6.64%	6.35%	6.05%	5.74%

See accompanying independent Auditor's report.

Clear Lake 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 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.

Clear Lake Community School District

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2010	-	\$ 1,640	\$ 1,640	0%	\$ 5,481	29.9%
7/1/2012	-	1,672	1,672	0%	4,827	34.6%
7/1/2015	-	3,384	3,384	0%	5,516	61.3%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent Auditor's report.

Supplementary Information

Clear Lake Community School District

Clear Lake Community School District

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2016

	Special Revenue			Total
	Student Activity	Management Levy	Debt Service	
Assets				
Cash, cash equivalents and pooled investments	\$ 332,817	1,256,792	548,845	2,138,454
Receivables:				
Property Tax, Net of Allowance:				
Delinquent	-	3,906	1,692	5,598
Succeeding year	-	600,003	-	600,003
Accounts	7,341	-	-	7,341
Total Assets	<u>340,158</u>	<u>1,860,701</u>	<u>550,537</u>	<u>2,751,396</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	7,415	-	-	7,415
Deferred inflows of resources:				
Unavailable Revenue:				
Succeeding year property tax	-	600,003	-	600,003
Fund Balances:				
Restricted for:				
Debt service	-	-	550,537	550,537
Management levy purposes	-	1,260,698	-	1,260,698
Student activities	332,743	-	-	332,743
Total fund balances	<u>332,743</u>	<u>1,260,698</u>	<u>550,537</u>	<u>2,143,978</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 340,158</u>	<u>1,860,701</u>	<u>550,537</u>	<u>2,751,396</u>

See accompanying independent auditor's report.

Schedule 2

Clear Lake Community School District

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

Year ended June 30, 2016

	Special Revenue			Total
	Student Activity	Management Levy	Debt Service	
Revenue:				
Local sources:				
Local tax	\$ -	720,456	298,531	1,018,987
Other	660,904	5,389	1,343	667,636
Total revenues	660,904	725,845	299,874	1,686,623
Expenditures:				
Current:				
Instruction:				
Regular	-	202,760	-	202,760
Other	647,361	-	-	647,361
Total Instruction	647,361	202,760	-	850,121
Support services:				
Administration	-	140,084	4,150	144,234
Other Expenditures:				
Long-Term Debt:				
Principal	-	-	995,000	995,000
Interest and fiscal charges	-	-	141,045	141,045
Total Other Expenditures	-	-	1,136,045	1,136,045
Total Expenditures	647,361	342,844	1,140,195	2,130,400
Excess (deficiency) of revenues over (under) expenditures	13,543	383,001	(840,321)	(443,777)
Other financing sources:				
Transfers in	-	-	607,730	607,730
Change in Fund Balances	13,543	383,001	(232,591)	163,953
Fund Balances - Beginning of Year	319,200	877,697	783,128	1,980,025
Fund Balances - End of Year	\$ 332,743	1,260,698	550,537	2,143,978

See accompanying independent auditor's report.

