

**Clinton Community School District
Clinton, Iowa**

Financial Report
Year Ended June 30, 2016

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Clinton Community School District

**Officials
Year Ended June 30, 2016**

Name	Title	Term Expires
Board of Education		
Eric Gettes	President	2017
James McGraw	Vice-President	2019
Jenny Green	Board Member	2019
Dana Evers	Board Member	2017
Jack Wenzel	Board Member	2017
Gregg Obren	Board Member	2017
Angela Ash	Board Member	2019
School Officials		
Deb Olson	Superintendent	Current
Cindy McAleer	District Secretary/Treasurer and Business Manager	Current

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Independent Auditor's Report

To the Board of Education
Clinton Community School District
Clinton, Iowa

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Clinton Community School District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress, budgetary comparison information, schedules of proportionate share of the net pension liability, and schedule of contributions on pages 4–15 and 52-59 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 who 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information as listed in the table of contents and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information as listed in the table of contents and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The District's basic financial statements for the years ended June 30, 2007 through 2015, which are not presented herein, were audited by other auditors whose report thereon dated February 8, 2016, expressed unmodified opinions on the basic financial statements. Their report on the Schedule of Revenues by Source and Expenditures by Function for the years ended June 30, 2007 through 2015 stated that, in their opinion, such information was fairly stated in all material respects in relation to the basic financial statements for the years ended June 30, 2007 through 2015 taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bohnsack & Frommelt LLP

Moline, Illinois
January 5, 2017

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Clinton Community School District

Management's Discussion and Analysis Year Ended June 30, 2016

Clinton 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:

2015-16 FINANCIAL HIGHLIGHTS

The District showed an increase in net position of \$3,097,181 and \$3,442,117 during the years ended June 30, 2016 and 2015, respectively.

Total revenues for the fiscal year ended June 30, 2016 and 2015 of \$53,919,500 and \$52,912,699 were comprised of general revenues in the amount of \$41,407,513 and \$43,221,365 and program revenues totaling \$12,511,987 and \$9,691,334, respectively.

As of June 30, 2016, the District's governmental funds reported combined fund balances of \$9,566,664, an increase of \$1,421,311 in comparison to 2015. As of June 30, 2015, the District's governmental funds reported combined fund balances of \$8,145,353, an increase of \$5,187,709 in comparison to 2014.

USING THIS ANNUAL REPORT

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

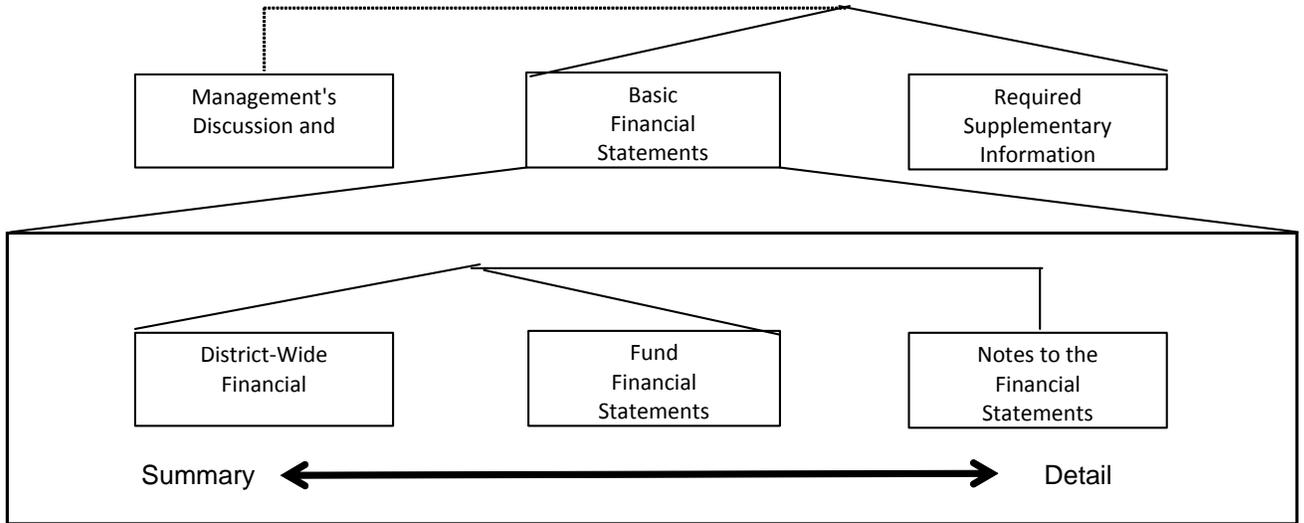
- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Clinton 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 Clinton Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Clinton 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.
- Other supplementary information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefitting the District.

Clinton Community School District

**Management's Discussion and Analysis
Year Ended June 30, 2016**

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

Figure A-1
Clinton Community School District Annual Financial Report



Clinton Community School District

**Management’s Discussion and Analysis
Year Ended June 30, 2016**

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

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
Government-Wide Statements		Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: school nutrition and internal service fund	Instances in which the District administers resources on behalf of someone else, such as scholarship programs, reunion moneys and funds for District employee purchases of pop, etc.
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Clinton Community School District

Management's Discussion and Analysis Year Ended June 30, 2016

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, and liabilities and deferred inflows of resources. 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 statements report the District's net position and how they have changed. Net position – the difference between the District's assets and deferred outflows and liabilities and deferred inflows – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating, respectively. To assess the District's overall health, additional nonfinancial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities need to be considered.

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

Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

Business-type activities: The District charges fees to help it 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 that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

1. **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information following the governmental funds statements explains the relationship (or differences) between the two statements. The District's major governmental funds for 2015-16 were the General Fund and the Capital Projects Fund. The nonmajor governmental funds include four Special Revenue Funds (the Management Fund, Student Activities Fund, and two support trust funds) and the Debt Service Fund. The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

Clinton Community School District

Management's Discussion and Analysis Year Ended June 30, 2016

- Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities but provides more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund which is reported as a major fund, and the Student Construction Fund nonmajor fund. The District currently has two internal service funds. The Self-Funded Health Insurance fund is used to account for the District's self-funded health insurance plan. The Print Shop Fund is used to account for printing services provided to District departments.

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

- Fiduciary funds:** The District is the trustee, or fiduciary, for assets that belong to others. This fund type includes Private-Purpose Trust Fund and Agency Fund.

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

Agency Fund: These are funds for which the District accounts for certain revenue collected for District employee purchases of pop, funeral flowers, etc. and related expenditures and for revenues and expenditures of other various club accounts.

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 of the District include a statement of fiduciary net position, a statement of changes in fiduciary net position, and, for agency funds, statement of fiduciary assets and liabilities.

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

Clinton Community School District

Management's Discussion and Analysis Year Ended June 30, 2016

Government-Wide Financial Analysis

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change 2015-16
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	
Current and other assets	\$ 39,817,833	\$ 38,368,602	\$ 1,568,011	\$ 1,349,829	\$ 41,385,844	\$ 39,718,431	4.2%
Capital assets	65,709,390	67,542,011	516,475	733,192	66,225,865	68,275,203	-3.0%
Total assets	105,527,223	105,910,613	2,084,486	2,083,021	107,611,709	107,993,634	-0.4%
Deferred outflows of resources	5,509,649	2,947,424	143,350	77,759	5,652,999	3,025,183	86.9%
Long-term liabilities	55,585,387	55,212,584	44,660	406,019	55,630,047	55,618,603	0.0%
Other liabilities	7,438,880	7,416,943	478,353	51,936	7,917,233	7,468,879	6.0%
Total liabilities	63,024,267	62,629,527	523,013	457,955	63,547,280	63,087,482	0.7%
Deferred inflows of resources	19,291,407	20,574,342	122,888	151,041	19,414,295	20,725,383	-6.3%
Net position:							
Net investment in capital assets	32,681,749	29,843,503	516,475	733,192	33,198,224	30,576,695	8.6%
Restricted	4,798,673	8,155,541	-	-	4,798,673	8,155,541	-41.2%
Unrestricted	(8,759,224)	(12,344,876)	1,065,460	818,592	(7,693,764)	(11,526,284)	33.3%
Total net position	\$ 28,721,198	\$ 25,654,168	\$ 1,581,935	\$ 1,551,784	\$ 30,303,133	\$ 27,205,952	11.4%

The District's combined net position as of June 30, 2016 grew by \$3,097,181 (11.4%) over the June 30, 2015 combined net position. Net position in the governmental activities grew by \$3,067,030 (12.0%). The net position of the District's business-type activities increased by \$30,151 (1.9%).

The most significant factors for the increase in net position of the District were the additions of capital assets for various projects and the improved performance of the investments of the District's pension system.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased by \$3,356,868 (41.2%) primarily due to resources restricted for school infrastructure used during the current year to purchase and construct capital projects.

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) improved by \$3,832,520 (33.3%).

Clinton Community School District

Management's Discussion and Analysis Year Ended June 30, 2016

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

Figure A-4 Changes in Net Position From Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2015-16
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	
Revenues:							
Program revenues:							
Charges for services	\$ 1,697,822	\$ 822,035	\$ 533,011	\$ 712,275	\$ 2,230,833	\$ 1,534,310	45.4%
Operating grants and contributions	8,878,292	6,793,404	1,402,862	1,363,620	10,281,154	8,157,024	26.0%
General revenues:							
Property taxes	14,492,813	15,555,076	-	-	14,492,813	15,555,076	-6.8%
Statewide sales, services and use tax	3,843,835	3,695,882	-	-	3,843,835	3,695,882	4.0%
Other taxes	1,425,047	1,013,455	-	-	1,425,047	1,013,455	40.6%
Unrestricted state grants	20,682,452	22,929,530	-	-	20,682,452	22,929,530	-9.8%
Unrestricted investment earnings	68,369	16,446	5,481	-	73,850	16,446	349.0%
Gain on sale of capital assets	13,050	10,976	-	-	13,050	10,976	18.9%
Other	875,336	-	1,130	-	876,466	-	N/A
Total revenues	51,977,016	50,836,804	1,942,484	2,075,895	53,919,500	52,912,699	1.9%
Expenses:							
Instruction	31,140,099	28,898,361	-	-	31,140,099	28,898,361	7.8%
Support services							
Student	2,442,635	2,318,396	-	-	2,442,635	2,318,396	5.4%
Instructional staff	1,022,064	1,269,903	-	-	1,022,064	1,269,903	-19.5%
Administration services	4,825,478	4,500,810	84,377	86,550	4,909,855	4,587,360	7.0%
Operation and maintenance of plant	4,702,986	4,931,121	45,388	71,090	4,748,374	5,002,211	-5.1%
Transportation	1,455,351	1,496,601	-	-	1,455,351	1,496,601	-2.8%
Noninstructional	4,884	30,042	1,782,568	1,967,760	1,787,452	1,997,802	-10.5%
Other expenditures							
Facilities acquisition	-	739,296	-	-	-	739,296	-100.0%
Long-term debt interest	1,635,805	1,482,176	-	-	1,635,805	1,482,176	10.4%
AEA flowthrough	1,680,684	1,678,476	-	-	1,680,684	1,678,476	0.1%
Total expenses	48,909,986	47,345,182	1,912,333	2,125,400	50,822,319	49,470,582	2.7%
Increase (decrease) in net position	3,067,030	3,491,622	30,151	(49,505)	3,097,181	3,442,117	-10.0%
Net position,							
beginning of year	25,654,168	22,162,546	1,551,784	1,601,289	27,205,952	23,763,835	14.5%
Net position, end of year	\$ 28,721,198	\$ 25,654,168	\$ 1,581,935	\$ 1,551,784	\$ 30,303,133	\$ 27,205,952	11.4%

In 2015-16, property taxes, other taxes, state foundation aid, and statewide sales and services tax accounted for 77.8% of the revenue from governmental activities while charges for services and grants and contributions accounted for 99.7% of the revenue from business-type activities.

Clinton Community School District

Management's Discussion and Analysis Year Ended June 30, 2016

The District's expenses primarily relate to instructional and support services which account for 90.0% of the total expenses.

Total revenue for the District increased by \$1,006,801 (1.9%) in the fiscal year ended June 30, 2016. The most significant revenue category change was due to an increase in operating grants and contributions from increases in categorical state awards.

Total District expenses increased by \$1,351,737 (2.7%), which was mainly attributable to the changes in payroll and benefits.

Governmental Activities

Revenue for the District's governmental activities in 2015-16 increased by \$1,140,212 (2.2%) from the previous year, while total expenses increased by \$1,564,804 (3.3%). Governmental activities net position as of June 30, 2016 increased by \$3,067,030 (11.9%) over the June 30, 2015 balance.

The table below presents the total and net cost of the District's four major governmental activities: instruction, support services, noninstructional programs and other expenses, for the year ended June 30, 2016 compared to the year ended June 30, 2015.

