

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2016

## Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		4-5
Management's Discussion and Analysis		7-16
<b>Basic Financial Statements:</b>	<u>Exhibit</u>	
<i>Government-wide Financial Statements:</i>		
Statement of Net Position	A	18
Statement of Activities	B	19
<i>Governmental Fund Financial Statements:</i>		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
<i>Proprietary Fund Financial Statements:</i>		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
<i>Fiduciary Fund Financial Statements:</i>		
Statement of Fiduciary Net Position	J	27
Statement of Changes in Fiduciary Net Position	K	28
Notes to Financial Statements		29-42
<b>Required Supplementary Information:</b>		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		44
Notes to Required Supplementary Information - Budgetary Reporting		45
Schedule of the District's Proportionate Share of the Net Pension Liability		46
Schedule of District Contributions		47
Notes to Required Supplementary Information - Pension Liability		48
Schedule of Funding Progress for the Retiree Health Plan		49
<b>Supplementary Information:</b>	<u>Schedule</u>	
<i>Nonmajor Governmental Funds:</i>		
Combining Balance Sheet	1	52
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	53
<i>Capital Projects Fund Accounts:</i>		
Combining Balance Sheet	3	54
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	55
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	56
<i>Private Purpose Trust Fund - Scholarship Accounts:</i>		
Combining Schedule of Fiduciary Net Position	6	57
Combining Schedule of Changes in Fiduciary Net Position	7	58
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	8	59
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 <u>Government Auditing Standards</u>		60-61
Schedule of Findings		62-64

## South Central Calhoun Community School District

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2015 Election)</b>		
Jim Brown	President	2015
Ron Maulsby	Vice-President	2017
Brad Assman	Board Member	2015
Judy Hungate	Board Member	2017
Roger McKinney	Board Member	2015
Roscoe Simpson	Board Member	2015
Mark Schleisman	Board Member	2015
<b>(After September 2015 Election)</b>		
Ron Maulsby	President	2017
Judy Hungate	Vice-President	2017
Brad Assman	Board Member	2017
Roger McKinney	Board Member	2019
Ryan Hildreth	Board Member	2019
Alan Wedemeyer	Board Member	2019
Tom Steinborn	Board Member	2019
<b>School Officials</b>		
Jeff Kruse	Superintendent	2016
Carol Collins	Board Secretary/ Treasurer	2016
Rick Franck	Attorney	2016
Brian Gruhn	Attorney	2016
David Willis	Attorney	2016

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

**INDEPENDENT AUDITOR'S REPORT**

**To the Board of Education of South Central Calhoun Community School District:**

**Report on the Financial Statements**

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

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 44 through 49 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 South Central Calhoun Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the one year ended June 30, 2015 (which is not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, 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 12, 2017, on our consideration of South Central Calhoun Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering South Central Calhoun Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

January 12, 2017  
Newton, Iowa



---

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

---

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

### 2016 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$10,355,956 during fiscal year 2015 to \$10,222,381 during fiscal year 2016, while General Fund expenditures increased from \$8,970,665 in fiscal year 2015 to \$9,559,591 in fiscal year 2016. Revenues outpaced expenditures causing the District's General Fund balance to increase from \$5,626,792 at June 30, 2015 to \$6,289,582 at June 30, 2016, an 11.78% increase.
- The District continues to receive incentive revenues related to former Whole Grade Sharing and current reorganization. These incentives will expire after the 2018 fiscal year. The School Board has voted to hold the temporary incentives in an Assigned Fund Balance in order to track the incentives and not build them into a permanent budget.
- The fiscal year 2016 General Fund revenue decrease was primarily attributable to a decrease in state source revenues received compared to the prior year. The increase in General Fund expenditures was due primarily to an increase in negotiated salaries and benefits.
- The District's solvency ratio (unassigned plus assigned fund balance /General Fund revenues minus AEA flowthrough) increased from 54.22% at June 30, 2015 to 62.98% at June 30, 2016.

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

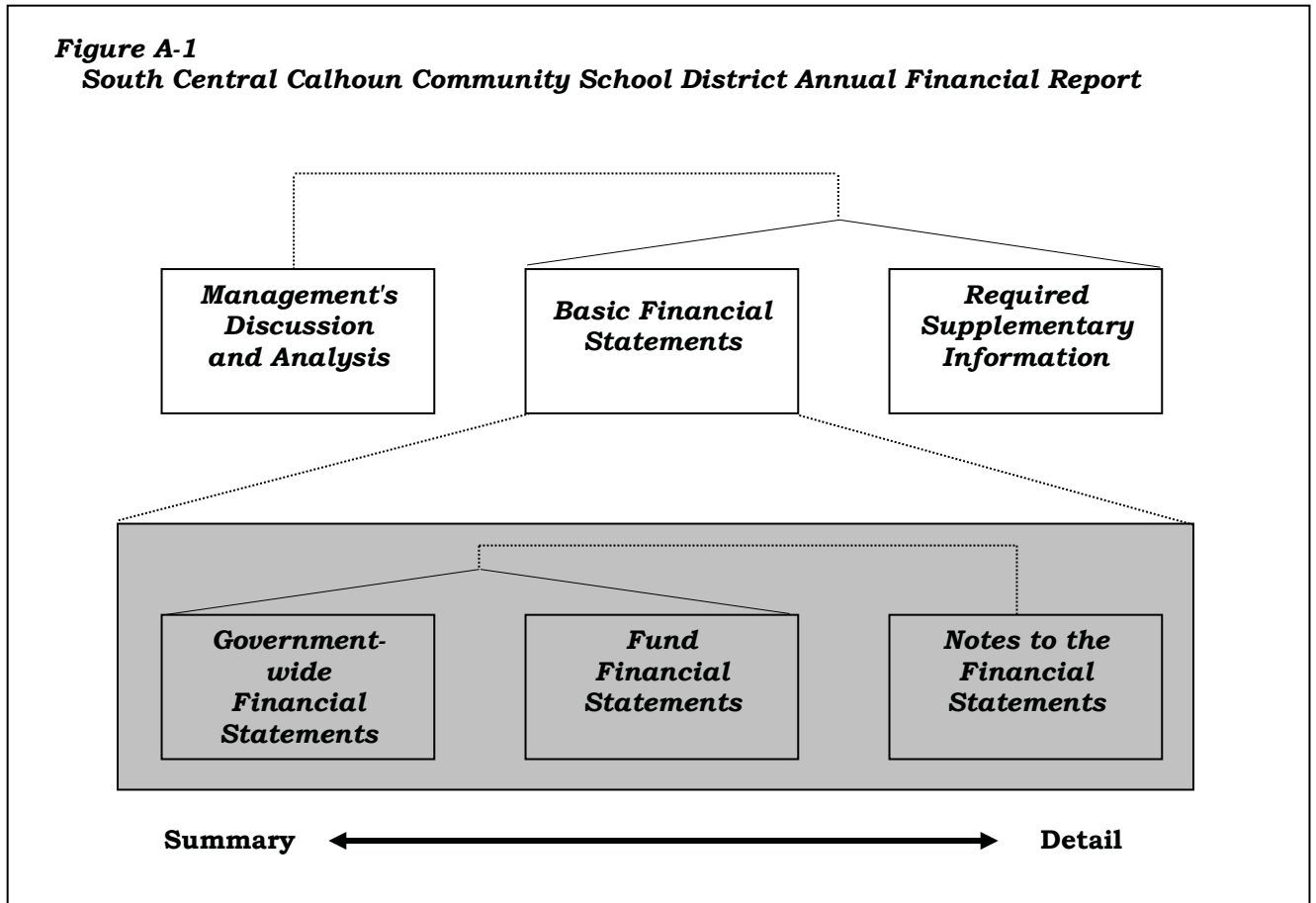




Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-Wide and Fund Financial Statements**