Clear Lake 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	Intra- Fund Transfers	Balance End of Year
Fund Balance - Reg. Not Spent	\$ -	14,146	8,482	-	5,664
Drama Fund	-	1,525	2,148	623	-
Speech Fund	-	3,428	3,195	(233)	-
Other Designated Fund Balance Vocal Mus	-	1,825	3,843	2,018	-
Lakeaires Fund	-	-	-	-	-
Vocal Music Trip Fund Balance	806	-	-	-	806
HS Band Fund	-	2,127	3,362	1,235	-
Other Designated Fund Balance J.H. Inst	-	3,157	2,408	749	1,498
Central Band Fund	-	-	-	-	-
Band Trip Fund	6,651	97,438	106,567	1,673	(805)
Drum & Bugle Fund	-	-	7,840	7,840	-
Band Uniforms Fund	1,607	6,078	5,570	-	2,115
Muse Norris Fund Balance	2,570	3,500	6,045	-	25
Musical Fund	-	-	-	-	-
General Athletics Fund	178,837	29,640	32,450	29,541	205,568
Cross Country Fund	-	1,641	1,060	(581)	-
Cross Country Camp Fund	1,924	1,002	862	-	2,064
Athletic Concessions Fund	-	22,634	11,364	(11,271)	(1)
Middle School Student Council	2,051	2,881	2,168	-	2,764
JH Athletics Fund	-	351	9,485	9,134	-
Boys Basketball Fund	-	6,982	4,414	(2,569)	(1)
Boys Basketball Camp Fund	1,833	11,884	10,672	-	3,045
Football Fund	-	28,315	15,725	(28,718)	(16,128)
Football Camp Fund	3,218	24,463	26,830	-	851
Baseball Fund	932	10,212	14,471	4,258	931
Other Designated Fund Balance Baseball	-	5,340	6,277	5	(932)
Baseball Camp Fund Balance	4,095	20,003	20,432	-	3,666
Boys Track Fund	-	1,956	3,944	1,988	-
Boys Track Camp Fund	3,559	7,458	6,590	-	4,427
Boys Tennis Fund	-	411	888	476	(1)
Boys Tennis Resale Fund	-	-	-	-	-
Boys Tennis Camp Fund	-	1,845	811	-	1,034
Boys Golf Fund	-	465	2,015	1,550	-
Boys Golf Camp Fund Balance	2,500	5,557	5,937	-	2,120
Wrestling Fund	-	9,805	8,044	(1,761)	-
Wrestling Resale Fund	-	-	-	-	-
Wrestling Camp Fund	712	7,339	6,330	-	1,721
Girls Basketball Fund	-	4,599	4,114	(485)	-
Girls Basketball Camp Fund	428	6,375	5,595	-	1,208
Dance Team Fund	10,213	30,024	40,097	-	140

Schedule 3

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Volleyball Fund	-	8,969	8,470	(623)	(124)
Volleyball Camp Fund	3,829	5,279	3,302	-	5,806
Soccer Fund	-	2,197	2,800	603	-
Soccer Concession Fund	-	-	-	-	-
Girls Soccer Fund	-	2,343	3,301	958	-
Girls Soccer Camp Fund	488	484	153	-	819
Boys Soccer Camp Fund	2,772	13,727	16,495	-	4
Softball Fund	-	5,511	4,360	(1,151)	-
Softball Resale Fund	909	2,096	1,325	-	1,680
Softball Camp Fund Balance	6,500	16,641	14,649	-	8,492
Girls Track Fund	-	-	1,763	1,763	-
Girls Track Camp Fund	397	1,647	1,601	-	443
Girls Tennis Fund	-	-	148	148	-
Girls Tennis Camp Fund	792	153	771	-	174
Girls Golf Fund	-	305	1,591	1,286	-
Girls Golf Camp Fund	2,143	1,963	1,883	-	2,223
Backpack Fund	3,204	1,000	2,700	-	1,504
Outdoor Classroom Fund	1,213	-	36	-	1,177
Student Model Legislature	630	-	-	-	630
National Honor Society Fund	-	215	875	660	-
Student Council Fund	591	2,261	1,885	-	967
Activity Tickets Fund	-	16,605	-	(16,605)	-
Mock Trial Fund	-	-	-	-	-
Model United Nations Fund	1,073	850	1,025	-	898
Yearbook Fund	-	15,174	22,604	7,585	155
Prom Fund	13,570	3,565	2,698	-	14,437
Values for Youth Today Fund	897	-	-	-	897
Roy Carver Grand Fund	-	-	-	-	-
Excel Fund	1,808	525	247	-	2,086
Magazine Campaign Fund	13,406	33,023	26,805	(749)	18,875
Primary Book Fair Fund	-	-	559	559	-
Gay-Straight Alliance Club	51	-	-	-	51
Middle School Art Club Fund	548	120	-	-	668
Living History Farm Trip Fund	-	-	-	-	-
Clear Creek Vocal Music	2,290	873	1,171	-	1,992
Jump Rope for Heart Fund	736	-	-	-	736
Central Book Fair Fund	3,412	2,455	1,598	-	4,269
Art Club Fund	-	-	-	-	-
American Field Service Fund	879	-	-	-	879
French Camp Fund	50	-	-	-	50
French Trip Fund	-	476	300	-	176
Spanish/French Candy Fund	-	2,964	2,171	-	793
Spanish Club Fund	-	88	-	-	88
Washington D.C. Trip Fund	707	87,194	85,509	-	2,392
Hall of Pride Fund	567	-	-	-	567
Cheerleading Fund	-	-	730	730	-
Lion Tamers Fund	-	-	-	-	-
Cheerleading Camp Fund	2,667	7,579	5,678	-	4,568
Athletic Towel Fund	-	730	399	(331)	-
Robotics Club Fund Balance	-	8,383	1,958	-	6,425