Figure A-7 Net Cost of Governmental Activities

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	June 30, 2016	June 30, 2015	Change	June 30, 2016	June 30, 2015	Change
Instruction	\$ 31,140,099	\$ 28,898,361	7.76%	\$ 23,306,707	\$ 23,915,127	-2.5%
Support services	14,448,515	14,516,831	-0.47%	13,386,477	13,563,102	-1.3%
Noninstructional	4,884	30,042	-83.74%	4,884	30,042	-83.7%
Other	3,316,489	3,899,948	-14.96%	1,635,805	3,899,948	0.0%
Total	\$ 48,909,986	\$ 47,345,182	3.31%	\$ 38,333,872	\$ 41,408,219	-7.4%

For the year ended June 30, 2016:

- The cost financed by the users of the District's programs was \$1,697,822.
- Federal and state governments and some local sources subsidized certain programs with grants and contributions totaling \$8,878,292.
- The net cost of governmental activities was financed with \$14,492,813 in property taxes, \$1,425,047 in other taxes, \$20,682,452 of unrestricted state grants, \$3,843,835 in statewide sales and services tax revenue, and \$956,755 in other revenues which includes revenue in lieu of taxes.

For the year ended June 30, 2015:

- The cost financed by the users of the District's programs was \$822,035.
- Federal and state governments and some local sources subsidized certain programs with grants and contributions totaling \$6,793,404.
- The net cost of governmental activities was financed with \$15,555,076 in property taxes, \$1,013,455 in other taxes, \$22,929,530 of unrestricted state grants, \$3,695,882 in statewide sales and services tax revenue, and \$27,422 in other revenues.

Clinton Community School District

Management's Discussion and Analysis Year Ended June 30, 2016

Business-Type Activities

The District's business-type activities include the School Nutrition Fund and the Student Construction Fund. Revenues of the District's business-type activities in 2015-16 were \$1,942,484; a decrease of (\$133,411) (6.4%) from 2014-15. The District increased meal prices from fiscal year 2015. Expenses were \$1,912,333; a decrease of (\$213,067) (-10.0%) from 2014-15 primarily due to an improved investment performance of the District's pension plan.

Individual Fund Analysis

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$9,566,664, which reflects an increase of \$1,421,311 from last year's ending fund balances of \$8,145,353. The primary reason for the increase in combined fund balances at the end of the 2015-16 fiscal year is due to increases in charges for services and other taxes and grants and contributions.

Governmental Fund Highlights

- The fund balance in the District's General Fund increased by \$1,752,762 from \$1,798,170 as of June 30, 2015 to \$3,550,932 as of June 30, 2016. The General Fund experienced an increase in state sources of revenue primarily due to categorical programs.
- The fund balance in the Capital Projects Fund decreased by (\$76,982). Total capital projects expenditures were \$2,762,267 in 2014-15 compared to \$389,285 in 2015-16. The District issued debt in 2015 for capital facility construction and expended the debt proceeds in 2015 and 2016.
- The fund balance in the Student Activities Fund increased by \$1,550 during the fiscal year due to the variance of student activities from year-to-year.
- The fund balance in the Management Fund decreased by (\$38,458) during 2015-16.
- The fund balance in the support trust funds decreased (\$1,869) during 2015-16.

Proprietary Fund Highlights

The net position of the Nutrition Fund increased by \$29,201 (2.2%) during 2015-16 primarily due to improve pension plan performance. The net position of the Student Construction Fund increased \$1,130 (0.4%).

Budgetary Highlights

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.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except internal service funds, private-purpose trust funds and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District uses the GAAP (Generally Accepted Accounting Principles) method of accounting for budgeting purposes. The District amended the budget during the year to increase budgeted expenditures \$1,800,214.

Clinton Community School District

Management's Discussion and Analysis Year Ended June 30, 2016

Iowa law requires that actual spending in each functional area of the budget does not exceed the amount budgeted to be spent in that functional area at any time during the fiscal year. It should also be noted that school districts have two levels of budgetary control. One form of budgetary control exists through the certified budget, which includes all funds of the District as noted above. This budget is certified with the County Auditor and the Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority. The other level of budgetary control is the unspent (maximum) authorized budget and pertains only to the General Fund of the District. The maximum authorized budget is the total spending authority in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the actual General Fund cash. It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the District.

Total revenues were \$387,771 more than budgeted and total expenditures were \$1,348,623 less than budgeted. The District exceeded the amended certified budget in the other expenditures function.

Capital Asset and Debt Administration

Capital Assets

By the end of the 2015-16 fiscal year, the District had invested \$66,225,865 (net of accumulated depreciation of \$22,976,501) in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment and administrative offices. This amount represents a net decrease of \$2,049,338 or 3.0% from last year. (More detailed information about capital assets can be found in Note 4 to the financial statements). Total depreciation expense for the year was \$2,391,329.

Figure A-8 Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total School District		Total
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	Percentage
							Change
Land	\$ 1,860,229	\$ 1,860,229	\$ -	\$ -	\$ 1,860,229	\$ 1,860,229	0.0%
Land Improvements	2,882,500	3,026,423	-	-	2,882,500	3,026,423	-4.8%
Building and building improvements	59,826,938	26,978,696	-	-	59,826,938	26,978,696	121.8%
Furniture and equipment	595,920	771,306	516,475	236,384	1,112,395	1,007,690	10.4%
Construction in progress	35,164	34,424,398	-	496,808	35,164	34,921,206	-99.9%
Buses	508,639	480,959	-	-	508,639	480,959	5.8%
Total	\$ 65,709,390	\$ 67,542,011	\$ 516,475	\$ 733,192	\$ 66,225,865	\$ 68,275,203	-3.0%

Clinton Community School District

**Management's Discussion and Analysis
Year Ended June 30, 2016**

Long-Term Liabilities

As of June 30, 2016, the District had the following long-term liabilities:

Figure A-9 Outstanding Long-Term Obligations

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2015-16
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	
General obligation bonds	\$ 680,000	\$ 1,345,000	\$ -	\$ -	\$ 680,000	\$ 1,345,000	100.0%
Revenue bonds and anticipation notes	35,520,000	37,695,000	-	-	35,520,000	37,695,000	-5.8%
Bond premium	85,628	102,855	-	-	85,628	102,855	-16.7%
Bond discount	(288,107)	(310,269)	-	-	(288,107)	(310,269)	-7.1%
Capital leases payable	115,295	3,508	-	-	115,295	3,508	3186.6%
Compensated absences	172,251	164,508	22,185	22,056	194,436	186,564	4.2%
Net OPEB liability	1,962,367	1,655,769	-	-	1,962,367	1,655,769	18.5%
Net pension liability	17,337,953	14,556,213	456,168	383,963	17,794,121	14,940,176	19.1%
Total	\$ 55,585,387	\$ 55,212,584	\$ 478,353	\$ 406,019	\$ 56,063,740	\$ 55,618,603	0.8%

More information regarding the District's long-term liabilities is provided in Note 5 to the financial statements.

Clinton Community School District

Management's Discussion and Analysis Year Ended June 30, 2016

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District experienced a decline in student enrollment on the October 1, 2016 certified enrollment. The total school age students provided instructional programs/services by our district is down 61.6 students. Since one of the major factors in determining the district's budget authority or ability to spend is enrollment, this decline will have an impact on future budgets and staffing.
- Funding at the state level continues to be a focal point for educators. Low state supplemental aid increases are not satisfying cost of living increases as well as increased costs for utilities and purchased services.
- The extension of the Secure an Advanced Vision for Education (SAVE, formerly LOST Fund) is critical for future bonding initiatives for school districts as well as maintaining all funds for school infrastructure and not water quality issues.
- The District was able to pass a 10-year \$0.75 Voted Physical Plant and Equipment Levy (PPEL) in September of 2016. This will generate an additional \$700,000 starting in the 2017-2018 fiscal year for school infrastructure projects.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cindy McAleer, Board Secretary/Treasurer and Business Manager, Clinton Community School District, 1401 12th Avenue North, Clinton, Iowa 52732.

Basic Financial Statements

Clinton Community School District

**Statement of Net Position
June 30, 2016**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and pooled investments	\$ 14,726,709	\$ 1,263,192	\$ 15,989,901
Receivables:			
Property tax:			
Current year	177,857	-	177,857
Succeeding year	14,649,998	-	14,649,998
Accounts	639,883	39,116	678,999
Due from other governments	3,314,905	19,860	3,334,765
Inventories	80,627	107,903	188,530
Restricted cash and investments	6,227,854	-	6,227,854
Assets held for sale	-	137,940	137,940
Capital assets:			
Nondepreciable	1,895,393	-	1,895,393
Depreciable, net	63,813,997	516,475	64,330,472
Total assets	105,527,223	2,084,486	107,611,709
Deferred Outflows of Resources,			
pension related deferred outflows	5,509,649	143,350	5,652,999

See Notes to Basic Financial Statements.

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accounts payable	1,105,680	21,755	1,127,435
Salaries and benefits payable	4,155,326	9,040	4,164,366
Claims payable	809,630	-	809,630
Excess of warrants issued over bank balance	684,070	-	684,070
Accrued interest	684,174	-	684,174
Unearned revenue	-	13,865	13,865
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	680,000	-	680,000
Revenue bonds and anticipation notes	1,620,000	-	1,620,000
Capital leases	57,187	-	57,187
Compensated absences	172,251	22,185	194,436
Portion due after one year:			
Revenue bonds and anticipation notes	33,697,521	-	33,697,521
Capital leases	58,108	-	58,108
Net OPEB liability	1,962,367	-	1,962,367
Net pension liability	17,337,953	456,168	17,794,121
Total liabilities	63,024,267	523,013	63,547,280
Deferred Inflows of Resources			
Succeeding year property tax	14,649,998	-	14,649,998
Pension related deferred inflows	4,641,409	122,888	4,764,297
Total deferred inflows of resources	19,291,407	122,888	19,414,295
Net Position			
Net investment in capital assets	32,681,749	516,475	33,198,224
Restricted for:			
Categorical funding	629,061	-	629,061
Management levy	326,279	-	326,279
Physical plant and equipment levy	167,627	-	167,627
School infrastructure	3,626,660	-	3,626,660
Support trust activities	49,046	-	49,046
Unrestricted	(8,759,224)	1,065,460	(7,693,764)
Total net position	\$ 28,721,198	\$ 1,581,935	\$ 30,303,133

Clinton Community School District

Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Expenses	Charges for Services
Governmental activities:		
Instruction:		
Regular instruction	\$ 17,354,612	\$ 822,876
Special instruction	8,684,226	143,130
Other	5,101,261	677,474
	<u>31,140,099</u>	<u>1,643,480</u>
Support services:		
Student services	2,442,635	16,488
Instructional staff services	1,022,064	6,769
Administration services	4,825,478	1,440
Operation and maintenance of plant services	4,702,986	7,458
Transportation services	1,455,351	22,187
	<u>14,448,515</u>	<u>54,342</u>
Noninstructional programs	4,884	-
Other expenditures:		
Long-term debt interest	1,635,805	-
AEA flowthrough	1,680,684	-
	<u>3,316,489</u>	<u>-</u>
Total governmental activities	<u>48,909,986</u>	<u>1,697,822</u>
Business-type activities:		
Support services:		
Administration services	84,377	-
Operation and maintenance of plant services	45,388	-
	<u>129,765</u>	<u>-</u>
Noninstructional programs, food service operations	1,782,568	533,011
Total business-type activities	<u>1,912,333</u>	<u>533,011</u>
Total	<u>\$ 50,822,319</u>	<u>\$ 2,230,833</u>
General revenues:		
Property tax levied for:		
General purposes		
Capital outlay		
Debt service		
Other specific purposes		
Statewide sales and services tax		
Other taxes		
Revenue in lieu of taxes		
Unrestricted state grants		
Unrestricted investment earnings		
Gain on sale of assets		
Other		
Total general revenues		
Change in net position		
Net position, beginning of year		
Net position, end of year		

See Notes to Financial Statements.

Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 4,272,958	\$ -	\$ (12,258,778)	\$ -	\$ (12,258,778)
208,215	-	(8,332,881)	-	(8,332,881)
1,708,739	-	(2,715,048)	-	(2,715,048)
6,189,912	-	(23,306,707)	-	(23,306,707)
929,498	-	(1,496,649)	-	(1,496,649)
13,860	-	(1,001,435)	-	(1,001,435)
-	-	(4,824,038)	-	(4,824,038)
-	-	(4,695,528)	-	(4,695,528)
64,338	-	(1,368,826)	-	(1,368,826)
1,007,696	-	(13,386,477)	-	(13,386,477)
-	-	(4,884)	-	(4,884)
-	-	(1,635,805)	-	(1,635,805)
1,680,684	-	-	-	-
1,680,684	-	(1,635,805)	-	(1,635,805)
8,878,292	-	(38,333,872)	-	(38,333,872)
-	-	-	(84,377)	(84,377)
-	-	-	(45,388)	(45,388)
-	-	-	(129,765)	(129,765)
1,402,862	-	-	153,305	153,305
1,402,862	-	-	23,540	23,540
\$ 10,281,154	\$ -	(38,333,872)	23,540	(38,310,332)
		12,925,747	-	12,925,747
		299,338	-	299,338
		682,056	-	682,056
		585,672	-	585,672
		3,843,835	-	3,843,835
		1,425,047	-	1,425,047
		767,922	-	767,922
		20,682,452	-	20,682,452
		68,369	5,481	73,850
		13,050	-	13,050
		107,414	1,130	108,544
		41,400,902	6,611	41,407,513
		3,067,030	30,151	3,097,181
		25,654,168	1,551,784	27,205,952
		\$ 28,721,198	\$ 1,581,935	\$ 30,303,133

Clinton Community School District

**Balance Sheet
Governmental Funds
June 30, 2016**

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 6,629,856	\$ 432,985	\$ 166,090	\$ 7,228,931
Receivables:				
Property tax:				
Current year	159,145	3,506	15,206	177,857
Succeeding year	12,859,332	300,606	1,490,060	14,649,998
Accounts	23,619	-	654	24,273
Due from other governments	2,529,868	783,485	1,552	3,314,905
Due from other funds	824,845	-	215,820	1,040,665
Restricted cash and investments	-	6,227,854	-	6,227,854
Total assets	\$ 23,026,665	\$ 7,748,436	\$ 1,889,382	\$ 32,664,483
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts payable	\$ 981,403	\$ 85,741	\$ 36,928	\$ 1,104,072
Salaries and benefits payable	4,155,326	-	-	4,155,326
Due to other funds	-	482,627	359,382	842,009
Excess of warrants issued over bank balance	-	-	684,070	684,070
Total liabilities	5,136,729	568,368	1,080,380	6,785,477
Deferred Inflows of Resources:				
Unavailable revenue:				
Succeeding year property tax	12,859,332	300,606	1,490,060	14,649,998
Income surtax	1,454,406	-	-	1,454,406
Statewide sales and services tax	-	182,672	-	182,672
Grants	25,266	-	-	25,266
Total deferred inflows of resources	14,339,004	483,278	1,490,060	16,312,342
Fund balances:				
Restricted for:				
Categorical funding	629,061	-	-	629,061
Management levy	-	-	326,279	326,279
Physical plant and equipment levy	-	167,627	-	167,627
School infrastructure	-	6,529,163	-	6,529,163
Support trust activities	-	-	49,046	49,046
Unassigned	2,921,871	-	(1,056,383)	1,865,488
Total fund balances	3,550,932	6,696,790	(681,058)	9,566,664
Total liabilities, deferred inflows of resources, and fund balances	\$ 23,026,665	\$ 7,748,436	\$ 1,889,382	\$ 32,664,483

See Notes to Financial Statements.

Clinton 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 \$ 9,566,664

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in the governmental funds. 65,706,961

Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds. 1,662,344

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, are recognized as deferred inflows of resources in the governmental funds. (684,174)

The Internal Service Fund is used to charge costs of the District's self-funded insurance plan to the governmental funds. The net position of the Internal Services Fund is therefore included under governmental activities.

Capital assets	2,429	
Remaining assets and liabilities	7,184,121	7,186,550

Deferred outflows of resources		5,509,649
Deferred inflows of resources		(4,641,409)

Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

General Obligation bonds	(680,000)	
Revenue bonds and anticipation notes	(35,520,000)	
Capital leases	(115,295)	
Bond premiums	(85,628)	
Bond discounts	288,107	
Compensated absences	(172,251)	
Net OPEB liability	(1,962,367)	
Net pension liability	(17,337,953)	(55,585,387)
Net position of governmental activities		\$ 28,721,198

See Notes to Financial Statements.

Clinton 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	\$ 14,449,090	\$ 299,338	\$ 1,267,728	\$ 16,016,156
Tuition	424,471	-	-	424,471
Other	768,124	22,141	633,602	1,423,867
State sources	27,900,518	3,677,132	67,399	31,645,049
Federal sources	2,344,781	-	-	2,344,781
Total revenues	45,886,984	3,998,611	1,968,729	51,854,324
Expenditures:				
Current:				
Instruction:				
Regular	15,272,379	-	264,155	15,536,534
Special	8,810,594	-	-	8,810,594
Other	4,629,312	-	546,180	5,175,492
	28,712,285	-	810,335	29,522,620
Support services:				
Student	2,472,725	-	5,454	2,478,179
Instructional staff	1,036,937	-	-	1,036,937
General administration	658,778	17,107	53,730	729,615
School administration	2,315,134	-	-	2,315,134
Business and central	1,761,141	-	1,350	1,762,491
Operation and maintenance of plant	4,276,761	55,269	336,366	4,668,396
Transportation	1,226,746	171,756	78,026	1,476,528
	13,748,222	244,132	474,926	14,467,280
Noninstructional programs	1,080	-	3,804	4,884
Other expenditures:				
Facilities acquisition	-	389,285	-	389,285
AEA flowthrough	1,680,684	-	-	1,680,684
Debt service:				
Principal	-	-	2,899,969	2,899,969
Interest and fiscal charges	-	-	1,653,097	1,653,097
	1,680,684	389,285	4,553,066	6,623,035
Total expenditures	44,142,271	633,417	5,842,131	50,617,819
Excess (deficiency) of revenues (under) expenditures	1,744,713	3,365,194	(3,873,402)	1,236,505
Other financing sources (uses):				
Proceeds from sale of capital assets	8,049	5,001	-	13,050
Proceeds from capital lease	-	171,756	-	171,756
Transfers in	-	-	3,618,933	3,618,933
Transfers out	-	(3,618,933)	-	(3,618,933)
Total other financing sources (uses)	8,049	(3,442,176)	3,618,933	184,806
Net change in fund balances	1,752,762	(76,982)	(254,469)	1,421,311
Fund balances, beginning of year	1,798,170	6,773,772	(426,589)	8,145,353
Fund balances, end of year	\$ 3,550,932	\$ 6,696,790	\$ (681,058)	\$ 9,566,664

See Notes to Financial Statements.

Clinton 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**

Net change in fund balances - total governmental funds \$ 1,421,311

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. However, those costs are not reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 462,765	
Depreciation expense	<u>(2,295,386)</u>	(1,832,621)
Proceeds from the sale of capital assets		(13,050)
Gain on sale of capital assets		13,050

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, change in unavailable revenues. 109,642

The increase in net position of the Internal Service Fund represents an overcharge to the governmental funds and is incorporated into the change in net position of governmental activities. 72,410

The issuance of long-term debt provides current financial resources to governmental funds, while the repayments of the principal of long-term debt consumes the current financial resources of governmental funds. The issuance of debt increases liabilities in the Statement of Net Assets, while the repayment of long-term debt reduces long-term liabilities. The following is the detail of the net effect of these differences in the treatment of long-term debt and related items:

Repayment of principal on debt	2,899,969	
Issuance of capital lease	(171,756)	
Amortization of premium and discounts	<u>(4,935)</u>	2,723,278

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 expenditures in the governmental fund when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 22,227

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 28,593

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

Pension expense	836,531	
Compensated absences	(7,743)	
Net OPEB liability	<u>(306,598)</u>	522,190

Change in net position of governmental activities \$ 3,067,030

See Notes to Financial Statements.

Clinton Community School District

**Statement of Net Position
Proprietary Funds
June 30, 2016**

	School Nutrition	Nonmajor Student Construction	Business-Type Activities Total Enterprise	Governmental Activities Internal Service Fund
Assets				
Cash and cash equivalents	\$ 1,130,243	\$ 132,949	\$ 1,263,192	\$ 7,497,778
Accounts receivable, net of allowance for doubtful accounts	39,116	-	39,116	615,610
Due from other governments	19,860	-	19,860	-
Inventories	107,903	-	107,903	80,627
Assets held for sale	-	137,940	137,940	-
Capital assets, net of accumulated depreciation	516,475	-	516,475	2,429
Total assets	1,813,597	270,889	2,084,486	8,196,444
Deferred Outflows of Resources, pension related deferred outflows				
	143,350	-	143,350	-
Liabilities				
Accounts payable	18,183	3,572	21,755	1,608
Accrued salaries and benefits	9,040	-	9,040	-
Compensated absences	22,185	-	22,185	-
Due to other funds	-	-	-	198,656
Claims payable	-	-	-	809,630
Unearned revenue	13,865	-	13,865	-
Net pension liability	456,168	-	456,168	-
Total liabilities	519,441	3,572	523,013	1,009,894
Deferred Inflows of Resources, pension related deferred inflows				
	122,888	-	122,888	-
Net Position				
Net investment in capital assets	516,475	-	516,475	2,429
Unrestricted	798,143	267,317	1,065,460	7,184,121
Total net position	\$ 1,314,618	\$ 267,317	\$ 1,581,935	\$ 7,186,550

See Notes to Financial Statements.

Clinton Community School District

Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Funds
 Year Ended June 30, 2016

	School Nutrition	Nonmajor Student Construction	Business-Type Activities Total Enterprise	Governmental Activities Internal Service Fund
Operating revenues:				
Local sources:				
Charges for service	\$ 531,216	\$ -	\$ 531,216	\$ 4,997,141
Other	1,795	-	1,795	-
Total operating revenues	533,011	-	533,011	4,997,141
Operating expenses:				
Support services:				
Salaries	54,802	-	54,802	-
Benefits	21,988	-	21,988	-
Purchased services	7,587	-	7,587	-
Operation and maintenance of plant	45,388	-	45,388	-
	129,765	-	129,765	-
Noninstructional programs:				
Salaries	586,124	-	586,124	560
Benefits	133,565	-	133,565	91
Purchased services	3,387	-	3,387	55,872
Supplies	950,475	-	950,475	26,391
Depreciation	95,943	-	95,943	-
Other	13,074	-	13,074	4,841,817
	1,782,568	-	1,782,568	4,924,731
Total operating expenses	1,912,333	-	1,912,333	4,924,731
Operating income (loss)	(1,379,322)	-	(1,379,322)	72,410
Nonoperating revenues:				
Gain on disposal of capital assets	-	1,130	1,130	-
Interest on investments	5,481	-	5,481	-
State sources	16,608	-	16,608	-
Federal sources	1,386,254	-	1,386,254	-
Total nonoperating revenues	1,408,343	1,130	1,409,473	-
Change in net position	29,021	1,130	30,151	72,410
Net position, beginning of year	1,285,597	266,187	1,551,784	7,114,140
Net position, end of year	\$ 1,314,618	\$ 267,317	\$ 1,581,935	\$ 7,186,550

See Notes to Financial Statements.

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Clinton Community School District

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2016

	School Nutrition	Nonmajor Student Construction	Business-Type Activities Total Enterprise	Governmental Activities Internal Service Fund
Cash flows from operating activities:				
Cash received from				
charges for services	\$ 535,283	\$ -	\$ 535,283	\$ 5,034,682
Cash received from other	1,795	-	1,795	-
Cash payments to employees	(816,913)	-	(816,913)	(1,313)
Cash payments to suppliers	(946,041)	-	(946,041)	(5,210,634)
Net cash (used in) operating activities	(1,225,876)	-	(1,225,876)	(177,265)
Cash flows from noncapital financing activities:				
State grants received	16,608	-	16,608	-
Federal grants received	1,304,636	-	1,304,636	-
Net cash provided by noncapital financing activities	1,321,244	-	1,321,244	-
Cash flows from capital and related financing activities:				
Proceeds from sale of assets	-	170,300	170,300	-
Acquisition of capital assets	(24,701)	(158,075)	(182,776)	-
Net cash provided by (used in) capital and related financing activities	(24,701)	12,225	(12,476)	-
Cash flows from investing activities, interest on investments	5,481	-	5,481	-
Net increase (decrease) in cash and cash equivalents	76,148	12,225	88,373	(177,265)
Cash and cash equivalents, beginning of year	1,054,095	120,724	1,174,819	7,675,043
Cash and cash equivalents, end of year	\$ 1,130,243	\$ 132,949	\$ 1,263,192	\$ 7,497,778

(Continued)

Clinton Community School District

Statement of Cash Flows (Continued)

Proprietary Funds

Year Ended June 30, 2016

	School Nutrition	Nonmajor Student Construction	Business-Type Activities Total Enterprise	Governmental Activities Internal Service Fund
Reconciliation of operating income (loss) to net cash (used in) operating activities:				
Operating income (loss)	\$ (1,379,322)	\$ -	\$ (1,379,322)	\$ 72,410
Adjustments to reconcile operating income (loss) to net cash (used in) operating activities:				
Depreciation	95,943	-	95,943	-
Commodities used	81,618	-	81,618	-
Decrease in accounts receivable	442	-	442	37,541
Increase in due from other governments	(10,240)	-	(10,240)	-
Decrease (increase) in inventories	2,453	-	2,453	(6,524)
(Decrease) in accounts payable	(10,201)	-	(10,201)	(223,654)
Increase (decrease) in salaries and benefits payable	976	-	976	(1,313)
Increase in compensated absences	129	-	129	-
(Decrease) in pension and related deferrals	(21,539)	-	(21,539)	-
(Decrease) in claims payable	-	-	-	(55,725)
Increase in unearned revenue	13,865	-	13,865	-
Net cash (used in) operating activities	\$ (1,225,876)	\$ -	\$ (1,225,876)	\$ (177,265)
Schedule of noncash items:				
Noncapital financing activities, federal commodities	\$ 81,618	\$ -	\$ -	\$ -

See Notes to Financial Statements.

