

**CLAY CENTRAL/EVERLY  
COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2017**

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**Clay Central/Everly Community School District**

**Officials**

<b>NAME</b>	<b>TITLE</b>	<b>TERM EXPIRES</b>
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**Board of Education**

Brian Schmidt	President	2019
Roger Nelson	Vice President	2017
Allison Goyette	Board Member	2017
Curt Langer	Board Member	2019
Matt Schoning	Board Member	2017

**School Officials**

Dennis McClain	Superintendent	2017
Diane White	Board Secretary	2017
Steve Avery	Attorney	Indefinite



**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**Independent Auditor's Report**

To the Board of Education of  
Clay Central/Everly Community School District  
Royal, 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 Clay Central/Everly Community School District, Royal, Iowa, as of and for the year ended June 30, 2017, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clay Central/Everly Community School District as of June 30, 2017, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions, and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 13 and 46 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clay Central/Everly Community School District's basic financial statements. We, and other auditors, previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 19, 2018 on our consideration of Clay Central/Every Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Clay Central/Every Community School District's internal control over financial reporting and compliance.

*Schnur & Company, LLP*

Fort Dodge, Iowa  
January 19, 2018

**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**

# **CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Clay Central/Everly 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, 2017. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2017 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$4,164,950 in fiscal year 2016 to \$4,273,594 in fiscal year 2017, while General Fund expenditures increased from \$4,336,663 in fiscal year 2016 to \$4,610,373 in fiscal year 2017. This District's General Fund balance decreased from \$2,237,700 at the end of fiscal year 2016 to \$1,900,921 at the end of fiscal year 2017, a 15.05% decrease.
- The fiscal year 2017 General Fund revenue increase was attributable to revenue from local sources. The increase in expenditures was due primarily to an increase in instruction expenses. One reason the General Fund balance decreased is because the negotiated salaries and benefits were greater than the District's increase in General Fund revenue for fiscal year 2017. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

### **USING THIS ANNUAL REPORT**

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Clay Central/Everly 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 the District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Clay Central/Everly Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor governmental funds.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

#### ***Government-wide Financial Statements***

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

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

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

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

#### ***Fund Financial Statements***

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

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

The District has three kinds of funds:

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

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

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES (CONTINUED)**

#### *Fund Financial Statements (Continued)*

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

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

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds, as follows.
- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
  - Agency Fund – These are funds through which the District administers and accounts for certain employee withholdings as a fiscal agent.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

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

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2017 compared to June 30, 2016:

	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total District</b>		<b>Total Change</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2016-2017</b>
Current and other assets	\$ 6,600	\$ 6,861	\$ 27	\$ 63	\$ 6,627	\$ 6,924	-4.3%
Capital assets	1,412	1,251	16	15	1,428	1,266	12.8%
<b>Total assets</b>	<b>8,012</b>	<b>8,112</b>	<b>43</b>	<b>78</b>	<b>8,055</b>	<b>8,190</b>	<b>-1.6%</b>
Deferred outflow of resources	611	306	15	11	626	317	100.0%
Long-term liabilities	2,152	1,698	49	34	2,201	1,732	27.1%
Other liabilities	418	369	5	55	423	424	-0.2%
<b>Total liabilities</b>	<b>2,570</b>	<b>2,067</b>	<b>54</b>	<b>89</b>	<b>2,624</b>	<b>2,156</b>	<b>21.7%</b>
Deferred inflows of revenues	2,391	2,338	1	6	2,392	2,344	2.0%
Net position:							
Net investment in capital assets	1,412	1,251	16	15	1,428	1,266	12.8%
Restricted	1,978	2,095	-	-	1,978	2,095	-5.6%
Unrestricted	272	667	(13)	(23)	259	644	-59.8%
<b>Total net position</b>	<b>\$ 3,662</b>	<b>\$ 4,013</b>	<b>\$ 3</b>	<b>\$ (8)</b>	<b>\$ 3,665</b>	<b>\$ 4,005</b>	<b>-8.5%</b>

The District's total net position decreased 8.5%, or approximately \$340,000 from the prior year. The largest portion of the District's net position is restricted.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased approximately \$117,000, or 5.6%, over the prior year. The decrease was primarily a result of increased early retirement and insurance costs.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$385,000, or 59.8%. This reduction in unrestricted net position was primarily a result of the increase in the District's instruction expenses.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Figure A-2 shows the changes in net position for the year ended June 30, 2017 compared to the year ended June 30, 2016:

	Figure A-2 Changes in Net Position (Expressed in Thousands)						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2017	2016	2017	2016	2017	2016	2016-2017
Revenues:							
Program revenues:							
Charges for service	\$ 309	\$ 285	\$ 77	\$ 97	\$ 386	\$ 382	1.0%
Operating grants, contributions and restricted interest	867	831	107	97	974	928	5.0%
Capital grants, contributions and restricted interest	-	8	-	-	-	8	0.0%
General revenues:							
Property tax	2,235	2,112	-	-	2,235	2,112	5.8%
Statewide sales, services and use tax	350	362	-	-	350	362	-3.3%
Unrestricted state grants	1,099	1,180	-	-	1,099	1,180	
Unrestricted investment earnings	9	10	-	-	9	10	-10.0%
Other	85	43	-	-	85	43	97.7%
<b>Total revenues</b>	<b>4,954</b>	<b>4,831</b>	<b>184</b>	<b>194</b>	<b>5,138</b>	<b>5,025</b>	<b>2.2%</b>
Program expenses:							
Instruction	3,549	3,289	-	-	3,549	3,289	7.9%
Support services	1,600	1,376	-	-	1,600	1,376	16.3%
Non-instructional programs	-	-	173	167	173	167	3.6%
Other expenses	156	275	-	-	156	275	-43.3%
<b>Total expenses</b>	<b>5,305</b>	<b>4,940</b>	<b>173</b>	<b>167</b>	<b>5,478</b>	<b>5,107</b>	<b>7.3%</b>
<b>Change in net position</b>	<b>(351)</b>	<b>(109)</b>	<b>11</b>	<b>27</b>	<b>(340)</b>	<b>(82)</b>	<b>314.6%</b>
Net position beginning of year	4,013	4,122	(8)	(35)	4,005	4,087	-2.0%
Net position end of year	\$ 3,662	\$ 4,013	\$ 3	\$ (8)	\$ 3,665	\$ 4,005	-8.5%

In fiscal year 2017, property tax and unrestricted state grants accounted for 67.30% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for all of business type activities revenue. The District's total revenues were approximately \$5.1 million, of which approximately \$4.9 million was for governmental activities and less than \$1 million was for business type activities.