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

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

---

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

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

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

## **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

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

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

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

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Position								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2016	2015	2016	2015	2016	2015	2015-16	
Current and other assets	\$ 13,494,193	12,806,793	237,433	201,824	13,731,626	13,008,617	5.56%	
Capital assets	8,723,367	6,498,973	137,728	107,404	8,861,095	6,606,377	34.13%	
Total assets	22,217,560	19,305,766	375,161	309,228	22,592,721	19,614,994	15.18%	
Deferred outflows of resources	1,025,723	1,132,931	27,098	31,712	1,052,821	1,164,643	-9.60%	
Long-term liabilities	5,093,802	5,092,295	115,535	110,070	5,209,337	5,202,365	0.13%	
Other liabilities	541,002	407,927	12,247	24,202	553,249	432,129	28.03%	
Total liabilities	5,634,804	5,500,222	127,782	134,272	5,762,586	5,634,494	2.27%	
Deferred inflows of resources	5,255,690	5,745,744	27,138	41,954	5,282,828	5,787,698	-8.72%	
Net position:								
Net investment in capital assets	7,648,367	5,218,973	137,728	107,404	7,786,095	5,326,377	46.18%	
Restricted	2,382,261	2,639,392	-	-	2,382,261	2,639,392	-9.74%	
Unrestricted	2,322,161	1,334,366	109,611	57,310	2,431,772	1,391,676	74.74%	
Total net position	\$ 12,352,789	9,192,731	247,339	164,714	12,600,128	9,357,445	34.65%	

The District's total net position increased 34.65% or \$3,242,683 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g. land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$257,131 or 9.74% from the prior year. The decrease in restricted net position is primarily a result of a decrease in the amount restricted for categorical funding and school infrastructure when compared to the prior year.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$1,040,096 or 74.74% from the prior year. This increase in unrestricted net position is primarily a result of an increase in cash on hand and a decrease in the pension related deferred inflow liability at June 30, 2016.

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

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2016	2015	2016	2015	2016	2015	2015-16
Revenues:							
Program revenues:							
Charges for service	\$ 776,274	792,522	277,861	265,339	1,054,135	1,057,861	-0.35%
Operating grants, contributions and restricted interest	819,459	861,318	297,845	258,827	1,117,304	1,120,145	-0.25%
Capital grants, contributions and restricted interest	162,935	41,037	-	-	162,935	41,037	297.04%
General revenues:							
Property tax	4,291,990	4,201,029	-	-	4,291,990	4,201,029	2.17%
Statewide sales, services and use tax	864,129	857,748	-	-	864,129	857,748	0.74%
Unrestricted state grants	4,764,963	5,144,200	-	-	4,764,963	5,144,200	-7.37%
Unrestricted investment earnings	18,405	14,308	102	64	18,507	14,372	28.77%
Other	274,487	152,442	3,770	1,374	278,257	153,816	80.90%
Total revenues	<u>11,972,642</u>	<u>12,064,604</u>	<u>579,578</u>	<u>525,604</u>	<u>12,552,220</u>	<u>12,590,208</u>	<u>-0.30%</u>
Program expenses:							
Instruction	5,722,134	6,344,397	-	-	5,722,134	6,344,397	-9.81%
Support services	3,597,360	4,212,147	25,056	27,715	3,622,416	4,239,862	-14.56%
Non-instructional programs	-	-	471,897	467,631	471,897	467,631	0.91%
Other expenses	818,629	696,340	-	-	818,629	696,340	17.56%
Total expenses	<u>10,138,123</u>	<u>11,252,884</u>	<u>496,953</u>	<u>495,346</u>	<u>10,635,076</u>	<u>11,748,230</u>	<u>-9.48%</u>
Change in net position before special item	1,834,519	811,720	82,625	30,258	1,917,144	841,978	127.70%
Special item:							
Compensation for the loss of capital assets (Note 12)	1,325,539	1,668,098	-	-	1,325,539	1,668,098	-20.54%
Change in net position	3,160,058	2,479,818	82,625	30,258	3,242,683	2,510,076	29.19%
Net position beginning of year	9,192,731	6,712,913	164,714	134,456	9,357,445	6,847,369	36.66%
Net position end of year	<u>\$ 12,352,789</u>	<u>9,192,731</u>	<u>247,339</u>	<u>164,714</u>	<u>12,600,128</u>	<u>9,357,445</u>	<u>34.65%</u>

In fiscal year 2016, property tax and unrestricted state grants accounted for 75.65% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for 99.33% of the revenue from business type activities.

The District's total revenues were approximately \$12.55 million, of which approximately \$11.97 million was for governmental activities and approximately \$0.58 million was for business type activities.

As shown in Figure A-4, the District experienced a 0.30% decrease in revenues and a 9.48% decrease in expenses. The decrease in revenues is primarily due to the decrease in unrestricted state grant revenues received as compared to the prior year and the decrease in expenses is primarily due to a decrease in instruction and support service costs from the prior year.

---

## Governmental Activities

Revenues for governmental activities were \$11,972,642 and expenses were \$10,138,123 for the year ended June 30, 2016.

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

	Total Cost of Services			Net Cost of Services		
	2016	2015	Change 2015-16	2016	2015	Change 2015-16
Instruction	\$ 5,722,134	6,344,397	-9.81%	4,636,729	5,206,744	-10.95%
Support services	3,597,360	4,212,147	-14.60%	3,305,771	4,035,909	-18.09%
Other expenses	818,629	696,340	17.56%	436,955	315,354	38.56%
Totals	<u>\$ 10,138,123</u>	<u>11,252,884</u>	<u>-9.91%</u>	<u>8,379,455</u>	<u>9,558,007</u>	<u>-12.33%</u>

For the year ended June 30, 2016:

- The cost financed by users of the District's programs was \$776,274.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$982,394.
- The net cost of governmental activities was financed with \$4,291,990 in property tax, \$4,764,963 in unrestricted state grants, \$864,129 in statewide sales, services and use tax, \$18,405 in interest income, and \$274,487 in other general revenues.

## Business Type Activities

Revenues of the District's business type activities were \$579,578, representing a 10.27% increase from the prior year and expenses were \$496,953 for the year ended June 30, 2016, representing an increase of 0.32% from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income, and other general revenues.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$8,602,297, above last year's ending combined fund balance of \$8,083,815. The primary reason for this increase in combined fund balances is due to the increase in the fund balance of the General Fund during the year.