Clinton Community School District

**Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016**

	Private Purpose Trust	Agency
Assets		
Cash and pooled investments	\$ 493,148	\$ 1,768
Liabilities		
Accounts payable	-	327
Due to other groups	-	1,441
Total liabilities	\$ -	\$ 1,768
Net Position , restricted for scholarships	<u>\$ 493,148</u>	

See Notes to Financial Statements.

Clinton Community School District

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2016

	<u>Private Purpose Trust</u>
Additions:	
Local sources:	
Contributions	\$ 1,020
Interest income	2,641
Total additions	<u>3,661</u>
Deductions:	
Current:	
Instruction	
Scholarships awarded	24,480
Total expenditures	<u>24,480</u>
Change in net position	(20,819)
Net position, beginning of year	513,967
Net position, end of year	<u>\$ 493,148</u>

See Notes to Basic Financial Statements.

Clinton Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies

Clinton Community School District (the District) is a political subdivision of the state of Iowa and operates public schools for children in grades kindergarten through twelve. The District also operates a preschool program. The District encompasses an area of approximately 18 square miles of the City of Clinton's 34.75 square miles. Within the District are six schools, including four elementary schools for grades kindergarten to five, one middle school for grades six to eight and one high school for grades nine to twelve. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

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

Reporting entity:

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

Jointly governed organizations: The District participates in a jointly governed organization that provides services to the District but 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 City's Conference Board.

Basis of presentation:

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

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

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

Restricted net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

Clinton Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customer 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 District-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.

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

The other governmental funds of the District are considered nonmajor and are as follows:

Special Revenue Funds: Are used to account for the revenue sources that are legally restricted to expenditures for specific purposes:

The Management Fund accounts for tort liability insurance premiums, unemployment compensation insurance claims and early retirement incentive payments.

The Student Activity Fund accounts for money held by the District on behalf of the students who have raised these funds and are responsible for their disposition for co-curricular to extracurricular activities of the District.

The Helen O. Stoddard Bequest Fund and the Margaret N. Kracht Gift Fund account for trust accounts for which may be expended for District activities.

Debt Service Fund: Accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. Revenue of the fund primarily consists of local property taxes.

Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position, and cash flows. The District has two proprietary fund-types, enterprise funds and internal services funds.

Enterprise funds are used to account for those operations that are financed and operating in a manner similar to private business for where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The District's major enterprise fund is the Nutrition Fund which accounts for the food service operations of the District. The District's nonmajor enterprise fund is the Student Construction Fund which accounts for a houses built and sold by a student program of the District.

Clinton Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The District's internal services funds are used to account for goods or services provided by one department to the other departments of the District on a cost reimbursement basis. The District's internal services funds are:

Self-Funded Health Insurance Fund: Accounts for the premiums and claim payments of the self-insured health insurance plans for District employees.

Print Shop Fund: Accounts for the printing services provided to departments of the District.

The District also reports fiduciary funds. The District's fiduciary funds include the following:

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

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

Measurement focus and basis of accounting:

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

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

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

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

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is 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.

Clinton Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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

Assets, deferred outflows of resources, liabilities, deferred inflows of resources and fund equity:

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

Cash, pooled investments and cash equivalents: The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for nonnegotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have 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 that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. 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. 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 a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied. The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with 1½ percent 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 governmental commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Prepaid items: The District accounts for prepaid items by using the purchases method.

Clinton Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Capital assets: Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1
Land improvements	5,000
Buildings	5,000
Buses and other pupil transportation	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 - 50 years
Furniture and equipment	5 - 15 years
Buses and other pupil transportation	5 - 10 years

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

Unearned revenue: Proprietary funds defer revenue recognition in connection with resources that have been received but not earned. Unearned revenue in the governmental funds arises when assets are recognized before revenue recognition criteria have been satisfied. Unearned revenue consists primarily of school registration fees and meal revenues collected for the programs and services in the next school year.

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 as of 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.

Clinton Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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.

Interfund activity: Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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

Nonspendable: Balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

Restricted: Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed: Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned: Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The authority to assign fund balances has been delegated to the Chief Financial Officer.

Unassigned: All amounts not included in other spendable classifications as well as any deficit fund balance of any other governmental fund is reported as unassigned.

When an expenditure is incurred for purposes for which amounts in the committed, assigned, or unassigned fund balance classifications could be used, the District's policy is generally to first apply the expenditure to restricted fund balance and then to less restrictive classifications – committed, assigned and then unassigned fund balances.

Deferred outflows/inflows of resources: In addition to assets, the balance sheet and/or statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of fund balance or net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The District's deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Clinton Community School District

Notes to Basic Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the balance sheet and/or statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance or net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows of resources consist of deferred revenue and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

The District reports unavailable revenue in the governmental funds balance sheet from the property tax, statewide sales and services tax, income surtax, and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the District's government-wide statements, only the succeeding year property tax revenue remains as a deferred inflow of resources under the full accrual basis of accounting and will become an inflow in the year for which levied.

Net position: In proprietary funds, fiduciary funds, and government-wide financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds of \$3,085,175. Net position is reported as restricted when there are limitations imposed on their use through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net position restricted by enabling legislation as of June 30, 2016 consists of \$629,061 for categorical funding, \$326,279 for management levy purposes, \$167,627 for physical plant and equipment levy, \$3,626,660 for school infrastructure and \$49,046 for support trust activities.

Net position flow assumption: Sometimes the District will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Estimates: The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgets and budgetary control:

As allowed by GASB Statement No. 41, Budgetary Comparison Schedules-Perspective Differences, the District presents budgetary comparison schedules as required supplementary information based on the program structure of four functional areas as required by state statute for its legally adopted budget. The District exceeded the amended budgeted expenditures in the other expenditures function.

Clinton Community School District

Notes to Basic Financial Statements

Note 2. Cash and Pooled Investments

The District's cash and pooled investment consisted of depository accounts at financial institutions including certificate of deposits.

Authorized investments: The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

As of June 30, 2016, the District has investments in the Iowa Schools Joint Investment Trust (ISJIT) of \$147,358 Diversified Fund. The investment in the Iowa Schools Joint Investment Trust is valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments.

Interest rate risk: The District's investment policy limits the investment of operating funds in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District and must also conform to any loan covenant investment maturity restrictions. The maturity of the District's position in an external pool is based on the average maturity of the pool's investments.

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Rating Service. The Iowa Schools Joint Investment Trust is sponsored by the Iowa Association of School Boards, governed by a representative board of trustees. The board of trustees serves as the regulatory oversight of the pool. The District's policy relating to credit risk of investments is to have the majority of the District's bank deposits with an AAA/Aaa rated national banking company.

Custodial credit risk: For deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. The District's deposits in banks as of June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

For investments, custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The District's investments are held in the name of the District and are not exposed to custodial credit risk

The District's nonmajor Student Activity Fund has \$684,070 as of June 30, 2016 of excess warrants issued over the fund's cash resources.

Clinton Community School District

Notes to Basic Financial Statements

Note 3. Interfund Balances and Transfers

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

Transfer To	Transfer From	Amount
Debt Service Fund	Capital Projects Fund	<u>\$ 3,618,933</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The Capital Projects Fund transfers statewide sales, services, and use tax revenues to the Debt Service Fund for principal and interest payments.

The detail of interfund receivables and payables as of June 30, 2016 is as follows:

	Interfund Receivables	Interfund Payables
Major funds:		
General Fund	\$ 824,845	\$ -
Capital Projects Fund	-	482,627
Nonmajor funds	215,820	359,382
Internal service funds	-	198,656
	<u>\$ 1,040,665</u>	<u>\$ 1,040,665</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The Capital Projects Fund and Debt Service Fund will repay the other funds from statewide sales, services and use tax revenue and property taxes collected in the next fiscal year. The District is in the process of evaluating the Print Shop Fund internal service fund operations to ensure timely repayment of the interfund balance in the next fiscal year.

Clinton Community School District

Notes to Basic Financial Statements

Note 4. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,860,229	\$ -	\$ -	\$ 1,860,229
Construction in progress	34,424,398	35,164	34,424,398	35,164
Total capital assets not being depreciated	36,284,627	35,164	34,424,398	1,895,393
Capital assets being depreciated:				
Land Improvements	4,546,937	-	-	4,546,937
Buildings and building improvements	45,526,985	34,589,395	3,000,000	77,116,380
Furniture and equipment	1,828,222	59,895	-	1,888,117
Buses and other pupil transportation	2,269,104	202,709	-	2,471,813
Total capital assets being depreciated	54,171,248	34,851,999	3,000,000	86,023,247
Less accumulated depreciation for:				
Land Improvements	1,520,514	143,923	-	1,664,437
Buildings and building improvements	18,548,289	1,741,153	3,000,000	17,289,442
Furniture and equipment	1,056,916	235,281	-	1,292,197
Buses and other pupil transportation	1,788,145	175,029	-	1,963,174
Total accumulated depreciation	22,913,864	2,295,386	3,000,000	22,209,250
Total capital assets being depreciated, net	31,257,384	32,556,613	-	63,813,997
Governmental activities capital assets, net	\$ 67,542,011	\$ 32,591,777	\$ 34,424,398	\$ 65,709,390
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 496,808	23,696	520,504	\$ -
Capital assets being depreciated:				
Furniture and equipment	907,692	376,034	-	1,283,726
Less accumulated depreciation	671,308	95,943	-	767,251
Business-type activities capital assets, net	\$ 733,192	\$ 303,787	\$ 520,504	\$ 516,475

Clinton Community School District

Notes to Basic Financial Statements

Note 4. Capital Assets (Continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:	
Instruction	\$ 2,040,914
Support services:	
Administration	79,444
Operation and maintenance of plant services	175,028
Total governmental activities depreciation expense	<u><u>\$ 2,295,386</u></u>
Business-type activities, food service operations	<u><u>\$ 95,943</u></u>

Note 5. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,345,000	\$ -	\$ 665,000	\$ 680,000	\$ 680,000
Revenue bonds series 2010	27,100,000	-	1,320,000	25,780,000	1,335,000
Revenue bonds series 2013	5,310,000	-	255,000	5,055,000	285,000
Revenue bond anticipation notes 2014	5,285,000	-	600,000	4,685,000	-
Capital leases	3,508	171,756	59,969	115,295	57,187
Bond premium	102,855	-	17,227	85,628	-
Bond discount	(310,269)	-	(22,162)	(288,107)	-
Compensated absences	164,508	332,880	325,137	172,251	172,251
Net OPEB liability	1,655,769	351,673	45,075	1,962,367	-
Net pension liability	14,556,213	2,781,740	-	17,337,953	-
Total	<u><u>\$ 55,212,584</u></u>	<u><u>\$ 3,638,049</u></u>	<u><u>\$ 3,265,246</u></u>	<u><u>\$ 55,585,387</u></u>	<u><u>\$ 2,529,438</u></u>
Business-type activities:					
Compensated absences	\$ 22,056	\$ 8,548	\$ 8,419	\$ 22,185	\$ 22,185
Net pension liability	383,963	72,205	-	456,168	-
Total	<u><u>\$ 406,019</u></u>	<u><u>\$ 80,753</u></u>	<u><u>\$ 8,419</u></u>	<u><u>\$ 478,353</u></u>	<u><u>\$ 22,185</u></u>

Compensated absences are generally liquidated by the General Fund. Net OPEB liability and net pension liability are generally liquidated by the General Fund for Governmental Activities and the respective funds for business-type activities.

General obligation bonds: Detail of the District's general obligation bond are as follows:

Year Ending June 30	General Obligation Bonds Series 2010			
	Interest Rates	Principal	Interest	Total
2017	2.70%	\$ 680,000	\$ 18,360	<u><u>\$ 698,360</u></u>

Clinton Community School District

Notes to Basic Financial Statements

Note 5. Long-Term Liabilities (Continued)

Revenue bonds:

- On March 1, 2010, the District issued \$30,000,000 in school infrastructure sales, service and use tax revenue bonds for capital facility construction. The bonds bear interest at rates ranging from 2.00 to 5.00 percent and mature on January 1, 2030.
- On June 26, 2013, the District issued \$5,310,000 in school infrastructure sales, service and use tax revenue bonds for capital facility construction. The bonds bear interest at rates ranging from 2.00 to 3.250 percent and mature on January 1, 2030.
- July 1, 2014, the District issued \$5,285,000 in school infrastructure sales, service and use tax bond anticipation notes for capital facility construction. The bonds bear interest 1.87 percent and mature on July 1, 2017.