Schedule 3

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Class of 2003 Fund	-	-	-	-	-
Class of 2000 Fund	-	-	-	-	-
Class of 1999 Fund	-	-	-	-	-
Tim Tjaden Fund Balance	510	-	-	-	510
Class of 2001 Fund	-	-	-	-	-
Class of 2002 Fund	-	-	-	-	-
HS Student Activity/Support Fund	1,585	7,146	3,630	-	5,101
MS Student Activity/Support Fund	5,373	753	100	-	6,026
Clear Creek Student Activity/Support Fun	15,402	20,316	20,152	(8,513)	7,053
Lincoln Student Activity/Support Fund	-	-	-	-	-
Surplus Fund	-	-	-	-	-
Clear Creek Playground Fund	-	-	114	114	-
H.S. Academic EXC.	2,270	3,745	4,040	-	1,975
6th Grade PBL	1,038	500	352	-	1,186
7th Grade PBL	1,188	1,228	1,305	-	1,111
8th Grade PBL	1,974	2,682	4,185	-	471
HS PBL Fund Balance	1,567	1,654	1,888	-	1,333
Little Free Library Clear Creek	-	1,175	-	-	1,175
Interest Fund	-	1,904	-	(1,906)	(2)
Tour of Homes Fund	228	-	-	-	228
Total	\$ 319,200	660,904	647,361	-	332,743

See accompanying independent auditor's report.

Schedule 4

Clear Lake Community School District

Combining Balance Sheet
Capital Projects Fund Accounts

June 30, 2016

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 3,405,018	261,309	3,666,327
Receivables:			-
Property tax, net of allowance:			-
Delinquent	-	4,211	4,211
Succeeding year	-	761,580	761,580
Due from other governments	94,779	-	94,779
Other receivables	94,779	62,230	157,009
Total Assets	<u>3,594,576</u>	<u>1,089,330</u>	<u>4,683,906</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	197,439	7,499	204,938
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	-	761,580	761,580
Fund balances:			
Nonspendable prepaids items	-	62,230	62,230
Restricted for:			
Debt service	578,192	-	578,192
School infrastructure	2,818,945	-	2,818,945
Physical plant and equipment	-	258,021	258,021
Total fund balances	<u>3,397,137</u>	<u>320,251</u>	<u>3,717,388</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,594,576</u>	<u>1,089,330</u>	<u>4,683,906</u>

See accompanying independent auditor's report.

Clear Lake 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 and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	732,043	732,043
Other	13,835	503	14,338
State sources	1,156,048	-	1,156,048
Total revenues	1,169,883	732,546	1,902,429
Expenditures:			
Current:			
Support Services:			
Transportation	-	270,670	270,670
Other Expenditures:			
Facilities acquisition	1,003,540	327,164	1,330,704
Total expenditures	1,003,540	597,834	1,601,374
Excess (deficiency) of revenues over (under) expenditures	166,343	134,712	301,055
Other financing sources (uses):			
Transfers out	(607,730)	-	(607,730)
Change in fund balances	(441,387)	134,712	(306,675)
Fund balances beginning of year	3,838,524	185,539	4,024,063
Fund balances end of year	\$ 3,397,137	320,251	3,717,388

See accompanying independent auditor's report.