## Governmental Fund Highlights

- The District's General Fund financial position is a product of many factors. The General Fund balance increased from \$5,626,792 at June 30, 2015 to \$6,289,582 at June 30, 2016. Total revenues decreased from the prior year primarily due to a decrease in state source funding received from the prior year and expenditures increased primarily due to an increase in negotiated salaries and benefits. However, total revenues continued to outpace total expenditures ensuring an increase in ending fund balance for fiscal year 2016.

- 
- The Capital Projects Fund balance decreased from \$1,577,615 at June 30, 2015 to \$1,347,092 at June 30, 2016. Revenues and expenses for the Capital Projects Fund remained relatively unchanged from the prior year. Total expenditures exceed total revenues for the year resulting in a decrease in fund balance for fiscal year 2016.
  - The Special Revenue, Disaster Recovery Fund was a temporary fund established during fiscal year 2015. The Disaster Recovery Fund balance decreased from \$31,413 at June 30, 2015 to \$0 at June 30, 2016. This fund was primarily used to account for the insurance revenues and contributions received as well as the related expenditures associated with storm damage suffered by District property in a prior fiscal year. As of June 30, 2016, all related revenues and expenditures had been received by the District which is why this fund was closed out at June 30, 2016.

### **Proprietary Fund Highlights**

The School Nutrition Fund net position increased from \$164,714 at June 30, 2015 to \$247,339 at June 30, 2016, representing an increase of 50.16%. The primary reasons for the increase in ending net position is that total expenditures remained relatively unchanged from the prior year but total revenues increased primarily in the Federal sources and charges for service areas when compared to the prior year.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year the District amended its budget one time to reflect additional expenditures in the support services functional area.

The District's revenues were 46,036 less than budgeted revenues, a variance of 0.37%. The most significant variance resulted from the District receiving less from state sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures using realistic projections based from prior year expenditures with a buffer built as to not exceed the annual budget. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2016, the District had invested \$8,861,095 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a 34.13% increase from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$682,555.

The original cost of the District's capital assets as \$19,401,204. Governmental activities accounted for \$19,138,645 with the remainder of \$262,559 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$4,292,044 at June 30, 2015 compared to \$7,108,200 at June 30, 2016. This increase is primarily the result of the completion of the Tornado Project building upkeep and repairs from the Tornado damage suffered to District buildings in prior fiscal years.

Figure A-6 Capital Assets, Net of Depreciation							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-16
Land	\$ 123,326	123,326	-	-	123,326	123,326	0.00%
Construction in progress	-	679,575	-	-	-	679,575	-100.00%
Buildings	7,108,200	4,292,044	-	-	7,108,200	4,292,044	39.62%
Land improvements	482,538	486,535	-	-	482,538	486,535	-0.83%
Machinery and equipment	1,009,303	917,493	137,728	107,404	1,147,031	1,024,897	10.65%
Total	\$ 8,723,367	6,498,973	137,728	107,404	8,861,095	6,606,377	34.13%

### Long-Term Debt

At June 30, 2016, the District had \$5,209,337 in total long-term debt outstanding. (See Figure A-7) This represents an 0.13% increase from the prior year. More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District had outstanding revenue bonded indebtedness of \$1,075,000 at June 30, 2016 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had outstanding termination benefits of \$21,918 at June 30, 2016, payable from the Special Revenue, Management Levy Fund.

The District had a total net pension liability of \$4,063,157 at June 30, 2016. \$3,947,622 of this total was attributed to the District's governmental activities while the remaining \$115,535 was attributed to the District's business type activities.

The District had total outstanding net OPEB liability of \$49,262 at June 30, 2016 accounted for in the District's governmental activities.

Figure A-7 Outstanding Long-Term Liabilities							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-16
Revenue bonds	\$ 1,075,000	1,280,000	-	-	1,075,000	1,280,000	-16.02%
Termination benefits	21,918	36,027	-	-	21,918	36,027	-39.16%
Net pension liability	3,947,622	3,751,444	115,535	110,008	4,063,157	3,861,452	5.22%
Net OPEB liability	49,262	24,824	-	62	49,262	24,886	97.95%
Total	\$ 5,093,802	5,092,295	115,535	110,070	5,209,337	5,202,365	0.13%

---

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

- The District is committed to building a sustainable budget which does not include temporary funding as a permanent resource. This practice will keep the District in a stable financial position through minor changes in enrollment and staffing needs.
- The communities in the District have stable employment opportunities, and the District does not foresee substantial changes in job availability for families.
- The rural agricultural area of the District is experiencing the same economic downturn as all rural areas, but the District does not anticipate a dramatic effect on the finances or enrollment.
- The state has set supplemental state aid at 2.25% for fiscal year 2017. A supplemental state aid below 4 percent creates significant challenges for schools in Iowa to meet increasing expenditure demands.

## **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 Carol Collins, District Secretary/Treasurer, South Central Calhoun Community School District, 1000 Tonawanda St, Rockwell City, IA 50579.