The annual debt service requirements on the revenue bonds are as follows:

Year Ending June 30	Revenue Bonds Series 2010			
	Interest Rates	Principal	Interest	Total
2017	3.00%	\$ 1,335,000	\$ 1,114,860	\$ 2,449,860
2018	3.75%	1,355,000	1,069,429	2,424,429
2019	3.75%	1,395,000	1,017,866	2,412,866
2020	4.00%	1,450,000	962,710	2,412,710
2021	4.00%	1,510,000	903,510	2,413,510
2022-2026	4.1-4.6%	8,620,000	3,477,330	12,097,330
2027-2030	4.75-5.0%	10,115,000	1,190,668	11,305,668
		<u>\$ 25,780,000</u>	<u>\$ 9,736,373</u>	<u>\$ 35,516,373</u>

Year Ending June 30	Revenue Bonds Series 2013			
	Interest Rates	Principal	Interest	Total
2017	2.00%	\$ 285,000	\$ 125,818	\$ 410,818
2018	2.00%	310,000	119,868	429,868
2019	2.00%	330,000	113,468	443,468
2020	2.00%	330,000	106,868	436,868
2021	2.00%	335,000	100,218	435,218
2022-2026	2-3%	1,720,000	387,943	2,107,943
2027-2030	3-3.25%	1,745,000	126,522	1,871,522
		<u>\$ 5,055,000</u>	<u>\$ 1,080,705</u>	<u>\$ 6,135,705</u>

Year Ending June 30	Bond Anticipation Notes Series 2014			
	Interest Rates	Principal	Interest	Total
2017	1.87%	\$ -	\$ 87,610	\$ 87,610
2018	1.87%	4,685,000	43,805	4,728,805
		<u>\$ 4,685,000</u>	<u>\$ 131,414</u>	<u>\$ 4,816,414</u>

Clinton Community School District

Notes to Basic Financial Statements

Note 5. Long-Term Liabilities (Continued)

The District has pledged future statewide sales, services and use tax collected in the Capital Project Fund for repayment of the revenue bonds. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District. The bonds are not general obligations of the District. However, the bonds are subject to the constitutional debt limitation of the District.

Annual principal and interest on the bonds are expected to require 97% of the pledged revenue over the life of the bonds. The total principal and interest remaining to be paid on the bonds is \$46,468,492. During the year ended June 30, 2016, principal and interest of \$3,554,123 was paid on the bonds and statewide sales, services and use tax revenues were \$3,661,163.

The resolution providing for the issuance of the revenue bonds included the following provisions:

- From proceeds of the Bonds, the Debt Service Reserve Fund will be funded to a balance equal to the Reserve Fund Requirement. Reserve funds are established for each of the revenue bonds issued. Monies deposited in the Debt Service Reserve Fund shall be used solely for the purpose of paying principal and interest on the bonds or parity obligations. As of June 30, 2016, the reserve account balance was \$3,085,175.
- All proceeds from the statewide sales, services and use tax shall be placed in a revenue account. Monies in the revenue account shall first be disbursed to make deposits into the sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year. Monthly, 1/6th of the next interest payment and 1/12th of the next principal payment are to be deposited in to the sinking account. As of June 30, 2016, the sinking fund account balance was \$3,142,679.
- 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.

Capital leases: On December 14, 2015, the District entered into a lease purchase agreement for two busses. The lease requires payments of \$58,711 each January 1 and bears interest at 2.57 percent. The District paid \$58,711 on the lease-purchase during the fiscal year. The debt service requirements remaining on the lease purchase are as follows:

Year Ending June 30	Capital Lease		
	Principal	Interest	Total
2017	\$ 55,806	\$ 2,905	\$ 58,711
2018	57,240	1,471	58,711
	<u>\$ 113,046</u>	<u>\$ 4,376</u>	<u>\$ 117,422</u>

The District has a capital lease for equipment with an interest rate of 9.46 percent and debt service requirements as follows:

Year Ending June 30	Capital Lease		
	Principal	Interest	Total
2017	\$ 1,381	\$ 116	\$ 1,497
2018	868	67	935
	<u>\$ 2,249</u>	<u>\$ 183</u>	<u>\$ 2,432</u>

Clinton Community School District

Notes to Basic Financial Statements

Note 6. Other Postemployment Benefits (OPEB)

Plan description: The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 392 active and 38 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a self-insured plan with stop-loss coverage provided by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$ 431,361
Interest on net OPEB obligation	41,394
Adjustment to annual required contribution	(121,082)
Annual OPEB cost	<u>351,673</u>
Contributions made	<u>45,075</u>
Increase in net OPEB obligation	306,598
Net OPEB obligation beginning of year	<u>1,655,769</u>
Net OPEB obligation end of year	<u><u>\$ 1,962,367</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2016 and the two preceding years are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 435,000	40.9%	\$ 1,352,000
June 30, 2015	363,847	16.5%	1,655,769
June 30, 2016	351,673	12.8%	1,962,367

Funded status and funding progress: As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$2,983,699, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,983,699. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$24,933,000 and the ratio of the UAAL to covered payroll was 11.94 percent. As of June 30, 2016, there were no trust fund assets.

Clinton Community School District

Notes to Basic Financial Statements

Note 6. Other Postemployment Benefits (OPEB) (Continued)

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, 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 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, 2014 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5 percent discount rate based on the District's funding policy. The projected annual medical trend rate is 6 percent with an inflation rate of 3 percent.

Mortality rates are from the RP-2000 Group Annuity Mortality Table, applied on a gender-specific basis. The UAAL is being amortized as a level dollar of projected payroll expense on a closed basis over 30 years.

Note 7. Pension and Retirement Benefits

Plan Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by 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 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before 65.

Clinton Community School District

Notes to Basic Financial Statements

Note 7. Pension and Retirement Benefits (Continued)

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. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The Actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board. In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95 percent of covered payroll and the District contributed 8.93 percent of covered payroll, for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2016 were \$2,231,887.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the District reported a liability of \$17,794,121 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 the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's proportion was 0.3601696 percent, which was a decrease of 0.016546 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$1,387,125. 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	\$ 268,847	\$ -
Changes of assumptions	489,906	-
Net difference between projected and actual earnings on pension plan investments	2,662,359	4,143,290
Changes in proportion and differences between District contributions and proportionate share of contributions	-	621,007
District contributions subsequent to the measurement date	2,231,887	-
Total	\$ 5,652,999	\$ 4,764,297

Clinton Community School District

Notes to Basic Financial Statements

Note 7. Pension and Retirement Benefits (Continued)

Deferred outflows of resources of \$2,231,887 related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2017	\$ (649,989)
2018	(649,989)
2019	(649,989)
2020	627,249
2021	(20,467)
Total	\$ (1,343,185)

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
Salary Increases (effective June 30, 2010)	4.00 percent to 17.00 percent average, including inflation. Rates vary by membership group.
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan, investment expense, including inflation
Wage growth (effective June 30, 1990)	4.00 percent per annum, based on 3.00 percent inflation and 1.00 percent real wage inflation

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

Clinton Community School District

Notes to Basic Financial Statements

Note 7. Pension and Retirement Benefits (Continued)

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

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 31,154,305	\$ 17,794,121	\$ 6,517,168

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

Payables to the Pension Plan – At June 30, 2016, the District reported payables to the defined benefit pension plan of \$161,411 for legally required employer contributions and \$107,547 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Clinton Community School District

Notes to Basic Financial Statements

Note 8. Risk Management

The District has a self-funded health insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125 percent of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$75,000 in insured claims for any one covered individual. Settled claims have not exceeded the aggregate stop-loss coverage for the past three fiscal years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for incurred but unpaid claims. Changes in the claims liability amounts for the years ended June 30, 2016 and 2015 were as follows:

Self-Insurance Liability	Beginning	Claims and Changes in Estimates	Claim Payments	Ending
2016	\$ 865,355	\$ 4,723,669	\$ 4,779,394	\$ 809,630
2015	783,779	6,074,368	5,992,792	865,355

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

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,680,684 for the year ended June 30, 2016 and is recorded in the General Fund.

Note 10. Commitments

The District has entered into contracts totaling \$254,750 for roofing and ADA improvements. As of June 30, 2016, costs of \$35,164 had been incurred against the contracts. The balance remaining as of June 30, 2016 will be paid as work on the projects progress.

Note 11. Deficit Fund Balances/Net Position

As of June 30, 2016, the nonmajor funds of the Student Activity Fund and the Debt Service Fund has deficit fund balances of (\$704,990) and (\$351,393), respectively. As of June 30, 2016, the Print Shop Fund, an internal service fund, had deficit net position of (\$77,781).

Clinton Community School District

Notes to Basic Financial Statements

Note 12. Categorical Funding

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

Program	Amount
Four-year old preschool state aid	\$ 51,803
Beginning teacher mentoring and induction program	12,320
Teacher salary supplement	17,388
Market factor	26,704
Beginning administrator mentoring and induction program	1,275
Successful progression for early readers	114,684
Professional development for model core curriculum	108,615
Professional development	68,612
Property tax and state aid financed weighted at-risk programs	19,091
Returning dropouts and dropout prevention program	110,442
Community coalition grant	4,562
Property tax and state aid financed gifted and talented program	66,260
Textbook aid for nonpublic students	2,254
State decategorization	801
Innovative substance abuse prevention grant	2,092
Teacher leadership grant	22,158
Total	\$ 629,061

Note 13. Governmental Accounting Standards Board (GASB) Statements

The District implemented the following GASB Statements during the year:

GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, issued June 2015. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 68 for pension plans and pensions that are within their respective scopes.

Clinton Community School District

Notes to Basic Financial Statements

Note 13. Governmental Accounting Standards Board (GASB) Statements (Continued)

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, issued June 2015. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, issued December 2015. This Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Standard also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools.

The implementation of the above statements did not have a material impact to the District’s financial statements.

As of June 30, 2016, GASB had issued several statements not yet required to be implemented by the District. The Statements which might impact the District are as follows:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued June 2015, will be effective for the District beginning with its year ending June 30, 2017. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued June 2015, will be effective for the District beginning with its year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

Clinton Community School District

Notes to Basic Financial Statements

Note 13. Governmental Accounting Standards Board (GASB) Statements (Continued)

GASB Statement No. 77, *Tax Abatement Disclosures*, issued August 2015, will be effective for the District beginning with its year ending June 30, 2017. This Statement is intended to provide additional information about tax abatements to the public to further the ability to assess how tax abatements affect the District's financial position and results of operations, including the District's ability to raise revenue sources in the futures. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments that reduce the reporting government's tax revenues.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*, issued December 2015, will be effective for the District beginning with its year ending June 30, 2017. The objective of this Statement is to address the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provided defined benefit pensions to both employees of state and local governments and to employees who are not state or local governmental employees, and (3) has no predominate stator or local government employer.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*, issued January 2016, will be effective for the District beginning with its year ending June 30, 2017. This Statement amends the blending requirements for the for the financial statement presentation of component units of state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, issued March 2016, will be effective for the District beginning with its year ending June 30, 2018. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, issued March 2016, will be effective for the District beginning with its year ending June 30, 2018. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The District's management has not yet determined the effect these GASB Statements will have on the District's financial statements.

Note 14. Subsequent Event

On July 26, 2016, the District issued \$24,675,000 of School Infrastructure, Sales, Services, and Use Tax Revenue Refunding Bonds Series 2016A. The bonds were issued to advance refund \$24,445,000 of the School Infrastructure, Sales, Services and Use Tax Revenue Bonds Series 2010. The Series 2016A bonds bear an interest rate of 2.35 percent and mature on January 1, 2030.

Required Supplementary Information

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Clinton Community School District

Required Supplementary Information

Schedule of Funding Progress for the Retiree Health Plan

Year Ended June 30, 2016

Year Ended June 30:	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)
2011	7/1/2010	\$ -	\$ 2,526	\$ 2,526	0.00%	\$ 20,488	12.33%
2012	7/1/2010	-	2,526	2,526	0.00%	21,660	11.66%
2013	7/1/2012	-	3,523	3,523	0.00%	20,767	16.96%
2014	7/1/2012	-	3,523	3,523	0.00%	21,368	16.49%
2015	7/1/2014	-	2,984	2,984	0.00%	21,285	14.02%
2016	7/1/2014	-	2,984	2,984	0.00%	24,993	11.94%

See Note 6 in the accompanying notes to financial statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

Note: Amounts reported in thousands.

Clinton Community School District

**Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Enterprise Fund
Required Supplementary Information
Year Ended June 30, 2016**

	Governmental Funds - Actual	Enterprise Fund - Actual
Revenues:		
Local sources	\$ 17,864,494	\$ 539,622
State sources	31,645,049	16,608
Federal sources	2,344,781	1,386,254
Total revenues	51,854,324	1,942,484
Expenditures/expenses:		
Instruction	29,522,620	-
Support services	14,467,280	129,765
Noninstructional programs	4,884	1,782,568
Other expenditures	6,623,035	-
Total expenditures/expenses	50,617,819	1,912,333
Excess (deficiency) of revenues over (under) expenditures/expenses	1,236,505	30,151
Other financing sources (uses):		
Proceeds from sale of capital assets	13,050	-
Proceeds from capital lease	171,756	-
Interfund transfers in	3,618,933	-
Interfund transfers out	(3,618,933)	-
Total other financing sources (uses)	184,806	-
Net change in fund balances	1,421,311	30,151
Balance, beginning of year	8,145,353	1,551,784
Balance, end of year	\$ 9,566,664	\$ 1,581,935

See Notes to Required Supplementary Information.