As shown in Figure A-2, the District as a whole experienced a 2.2% increase in revenues and a 7.3% increase in expenses. Property and other taxes increased approximately \$111,000 or approximately 4.5%. The increase in expenses is related to increases in instructional and student support services expenses.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

#### Governmental Activities

Revenues for governmental activities were \$4,953,692 and expenses were \$5,304,322 for the year ended June 30, 2017.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, and other expenses, for the year ended June 30, 2017 compared to the year ended June 30, 2016.

	Total Cost of Services			Net Cost of Services		
	2017	2016	Change 2016-2017	2017	2016	Change 2016-2017
Instruction	\$ 3,549	\$ 3,289	7.9%	\$ (2,550)	\$ (2,365)	7.8%
Support services	1,600	1,376	16.3%	(1,578)	(1,345)	17.3%
Other expenses	156	275	-43.3%	-	(107)	-100.0%
<b>Total</b>	<b>\$ 5,305</b>	<b>\$ 4,940</b>	<b>7.4%</b>	<b>\$ (4,128)</b>	<b>\$ (3,817)</b>	<b>8.1%</b>

For the year ended June 30, 2017:

- The cost financed by users of the District's programs was \$308,827.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$867,028.
- The net cost of governmental activities was financed with \$2,585,101 in property and other taxes and \$1,099,474 in unrestricted state grants.

#### Business Type Activities

Revenues for business type activities during the year ended June 30, 2017 were \$184,778, representing a 4.6% decrease over the prior year, while expenses totaled \$173,192, a 3.6% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, state reimbursements and investment income.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Clay Central/Everly 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 \$3,791,466, below last year's ending fund balances of \$4,254,243. The primary reason for the decrease in combined fund balances at the end of fiscal year 2017 is due to increasing growth in instruction expenditures.

#### **Governmental Fund Highlights**

- The District's deteriorating General Fund financial position is the result of many factors. Growth during the year in local tax revenue resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures, requiring the District to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$2,237,700 to \$1,900,921 due, in part, to the increase in instruction expenditures.
- The Capital Projects Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. The monies in the Capital Projects Fund will be used for future capital improvements and equipment purchases.
- The Physical Plant and Equipment Levy fund balance increased from \$39,962 at June 30, 2016 to \$83,207 at June 30, 2017. This was due to property tax revenue exceeding expenditures.
- The Statewide Sales, Services and Use Tax fund balance decreased from \$1,246,005 at June 30, 2016 to \$1,173,376 at June 30, 2017.

#### **Proprietary Fund Highlights**

School Nutrition Fund net position increased from a deficit of \$8,132 at June 30, 2016 to \$3,454 at June 30, 2017. Revenues for business type activities during the year ended June 30, 2017 were \$184,778, representing a decrease of approximately 4.6% from prior year revenues of \$193,725.

### **BUDGETARY HIGHLIGHTS**

The District's total revenues were \$182,053 more than total budgeted revenues. Increases in revenues from state and federal sources in fiscal year 2017 helped to offset the decline in local revenue.

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

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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2017, the District had invested approximately \$1.428 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment (See Figure A-4). This represents a net increase of approximately \$162,000 from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$196,830.

The original cost of the District's capital assets was approximately \$6.298 million. Governmental funds account for approximately \$6.176 million, with the remainder of approximately \$122 thousand accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in improvements other than buildings. The District's net improvements other than buildings totaled \$338,906 at June 30, 2017, compared to \$141,836 reported at June 30, 2016. This increase resulted from building improvements during the year.

	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total District</b>		<b>Total Change</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2016-2017</b>
Land	\$ 10	\$ 10	\$ -	\$ -	\$ 10	\$ 10	0.0%
Buildings	687	743	-	-	687	743	-7.5%
Improvements other than buildings	339	142	-	-	339	142	138.7%
Furniture and equipment	376	356	16	15	392	371	5.7%
<b>Total</b>	<b>\$ 1,412</b>	<b>\$ 1,251</b>	<b>\$ 16</b>	<b>\$ 15</b>	<b>\$ 1,428</b>	<b>\$ 1,266</b>	<b>12.8%</b>

#### Long-Term Debt

At June 30, 2017, the District had \$2,201,627 in total long-term debt outstanding. This represents an increase of approximately 27.1% from last year (See Figure A-5). Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

	<b>Total District</b>		<b>Percentage Change</b>
	<b>June 30,</b>		<b>June 30,</b>
	<b>2017</b>	<b>2016</b>	<b>2016-2017</b>
Termination benefits	\$ 52	\$ 94	-44.7%
Net pension liability	2,010	1,535	30.9%
Net OPEB liability	139	103	35.0%
<b>Total</b>	<b>\$ 2,201</b>	<b>\$ 1,732</b>	<b>27.1%</b>

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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### **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:

- Property taxes levied for in fiscal year 2017 increased approximately \$68,000.
- Due to the loss of two manufacturing plants in the area, the District has experienced a decrease in enrollment.
- Continuing decreases in State supplemental aid continues to erode the District's budget authority.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Diane White, Board Secretary, Clay Central/Everly Community School District, 401 Church Street, P.O. Box 110, Royal, Iowa 51357.



## **BASIC FINANCIAL STATEMENTS**



**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**

## STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 3,226,978	\$ 12,944	\$ 3,239,922
Investments	856,884	-	856,884
Receivables:			
Property tax:			
Delinquent	21,511	-	21,511
Succeeding year	2,367,725	-	2,367,725
Income surtax	22,885	-	22,885
Accounts	6,544	20,365	26,909
Due from other governments	86,069	-	86,069
Internal accounts	11,635	(11,635)	-
Inventories	-	5,857	5,857
Capital assets, not depreciated	9,589	-	9,589
Capital assets, net of accumulated depreciation	1,402,421	15,704	1,418,125
<b>Total assets</b>	<b>8,012,241</b>	<b>43,235</b>	<b>8,055,476</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	611,353	14,366	625,719
<b>Liabilities</b>			
Accounts payable	108,024	2,125	110,149
Salaries and benefits payable	310,131	22	310,153
Unearned revenue	-	2,086	2,086
Long-term liabilities:			
Portion due within one year:			
Termination benefits	34,959	-	34,959
Portion due after one year:			
Termination benefits	16,885	-	16,885
Net pension liability	1,964,324	46,159	2,010,483
Net OPEB liability	136,096	3,204	139,300
<b>Total liabilities</b>	<b>2,570,419</b>	<b>53,596</b>	<b>2,624,015</b>
<b>Deferred Inflows of Resources</b>			
Property taxes levied for subsequent years	2,367,725	-	2,367,725
Pension related deferred inflows	23,443	551	23,994
<b>Total deferred inflows of resources</b>	<b>2,391,168</b>	<b>551</b>	<b>2,391,719</b>