BASIC FINANCIAL STATEMENTS

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2016

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 8,688,969	222,952	8,911,921
Receivables:			
Property tax:			
Delinquent	43,199	-	43,199
Succeeding year	4,350,894	-	4,350,894
Accounts	60,314	-	60,314
Due from other governments	350,817	5,374	356,191
Inventories	-	9,107	9,107
Capital assets, net of accumulated depreciation	8,723,367	137,728	8,861,095
<b>Total assets</b>	<b>22,217,560</b>	<b>375,161</b>	<b>22,592,721</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	1,025,723	27,098	1,052,821
<b>Liabilities</b>			
Accounts payable	541,002	3,683	544,685
Unearned revenue	-	8,564	8,564
Long-term liabilities:			
Portion due within one year:			
Revenue bonds	205,000	-	205,000
Termination benefits	6,744	-	6,744
Portion due after one year:			
Revenue bonds	870,000	-	870,000
Termination benefits	15,174	-	15,174
Net pension liability	3,947,622	115,535	4,063,157
Net OPEB liability	49,262	-	49,262
<b>Total liabilities</b>	<b>5,634,804</b>	<b>127,782</b>	<b>5,762,586</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	4,350,894	-	4,350,894
Pension related deferred inflows	904,796	27,138	931,934
<b>Total deferred inflows of resources</b>	<b>5,255,690</b>	<b>27,138</b>	<b>5,282,828</b>
<b>Net Position</b>			
Net investment in capital assets	7,648,367	137,728	7,786,095
Restricted for:			
Categorical funding	91,464	-	91,464
Debt service	200,406	-	200,406
Management levy purposes	608,365	-	608,365
Student activities	134,934	-	134,934
School infrastructure	1,052,142	-	1,052,142
Physical plant and equipment	294,950	-	294,950
Unrestricted	2,322,161	109,611	2,431,772
<b>Total net position</b>	<b>\$ 12,352,789</b>	<b>247,339</b>	<b>12,600,128</b>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges	Contributions	Capital Grants,	Govern- mental Activities	Business Type Activities	Total
		for Service	and Restricted Interest	and Restricted Interest			
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 3,696,439	254,073	50,081	-	(3,392,285)	-	(3,392,285)
Special	1,024,747	47,025	96,345	-	(881,377)	-	(881,377)
Other	1,000,948	353,722	284,159	-	(363,067)	-	(363,067)
	<u>5,722,134</u>	<u>654,820</u>	<u>430,585</u>	<u>-</u>	<u>(4,636,729)</u>	<u>-</u>	<u>(4,636,729)</u>
Support services:							
Student	268,010	-	-	-	(268,010)	-	(268,010)
Instructional staff	175,362	-	3,404	-	(171,958)	-	(171,958)
Administration	824,974	112,796	-	-	(712,178)	-	(712,178)
Operation and maintenance of plant	1,829,155	-	-	162,935	(1,666,220)	-	(1,666,220)
Transportation	499,859	8,658	3,796	-	(487,405)	-	(487,405)
	<u>3,597,360</u>	<u>121,454</u>	<u>7,200</u>	<u>162,935</u>	<u>(3,305,771)</u>	<u>-</u>	<u>(3,305,771)</u>
Long-term debt interest	30,625	-	-	-	(30,625)	-	(30,625)
Other expenditures:							
AEA flowthrough	381,674	-	381,674	-	-	-	-
Depreciation(unallocated)*	406,330	-	-	-	(406,330)	-	(406,330)
	<u>788,004</u>	<u>-</u>	<u>381,674</u>	<u>-</u>	<u>(406,330)</u>	<u>-</u>	<u>(406,330)</u>
Total governmental activities	<u>10,138,123</u>	<u>776,274</u>	<u>819,459</u>	<u>162,935</u>	<u>(8,379,455)</u>	<u>-</u>	<u>(8,379,455)</u>
Business type activities:							
Support services:							
Operation and maintenance of plant	25,056	-	-	-	-	(25,056)	(25,056)
Non-instructional programs:							
Food service operations	471,897	277,861	297,845	-	-	103,809	103,809
Total business type activities	<u>496,953</u>	<u>277,861</u>	<u>297,845</u>	<u>-</u>	<u>-</u>	<u>78,753</u>	<u>78,753</u>
Total	<u>\$ 10,635,076</u>	<u>1,054,135</u>	<u>1,117,304</u>	<u>162,935</u>	<u>(8,379,455)</u>	<u>78,753</u>	<u>(8,300,702)</u>
<b>General Revenues:</b>							
Property tax levied for:							
General purposes				\$ 4,148,038	-	4,148,038	
Capital outlay				143,952	-	143,952	
Statewide sales, services and use tax				864,129	-	864,129	
Unrestricted state grants				4,764,963	-	4,764,963	
Unrestricted investment earnings				18,405	102	18,507	
Other				274,487	3,770	278,257	
Total general revenues				<u>10,213,974</u>	<u>3,872</u>	<u>10,217,846</u>	
Changes in net position before special item				1,834,519	82,625	1,917,144	
Special item:							
Compensation for the loss of capital assets (Note 12)				1,325,539	-	1,325,539	
Change in net position				3,160,058	82,625	3,242,683	
Net position beginning of year				9,192,731	164,714	9,357,445	
Net position end of year				<u>\$ 12,352,789</u>	<u>247,339</u>	<u>12,600,128</u>	

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

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	General	Capital Projects	Nonmajor	Total
<b>Assets</b>				
Cash and pooled investments	\$ 6,257,593	1,245,987	1,185,389	8,688,969
Receivables:				
Property tax:				
Delinquent	39,232	1,450	2,517	43,199
Succeeding year	4,044,788	141,107	164,999	4,350,894
Accounts	60,314	-	-	60,314
Due from other governments	209,015	141,802	-	350,817
<b>Total assets</b>	<b>\$ 10,610,942</b>	<b>1,530,346</b>	<b>1,352,905</b>	<b>13,494,193</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 276,572	42,147	222,283	541,002
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	4,044,788	141,107	164,999	4,350,894
Fund balances:				
Restricted for:				
Categorical funding	91,464	-	-	91,464
Debt service	-	-	200,406	200,406
Management levy purposes	-	-	630,283	630,283
Student activities	-	-	134,934	134,934
School infrastructure	-	1,052,142	-	1,052,142
Physical plant and equipment	-	294,950	-	294,950
Assigned for operational sharing	1,514,387	-	-	1,514,387
Unassigned	4,683,731	-	-	4,683,731
Total fund balances	6,289,582	1,347,092	965,623	8,602,297
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 10,610,942</b>	<b>1,530,346</b>	<b>1,352,905</b>	<b>13,494,193</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds(page 20)</b>		\$ 8,602,297
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		8,723,367
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	\$ 1,025,723	
Deferred inflows of resources	<u>(904,796)</u>	120,927
Long-term liabilities, including revenue bonds payable, termination benefits payable, other postemployment benefits payable and net pension liability are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(5,093,802)</u>
<b>Net position of governmental activities(page 18)</b>		<u><u>\$ 12,352,789</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Disaster Recovery	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 3,898,259	143,952	-	249,779	4,291,990
Tuition	316,800	-	-	-	316,800
Other	436,240	33,458	130,068	329,205	928,971
State sources	5,287,680	865,375	-	2,163	6,155,218
Federal sources	279,663	-	-	-	279,663
Total revenues	<u>10,218,642</u>	<u>1,042,785</u>	<u>130,068</u>	<u>581,147</u>	<u>11,972,642</u>
Expenditures:					
Current:					
Instruction:					
Regular	4,514,997	93,308	-	18,501	4,626,806
Special	1,228,525	-	-	-	1,228,525
Other	1,005,183	2,484	-	280,994	1,288,661
	<u>6,748,705</u>	<u>95,792</u>	<u>-</u>	<u>299,495</u>	<u>7,143,992</u>
Support services:					
Student	282,699	6,691	-	-	289,390
Instructional staff	217,012	-	7,019	-	224,031
Administration	853,205	54,705	4,083	86,444	998,437
Operation and maintenance of plant	633,135	57,887	1,475,918	58,230	2,225,170
Transportation	443,161	233,963	-	19,297	696,421
	<u>2,429,212</u>	<u>353,246</u>	<u>1,487,020</u>	<u>163,971</u>	<u>4,433,449</u>
Capital outlay	-	617,498	-	-	617,498
Long-term debt:					
Principal	-	-	-	205,000	205,000
Interest and fiscal charges	-	-	-	30,625	30,625
	<u>-</u>	<u>-</u>	<u>-</u>	<u>235,625</u>	<u>235,625</u>
Other expenditures:					
AEA flowthrough	381,674	-	-	-	381,674
Total expenditures	<u>9,559,591</u>	<u>1,066,536</u>	<u>1,487,020</u>	<u>699,091</u>	<u>12,812,238</u>
Excess(Deficiency) of revenues over(under) expenditures	659,051	(23,751)	(1,356,952)	(117,944)	(839,596)
Other financing sources(uses):					
Transfer in	-	-	-	235,572	235,572
Transfer out	-	(235,572)	-	-	(235,572)
Compensation for loss of capital assets	3,739	-	1,325,539	-	1,329,278
Proceeds from the sale of equipment	-	900	-	-	900
Proceeds from the sale of real property	-	27,900	-	-	27,900
Total other financing sources(uses)	<u>3,739</u>	<u>(206,772)</u>	<u>1,325,539</u>	<u>235,572</u>	<u>1,358,078</u>
Change in fund balances	662,790	(230,523)	(31,413)	117,628	518,482
Fund balances beginning of year	<u>5,626,792</u>	<u>1,577,615</u>	<u>31,413</u>	<u>847,995</u>	<u>8,083,815</u>
Fund balances end of year	<u>\$ 6,289,582</u>	<u>1,347,092</u>	<u>-</u>	<u>965,623</u>	<u>8,602,297</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