Schedule 6

Clear Lake Community School District

Combining Schedule of Net Position
Nonmajor Proprietary Funds

Year ended June 30, 2016

	Enterprise		
	School Nutrition	Preschool	Total
Assets and Deferred Outflows of Resources			
Current Assets			
Cash, cash equivalents and pooled investments	\$ 116,773	4,443	121,216
Receivables			
Accounts	37,430	-	37,430
Due from other funds	37,177	-	37,177
Inventories	34,311	-	34,311
Total Current Assets	225,691	4,443	230,134
Capital Assets, Net of Accumulated Depreciation			
Total Assets	113,535	-	113,535
Deferred Outflows of Resources			
Pension-related deferred outflows	27,868	-	27,868
Total Assets and Deferred Outflows of Resources	367,094	4,443	371,537
Liabilities, Deferred Inflows of Resources and Net Position			
Current Liabilities			
Accounts payable	2,804	3,764	6,568
Salaries and benefits payable	50,852	646	51,498
Unearned revenue	11,988	-	11,988
Total Current Liabilities	65,644	4,410	70,054
Net Pension Liability			
Total Liabilities	177,890	-	177,890
Deferred Inflows of Resources			
Pension-related deferred inflows	8,641	-	8,641
Net Position			
Net investment in capital assets	113,535	-	113,535
Unrestricted	1,384	33	1,417
Total Net Position	114,919	33	114,952
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 367,094	4,443	371,537

See accompanying independent auditor's report.

Clear Lake Community School District
Combining Schedule of Revenues, Expenses
and Changes in Fund Net Position
Nonmajor Proprietary Funds

Year ended June 30, 2016

	Enterprise		
	School Nutrition	Preschool	Total
Operating Revenue			
Local Sources			
Charges for service	\$ 424,452	21,995	446,447
Other receipts	266	-	266
Total Operating Revenue	424,718	21,995	446,713
Operating Expenses			
Noninstructional Programs			
Salaries and benefits	387,015	22,488	409,503
Purchased services	3,794	-	3,794
Supplies and other	327,623	-	327,623
Depreciation	25,445	-	25,445
Total Operating Expenses	743,877	22,488	766,365
Loss From Operations	(319,159)	(493)	(319,652)
Nonoperating Revenue			
State sources	6,860	-	6,860
Federal sources	311,035	-	311,035
Interest on investments	491	382	873
Total Nonoperating Revenue	318,386	382	318,768
Change in Net Position	(773)	(111)	(884)
Net Position - beginning of Year, as restated	115,692	144	115,836
Net Position - end of Year	\$ 114,919	33	114,952

See accompanying independent auditor's report.

Schedule 8

Clear Lake Community School District

Combining Schedule of Cash Flows
Nonmajor Proprietary Funds

Year ended June 30, 2016

	Enterprise		
	School Nutrition	Preschool	Total
Cash Flows From Operating Activities			
Cash received from sale of lunches, breakfasts and other services	\$ 350,478	-	350,478
Cash received from other	266	-	266
Cash received from preschool services	-	21,995	21,995
Cash paid to employees for services	(397,213)	(22,005)	(419,218)
Cash paid to suppliers for goods and services	(267,248)	3,764	(263,484)
Net Cash Provided by (Used in) Operating Activities	(313,717)	3,754	(309,963)
Cash Flows From Noncapital Financing Activities			
State grants received	6,860	-	6,860
Federal grants received	248,891	-	248,891
Net repayments received from loans to other funds	68,582	(1)	68,581
Net Cash Provided by Noncapital Financing Activities	324,333	(1)	324,332
Cash Flows from Investing Activities			
Interest on investments	491	382	873
Net Cash Provided by (Used in) Investing Activities	491	382	873
Net Increase in Cash, Cash Equivalents and Pooled Investments	11,107	4,135	15,242
Cash, Cash Equivalents and Pooled Investments - Beginning of Year	105,666	308	105,974
Cash, Cash Equivalents and Pooled Investments - End of Year	116,773	4,443	121,216
Reconciliation of Loss From Operations to Net Cash Provided by (Used in) Operating Activities			
Loss from operations	(319,159)	(493)	(319,652)
Adjustments to Reconcile Loss From Operations to Net Cash Provided by (Used in) Operating Activities			
Commodities used	62,144	-	62,144
Depreciation	25,445	-	25,445
Changes in Assets and Liabilities			
Increase in accounts receivable	(73,974)	-	(73,974)
Increase in inventories	(418)	-	(418)
Increase in pension-related deferred outflows	(1,156)	-	(1,156)
Increase in accounts payable	2,443	3,764	6,207
Increase in salaries and benefits payable	(2,493)	483	(2,010)
Increase in net pension liability	38,116	-	38,116
Increase in pension-related deferred inflows	(44,665)	-	(44,665)
Net Cash Used in Operating Activities	\$ (313,717)	3,754	(309,963)

See accompanying independent auditor's report.