(Continued on next page)

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Exhibit A  
(Continued)

STATEMENT OF NET POSITION

June 30, 2017

	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
<b>Net Position</b>			
Net investment in capital assets	\$ 1,412,010	\$ 15,704	\$ 1,427,714
Restricted for:			
Categorical funding	87,245	-	87,245
Student activities	11,093	-	11,093
Management levy purposes	622,869	-	622,869
School infrastructure	1,173,376	-	1,173,376
Physical plant and equipment	83,207	-	83,207
Unrestricted	272,207	(12,250)	259,957
<b>Total net position</b>	<b>\$ 3,662,007</b>	<b>\$ 3,454</b>	<b>\$ 3,665,461</b>

See notes to financial statements.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 2,033,105	\$ 151,847	\$ 416,485	\$ -
Special instruction	894,158	-	166,920	-
Other instruction	621,623	156,980	106,592	-
	<u>3,548,886</u>	<u>308,827</u>	<u>689,997</u>	<u>-</u>
Support services:				
Student	75,758	-	8,320	-
Instructional staff	73,288	-	9,303	-
Administration	695,243	-	-	-
Operation and maintenance of plant	508,291	-	-	-
Transportation	247,228	-	3,780	-
	<u>1,599,808</u>	<u>-</u>	<u>21,403</u>	<u>-</u>
Other expenditures:				
AEA flowthrough	155,628	-	155,628	-
	<u>155,628</u>	<u>-</u>	<u>155,628</u>	<u>-</u>
Total governmental activities	<u>5,304,322</u>	<u>308,827</u>	<u>867,028</u>	<u>-</u>
Business type activities:				
Non-instructional programs:				
Food service operations	173,192	77,060	107,509	-
Total business type activities	<u>173,192</u>	<u>77,060</u>	<u>107,509</u>	<u>-</u>
<b>Total</b>	<u>\$ 5,477,514</u>	<u>\$ 385,887</u>	<u>\$ 974,537</u>	<u>\$ -</u>

**Net (Expense) Revenue  
and Changes in Net Position**

---

<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
\$ (1,464,773)	\$ -	\$ (1,464,773)
(727,238)	-	(727,238)
(358,051)	-	(358,051)
(2,550,062)	-	(2,550,062)
(67,438)	-	(67,438)
(63,985)	-	(63,985)
(695,243)	-	(695,243)
(508,291)	-	(508,291)
(243,448)	-	(243,448)
(1,578,405)	-	(1,578,405)
-	-	-
-	-	-
(4,128,467)	-	(4,128,467)
-	11,377	11,377
-	11,377	11,377
(4,128,467)	11,377	(4,117,090)

(Continued on next page)

**CLAY CENTRAL EVERLY COMMUNITY SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2017**

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
<b>General Revenues:</b>				
Property tax levied for:				
General purposes				
Capital outlay				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net position				
Net position beginning of year				
Net position end of year				
See notes to financial statements.				

**Exhibit B  
(Continued)**

**Net (Expense) Revenue  
and Changes in Net Position**

<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
\$ 2,155,938	\$ -	\$ 2,155,938
79,137	-	79,137
350,026	-	350,026
1,099,474	-	1,099,474
8,520	209	8,729
84,742	-	84,742
<u>3,777,837</u>	<u>209</u>	<u>3,778,046</u>
(350,630)	11,586	(339,044)
<u>4,012,637</u>	<u>(8,132)</u>	<u>4,004,505</u>
<u>\$ 3,662,007</u>	<u>\$ 3,454</u>	<u>\$ 3,665,461</u>



**Exhibit C**

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<b>Management</b>	<b>Nonmajor</b>	<b>Total</b>
\$ 623,551	\$ 12,067	\$ 3,226,978
-	-	856,884
972	-	21,511
99,999	-	2,367,725
-	-	22,885
-	351	6,544
-	-	12,052
-	-	86,069

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\$ 724,522    \$ 12,418    \$ 6,600,648

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

BALANCE SHEET

Governmental Funds

June 30, 2017

	General	Capital Projects
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>		
Liabilities:		
Accounts payable	\$ 89,233	\$ 15,812
Salaries and benefits payable	310,131	-
Due to other funds	-	417
<b>Total liabilities</b>	<b>399,364</b>	<b>16,229</b>
Deferred inflows of resources:		
Unavailable revenues:		
Succeeding year property tax	2,183,218	84,508
Succeeding year income surtax	22,885	-
<b>Total deferred inflows of resources</b>	<b>2,206,103</b>	<b>84,508</b>
Fund balances:		
Restricted for:		
Categorical funding	87,245	-
Student activity	-	-
Management levy purposes	-	-
School infrastructure	-	1,173,376
Physical plant and equipment	-	83,207
Unassigned	1,813,676	-
<b>Total fund balances</b>	<b>1,900,921</b>	<b>1,256,583</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 4,506,388</b>	<b>\$ 1,357,320</b>

See notes to financial statements.

**Exhibit C  
(Continued)**

<b>Management</b>	<b>Nonmajor</b>	<b>Total</b>
\$ 1,654	\$ 1,325	\$ 108,024
-	-	310,131
-	-	417
<u>1,654</u>	<u>1,325</u>	<u>418,572</u>
99,999	-	2,367,725
-	-	22,885
<u>99,999</u>	<u>-</u>	<u>2,390,610</u>
-	-	87,245
-	11,093	11,093
622,869	-	622,869
-	-	1,173,376
-	-	83,207
-	-	1,813,676
<u>622,869</u>	<u>11,093</u>	<u>3,791,466</u>
<u>\$ 724,522</u>	<u>\$ 12,418</u>	<u>\$ 6,600,648</u>



**RECONCILIATION OF THE BALANCE SHEET  
 Governmental Funds to the Statement of Net Position  
 June 30, 2017**

**Total fund balances of governmental funds (page 19)** \$ 3,791,466

*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. 1,412,010

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 22,885

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 611,353	
Deferred inflows of resources	<u>(23,443)</u>	587,910

Long-term liabilities, including termination benefits, other post-employment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (2,152,264)

**Net position of governmental activities (page 15)** \$ 3,662,007

See notes to financial statements.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES

Governmental Funds  
Year Ended June 30, 2017

	General	Capital Projects
Revenues:		
Local sources:		
Local tax	\$ 2,057,176	\$ 79,137
Tuition	135,300	-
Other	116,027	1,415
State sources	1,745,636	350,648
Federal sources	219,455	-
<b>Total revenues</b>	<u>4,273,594</u>	<u>431,200</u>
Expenditures:		
Current:		
Instruction:		
Regular	1,928,508	-
Special	885,793	-
Other	467,286	-
	<u>3,281,587</u>	<u>-</u>
Support services:		
Student	74,562	-
Instructional staff	71,161	-
Administration	493,389	68,424
Operation and maintenance of plant	373,596	-
Transportation	160,450	26,111
	<u>1,173,158</u>	<u>94,535</u>
Other expenditures:		
Facilities acquisition	-	366,049
AEA flowthrough	155,628	-
	<u>155,628</u>	<u>366,049</u>
<b>Total expenditures</b>	<u>4,610,373</u>	<u>460,584</u>
Change in fund balances	(336,779)	(29,384)
Fund balances, beginning of year	<u>2,237,700</u>	<u>1,285,967</u>
Fund balances, end of year	<u>\$ 1,900,921</u>	<u>\$ 1,256,583</u>

See notes to financial statements.