**Change in fund balances - total governmental funds(page 22)** \$ 518,482

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures, depreciation expense and loss on disposal in the current year were as follows:

Capital outlay	\$ 2,962,515	
Depreciation expense	(664,734)	
Loss on disposal of assets	(73,387)	2,224,394

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 205,000

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. 521,502

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	14,109	
Pension expense	(298,991)	
Other postemployment benefits	(24,438)	(309,320)

**Change in net position of governmental activities(page 19)** \$ 3,160,058

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2016

	Enterprise, School Nutrition
<b>Assets</b>	
Current assets:	
Cash and pooled investments	\$ 222,952
Due from other governments	5,374
Inventories	9,107
	237,433
Noncurrent assets:	
Capital assets, net of accumulated depreciation	137,728
<b>Total assets</b>	375,161
 <b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	27,098
 <b>Liabilities</b>	
Current liabilities:	
Accounts payable	3,683
Unearned revenues	8,564
	12,247
Noncurrent liabilities:	
Net pension liability	115,535
<b>Total liabilities</b>	127,782
 <b>Deferred Inflows of Resources</b>	
Pension related deferred inflows	27,138
 <b>Net Position</b>	
Net investment in capital assets	137,728
Unrestricted	109,611
<b>Total net position</b>	\$ 247,339

SEE NOTES TO FINANCIAL STATEMENTS.



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

	Enterprise, School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 277,861
Miscellaneous	3,770
Total operating revenues	281,631
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Salaries	13,997
Benefits	3,830
Services	5,517
Supplies	1,712
	25,056
Non-instructional programs:	
Food service operations:	
Salaries	149,855
Benefits	20,627
Services	415
Supplies	282,046
Depreciation	17,821
	470,764
Total operating expenses	495,820
Operating loss	(214,189)
Non-operating revenues(expenses):	
Loss on disposal of capital assets	(1,133)
State sources	4,679
Federal sources	293,166
Interest income	102
Total non-operating revenues(expenses)	296,814
Change in net position	82,625
Net position beginning of year	164,714
Net position end of year	\$ 247,339

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2016

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 273,583
Cash received from miscellaneous	3,770
Cash payments to employees for services	(193,046)
Cash payments to suppliers for goods or services	(261,477)
Net cash used in operating activities	(177,170)
Cash flows from non-capital financing activities:	
State grants received	4,679
Federal grants received	253,535
Net cash provided by non-capital financing activities	258,214
Cash flows from capital and other financing activities:	
Purchase of capital assets	(49,278)
Cash flows from investing activities:	
Interest on investments	102
Net increase in cash and pooled investments	31,868
Cash and pooled investments beginning of year	191,084
Cash and pooled investments end of year	\$ 222,952
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (214,189)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	34,257
Depreciation	17,821
Decrease in inventories	1,633
Decrease in accounts payable	(7,677)
Decrease in unearned revenue	(4,278)
Increase in net pension liability	5,527
Decrease in deferred outflows of resources	4,614
Decrease in deferred inflows of resources	(14,816)
Decrease in other postemployment benefits	(62)
Net cash used in operating activities	\$ (177,170)

**Non-cash investing, capital and other related financing activities:**

During the year ended June 30, 2016, the District received \$34,257 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2016

	<u>Private Purpose Trust Scholarship</u>
<b>Assets</b>	
Cash and pooled investments	<u>\$ 6,469</u>
<b>Liabilities</b>	<u>-</u>
<b>Net Position</b>	
Held in trust for scholarships	<u><u>\$ 6,469</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	<u>\$          6,877</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>                  7,180</u>
Change in net position	(303)
Net position beginning of year	<u>                  6,772</u>
Net position end of year	<u><u>                  \$          6,469</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

(1) **Summary of Significant Accounting Policies**

The South Central Calhoun 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-preschool. The geographic area served includes the Cities of Lake City, Lohrville, Lytton and Rockwell City, Iowa, and the predominate agricultural territory in Calhoun, Sac, Greene and Carroll 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, South Central Calhoun 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 South Central Calhoun Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Calhoun, Sac, Greene and Carroll Counties Assessors' Conference Boards.

B. Basis of Presentation

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

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported 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 that are attributed to the acquisition, construction, or improvement of those assets.

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

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

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

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

The District reports the following major governmental funds:

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

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

The Special Revenue, Disaster Recovery Fund is utilized to account for the financial transactions related to disaster recovery that extend over more than one fiscal year.

The District reports the following non-major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. The 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 fund is as follows:

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

### C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2015.

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

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

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

Asset Class	Amount
Land	\$ 500
Land improvements	500
Intangibles	25,000
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:

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Furniture and equipment	5-20 years

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

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided.

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

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



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

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

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

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

Assigned - Amounts the Board intends to use for specific purposes.

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.

#### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2016 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2016, the District had no such investments, the District also had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

### (3) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 123,326	-	-	123,326
Construction in progress	679,575	2,197,714	2,877,289	-
Total capital assets not being depreciated	802,901	2,197,714	2,877,289	123,326
Capital assets being depreciated:				
Buildings	8,854,227	3,216,477	112,311	11,958,393
Land improvements	1,785,028	69,457	19,089	1,835,396
Furniture and equipment	4,972,198	356,156	106,824	5,221,530
Total capital assets being depreciated	15,611,453	3,642,090	238,224	19,015,319
Less accumulated depreciation for:				
Buildings	4,562,183	344,330	56,320	4,850,193
Land improvements	1,298,493	62,000	7,635	1,352,858
Furniture and equipment	4,054,705	258,404	100,882	4,212,227
Total accumulated depreciation	9,915,381	664,734	164,837	10,415,278
Total capital assets being depreciated, net	5,696,072	2,977,356	73,387	8,600,041
Governmental activities capital assets, net	\$ 6,498,973	5,175,070	2,950,676	8,723,367
<b>Business type activities:</b>				
Furniture and equipment	\$ 245,240	49,278	31,959	262,559
Less accumulated depreciation	137,836	17,821	30,826	124,831
Business type activities capital assets, net	\$ 107,404	31,457	1,133	137,728