Clear Lake Community School District
 Schedule of Changes in Fiduciary Assets and Liabilities -
 Agency Fund

Year ended June 30, 2016

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash, cash equivalents and pooled investments	\$1,118,554	44,186	76,514	1,086,226
Total Assets	<u>1,118,554</u>	<u>44,186</u>	<u>76,514</u>	<u>1,086,226</u>
Liabilities and Net Position				
Reserved for scholarships	1,118,554	44,186	76,514	1,086,226
Total Liabilities and Net Position	<u>\$1,118,554</u>	<u>44,186</u>	<u>76,514</u>	<u>1,086,226</u>

See accompanying independent auditor's report.

Clear Lake Community School District

Schedule 10

Clear Lake Community School District
 Schedule of Revenues by Source and Expenditures by Function
 All Governmental Funds
 For the Last Ten Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues										
Local Sources										
Local tax	\$ 7,587,007	7,605,337	8,409,758	9,336,303	9,057,055	8,226,582	7,946,850	7,803,193	7,694,208	7,378,752
Tuition	1,050,764	971,627	952,286	1,040,157	931,284	911,346	953,917	917,792	899,344	777,788
Other	1,056,427	786,440	864,533	682,152	845,744	619,268	684,091	719,205	1,074,227	774,109
Intermediate sources	-	-	-	-	-	-	-	-	-	38
State sources	7,043,301	7,211,362	6,986,165	6,337,017	6,256,062	5,825,368	5,125,710	5,943,499	5,927,369	5,587,891
Federal sources	316,748	364,229	330,551	307,906	412,829	644,890	1,044,094	370,025	251,805	278,400
Total	17,054,247	16,938,995	17,543,293	17,703,535	17,502,974	16,227,454	15,754,662	15,753,714	15,846,953	14,796,978
Expenditures										
Instruction										
Regular	7,507,346	7,262,467	6,811,207	7,092,507	6,975,264	5,842,983	5,640,992	5,755,896	5,405,018	5,181,318
Special	2,052,572	1,807,817	1,798,740	1,773,523	1,837,226	1,701,840	1,674,586	1,701,711	1,799,576	1,666,542
Other	1,061,440	831,826	861,925	766,816	1,003,226	1,925,301	1,635,168	1,186,040	1,138,333	1,062,331
Support Services										
Student	165,908	160,252	198,876	180,644	87,299	116,018	191,203	269,037	270,689	302,002
Instructional staff	665,425	654,341	597,305	592,674	563,217	531,809	533,631	463,790	456,067	431,875
Administration	1,507,884	1,445,829	1,410,051	1,297,334	1,259,085	1,275,096	1,376,261	1,338,533	1,565,650	1,303,975
Operation and maintenance of plant	1,427,456	1,328,807	1,325,343	1,270,288	1,182,817	1,311,305	1,332,685	1,415,805	1,291,820	1,273,033
Transportation	750,797	554,928	768,647	604,120	550,946	458,162	483,599	575,635	572,557	581,832
Noninstructional programs	-	-	-	-	-	-	10,821	-	-	-
Other Expenditures										
Facilities acquisition	1,330,704	1,909,182	467,313	1,239,387	3,703,515	1,393,945	582,086	1,842,399	4,174,670	1,754,063
Long-Term Debt										
Principal	995,000	1,050,000	1,275,000	1,260,000	3,670,000	1,470,000	4,345,000	1,295,000	375,000	355,000
Interest and fiscal charges	141,045	160,480	180,692	196,862	194,148	239,376	355,998	410,285	329,479	230,430
AEA flowthrough	528,448	529,248	527,312	512,760	523,188	583,614	585,313	489,800	470,073	446,342
Total	\$ 18,134,025	17,695,177	16,222,411	16,786,915	21,549,931	16,849,449	18,747,343	16,743,931	17,848,932	14,588,743

See accompanying independent auditor's report.

**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**

Clear Lake Community School District

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 Clear Lake Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clear Lake 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 6, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clear Lake 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 Clear Lake Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Clear Lake Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be 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 deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-16 to be material weaknesses.

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

Compliance and Other Matters

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

Clear Lake Community School District's Responses to the Findings

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Clear Lake 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.