**Exhibit E**

<b>Management</b>	<b>Nonmajor</b>	<b>Total</b>
\$ 100,024	\$ -	\$ 2,236,337
-	-	135,300
666	148,683	266,791
787	-	2,097,071
-	-	219,455
<u>101,477</u>	<u>148,683</u>	<u>4,954,954</u>
45,480	-	1,973,988
-	-	885,793
-	146,704	613,990
<u>45,480</u>	<u>146,704</u>	<u>3,473,771</u>
	-	74,562
	-	71,161
93,295	-	655,108
55,103	-	428,699
6,192	-	192,753
<u>154,590</u>	<u>-</u>	<u>1,422,283</u>
-	-	366,049
-	-	155,628
-	-	521,677
<u>200,070</u>	<u>146,704</u>	<u>5,417,731</u>
(98,593)	1,979	(462,777)
<u>721,462</u>	<u>9,114</u>	<u>4,254,243</u>
<u>\$ 622,869</u>	<u>\$ 11,093</u>	<u>\$ 3,791,466</u>



**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
Governmental Funds to the Statement of Activities  
Year Ended June 30, 2017**

**Change in fund balances - total governmental funds (page 21)** \$ (462,777)

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

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

Expenditures for capital assets	\$ 354,906	
Depreciation expense	<u>(193,561)</u>	161,345

Income surtaxes not collected for several months after year end and is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. (1,262)

The current year District IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position. 203,038

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:

Termination benefits	42,782	
Pension expense	(259,002)	
Other postemployment benefits	<u>(34,754)</u>	<u>(250,974)</u>

**Change in net position of governmental activities (page 17)** \$ (350,630)

See notes to financial statements.

## STATEMENT OF NET POSITION

## Proprietary Fund

June 30, 2017

	<u>School Nutrition</u>
<b>Assets</b>	
Current assets:	
Cash	\$ 12,944
Accounts receivable	20,365
Due from other funds	417
Inventories	5,857
Total current assets	<u>39,583</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>15,704</u>
<b>Total assets</b>	<u>55,287</u>
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	<u>14,366</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	2,125
Salaries and benefits payable	22
Unearned revenue	2,086
Due to other funds	12,052
Total current liabilities	<u>16,285</u>
Noncurrent liabilities:	
Net pension liability	46,159
Net OPEB liability	3,204
Total noncurrent liabilities	<u>49,363</u>
<b>Total liabilities</b>	<u>65,648</u>
<b>Deferred Inflows of Resources</b>	
Pension related deferred inflows	<u>551</u>
<b>Net Position</b>	
Net investment in capital assets	15,704
Unrestricted	<u>(12,250)</u>
<b>Total net position</b>	<u>\$ 3,454</u>

See notes to financial statements.

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

## Proprietary Fund

Year Ended June 30, 2017

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 77,060
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	52,240
Benefits	26,533
Purchased services	944
Supplies	90,206
Depreciation	3,269
Total operating expenses	<u>173,192</u>
Operating (loss)	<u>(96,132)</u>
Non-operating revenues:	
State sources	1,229
Federal sources	106,280
Interest income	209
Total non-operating revenues	<u>107,718</u>
Increase in net position	11,586
Net position beginning of year	<u>(8,132)</u>
Net position end of year	<u>\$ 3,454</u>

See notes to financial statements.

## STATEMENT OF CASH FLOWS

## Proprietary Fund

Year Ended June 30, 2017

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 82,200
Cash paid to employees for services	(75,253)
Cash paid to suppliers for goods or services	(107,998)
Net cash (used by) operating activities	<u>(101,051)</u>
Cash flows from non-capital financing activities:	
State grants received	1,229
Federal grants received	80,567
Net cash provided by non-capital financing activities	<u>81,796</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(4,237)</u>
Cash flows from investing activities:	
Interest on investments	<u>209</u>
Net (decrease) in cash	(23,283)
Cash beginning of year	<u>36,227</u>
Cash end of year	<u>\$ 12,944</u>

(Continued on next page)

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Exhibit I  
(Continued)

STATEMENT OF CASH FLOWS

Proprietary Fund  
Year Ended June 30, 2017

	<u>School Nutrition</u>
Reconciliation of operating (loss) to net cash (used by)	
operating activities:	
Operating (loss)	\$ (96,132)
Adjustments to reconcile operating (loss) to net cash (used by)	
operating activities:	
Commodities used	25,713
Depreciation	3,269
Decrease in accounts receivable	3,471
Increase in due from other funds	(417)
Increase in inventories	(2,496)
Decrease in accounts payable	(52,117)
Decrease in salaries and benefits payable	(264)
Increase in unearned revenue	2,086
Increase in due to other funds	12,052
Increase in net pension liability	13,635
Increase in deferred outflows of resources	(7,770)
Decrease in deferred inflows of resources	(3,027)
Increase in other postemployment benefits	946
	<u>946</u>
Net cash (used by) operating activities	<u>\$ (101,051)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2017, the district received \$25,713 of federal commodities.

See notes to financial statements.

**STATEMENT OF FIDUCIARY NET POSITION**

**Fiduciary Funds**

**June 30, 2017**

	<b>Private Purpose Trust Scholarship</b>	<b>Agency</b>
<b>Assets</b>		
Cash and pooled investments	\$ 6,786	\$ 535
<b>Total Assets</b>	<b>6,786</b>	<b>535</b>
<b>Liabilities</b>		
Due to other governments	-	535
<b>Net position</b>		
Restricted for scholarships	\$ 6,786	\$ -

See notes to financial statements.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Exhibit K

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Fiduciary Funds

Year Ended June 30, 2017

	<u>Private Purpose Trust Scholarship</u>
<b>Additions:</b>	
Local sources:	
Gifts and contributions	\$ 2,400
Interest	38
Total additions	<u>2,438</u>
<b>Deductions:</b>	
Instruction:	
Regular:	
Scholarships awarded	<u>3,800</u>
Change in net position	(1,362)
Net position beginning of year	<u>8,148</u>
Net position end of year	<u>\$ 6,786</u>

See notes to financial statements.



# CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies

Clay Central/Everly Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Royal and Everly, Iowa and the agricultural territory in a portion of Clay, Dickinson and O'Brien Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

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

#### A. Reporting Entity:

For financial reporting purposes, Clay Central/Everly Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has 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 Clay County Assessor's Conference Board.

#### B. Basis of Presentation:

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### B. Basis of Presentation (continued):

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

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

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

The District reports the following major governmental funds:

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

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

The Management Fund is utilized to account for property tax and other revenues to be used for insurance, unemployment and early retirement benefits.

The District reports the following proprietary fund:

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

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

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

The 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.

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 1. Summary of Significant Accounting Policies (Continued)**

#### **C. Measurement Focus and Basis of Accounting:**

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

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

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

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

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments; is based on January 1, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2016.

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

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

**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (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 acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 500
Buildings	500
Improvements other than buildings	500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	500

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	15-50
Improvements other than buildings	5-25
Furniture and equipment	3-20

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

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

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.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (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. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within 60 days after year end.

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

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

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

*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.

*Unassigned* – All amounts not included in the preceding classifications.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2017, expenditures exceeded the amounts budgeted in the instruction function.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### F. Subsequent Events

Subsequent events have been evaluated through January 19, 2018, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

### Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2017 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

At June 30, 2017, the District had investments in the Iowa Schools Joint Investment Trust Direct (ISJIT) Government Obligations Portfolio which are valued at an amortized cost of \$29,484 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investments in ISJIT were rated AAAM by Standard & Poor's Financial Services.

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

Custodial Credit Risk: The District has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the State Sinking Fund, which provides for additional assessments against depositories to avoid loss of public funds.

Interest Rate Risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does have a formal investment policy that limits investment maturities to 397 days or less for operating funds. Non-operating funds must mature according to the need for the funds. The District's investments consist of certificates of deposit that have original maturities of less than 397 days.

## NOTES TO FINANCIAL STATEMENTS

### Note 3. Due From and Due To Other Funds

The detail of interfund receivables and payables at June 30, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
General	School Nutrition	\$ 12,052
School Nutrition	Capital Project, Statewide	
	Sales, Service and Use Tax	417
		<u>\$ 12,469</u>

The balances are to be repaid by June 30, 2017.

### Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2017 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 9,589	\$ -	\$ -	\$ 9,589
Total capital assets not being depreciated	9,589	-	-	9,589
Capital assets being depreciated:				
Buildings	3,228,770	-	-	3,228,770
Improvements other than buildings	544,640	220,108	-	764,748
Furniture and equipment	2,038,282	134,798	-	2,173,080
Total capital assets being depreciated	5,811,692	354,906	-	6,166,598
Less accumulated depreciation for:				
Buildings	2,485,374	56,228	-	2,541,602
Improvements other than buildings	402,804	23,038	-	425,842
Furniture and equipment	1,682,438	114,295	-	1,796,733
Total accumulated depreciation	4,570,616	193,561	-	4,764,177
Total capital assets being depreciated, net	1,241,076	161,345	-	1,402,421
Governmental activities capital assets, net	\$ 1,250,665	\$ 161,345	\$ -	\$ 1,412,010
<b>Business type activities:</b>				
Furniture and equipment	\$ 117,501	\$ 4,237	\$ -	\$ 121,738
Less accumulated depreciation	102,765	3,269	-	106,034
Business type activities capital assets, net	\$ 14,736	\$ 968	\$ -	\$ 15,704

## NOTES TO FINANCIAL STATEMENTS

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### Note 4. Capital Assets (Continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 39,313
Special	1,868

Support services:

Instructional staff	1,291
Administration	33,104
Operation and maintenance of plant	65,091
Transportation	52,894

Total governmental activities depreciation expense	<u>\$ 193,561</u>
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Business type activities:

Food service operations	<u>\$ 3,269</u>
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### Note 5. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2017 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
Termination benefits	\$ 94,626	\$ 1,886	\$ 44,668	\$ 51,844	\$ 34,959
Net pension liability	1,502,322	462,002	-	1,964,324	-
Net OPEB liability	101,342	34,754	-	136,096	-
<b>Total</b>	<u>\$ 1,698,290</u>	<u>\$ 498,642</u>	<u>\$ 44,668</u>	<u>\$ 2,152,264</u>	<u>\$ 34,959</u>
<b>Business type activities:</b>					
Net pension liability	\$ 32,524	\$ 13,635	\$ -	\$ 46,159	\$ -
Net OPEB liability	2,258	946	-	3,204	-
	<u>\$ 34,782</u>	<u>\$ 14,581</u>	<u>\$ -</u>	<u>\$ 49,363</u>	<u>\$ -</u>

## NOTES TO FINANCIAL STATEMENTS

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### Note 5. Long-term Liabilities (Continued)

Termination Benefits: The District offers a voluntary early retirement plan to employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

For licensed employees, the early retirement benefit is calculated as the difference between the base salary for a BA step one and the employee's contract salary for the application year multiplied by 1.5. For classified employees, the early retirement benefit equals 50% of the employee's current annual salary, excluding overtime.

Upon retirement, the employee is eligible to continue participating in the District's group insurance plan with the District using the benefit amount to pay the retiring employee's cost of health insurance until the benefit is exhausted.

At June 30, 2017, the District has an obligation to three participants. Actual early retirement expenditures for the year ended June 30, 2017 totaled \$44,668.

### Note 6. Pension Plan

Plan Description: IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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### Note 6. Pension Plan (Continued)

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

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% of covered payroll, for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2017 totaled \$203,038.

## NOTES TO FINANCIAL STATEMENTS

### Note 6. Pension Plan (Continued)

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2017, the District reported a liability of \$2,010,483 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the District's proportion was 0.031946%, which was an increase of 0.000879% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$261,840. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 17,769	\$ 23,994
Changes of assumptions	30,674	-
Net difference between projected and actual earnings on IPERS' investments	286,431	-
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	87,807	-
District contributions subsequent to the measurement date	203,038	-
	<u>\$ 625,719</u>	<u>\$ 23,994</u>

\$203,038 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30,</b>	
2018	\$ 62,160
2019	62,160
2020	172,845
2021	99,167
2022	2,355
Total	<u>\$ 398,687</u>

There were no non-employer contributing entities at IPERS.