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 50,809
Other	36,450
Support services:	
Instructional staff	2,582
Administration	1,487
Operation and maintenance of plant	32,090
Transportation	134,986
	<u>258,404</u>
Unallocated depreciation	406,330
Total depreciation expense - governmental activities	<u>\$ 664,734</u>
Business type activities:	
Food service operations	<u>\$ 17,821</u>

**(4) Long-Term Liabilities**

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
Revenue bonds	\$ 1,280,000	-	205,000	1,075,000	205,000
Termination benefits	36,027	-	14,109	21,918	6,744
Net pension liability	3,751,444	196,178	-	3,947,622	-
Net OPEB liability	24,824	24,438	-	49,262	-
Total	<u>\$ 5,092,295</u>	<u>220,616</u>	<u>219,109</u>	<u>5,093,802</u>	<u>211,744</u>
<b>Business type activities:</b>					
Net pension liability	\$ 110,008	5,527	-	115,535	-
Net OPEB liability	62	-	62	-	-
Total	<u>\$ 110,070</u>	<u>5,527</u>	<u>62</u>	<u>115,535</u>	<u>-</u>

Revenue Bonds

Details of the District's June 30, 2016 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of August 1, 2011			
	Interest Rate	Principal	Interest	Total
2017	2.00%	\$ 205,000	27,038	232,038
2018	2.25	205,000	22,937	227,937
2019	2.50	215,000	18,325	233,325
2020	2.75	220,000	12,950	232,950
2021	3.00	230,000	6,900	236,900
Total		<u>\$ 1,075,000</u>	<u>88,150</u>	<u>1,163,150</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,000,000 of bonds issued in August 2011. The bonds were issued for the purpose of financing a portion of the costs of school building additions for the Southern Cal Community School District. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2021. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 27% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$1,163,150. For the current year, \$205,000 of principal and \$30,625 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$864,129.

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

- a) \$200,000 of the proceeds from the issuance of the revenue bonds shall be deposited into a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales services and use tax shall be placed in a revenue account.

- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Termination Benefits

The District did not offer early retirement during the year ended June 30, 2016. However, the former Rockwell City-Lytton Community School District offered a voluntary early retirement plan to its employees during fiscal year 2011. Eligible employees had to be at least age fifty-five before July 1 of the year of retirement and completed twenty years of continuous service to the District. The application for early retirement was subject to approval by the Board of Education.

Retirees under the fiscal year 2011 offering received a one-time cash payment of \$10,000 plus \$25 for each unused sick day and \$562 per month contributed to the retirees' health insurance premiums until they reach 65 years of age.

As a result of the Southern Cal and Rockwell City-Lytton Community School District's merger on July 1, 2014, the South Central Calhoun Community School District is now responsible for the remaining liability associated with the aforementioned retirement offerings. As of June 30, 2016, the District had obligations to one participant with a total liability of \$21,918. Actual termination benefit expenditures for the year ended June 30, 2016 were \$14,109.

**(5) Interfund Transfers**

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 235,572</u>

The transfer from the Capital Projects: Statewide Sales, Services, and Use Tax Fund to the Debt Service Fund was for principal and interest payments on the District's revenue bonded indebtedness.

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

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

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

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

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

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

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

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95 percent of covered payroll and the District contributed 8.93 percent of covered payroll for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2016 were \$534,600.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the District reported a liability of \$4,063,157 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's collective proportion was 0.082242 percent, which was a decrease of 0.015124 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$307,414. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 61,389	\$ -
Changes of assumptions	111,869	-
Net difference between projected and actual earnings on IPERS investments	-	338,161
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	344,963	593,773
District contributions subsequent to the measurement date	534,600	-
Total	<u>\$ 1,052,821</u>	<u>\$ 931,934</u>

\$534,600 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2017	\$ (147,143)
2018	(147,143)
2019	(147,143)
2020	61,891
2021	(34,175)
	<u>\$ (413,713)</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension

plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 7,113,858	\$ 4,063,157	\$ 1,488,148

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

**(7) Other Postemployment Benefits**

Plan Description - The District operates a single-employer health benefit plan which provides medical, prescription drug and dental benefits for employees, retirees, and their spouses. There are 72 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 27,583
Interest on net OPEB obligation	622
Adjustment to annual required contribution	<u>(2,204)</u>
Annual OPEB cost	26,001
Contributions made	<u>(1,625)</u>
Increase in net OPEB obligation	24,376
Net OPEB obligation beginning of year	<u>24,886</u>
Net OPEB obligation end of year	<u><u>\$ 49,262</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2014. 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, 2016

For the year ended June 30, 2016, the District contributed \$1,625 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 28,120	11.5%	\$ 24,886
2016	26,001	6.2%	49,262

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$209,310, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$209,310. The covered payroll (annual payroll of active employees covered by the plan) was \$3,831,002, and the ratio of the UAAL to covered payroll was 5.46%. As of June 30, 2016, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of event 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 July 1, 2014 actuarial valuation date, the Entry Age Actuarial Cost Method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP 2000 Annuity Mortality Table, projected to 2015 and applied on a gender-specific basis. Annual retirement and termination probabilities were based upon national termination studies performed by the Society of Actuaries.

The projected claim costs of the medical plan are \$1100 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) Risk Management**

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

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2016 were \$66,607.

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

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

**(9) Categorical Funding**

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

Program	Amount
Home School Assistance Program	\$ 1,779
Weighted At-Risk Programs	52,159
Returning Dropouts and Dropout Prevention Programs	10,450
Beginning Teacher Mentoring and Induction Programs	1,320
Market Factor	1,411
Successful Progression for Early Readers	11,372
Professional Development for Model Core Curriculum	2,561
Professional Development	5,671
Market Factor Incentives	4,741
Total	<u>\$ 91,464</u>

**(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 \$381,674 for the year ended June 30, 2016 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(11) Reconciliation of Governmental Fund Balances to Net Position**

Reconciliation of certain governmental fund balance sheet items to net position are detailed as follows:

	<u>Net Investment in Capital Assets</u>	<u>Management Levy</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	630,283	4,683,731
Capital assets, net of accumulated depreciation	8,723,367	-	-
Revenue bond capitalized indebtedness	(1,075,000)	-	-
Termination benefits	-	(21,918)	-
Assigned fund balance	-	-	1,514,387
Pension related deferred outflows	-	-	1,025,723
Pension related deferred inflows	-	-	(904,796)
Net pension liability	-	-	(3,947,622)
Net OPEB Liability	-	-	(49,262)
Net position (Exhibit A)	<u>\$ 7,648,367</u>	<u>608,365</u>	<u>2,322,161</u>

**(12) Compensation for the Loss of Capital Assets**

During the year ended June 30, 2015 and June 30, 2016 the District received compensation for the loss of capital assets due to tornado damage which occurred to District property in May 2015. As a result, the District suffered damage to the High School and other District buildings. The money classified as compensation for loss of capital assets is insurance proceeds received through the District's property and casualty insurance provider EMC.