Total Actual	Budgeted Amounts		Final to Actual Variance
	Original	Final	
\$ 18,404,116	\$ 18,350,986	\$ 18,350,986	\$ 53,130
31,661,657	31,261,251	31,261,251	400,406
3,731,035	3,796,800	3,796,800	(65,765)
53,796,808	53,409,037	53,409,037	387,771
29,522,620	29,390,000	30,000,000	477,380
14,597,045	15,378,775	15,378,775	781,730
1,787,452	1,711,000	1,900,000	112,548
6,623,035	5,598,786	6,600,000	(23,035)
52,530,152	52,078,561	53,878,775	1,348,623
1,266,656	1,330,476	(469,738)	1,736,394
13,050	7,000	-	13,050
171,756	-	-	171,756
3,618,933	2,964,203	2,964,203	654,730
(3,618,933)	(2,964,203)	(2,964,203)	(654,730)
184,806	7,000	-	184,806
1,451,462	1,337,476	(469,738)	1,921,200
9,697,137	9,697,137	9,697,137	-
\$ 11,148,599	\$ 11,034,613	\$ 9,227,399	\$ 1,921,200

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Clinton Community School District

Required Supplementary Information

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System

Last Two Fiscal Years

	2016*	2015*
District's proportion of the net pension liability	0.360170%	0.376715%
District's proportionate share of the net pension liability	\$ 17,794,121	\$ 14,940,176
District's covered-employee payroll	\$ 24,674,894	\$ 24,650,638
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.11%	60.61%
Plan fiduciary net pension as a percentage of the total pension liability	85.19%	87.61%

*The amounts presented for each fiscal year were determined as of the prior fiscal-year end.

Note 1: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

See Notes to Required Supplementary Information.

Clinton Community School District

**Required Supplementary Information
Schedule of District Contributions (in Thousands)
Iowa Public Employees' Retirement System
Last Ten Fiscal Years**

	2016	2015	2014	2013
Statutorily required contribution	\$ 2,231,887	\$ 2,203,468	\$ 2,201,302	\$ 2,090,528
Contributions in relation to the statutorily required contribution	\$ (2,231,887)	\$ (2,203,468)	\$ (2,201,302)	\$ (2,090,528)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 24,993,139	\$ 24,674,894	\$ 24,650,638	\$ 24,112,203
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%

See Notes to Required Supplementary Information.

2012	2011	2010	2009	2008	2007
\$ 2,086,665	\$ 1,704,410	\$ 1,699,212	\$ 1,552,416	\$ 1,391,269	\$ 1,272,510
\$ (2,086,665)	\$ (1,704,410)	\$ (1,699,212)	\$ (1,552,416)	\$ (1,391,269)	\$ (1,272,510)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 25,857,063	\$ 24,523,885	\$ 25,552,060	\$ 24,447,496	\$ 22,996,182	\$ 22,130,609
8.07%	6.95%	6.65%	6.35%	6.05%	5.75%

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Clinton Community School District

Notes to Required Supplementary Information

Note 1. Budgets and Budgetary Information

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

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes or expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, noninstructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$1,800,214.

During the year ended June 30, 2016, expenditures exceed the amounts budgeted in the other expenditures function.

Note 2. Iowa Public Employees' Retirement System Pension Liability

Changes of benefit terms:

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

In 2008, legislative action transferred four groups – emergency medical service providers, county jailors, 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 quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

Clinton Community School District

Notes to Required Supplementary Information

Note 2. Iowa Public Employees' Retirement System Pension Liability (Continued)

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

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

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

Other Supplementary Information

Clinton Community School District

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2016

	Special	
	Management Levy	Student Activity
Assets		
Cash and pooled investments	\$ 112,948	\$ 4,096
Receivables:		
Property tax:		
Current year	7,217	-
Succeeding year	685,000	-
Accounts	-	654
Due from other governments	-	1,552
Due from other funds	215,820	-
Total assets	\$ 1,020,985	\$ 6,302
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities:		
Accounts payable	\$ 9,706	\$ 27,222
Due to other funds	-	-
Excess of warrants issued over bank balance	-	684,070
Total liabilities	9,706	711,292
Deferred inflows of resources, Unavailable revenue-succeeding year property tax	685,000	-
Fund balances:		
Restricted	326,279	-
Unassigned	-	(704,990)
Total fund balances	326,279	(704,990)
Total liabilities, deferred inflows of resources and fund balances	\$ 1,020,985	\$ 6,302

Revenue				
Helen O. Stoddard Bequest	Margaret N. Kracht Gift	Debt Service	Total	
\$ 48,963	\$ 83	\$ -	\$ 166,090	
-	-	7,989	15,206	
-	-	805,060	1,490,060	
-	-	-	654	
-	-	-	1,552	
-	-	-	215,820	
<u>\$ 48,963</u>	<u>\$ 83</u>	<u>\$ 813,049</u>	<u>\$ 1,889,382</u>	
\$ -	\$ -	\$ -	\$ 36,928	
-	-	359,382	359,382	
-	-	-	684,070	
-	-	359,382	1,080,380	
-	-	805,060	1,490,060	
48,963	83	-	375,325	
-	-	(351,393)	(1,056,383)	
<u>48,963</u>	<u>83</u>	<u>(351,393)</u>	<u>(681,058)</u>	
<u>\$ 48,963</u>	<u>\$ 83</u>	<u>\$ 813,049</u>	<u>\$ 1,889,382</u>	

Clinton Community School District

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended June 30, 2016

	Special	
	Management Levy	Student Activity
Revenues:		
Local sources:		
Local tax	\$ 585,672	\$ -
Other	63,446	570,156
State sources	31,014	-
Total revenues	680,132	570,156
Expenditures:		
Current:		
Instruction:		
Regular	262,286	-
Other	-	546,180
Support services:		
Student services	3,804	1,650
General administration services	53,730	-
Business and central	1,350	-
Operation and maintenance of plant services	333,595	2,771
Transportation services	60,021	18,005
Noninstructional programs	3,804	-
Debt Service:		
Principal	-	-
Interest and fiscal fees	-	-
Total expenditures	718,590	568,606
Excess (deficiency) of revenues over (under) expenditures	(38,458)	1,550
Other financing sources:		
Transfers in	-	-
Total other financing sources	-	-
Net change in fund balances	(38,458)	1,550
Fund balances, beginning of year	364,737	(706,540)
Fund balances, end of year	\$ 326,279	\$ (704,990)

Revenue				
Helen O. Stoddard Bequest	Margaret N. Kracht Gift	Debt Service	Total	
\$ -	\$ -	\$ 682,056	\$	1,267,728
-	-	-		633,602
-	-	36,385		67,399
-	-	718,441		1,968,729
1,869	-	-		264,155
-	-	-		546,180
-	-	-		5,454
-	-	-		53,730
-	-	-		1,350
-	-	-		336,366
-	-	-		78,026
-	-	-		3,804
-	-	2,899,969		2,899,969
-	-	1,653,097		1,653,097
1,869	-	4,553,066		5,842,131
(1,869)	-	(3,834,625)		(3,873,402)
-	-	3,618,933		3,618,933
-	-	3,618,933		3,618,933
(1,869)	-	(215,692)		(254,469)
50,832	83	(135,701)		(426,589)
\$ 48,963	\$ 83	\$ (351,393)	\$	(681,058)

Clinton Community School District

Schedule of Combining Balance Sheet
 Capital Project Fund - By Account
 June 30, 2016

	Capital Projects Accounts		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 268,864	\$ 164,121	\$ 432,985
Receivables:			
Property tax:			
Current year	-	3,506	3,506
Succeeding year	-	300,606	300,606
Due from other governments	783,485	-	783,485
Restricted cash and investments	6,227,854	-	6,227,854
Total assets	\$ 7,280,203	\$ 468,233	\$ 7,748,436
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
Accounts payable	85,741	-	85,741
Due to other funds	482,627	-	482,627
Total liabilities	568,368	-	568,368
Deferred Inflows of Resources:			
Unavailable revenue-succeeding year property tax	-	300,606	300,606
Unavailable revenue-statewide sales and services tax	182,672	-	182,672
Total deferred inflows of resources	182,672	300,606	483,278
Fund Balances:			
Restricted for:			
Physical plant and equipment	-	167,627	167,627
School infrastructure	6,529,163	-	6,529,163
Total fund balances	6,529,163	167,627	6,696,790
Total liabilities and fund balances	\$ 7,280,203	\$ 468,233	\$ 7,748,436

Clinton Community School District

Schedule of Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Capital Project Fund - By Account
 Year Ended June 30, 2016

	Capital Projects Accounts		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	\$ 299,338	\$ 299,338
Other	22,141	-	22,141
State sources	3,661,163	15,969	3,677,132
Total revenues	3,683,304	315,307	3,998,611
Expenditures:			
Current:			
Support services:			
General administration services	17,107	-	17,107
Operation and maintenance of plant services	11,885	43,384	55,269
Transportation services	-	171,756	171,756
Other expenditures, facilities acquisition	97,819	291,466	389,285
Total expenditures	126,811	506,606	633,417
Excess (deficiency) of revenues over (under) expenditures	3,556,493	(191,299)	3,365,194
Other financing sources (uses):			
Sale of capital assets	-	5,001	5,001
Proceeds from capital lease	-	171,756	171,756
Transfers out	(3,560,222)	(58,711)	(3,618,933)
Total other financing sources (uses)	(3,560,222)	118,046	(3,442,176)
Net change in fund balance	(3,729)	(73,253)	(76,982)
Fund balance, beginning of year	6,532,892	240,880	6,773,772
Fund balance, end of year	\$ 6,529,163	\$ 167,627	\$ 6,696,790

Clinton Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year Ended June 30, 2016

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Clinton High School:				
Athletic Promotions	\$ -	\$ -	\$ -	-
Activity Ticket	21,989	4,851	775	26,065
Archery Club	1,239	-	-	1,239
Art Club	986	-	-	986
Art of Film	105	-	-	105
Biology Club	562	-	-	562
Camp Courageous	801	-	363	438
Chess Club	4	-	-	4
Class of 2014	6,190	-	6,190	-
Class of 2015	(170)	170	-	-
Class of 2016	5,293	1,026	6,319	-
Class of 2017	186	16,185	11,560	4,811
Class of 2018	190	784	619	355
Class of 2019	-	890	707	183
Color Guard	346	-	-	346
Culinary Class	7,368	3,848	5,410	5,806
Dance Teams	199	-	-	199
Debate	1,122	-	1,122	-
Drama	2,142	6,927	3,774	5,295
Environmental Heroes	240	-	-	240
FBLA	(438)	11,632	9,223	1,971
FCS Fundraiser	150	-	-	150
Gen. Activity	2,002	-	2,002	-
Historical Guild	269	199	145	323
Instrumental Music	(165)	16,790	16,625	-
Instrumental Special	2,109	-	2,109	-
Landscaping	2,180	1,025	594	2,611
Lang. Arts	62	-	-	62
Letterman's Club	610	-	-	610
Literacy Club	158	21	10	169
Medical Careers	175	-	-	175
NHS	1,849	4,605	4,506	1,948
Orchestra	3,695	1,875	779	4,791
Orchestra-Special	3,081	13,162	12,070	4,173
Pep Club	481	-	-	481
Royalty Room	-	63	-	63
SADD	232	840	550	522
Science Club	186	-	-	186
Spanish Class	660	1,440	1,946	154
Speak Up Club	251	643	749	145
Special Ed Club	1,315	448	165	1,598
Speech	(1,862)	8,020	5,036	1,122

(continued)

Clinton Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts (Continued)
Year Ended June 30, 2016