## NOTES TO FINANCIAL STATEMENTS

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### Note 6. Pension Plan (Continued)

Actuarial Assumptions: The total pension liability in the June 30, 2016 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% per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	1.90 %
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
	100%	

## NOTES TO FINANCIAL STATEMENTS

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### Note 6. Pension Plan (Continued)

**Discount Rate:** The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS's investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<b>1% Decrease (6.50%)</b>	<b>Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
District's proportionate share of the net pension liability	\$ 3,252,690	\$ 2,010,483	\$ 962,045

**IPERS' Fiduciary Net Position:** Detailed information about IPERS's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**Payables to IPERS:** At June 30, 2017, the District reported payables to IPERS of \$0 for legally required District contributions and \$0 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

### Note 7. Other Postemployment Benefit (OPEB)

**Plan Description:** The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 50 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

**NOTES TO FINANCIAL STATEMENTS**

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**Note 7. Other Postemployment Benefit (OPEB) (Continued)**

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

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2017, the amount actually contributed to the plan and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 77,000
Interest on net OPEB obligation	5,180
Adjustment to annual required contribution	<u>(1,000)</u>
Annual OPEB cost	81,180
Contributions made	<u>(45,480)</u>
Increase in net OPEB obligation	35,700
Net OPEB obligation beginning of year	<u>103,600</u>
Net OPEB obligation end of year	<u><u>\$ 139,300</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2017.

For the year ended June 30, 2017, the District contributed \$45,480 to the medical plan.

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

<b>Year Ended June 30,</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2015	\$ 78,000	76.32	\$ 40,000
2016	78,000	18.46	103,600
<b>2017</b>	<b>81,180</b>	56.02	139,300

Funded Status and Funding Progress: As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was approximately \$967,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$967,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,044,000 and the ratio of the UAAL to covered payroll was 47.3%. As of June 30, 2017, there were no trust fund assets.

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Other Postemployment Benefit (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 for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of the July 1, 2015 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include a 4% discount rate based on the District's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 4.5%. The medical trend rate is reduced 0.5% each year until reaching the 4.5% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this calculation.

Mortality rates are from the RP-2014 projected to 2030 using Scale MP-14, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2014 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2014. The UAAL is being amortized as a level percentage of projected payroll expenses on an open basis over 30 years.

### Note 8. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2017 is comprised of the following programs:

<b>Program</b>	<b>Amount</b>
Home School Assistance Program	\$ 3,254
Contributions from private sources	2,277
Teacher Salary Supplement	9,941
Teacher Leadership State Project	717
Professional Development - Core Curriculum	1,436
Professional Development	5,734
Successful Progression for Early Readers	19,271
Returning Dropouts and Dropout Prevention	13,768
Gifted and Talented	12,281
Limited English Proficient Project	1,478
Iowa Early Intervention Block Grant	17,088
<b>Total</b>	<b>\$ 87,245</b>

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 9. Risk Management**

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

### **Note 10. 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 \$155,628 for the year ended June 30, 2017 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

### **Note 11. New Accounting Pronouncement**

The District adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. For the year ended June 30, 2017 there were no tax abatements of other entities which impact the District.

### **Note 12. Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's other postemployment benefits.



**REQUIRED SUPPLEMENTARY INFORMATION**

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES  
AND CHANGES IN BALANCES -- BUDGET AND ACTUAL --  
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND

Required Supplementary Information  
Year Ended June 30, 2017

	<b>Governmental Funds Actual</b>	<b>Proprietary Fund Actual</b>	<b>Total Actual</b>
Revenues:			
Local sources	\$ 2,638,428	\$ 77,269	\$ 2,715,697
Intermediate sources	-	-	-
State sources	2,097,071	1,229	2,098,300
Federal sources	219,455	106,280	325,735
<b>Total revenues</b>	<b>4,954,954</b>	<b>184,778</b>	<b>5,139,732</b>
Expenditures/Expenses:			
Current:			
Instruction	3,473,771	-	3,473,771
Support services	1,422,283	-	1,422,283
Non-instructional programs	-	173,192	173,192
Other expenditures	521,677	-	521,677
<b>Total expenditures/expenses</b>	<b>5,417,731</b>	<b>173,192</b>	<b>5,590,923</b>
<b>Excess (deficiency) of revenues over (under) expenditures/expenses</b>	<b>(462,777)</b>	<b>11,586</b>	<b>(451,191)</b>
Balance, beginning of year	4,254,243	(8,132)	4,246,111
Balance, end of year	<b>\$ 3,791,466</b>	<b>\$ 3,454</b>	<b>\$ 3,794,920</b>

See accompanying independent auditor's report.

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<b>Budgeted Amounts</b>		<b>Final to Actual</b>
<b>Original</b>	<b>Final</b>	<b>Variance</b>
\$ 2,696,917	\$ 2,696,917	\$ 18,780
350,923	350,923	(350,923)
1,713,402	1,713,402	384,898
196,437	196,437	129,298
<u>4,957,679</u>	<u>4,957,679</u>	<u>182,053</u>
3,399,390	3,399,390	(74,381)
1,570,995	1,570,995	148,712
220,000	220,000	46,808
1,173,958	1,173,958	652,281
<u>6,364,343</u>	<u>6,364,343</u>	<u>773,420</u>
(1,406,664)	(1,406,664)	955,473
<u>3,818,268</u>	<u>3,818,268</u>	<u>427,843</u>
<u>\$ 2,411,604</u>	<u>\$ 2,411,604</u>	<u>\$ 1,383,316</u>



**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING**  
**Year Ended June 30, 2017**

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

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

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

During the year ended June 30, 2017, expenditures in the instruction function exceeded the amount budgeted.



**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY**

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

**Required Supplementary Information**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	<b>0.031946%</b>	0.031067%	0.030693%
District's proportionate share of the net pension liability	\$ <b>2,010</b>	\$ 1,535	\$ 1,217
District's covered-employee payroll	\$ <b>2,293</b>	\$ 2,251	\$ 2,004
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<b>87.66%</b>	68.19%	60.73%
IPERS' net position as a percentage of the total pension liability	<b>81.82%</b>	85.19%	87.61%

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

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

See accompanying independent auditor's report.

**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS**

**Iowa Public Employees' Retirement System**

**For the Last Ten Years**

**(In Thousands)**

**Required Supplementary Information**

	<b>2017</b>	2016	2015	2014
Statutorily required contribution	<b>\$ 203</b>	\$ 205	\$ 201	\$ 179
Contributions in relation to the statutorily required contribution	<b>(203)</b>	(205)	(201)	(179)
Contribution deficiency (excess)	<b>\$ -</b>	\$ -	\$ -	\$ -
District's covered-employee payroll	<b>\$ 2,274</b>	\$ 2,293	\$ 2,251	\$ 2,004
Contributions as a percentage of covered-employee payroll	<b>8.93%</b>	8.93%	8.93%	8.93%

See accompanying independent auditor's report.