Community CPA

Community CPA & Associates Inc
Des Moines, IA
February 6, 2017

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

Clear Lake Community School District

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 Clear Lake Community School District:

Report on Compliance for Each Major Federal Program

We have audited Clear Lake Community School District's compliance with the types of compliance requirements described in 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. Clear Lake Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Clear Lake Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with 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 Clear Lake Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Clear Lake Community School District complied, in all material respects, with the types of 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

The management of Clear Lake Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Clear Lake Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Clear Lake Community School District's internal control over compliance.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item II-A-16 we consider to be a material weakness

Clear Lake Community School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Clear Lake Community School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Community CPA

Community CPA & Associates Inc
Des Moines, IA
February 6, 2017

Clear Lake Community School District
Schedule of Finding and Questioned Costs

June 30, 2016

Part I: Summary of Independent Auditor's results

- a) Unmodified opinions were issued on the financial statements.
- b) Material weaknesses in internal controls over financial reporting were disclosed by the audit of the financial statements.
- c) The audit did not disclose any non-compliance which is material to the financial statements.

Clear Lake Community School District
Schedule of Finding and Questioned Costs

June 30, 2016

Part II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

II-A-16 Segregation of Duties

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

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

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

Auditor's Recommendation - We reiterate prior year recommendation.

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

Auditor's Conclusion - Response accepted.

II-B-16 Financial Statement Preparation

II-B-16-1 – Prior Year Finding and Recommendation - The District does not have a system of internal controls that fully prepare financial statements and disclosures that are fairly presented in conformity with accounting principles generally accepted in the United States of America. As is inherent in many entities of this size, the District has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully prepare financial statements and the related disclosures. The potential effect of this material weakness is that there could be material errors in the financial statements which would not be discovered by management. We recommend obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses.

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

Auditor's Recommendation - We reiterate prior year recommendation.

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

Auditor's Conclusion - Response accepted.

II-B-16-2 – Current Year Recommendation to Prior Year Adjustment - During the audit, opening capital assets net of accumulated depreciation and amortization were restated, with net impact of reducing net assets by \$1,119,776. The District restated Opening Capital Assets Net of Accumulated Depreciation and Amortization decreased from the reported \$19,077,063 at June 30, 2015 to \$17,957,288. This resulted from the fact that identifiable capital assets net of accumulated depreciation and amortization as reported in the itemized capital assets register were materially less than previously reported. The restated opening balance matches the District's register of itemized capital assets net of accumulated depreciation and amortization as of June 30, 2015.

Auditor's Recommendation – In preparing financial statements, adequate care should be taken to ensure all balances are correct and agree to source information. Additionally, a detailed review process should be implemented to ensure that material errors are identified and corrected.

District's Response – The District will make sure that capital assets agree with the audit.

Auditor's Conclusion – Response accepted.

Clear Lake Community School District
Schedule of Finding and Questioned Costs

June 30, 2016

Part III: Other Findings Related to Statutory Reporting

III-A-16 - Certified Budget - Expenditures for the year ended June 30, 2016 did not exceed the budgeted amounts.

III-B-16 - Business Transactions - No business transactions between the District and District officials or employees were noted.

III-C-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 the coverage is adequate for current operations.

III-D-16 - Board Minutes - No business transactions were noted that we believe should have been approved in the Board minutes but were not.

III-E-16 - Certified Enrollment

Finding - The number of students reported to the Iowa Department of Education on the Certified Enrollment Form for October, 2014 was overstated by 3.00 student.

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

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

Auditor's Conclusion - Response accepted.

III-F-16 - Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

III-G-16 - Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the investment policy were noted.

III-H-16 - Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

III-I-16 - Statewide Sales, Services and Use Tax - No instances of noncompliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education.

For the year ended June 30, 2016, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	3,838,524
Revenues/transfers in:			
Sales tax revenues	1,156,048		
Other local revenues	13,835		1,169,883
Expenditures/transfers out:			
School infrastructure construction	1,003,540		
Transfer to Debt service fund	607,730		<u>1,611,270</u>
Ending balance		\$	<u><u>3,397,137</u></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.

III-J-16 - Student Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. All accounts reported in the Student Activities Fund appear to be extracurricular or co-curricular in nature.