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Clinton High School (continued):				
Student Council	\$ 2,344	\$ 11,759	\$ 9,206	\$ 4,897
Student Venture	624	939	416	1,147
Trapshooting	660	806	943	523
Vocal Music	31,407	8,936	16,311	24,032
Vocal Special	35,477	74,073	91,599	17,951
World Lang Club	1,434	707	826	1,315
Yearbook	15,383	19,380	24,907	9,856
Total Clinton High School	\$ 153,121	\$ 212,044	\$ 237,556	\$ 127,609
Clinton High School Athletics:				
Athletic Concessions	\$ 12,141	\$ -	\$ -	\$ 12,141
Athletic Fundraising	-	4,512	2,154	2,358
Athletic Resale	-	-	-	-
Baseball	(132,535)	4,561	8,893	(136,867)
Baseball Fundraiser	1,244	7,391	7,891	744
Boys' Basketball	54,146	8,721	7,211	55,656
Boys' basketball fundraiser	117	2,945	3,016	46
Boys' Bowling	(1,505)	610	1,176	(2,071)
Boys' Bowling Fundraisers	500	-	348	152
Boys' Cross Country	(9,923)	775	869	(10,017)
Boys Golf Fundraiser	665	1,045	1,125	585
Boys' Soccer	(46,223)	4,687	2,968	(44,504)
Boys' Soccer Fundraiser	7,681	5,710	6,985	6,406
Boys' Swimming	(20,370)	2,005	2,080	(20,445)
Boys Swimming Fundraiser	709	770	968	511
Boys' Tennis	(27,091)	281	579	(27,389)
Boys' Tennis Fundraiser	384	1,239	872	751
Boys' Track	(101,149)	3,805	8,148	(105,492)
Boys' Track Fundraisers	1,787	660	480	1,967
Cheerleading	-	246	1,000	(754)
Cheerleading Fundraisers	1,202	13,368	13,618	952
Cross Country Fundraisers	250	734	52	932
Football	136,273	32,557	6,792	162,038
Football Savers Card Fundraiser	10,481	15,368	25,007	842
General Athletics	(217,220)	3,114	12,595	(226,701)
Girls' Basketball	(26,916)	6,401	7,952	(28,467)
Girls' Basketball Fundraiser	873	1,195	1,540	528
Girls' Bowling	(1,129)	389	978	(1,718)
Girls' Cross Country	(8,299)	850	897	(8,346)
Girls' Cross Country Fundraiser	1,304	85	22	1,367
Girls' Golf	(30,681)	2	1,220	(31,899)
Girls' Golf Fundraiser	5	11	-	16

(continued)

Clinton Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts (Continued)
Year Ended June 30, 2016

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Clinton High School Athletics (continued):				
Girls' Soccer	\$ (38,322)	\$ 3,389	\$ 3,161	\$ (38,094)
Girls' Soccer Fundraiser	8,985	13,446	12,375	10,056
Girls' Swimming	(31,225)	2,368	1,550	(30,407)
Girls' Swimming Fundraiser	1,003	60	367	696
Girls' Tennis	(36,231)	382	2,134	(37,983)
Girls' Tennis Fundraiser	1,107	2,482	1,204	2,385
Girls' Track	(92,734)	4,647	4,681	(92,768)
Girls' Track Fundraiser	1,628	2,199	3,089	738
Golf	(38,034)	1,016	1,487	(38,505)
Softball	(96,811)	1,374	3,545	(98,982)
Softball Fundraiser	10,586	13,354	8,034	15,906
Tennis Court Fundraiser	-	6,200	97	6,103
Touchdown Club	-	16,128	8,034	8,094
Raise the Bar Fundraiser	883	667	887	663
Volleyball	(42,753)	7,364	4,785	(40,174)
Volleyball Fundraiser	6,008	25,629	15,811	15,826
Wrestling	(109,021)	17,323	15,747	(107,445)
Wrestling Fundraiser	115	12,576	12,046	645
Total Clinton High School Athletics	\$ (848,095)	\$ 254,641	\$ 226,470	\$ (819,924)
Clinton Middle School				
6th Grade	\$ 2,568	\$ 7,594	\$ 10,162	\$ -
7th Grade	3,377	-	593	2,784
8th Grade	599	-	-	599
Activity Tickets	-	176	-	176
Art Club	50	-	-	50
Bluff Yearbook	-	1,122	931	191
Boys' Basketball	-	2,455	2,455	-
Boys' Track	80	458	279	259
Drama	16,831	20,566	18,142	19,255
Football	(8,425)	1,010	2,176	(9,591)
General	5,218	-	2,800	2,418
General Athletics	(42,437)	185	50	(42,302)
Girls' Basketball	(10,511)	964	3,262	(12,809)
Girls' Track	235	25	-	260
Girls' volleyball	774	2,064	2,838	-
Instrumental Music	8,519	20,566	18,038	11,047
Landscaping	355	334	-	689
Orchestra	5,099	-	-	5,099
Royalty Room	-	63	-	63
Ski Trip	4,059	15,084	12,860	6,283
Special Olympics	177	75	-	252
Student Council	3,713	9,995	10,663	3,045
(continued)				

Clinton Community School District

**Schedule of Changes in Special Revenue Fund, Student Activity Accounts (Continued)
Year Ended June 30, 2016**

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Clinton Middle School (continued):				
Swimming	\$ (191)	\$ 819	\$ 543	\$ 85
Vocal Music	2,560	3,101	1,278	4,383
Wrestling	-	300	300	-
Yearbook	5,823	8,887	9,094	5,616
Total Middle School	(1,527)	95,843	96,464	(2,148)
Eagle Heights Student Council	80	-	-	80
Jefferson Student Council	1,506	5,339	5,764	1,081
Whittier Student Council	71	-	-	71
District Wide:				
Refunds of Prior Year	(15,838)	-	-	(15,838)
CCSD Choral Festival	2,948	1,289	1,213	3,024
Hall of Fame	1,194	1,000	1,139	1,055
Total District Wide	(11,696)	2,289	2,352	(11,759)
Total Activity Accounts	\$ (706,540)	\$ 570,156	\$ 568,606	\$ (704,990)

Clinton Community School District

Combining Statement of Net Position

Internal Service Funds

June 30, 2016

	Self-Funded Health Insurance	Print Shop	Total
Assets			
Current assets:			
Cash, cash equivalents and investments	\$ 7,459,759	\$ 38,019	\$ 7,497,778
Receivables, other	615,610	-	615,610
Inventory for resale	-	80,627	80,627
Capital assets, net of accumulated depreciation	-	2,429	2,429
Total assets	8,075,369	121,075	8,196,444
Liabilities			
Current liabilities:			
Accounts payable	1,408	200	1,608
Due to other funds	-	198,656	198,656
Claims payable	809,630	-	809,630
Total liabilities	811,038	198,856	1,009,894
Net Position			
Investment in capital assets	-	2,429	2,429
Unrestricted	7,264,331	(80,210)	7,184,121
Total net position	\$ 7,264,331	\$ (77,781)	\$ 7,186,550

Clinton Community School District

Combining Statement of Revenues, Expenses and Changes in Net Position

Internal Service Funds

Year Ended June 30, 2016

	Self-Funded Health Insurance	Print Shop	Total
Operating revenues:			
Charges for services	\$ 4,884,873	\$ 112,268	\$ 4,997,141
Operating expenses:			
Claims and administration	4,841,817	82,914	4,924,731
Purchased services	-	-	-
Total operating expenses	4,841,817	82,914	4,924,731
Operating income	43,056	29,354	72,410
Changes in net position	43,056	29,354	72,410
Net position, beginning	7,221,275	(107,135)	7,114,140
Net position, end of year	<u>\$ 7,264,331</u>	<u>\$ (77,781)</u>	<u>\$ 7,186,550</u>

Clinton Community School District

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2016

	Self-Funded Health Insurance	Print Shop	Total
Cash Flows From Operating Activities:			
Receipts from customers and users	\$ 4,922,414	\$ 112,268	\$ 5,034,682
Payments to employees for services	-	(1,313)	(1,313)
Payments to suppliers	(5,119,679)	(90,955)	(5,210,634)
Net cash provided by (used in) operating activities	(197,265)	20,000	(177,265)
Net change in cash and cash equivalents	(197,265)	20,000	(177,265)
Cash and Cash Equivalents:			
Beginning of year	7,657,024	18,019	7,675,043
End of year	<u>\$ 7,459,759</u>	<u>\$ 38,019</u>	<u>\$ 7,497,778</u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:			
Operating income	\$ 43,056	\$ 29,354	\$ 72,410
Adjustments to reconcile operating income to net cash provided by (used in) operating activities			
Change in assets and liabilities:			
Accounts receivable	37,541	-	37,541
Inventory	-	(6,524)	(6,524)
Accounts payable	(222,137)	(1,517)	(223,654)
Salaries and benefits payable	-	(1,313)	(1,313)
Claims payable	(55,725)	-	(55,725)
Net cash provided by (used in) operating activities	\$ (197,265)	\$ 20,000	\$ (177,265)

Clinton 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 and pooled investments	\$ 6,588	\$ 9,581	\$ 14,401	\$ 1,768
Total assets	<u>\$ 6,588</u>	<u>\$ 9,581</u>	<u>\$ 14,401</u>	<u>\$ 1,768</u>
Liabilities				
Accounts payable	\$ -	\$ 327	\$ -	\$ 327
Due to other groups	6,588	21,913	27,060	1,441
Total liabilities	<u>\$ 6,588</u>	<u>\$ 22,240</u>	<u>\$ 27,060</u>	<u>\$ 1,768</u>

Clinton Community School District

Schedule of Revenues by Source and Expenditures by Function
 All Governmental Funds - Modified Accrual Basis
 Last Ten Years

	Years Ended June 30:			
	2016	2015	2014	2013
Revenues:				
Local sources	\$ 17,864,494	\$ 17,497,541	\$ 18,261,748	\$ 20,889,150
Intermediate sources	-	-	-	-
State sources	31,645,049	31,124,393	29,505,377	26,843,587
Federal sources	2,344,781	2,266,434	2,535,291	2,863,179
Total revenues	\$ 51,854,324	\$ 50,888,368	\$ 50,302,416	\$ 50,595,916
Expenditures:				
Instruction	\$ 29,522,620	\$ 28,637,338	\$ 28,601,591	\$ 29,265,442
Support services:				
Student services	2,478,179	2,363,047	2,505,018	2,428,715
Instructional staff services	1,036,937	1,296,235	1,355,053	1,440,467
Administration services	4,807,240	4,532,181	4,792,481	4,859,062
Operation and maintenance of plant services	4,668,396	4,965,769	4,873,444	4,715,786
Transportation services	1,476,528	1,344,987	1,534,984	1,472,802
Noninstructional programs	4,884	6,027	4,053	5,191
Other expenditures	6,623,035	7,851,051	21,158,777	8,803,254
Total expenditures	\$ 50,617,819	\$ 50,996,635	\$ 64,825,401	\$ 52,990,719

							Years Ended June 30:					
2012		2011		2010		2009		2008		2007		
\$	20,945,368	\$	20,741,061	\$	19,678,824	\$	15,819,106	\$	15,103,876	\$	14,697,134	
	3,036		-		55,000		1,084,316		1,353,835		2,345,250	
	26,269,872		26,649,863		23,652,940		26,903,191		25,688,335		23,994,622	
	3,317,330		3,504,938		6,173,564		2,522,040		2,231,413		2,684,375	
<u>\$</u>	<u>50,535,606</u>	<u>\$</u>	<u>50,895,862</u>	<u>\$</u>	<u>49,560,328</u>	<u>\$</u>	<u>46,328,653</u>	<u>\$</u>	<u>44,377,459</u>	<u>\$</u>	<u>43,721,381</u>	
\$	29,337,257	\$	29,184,412	\$	30,157,474	\$	28,095,451	\$	26,072,867	\$	25,120,818	
	2,509,047		2,233,621		2,286,580		2,237,361		2,372,567		2,455,271	
	1,248,053		1,356,898		1,445,502		1,140,229		1,220,633		1,162,756	
	5,124,547		4,334,448		4,642,276		4,230,616		4,440,445		4,078,344	
	4,325,841		4,135,325		3,984,723		4,035,938		3,917,586		3,760,269	
	1,535,660		1,439,233		1,881,958		1,694,934		1,455,990		917,280	
	17,054		3,181		3,708		5,412		4,024		2,786	
	11,689,493		15,438,546		10,000,394		6,155,500		8,554,663		20,509,803	
<u>\$</u>	<u>55,786,952</u>	<u>\$</u>	<u>58,125,664</u>	<u>\$</u>	<u>54,402,615</u>	<u>\$</u>	<u>47,595,441</u>	<u>\$</u>	<u>48,038,775</u>	<u>\$</u>	<u>58,007,327</u>	

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Compliance Section

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Clinton Community School District

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016**

Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Indirect:				
U.S. Department of Agriculture:				
Iowa Department of Education:				
Child Nutrition Cluster Programs:				
School Breakfast Program	10.553	FY16 4552	\$ -	\$ 266,318
National School Lunch Program	10.555	FY16 4553	-	977,467
Commodities (Noncash)	10.555	FY16	-	81,618
Summer Food Service Program for Children	10.559	FY16 4556	-	40,800
Total Child Nutrition Cluster Programs			-	1,366,203
Fresh Fruit and Vegetable Program	10.582	FY16 4557	-	20,050
Total U.S. Department of Agriculture			-	1,386,253
U.S. Department of Education:				
Iowa Department of Education:				
Title I Grants to Local Educational Agencies	84.010	FY16 4501	-	947,552
Special Education-Grants to States IDEA, Part B	84.027	FY16 4525	-	531 (1)
Career and Technical Education - Basic Grants to States	84.048	FY16 4531	-	56,777
Special Education- State Personnel Development Grants	84.287	FY16 4646	-	538,229
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	FY16 4644	-	30,757
Title IIA Federal Teacher Quality Program	84.367	FY16 4643	-	207,504
Grants for State Assessments and Related Activities Title VI	84.369	FY16 4648	-	13,860
Mississippi Bend Area Education Agency: Special Education - Grants to States IDEA, Part B	84.027	FY16 4521	-	194,060 (1)
Total U.S. Department of Education			-	1,989,270
U.S. Department of Health and Human Services:				
Iowa Department of Education:				
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV	93.938	FY16 4577	-	173
Total Expenditures of Federal Awards			\$ -	\$ 3,375,696

(1) Total Special Education, IDEA Cluster \$194,591.