2013	2012	2011	2010	2009	2008
\$ 167	\$ 154	\$ 172	\$ 170	\$ 165	\$ 155
(167)	(154)	(172)	(170)	(165)	(155)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1,926	\$ 1,908	\$ 2,475	\$ 2,556	\$ 2,598	\$ 2,562
8.67%	8.07%	6.95%	6.65%	6.35%	6.05%



## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

Year ended June 30, 2017

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#### *Changes of benefit terms:*

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

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

#### *Changes of assumptions:*

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

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

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.



**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**

**SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN**

**(In Thousands)**

**Required Supplementary Information**

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)
2010	July 1, 2009	\$ -	\$ 643	\$ 643	0.0	\$ 1,950	33.0
2011	July 1, 2009	-	643	643	0.0	1,950	33.0
2012	July 1, 2009	-	643	643	0.0	1,950	33.0
2013	July 1, 2012	-	431	431	0.0	1,957	22.0
2014	July 1, 2012	-	431	431	0.0	2,017	21.4
2015	July 1, 2012	-	431	431	0.0	1,896	22.7
2016	July 1, 2015	-	967	967	0.0	2,020	47.9
<b>2017</b>	<b>July 1, 2015</b>	-	<b>967</b>	<b>967</b>	<b>0.0</b>	<b>2,044</b>	<b>47.3</b>

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funding status and funding progress.

See accompanying independent auditor's report.



**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**



**SUPPLEMENTARY INFORMATION**

**BALANCE SHEET**

**Nonmajor Governmental Fund - Student Activity Fund  
June 30, 2017**

<b>Assets</b>		
Cash and pooled investments		\$ 12,067
Receivables:		
Accounts		<u>351</u>
<b>Total assets</b>		<u><u>\$ 12,418</u></u>
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts payable		<u>\$ 1,325</u>
<b>Total liabilities</b>		<u>1,325</u>
Fund balances:		
Restricted for:		
Student activities		<u>11,093</u>
<b>Total fund balances</b>		<u>11,093</u>
<b>Total liabilities and fund balances</b>		<u><u>\$ 12,418</u></u>

See accompanying independent auditor's report.

**Schedule of Revenues, Expenditures and Change in Fund Balance  
 Nonmajor Governmental Fund - Student Activity Fund  
 Year Ended June 30, 2017**

Revenues:	
Local sources:	
Other	\$ 148,683
<b>Total revenues</b>	<u>148,683</u>
Expenditures:	
Current:	
Instruction:	
Other	146,704
<b>Total expenditures</b>	<u>146,704</u>
Change in fund balance	1,979
Fund balance beginning of year	<u>9,114</u>
Fund balance end of year	<u>\$ 11,093</u>

See accompanying independent auditor's report.

**Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
Year Ended June 30, 2017**

<b>Account</b>	<b>Balance Beginning of Year</b>	<b>Revenues and Interfund Transfers</b>	<b>Expenditures</b>	<b>Intra- Fund Transfers</b>	<b>Balance End of Year</b>
Reading is Fundamental	\$ 1,462	\$ 400	\$ 621	\$ -	\$ 1,241
Science Fair	(593)	2,563	1,353	-	617
Musical / Play	1,360	3,284	1,329	-	3,315
Athletics	(5,202)	57,193	57,034	-	(5,043)
FFA	991	43,830	44,136	-	685
Class of 2016	3,368		3,368	-	-
Class of 2017	5,468	1,883	7,351	-	-
Class of 2018	670	9,946	8,078	-	2,538
Class of 2019	91	-	-	-	91
Class of 2020	66	-	-	-	66
Class of 2021	43	-	-	-	43
High School					
Student Council	371	1,913	1,948	-	336
Dance Team	722	4,711	3,977	-	1,456
MAV Pack Fund	656	8,222	5,312	-	3,566
Clothing Fund	245	-	32	-	213
Miscellaneous	-	8,264	6,150	-	2,114
High School Student Pop	411	90	271	-	230
Concessions	496	-	-	-	496
Cheerleader / Drill Team	350	1,344	1,200	-	494
Yearbook	(3,366)	4,290	3,734	-	(2,810)
Elementary Pop	1,505	750	810	-	1,445
<b>Total</b>	<b>\$ 9,114</b>	<b>\$ 148,683</b>	<b>\$ 146,704</b>	<b>\$ -</b>	<b>\$ 11,093</b>

See accompanying independent auditor's report.

**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**Capital Projects Fund Accounts**  
**June 30, 2017**

**Schedule 4**

	<b>Capital Projects</b>		
	<b>Statewide Sales, Services and Use Tax</b>	<b>Physical Plant and Equipment Levy</b>	<b>Total</b>
<b>Assets</b>			
Cash and pooled investments	\$ 1,157,385	\$ 85,599	\$ 1,242,984
Receivables:			
Property tax:			
Delinquent	-	769	769
Succeeding year	-	84,508	84,508
Due from other governments	29,059	-	29,059
<b>Total assets</b>	<b>\$ 1,186,444</b>	<b>\$ 170,876</b>	<b>\$ 1,357,320</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 12,651	\$ 3,161	\$ 15,812
Due to other funds	417	-	417
<b>Total liabilities</b>	<b>13,068</b>	<b>3,161</b>	<b>16,229</b>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	84,508	84,508
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>84,508</b>	<b>84,508</b>
Fund balances:			
Restricted for:			
School infrastructure	1,173,376	-	1,173,376
Physical plant and equipment	-	83,207	83,207
<b>Total fund balances</b>	<b>1,173,376</b>	<b>83,207</b>	<b>1,256,583</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,186,444</b>	<b>\$ 170,876</b>	<b>\$ 1,357,320</b>

See accompanying independent auditor's report.

**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**  
**Combining Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Capital Project Fund Accounts**  
**Year Ended June 30, 2017**

**Schedule 5**

	<b>Capital Projects</b>		
	<b>Statewide Sales, Services and Use Tax</b>	<b>Physical Plant and Equipment Levy</b>	<b>Total</b>
Revenues:			
Local sources:			
Local tax	\$ -	\$ 79,137	\$ 79,137
Other	1,354	61	1,415
State sources	350,025	623	350,648
<b>Total revenues</b>	<b>351,379</b>	<b>79,821</b>	<b>431,200</b>
Expenditures:			
Support services:			
Administration	60,000	8,424	68,424
Transportation	-	26,111	26,111
Other expenditures:			
Facilities acquisition	364,008	2,041	366,049
<b>Total expenditures</b>	<b>424,008</b>	<b>36,576</b>	<b>460,584</b>
Change in fund balances	(72,629)	43,245	(29,384)
Fund balances beginning of year	1,246,005	39,962	1,285,967
Fund balances end of year	<u>\$ 1,173,376</u>	<u>\$ 83,207</u>	<u>\$ 1,256,583</u>

See accompanying independent auditor's report.