As of June 30, 2016, the District has received all or the majority of the compensation for the loss of these capital assets, and as a result the Disaster Recovery Fund was closed by the District. If any residual money is received it will be recorded in and spent from the appropriate fund.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 5,537,761	281,733	5,819,494	5,636,751	5,636,751	182,743
State sources	6,155,218	4,679	6,159,897	6,534,505	6,534,505	(374,608)
Federal sources	279,663	293,166	572,829	427,000	427,000	145,829
Total revenues	<u>11,972,642</u>	<u>579,578</u>	<u>12,552,220</u>	<u>12,598,256</u>	<u>12,598,256</u>	<u>(46,036)</u>
Expenditures/Expenses:						
Instruction	7,143,992	-	7,143,992	11,084,880	11,084,880	3,940,888
Support services	4,433,449	25,056	4,458,505	5,023,581	6,700,000	2,241,495
Non-instructional programs	-	471,897	471,897	692,210	692,210	220,313
Other expenditures	1,234,797	-	1,234,797	2,977,430	2,977,430	1,742,633
Total expenditures/expenses	<u>12,812,238</u>	<u>496,953</u>	<u>13,309,191</u>	<u>19,778,101</u>	<u>21,454,520</u>	<u>8,145,329</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(839,596)	82,625	(756,971)	(7,179,845)	(8,856,264)	8,099,293
Other financing sources, net	<u>1,358,078</u>	-	<u>1,358,078</u>	<u>5,000</u>	<u>5,000</u>	<u>1,353,078</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	518,482	82,625	601,107	(7,174,845)	(8,851,264)	9,452,371
Balances beginning of year	<u>8,083,815</u>	<u>164,714</u>	<u>8,248,529</u>	<u>7,376,362</u>	<u>7,376,362</u>	<u>872,167</u>
Balances end of year	<u>\$ 8,602,297</u>	<u>247,339</u>	<u>8,849,636</u>	<u>201,517</u>	<u>(1,474,902)</u>	<u>10,324,538</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$1,676,419.

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

	<u>2016</u>	<u>2015</u>	
District's proportion of the net pension liability	0.082242%	0.097366%	**
District's proportionate share of the net pension liability	\$ 4,063,157	3,861,452	**
District's covered-employee payroll	\$ 5,622,922	6,369,705	**
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.26%	60.62%	
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%	

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

\*\* The 2015 proportion of the net pension liability, proportionate share of the net pension liability and 2015 covered-employee payroll is the sum of the covered wages of the former Southern Cal Community School District and the former Rockwell City Community School District. These Districts merged to form the South Central Calhoun Community School District on July 1, 2014.

**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.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
FOR THE LAST TWO YEARS\*  
REQUIRED SUPPLEMENTARY INFORMATION

	2016	2015
Statutorily required contribution	\$ 534,600	502,127
Contributions in relation to the statutorily required contribution	(534,600)	(502,127)
Contribution deficiency (excess)	\$ -	-
District's covered-employee payroll	\$ 5,986,560	5,622,922
Contributions as a percentage of covered-employee payroll	8.93%	8.93%

\* District was a new entity as of July 1, 2014.

**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.

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

*Changes of benefit terms:*

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

In 2008, legislative action transferred four groups - emergency medical service providers, county 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 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

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

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

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



SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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)
2015	July 1, 2014	-	\$ 233,561	233,561	0.0%	\$ 4,743,835	4.92%
2016	July 1, 2014	-	209,310	209,310	0.0%	3,831,002	5.46%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



SUPPLEMENTARY INFORMATION

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2016

	Special Revenue			Debt Service	Total
	Student Activity	Management Levy	Total		
<b>Assets</b>					
Cash and pooled investments	\$ 136,905	627,766	764,671	420,718	1,185,389
Receivables:					
Property tax:					
Delinquent	-	2,517	2,517	-	2,517
Succeeding year	-	164,999	164,999	-	164,999
<b>Total assets</b>	<b>\$ 136,905</b>	<b>795,282</b>	<b>932,187</b>	<b>420,718</b>	<b>1,352,905</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 1,971	-	1,971	220,312	222,283
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	-	164,999	164,999	-	164,999
Fund balances:					
Restricted for:					
Debt service	-	-	-	200,406	200,406
Management levy purposes	-	630,283	630,283	-	630,283
Student activities	134,934	-	134,934	-	134,934
Total fund balances	134,934	630,283	765,217	200,406	965,623
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 136,905</b>	<b>795,282</b>	<b>932,187</b>	<b>420,718</b>	<b>1,352,905</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue			Debt Service	Total
	Student Activity	Management Levy	Total		
Revenues:					
Local sources:					
Local tax	\$ -	249,779	249,779	-	249,779
Other	292,816	35,206	328,022	1,183	329,205
State sources	-	2,163	2,163	-	2,163
Total revenues	292,816	287,148	579,964	1,183	581,147
Expenditures:					
Current:					
Instruction:					
Regular	-	18,501	18,501	-	18,501
Other	280,994	-	280,994	-	280,994
Support services:					
Administration	112	86,332	86,444	-	86,444
Operation and maintenance of plant	-	58,230	58,230	-	58,230
Transportation	-	19,297	19,297	-	19,297
Long-term debt:					
Principal	-	-	-	205,000	205,000
Interest and fiscal charges	-	-	-	30,625	30,625
Total expenditures	281,106	182,360	463,466	235,625	699,091
Excess(Deficiency) of revenues over(under) expenditures	11,710	104,788	116,498	(234,442)	(117,944)
Other financing sources:					
Transfer in	-	-	-	235,572	235,572
Change in fund balances	11,710	104,788	116,498	1,130	117,628
Fund balances beginning of year	123,224	525,495	648,719	199,276	847,995
Fund balances end of year	\$ 134,934	630,283	765,217	200,406	965,623

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUND ACCOUNTS  
 JUNE 30, 2016