See notes to schedule of expenditures of federal awards.

Clinton Community School District

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2016

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal grant activity of Clinton Community School District under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 2. Significant Accounting Policies

Expenditures reported on the schedule of expenditures of federal awards are reported on the modified accrual or accrual basis of accounting based on the fund type of the program. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 3. Indirect Cost Rate

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Clinton Community School District

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016**

Findings	Status	Corrective Action Plan or Other Explanation	Reason for Recurrence
Findings Related to the Financial Statements			
2015-001 Insufficient internal controls over the financial reporting process.	Partially Corrected.	See 2016-001	Several year-end adjustments were made to the trial balance.
2015-002 Deficit balances in the Debt Service, Student Activity Fund, and Print Shop Fund.	Not corrected.	See 2016-003	The District does not have a source of repayment and the code of Iowa does not allow for a transfer.

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

To the Board of Education
Clinton Community School District
Clinton, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Clinton Community School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 5, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 2016-001 and 2016-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2016-003. We also noted certain immaterial instances of noncompliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

District's Response to Findings

The District's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Bohnsack & Frommelt LLP

Moline, Illinois
January 5, 2017



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

To the Board of Education
Clinton Community School District
Clinton, Iowa

Report on Compliance for Each Major Federal Program

We have audited Clinton Community School District's (the District) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the 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 the 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 that are 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 the 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 combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2016-004, that we consider to be a significant deficiency.

The District's response to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The 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.

Bohnsack & Frommelt LLP

Moline, Illinois
January 5, 2017

Clinton Community School District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2016**

I. Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency identified? Yes None Reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency identified? Yes None Reported

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

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
Child Nutrition Cluster:	
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	Commodities (Noncash)
10.559	Summer Food Service Program for Children

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

(Continued)

Clinton Community School District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2016**

Part II: Findings Related to the Basic Financial Statements

Internal control deficiencies:

2016-001

Finding: The District did not properly post all year-end accrual adjustments required for financial statements to be reported in accordance with the accounting principles generally accepted in the United States of America.

Criteria: A properly designed system of internal control over financial reporting requires entities to initiate, authorize, record, process and report financial data reliably in accordance with accounting principles generally accepted in the United States of America.

Condition: The District identified year-end adjustments that were not posted to the District's general ledger.

Context: Year-end adjustments were required to be posted to the District's general ledger for accrued liabilities, sales tax receivable, and accumulated depreciation.

Effect: Financial statements are misstated and errors are not detected on a timely basis.

Cause: The District has not historically recorded all year-end accrual adjustments within the District's general ledger system.

Identification as a repeat finding: This is a repeat finding.

Recommendation: We recommend the District post all accrued liabilities to the District's Fund 09 and include the liabilities in the certified annual financial report. We recommend the District adjust the year-end sales tax receivable for an estimate of the final state payment. We recommend the District investigate capital asset inventory and depreciation software to update accumulated depreciation annually.

Response and corrective action plan: The Chief Financial Officer will post all identified year-end adjustments to the District's general ledger system.

2016-002

Finding: The District has insufficient segregation of duties over the cash disbursement function.

Criteria: A good internal control system contemplates an adequate segregation of duties so that no one individual handles a transaction from inception to its completion.

Condition: The significant deficiency is the result of a combination of the following:

- Access to the master vendor file is not limited. One position has access to set up new vendors in the system or to edit vendor information as well as access to create and approve requisitions and purchase orders, enter invoices, posts to the general ledger system, and void transactions. In addition, another employee who processes cash disbursements has access to the master vendor file.
- Check sequence is not monitored. One position processes check runs, generates positive pay files for the bank, resolves positive pay exceptions, and posts to the general ledger system.

Context: A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from inception to completion.

Clinton Community School District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2016**

Effect: Misappropriations of assets could occur and not be detected in a timely basis.

Cause: Access levels are not sufficiently limited and the practices of approving invoices vary by building and department.

Identification as a repeat finding: This is not a repeat finding.

Recommendation: We recommend the District remove access to the vendor master file from all employees involved in the cash disbursement function. In addition, we recommend the District remove purchase order creation capability or implement an approval tier for employees processing check runs. Check sequence should be monitored by the Chief Financial Officer as a part of the monthly bank reconciliation process.

Response and Corrective Action Plan: The District will limit access to the vendor master file. Any edits to the master vendor file will be reviewed. The Chief Financial Officer will monitor all District check sequences.

Instances of noncompliance:

2016-003

Finding: The District's Student Activity Fund has a deficit fund balance and has a year-end liability for expending more than the fund has received over many years with no repayment plan.

Criteria: The Iowa Department of Education *Uniform Administrative Procedures for Iowa School District and AEA Officials* manual states the following in Chapter 9, "Each fund is mutually exclusive and completely independent of any other fund. Therefore, no fund shall be used as a clearing account for another fund, no fund may retire the debt of another fund unless specifically authorized in Code, and transfers between funds shall be accomplished only as authorized in statute (IAC 281-98.60)."

The Iowa Department of Education issued *Frequently Asked Questions Regarding the Student Activities Fund* in March 2016. Regarding negative accounts, the guidance states, "...the district may not transfer money from one fund to another fund without permission from the School Budget Review Committee (SBRC). For example, the district may not transfer from the General Fund to the Student Activity Fund simply because the Student Activity Fund has a negative balance."

Condition: Beginning in fiscal year 2001, the Student Activity Fund continued to spend more than the revenue collected for student activities. Over time, this practice accumulated into a deficit fund balance and a material liability balance with no resources or sources of revenues to repay the other funds of the District.

Context: The amount of excess spending that has not been repaid is \$684,070.

Effect: Cash that was collected for other purposes for the other District funds has been expended by the Student Activity Fund.

Cause: The District did not properly monitor student activities financial transactions to ensure expenditures were within budget and did not exceed amounts collected. State statute does not allow for a transfer of cash between the other funds and the Student Activity Fund.

Clinton Community School District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2016**

Identification as a repeat finding: This is a repeat finding.

Recommendation: We recommend the District continue to strictly monitor student activity receipts and disbursements, and due to the financial condition of the fund, require that no activity may spend more than the cash on hand for that activity without senior administrative approval. We recommend the District investigate options under the state of Iowa code to eliminate the deficit fund balance and liability.

Response and Corrective Action Plan: The District will investigate alternatives to eliminate the deficit Student Activity fund balance and liability.

Part III: Findings and Questioned Costs for Federal Awards

Instances of noncompliance:

No matters were reported.

Internal control deficiencies:

2016-004

**U.S. Department of Agriculture
Pass-Through Iowa Department of Education
Child Nutrition Cluster
School Breakfast Program (CFDA 10.553)
National School Lunch Program (CFDA 10.555)
Commodities (Noncash) (CFDA 10.555)
Summer Food Service Program For Children (CFDA 10.559)
Federal Award Year: 2016**

Finding: The District does not have a sufficient internal control system in place to comply with the procurement and suspension and debarment requirements of the Office of Management and Budget.

Criteria: The following criteria apply to the District's Child Nutrition Program:

- Iowa Department of Education requires each school food authority to obtain the certificate regarding suspension and debarment from vendors as stated on their website of procurement guidance:
The School Food Authority (SFA), Residential Child Care Institution (RCCI), or non-public school is responsible to require each responsive bidder to include a signed debarment certification statement. The statement certifies that neither the bidder nor its key employees have been proposed for debarment, debarred or suspended by a Federal agency.
- The Office of Management and Budget 2016 Compliance Supplement requires a system of internal control that complies with 2 CFR section 200.62. A system of internal control is expected to provide a non-Federal entity with reasonable assurance that these objectives relating to compliance with Federal statutes, regulations, and the terms and conditions of Federal awards will be achieved.

Clinton Community School District

Schedule of Findings and Questioned Costs Year Ended June 30, 2016

Condition: The District does not request and does not obtain signed certificates regarding suspension and debarment from food service non-prime vendors when the District expends \$25,000 or more in total with the vendor during the fiscal year. In addition, one employee requests, analyzes, and enters into agreements with the food service vendors with no independent review of the conclusions reached. The agreements with the District's prime vendor and with the District's non-prime food service vendors are not being presented and approved by the Board.

Context: The District annually requests bids for milk, bread, and pizza. During fiscal year 2016, the District expended approximately \$183,000 combined with these vendors for the food service program. The District is a member of a food service consortium for bidding and monitoring the prime vendor.

Effect: The requirements of 2 CFR section 200.62 and the Iowa Department of Education are not being met. Contracts could be entered into by the District with unapproved vendors.

Cause: This has not been a practice of the District.

Identification as a repeat finding: This is not a repeat finding.

Recommendation: We recommend the Business Office and the Food Services Department work collectively to establish a new and more robust procurement process and documentation process that includes all requirements and all forms of the Iowa Department of Education for the program including certificates regarding suspension and debarment. We recommend the District implement a second review of bid estimates and that all contracts for services that meet the thresholds prescribed by the state and by the District's procurement policies are presented to the Board of Education for review and approval.

Response and corrective action plan: The District will implement the procurement and suspension and debarment requirements for the Child Nutrition Program.

Part IV: Other Findings Related to Statutory Reporting

IV-A-16

Certified Budget –

Finding: Expenditures for the year ended June 30, 2016, exceeded the amounts budgeted in the other expenditures function.

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

Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion: Response accepted.

IV-B-16

Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-16

Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

(Continued)

Clinton Community School District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2016**

IV-D-16

Business Transactions – No business transactions between the District and District officials or employees were noted other than the following:

Name	Position	Vendor	Relationship	Amount
Jim McGraw	School Board Vice President	Happy Joe's	Owner	\$ 3,311.70
Corey Council	Employee	Clinton Custom Sheds	Owner	2,800.00
Gregg Obren	Board Member	Gregg Obren	Sports Official	902.93

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions do not appear to represent a conflict of interest.

IV-E-16

Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-16

Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

Finding: We selected a sample of four meetings and noted the following regarding the Board of Education minutes: 1) one meeting minutes were not published and 2) another meeting minutes were published after the required 14 days.

Recommendation: We recommend the District ensure meeting minutes are published and published within the required 14 days required by state code.

Response: The District will work with the local newspaper to ensure minutes are properly published and in a timely manner to comply the state code requirements.

Conclusion: Response accepted.

IV-G-16

Certified Enrollment-

Finding: There were variances to the October 2015 certified enrollment.

Recommendation: We recommend the District review and verify enrollment before the October 1st process.

Response and Corrective Action Plan: The District will review enrollment figures prior to submission to ensure accuracy of the information certified to the Department of Education.

Conclusion: Response accepted.

IV-H-16

Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

(Continued)

Clinton Community School District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2016**

IV-I-16

Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

IV-J-16

Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.

IV-K-16

Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-16

Statewide Sales and Services Tax – No instances of noncompliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services 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 and services tax revenue in the District’s CAR:

Beginning balance	\$ 6,532,892
Revenue / transfers in:	
Statewide sales and services tax revenue	3,661,163
Interest and other	22,141
Expenditures/transfers out:	
Transfers out	3,560,222
Support services	
Administration services	17,107
Operation and maintenance of plant services	11,885
School infrastructure:	
Buildings	97,819
Ending balance	<u>\$ 6,529,163</u>

For the year ended June 30, 2016, the District reduced the debt service tax levy by \$3.75 per \$1,000 of taxable valuation as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

Clinton Community School District

Corrective Action Plan Year Ended June 30, 2016

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Finding Related to the Basic Financial Statements:				
Significant deficiencies:				
2016-001	The District did not post all year-end accrual adjustments required for the financial statements.	See response and corrective action plan at 2016-001	Fiscal Year 2017	Cindy McAleer
2016-002	The District has insufficient segregation of duties over the cash disbursement function.	See response and corrective action plan at 2016-002	Fiscal Year 2017	Cindy McAleer
Instances of noncompliance:				
2016-003	The Student Activity Fund has a deficit fund balance and excess of warrants issued over bank balance.	See response and corrective action plan at 2016-003	Fiscal Year 2017	Cindy McAleer
Finding and Questioned Costs Related to Federal Awards:				
Significant deficiencies:				
2016-004	The District does not have a sufficient internal control process over the Child Nutrition Cluster Program procurement and suspension and debarment.	See response and corrective action plan at 2016-004	Fiscal Year 2017	Cindy McAleer
Other Findings Related to Statutory Reporting:				
IV-A-16	The District exceeded the amended budget in the other function.	See response and corrective action plan at IV-A-16	Fiscal Year 2017	Cindy McAleer
IV-F-16	Board minutes were not timely published for one meeting and not published at all for another meeting.	See response and corrective action plan at IV-F-16	Fiscal Year 2017	Cindy McAleer
IV-G-16	There were variances in the October 2015 certified enrollment.	See response and corrective action plan at IV-G-16	Fiscal Year 2017	Cindy McAleer