**Schedule of Changes in Fiduciary Assets and Liabilities -  
Agency Fund  
Year Ended June 30, 2017**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 956	\$ -	\$ 421	\$ 535
<b>Liabilities</b>				
Due to other governments	\$ 956	\$ -	\$ 421	\$ 535

See accompanying independent auditor's report.

**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**

**Schedule of Revenues by Source and Expenditures by Function -  
All Governmental Funds  
For the Last Ten Years**

	2017	2016	2015	2014
<b>Revenues:</b>				
Local sources:				
Local tax	\$ 2,236,337	\$ 2,096,526	\$ 2,557,464	\$ 3,159,923
Tuition	135,300	127,331	117,582	169,528
Other	266,791	218,463	170,442	260,519
State sources	2,097,071	2,171,534	1,952,032	1,756,274
Federal sources	219,455	191,918	151,462	111,294
<b>Total revenues</b>	<b>\$ 4,954,954</b>	<b>\$ 4,805,772</b>	<b>\$ 4,948,982</b>	<b>\$ 5,457,538</b>
<b>Expenditures:</b>				
Instruction:				
Regular	\$ 1,973,988	\$ 2,024,548	\$ 1,871,231	\$ 1,671,656
Special	885,793	563,074	549,892	545,912
Other	613,990	604,732	540,583	571,547
Support services:				
Student	74,562	52,075	49,909	21,298
Instructional staff	71,161	70,776	90,716	67,152
Administration	655,108	552,752	560,848	542,432
Operation and maintenance				
of plant	428,699	383,294	395,028	376,595
Transportation	192,753	266,794	175,737	351,866
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	366,049	243,759	200,297	151,827
Long-term debt:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
AEA flowthrough	155,628	160,134	158,066	155,623
<b>Total expenditures</b>	<b>\$ 5,417,731</b>	<b>\$ 4,921,938</b>	<b>\$ 4,592,307</b>	<b>\$ 4,455,908</b>

See accompanying independent auditor's report.

**Schedule 7**

**Modified Accrual Basis**

	2013	2012	2011	2010	2009	2008
\$	3,390,699	\$ 3,230,584	\$ 2,736,116	\$ 2,648,899	\$ 2,539,371	\$ 2,538,939
	196,636	221,573	259,680	102,324	170,661	226,676
	176,356	477,936	698,321	306,100	257,235	299,665
	1,617,140	1,667,521	1,634,736	1,341,003	1,757,501	1,779,013
	125,572	146,287	290,092	337,847	124,514	164,603
<b>\$</b>	<b>5,506,403</b>	<b>\$ 5,743,901</b>	<b>\$ 5,618,945</b>	<b>\$ 4,736,173</b>	<b>\$ 4,849,282</b>	<b>\$ 5,008,896</b>
\$	2,005,832	\$ 1,540,158	\$ 1,833,232	\$ 1,717,936	\$ 1,764,952	\$ 1,767,584
	227,016	646,150	796,570	526,161	652,872	602,549
	321,113	442,944	601,784	627,634	606,864	436,170
	34,858	32,840	68,178	115,438	234,640	168,211
	55,940	61,149	156,116	139,770	129,757	130,107
	531,994	626,246	659,592	534,052	663,956	783,644
	314,768	301,918	374,081	417,467	410,501	395,673
	231,757	275,079	166,233	220,162	281,836	246,619
	-	-	-	125	386	1,036
	136,553	109,716	138,729	189,257	167,025	117,736
	-	-	-	-	-	19,866
	-	-	-	-	-	1,142
	154,913	150,941	169,332	167,914	155,039	153,117
<b>\$</b>	<b>4,014,744</b>	<b>\$ 4,187,141</b>	<b>\$ 4,963,847</b>	<b>\$ 4,655,916</b>	<b>\$ 5,067,828</b>	<b>\$ 4,823,454</b>



**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**



**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**





**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

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

To the Board of Education of  
Clay Central/Everly Community School District  
Royal, IA

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Clay Central/Everly Community School District as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 19, 2018.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-17 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2017 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.

### Clay Central/Everly Community School District's Responses to Findings

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

### Purpose of this Report

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

*Schnum & Company, LLP*

Fort Dodge, Iowa  
January 19, 2018



CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2017

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

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**Part II: Findings Related to the Financial Statements:**

**Internal Control Deficiencies:**

II-A-17 Segregation of Duties

Criteria: Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the District's financial statements.

Condition: Journal entries are initiated, processed and approved by the same person.

Cause: The District has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect: Inadequate segregation of duties could adversely affect the District's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

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

Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

**Instances of Noncompliance:**

No matters were reported.

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2017**

**Part III: Other Findings Related To Required Statutory Reporting:**

III-A-17 Certified Budget: – Expenditures for the year ended June 30, 2017 exceeded the certified budget amount in the instruction 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.

III-B-17 Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

III-C-17 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.

III-D-17 Business Transactions: No business transactions between the District and District officials or employees were noted.

III-E-17 Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.

III-F-17 Board Minutes: No transactions requiring Board approval that had not been approved by the Board were noted.

III-G-17 Certified Enrollment: One variance in the basic enrollment data certified to the Iowa Department of Education was noted.

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

Response – We will contact the Iowa Department of Education and the Department of Management as necessary.

Conclusion – Response accepted.

III-H-17 Supplementary Weighting: No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2017**

**Part III: Other Findings Related To Required Statutory Reporting (Continued):**

III-I-17 Deposits and Investments: Except as noted below, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

The District adopted a depository resolution naming each depository which may hold funds for the District, along with the maximum that may be kept on deposit. During the year, the District exceeded the maximum amount at one depository.

Recommendation – The District's depository resolution should be revised prior to exceeding the maximum amount authorized to be maintained in an approved depository.

Response – The District has reviewed its depository resolution and made appropriate adjustments.

Conclusion – Response accepted.

III-J-17 Certified Annual Report (CAR): The Certified Annual Report was timely certified to the Iowa Department of Education.

III-K-17 Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

III-L-17 Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2017, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	1,246,005
Statewide sales, services and use tax	\$	350,025	
Other		1,354	351,379
			1,597,384
Expenditures/transfers out:			
Facilities acquisition		364,008	
Other		60,000	424,008
			424,008
Ending balance		\$	1,173,376

For the year ended June 30, 2017, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2017**

**Part III: Other Findings Related To Required Statutory Reporting (Continued):**

III-M-17    Deficit Balances: Two student activity accounts had deficit balances at June 30, 2017.

Recommendation: The District should investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response: The District is investigating alternatives to eliminate deficits in the student activity accounts at the end of the fiscal year.

Conclusion: Response accepted.