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 952,487	293,500	1,245,987
Receivables:			
Property tax:			
Delinquent	-	1,450	1,450
Succeeding year	-	141,107	141,107
Due from other governments	141,802	-	141,802
<b>Total assets</b>	<b>\$ 1,094,289</b>	<b>436,057</b>	<b>1,530,346</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 42,147	-	42,147
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	141,107	141,107
Fund balances:			
Restricted for:			
School infrastructure	1,052,142	-	1,052,142
Physical plant and equipment	-	294,950	294,950
Total fund balances	1,052,142	294,950	1,347,092
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,094,289</b>	<b>436,057</b>	<b>1,530,346</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	143,952	143,952
Other	33,458	-	33,458
State sources	864,129	1,246	865,375
Total revenues	<u>897,587</u>	<u>145,198</u>	<u>1,042,785</u>
Expenditures:			
Current:			
Instruction:			
Regular	93,308	-	93,308
Other	2,484	-	2,484
Support services:			
Student	6,691	-	6,691
Administration	54,705	-	54,705
Operation and maintenance of plant	57,887	-	57,887
Transportation	-	233,963	233,963
Capital outlay	617,498	-	617,498
Total expenditures	<u>832,573</u>	<u>233,963</u>	<u>1,066,536</u>
Excess(Deficiency) of revenues over(under) expenditures	65,014	(88,765)	(23,751)
Other financing sources(uses):			
Transfer out	(235,572)	-	(235,572)
Proceeds from the sale of equipment	-	900	900
Proceeds from the sale of real property	-	27,900	27,900
Total other financing sources(uses)	<u>(235,572)</u>	<u>28,800</u>	<u>(206,772)</u>
Change in fund balances	(170,558)	(59,965)	(230,523)
Fund balances beginning of year	<u>1,222,700</u>	<u>354,915</u>	<u>1,577,615</u>
Fund balances end of year	<u>\$ 1,052,142</u>	<u>294,950</u>	<u>1,347,092</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- Fund Transfers	Balance End of Year
Interest - Titans	\$ -	1,114	-	(1,114)	-
Administrative-postage	95	-	112	214	197
Drama	4,443	1,253	875	174	4,995
Speech	1,019	98	1,602	1,735	1,250
Music	-	726	726	-	-
Vocal Music	-	-	908	1,152	244
Band	1,965	1,703	3,113	1,508	2,063
Art Projects	107	70	127	-	50
9-12 Projects	967	82	252	-	797
4-8 Projects	1,548	4,839	5,739	-	648
Activity Tickets	245	17,310	20	(17,350)	185
Public Relations	-	1,513	1,513	-	-
Music Awards	-	374	254	(120)	-
Athletic Awards	-	2,186	2,049	(137)	-
Booster Club	-	802	802	-	-
Cross Country	3,159	3,184	4,844	521	2,020
FB Cheerleader	-	9,174	7,787	2,451	3,838
BB Cheerleaders	434	446	410	174	644
Wrestling Cheerleaders	798	739	920	173	790
Dance Team	2,019	5,227	5,482	-	1,764
Boys Drill Team	629	-	-	-	629
Boys Basketball	2,121	4,505	3,865	(129)	2,632
JH Boys Basketball	-	1,015	1,069	129	75
Football	2,434	14,403	10,819	-	6,018
JH Football	-	2,141	2,002	-	139
Baseball	362	4,452	5,918	1,254	150
JH Baseball	-	-	480	480	-
Boys Track	7,028	6,282	8,005	520	5,825
JH Boys Track	1,456	946	667	-	1,735
Boys Golf	366	165	320	520	731
Wrestling	-	3,519	5,071	1,552	-
JH Wrestling	315	498	557	(256)	-
Girls Basketball	463	4,232	3,463	(300)	932
JH Girls Basketball	-	878	1,103	300	75
Volleyball	2,875	8,498	7,526	521	4,368
JH Volleyball	861	689	745	-	805
Softball	942	2,238	3,011	995	1,164
JH Softball	-	-	740	740	-
Girls Track	5,383	5,242	5,593	520	5,552
JH Girls Track	1,311	946	650	-	1,607
Girls Golf	503	1,009	862	521	1,171
General Athletics	2,573	2,246	7,298	3,415	936
Football Camp	5,187	25,797	27,497	5,561	9,048
Boys Basketball Camp	-	3,180	2,315	79	944
Cheer Camp	2,901	5,764	4,229	(4,436)	-
Girls Basketball Camp	4,826	780	2,194	-	3,412
Baseball Camp	1,438	8,901	7,651	(638)	2,050
Softball Camp	-	4,057	3,385	-	672
Titans Uniforms	1,565	12,846	11,552	137	2,996
State Athletic Competitions	-	26,303	26,011	(292)	-
National Honor Society	712	276	580	-	408
Student Council	4,030	1,271	825	-	4,476
4-6 MS Student Council	2,187	1,855	2,781	-	1,261
7-8 MS Student Council	667	1,005	1,204	-	468
Leadership Activities	1,879	276	165	-	1,990
Annual	4,770	8,775	4,364	-	9,181
7-8 Yearbook	1,072	-	-	(1,072)	-
FCCLA	-	1,574	1,102	-	472
Class of 2016	4,086	385	4,471	-	-
Class of 2017	2,154	4,740	5,014	-	1,880
Class of 2018	691	670	84	-	1,277
Class of 2019	-	840	-	-	840
HS Pop Machines	200	4,028	4,228	-	-
Academic Competitions	-	807	1,305	498	-
HOSA	169	-	169	-	-
FFA	38,269	63,942	62,681	-	39,530
Total	\$ 123,224	292,816	281,106	-	134,934

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION -  
 FIDUCIARY FUND  
 JUNE 30, 2016

	Private Purpose Trust Fund - Scholarship Accounts				
	Taylor Heuton Scholarship	FFA Scholarship	Eric Findley Scholarship	Buenting Scholarship	Total
<b>Assets</b>					
Cash and pooled investments	\$ 500	4,804	915	250	6,469
<b>Liabilities</b>					
	-	-	-	-	-
<b>Net Position:</b>					
Held in trust for scholarships	\$ 500	4,804	915	250	6,469

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION -  
 FIDUCIARY FUND  
 FOR YEAR ENDED JUNE 30, 2016

	Private Purpose Trust Fund - Scholarship Accounts						
	Makinson Scholarship	Taylor Heuton Scholarship	FFA Scholarship	Eric Findley Scholarship	Buenting Scholarship	Miscellaneous Scholarship	Total
Additions:							
Local sources:							
Gifts and contributions	\$ -	-	5,627	250	-	1,000	6,877
Deductions:							
Instruction:							
Regular:							
Scholarships awarded	130	-	5,650	400	-	1,000	7,180
Change in net position	(130)	-	(23)	(150)	-	-	(303)
Net position beginning of year	130	500	4,827	1,065	250	-	6,772
Net position end of year	\$ -	500	4,804	915	250	-	6,469

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
LAST TWO FISCAL YEARS

	Modified Accrual Basis	
	Years Ended June 30,	
	2016	2015
Revenues:		
Local sources:		
Local tax	\$ 4,291,990	4,201,029
Tuition	316,800	312,569
Other	928,971	685,579
State sources	6,155,218	6,580,276
Federal sources	279,663	285,151
Total	<u>\$ 11,972,642</u>	<u>12,064,604</u>
Expenditures:		
Current:		
Instruction:		
Regular	\$ 4,626,806	4,374,867
Special	1,228,525	1,002,956
Other	1,288,661	1,343,046
Support services:		
Student	289,390	269,861
Instructional	224,031	203,315
Administration	998,437	1,027,911
Operation and maintenance of plant	2,225,170	2,308,741
Transportation	696,421	626,877
Capital outlay	617,498	603,075
Long-term debt:		
Principal	205,000	200,000
Interest and fiscal charges	30,625	35,124
Other expenditures:		
AEA flowthrough	381,674	380,986
Total	<u>\$ 12,812,238</u>	<u>12,376,759</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

**To the Board of Education of  
South Central Calhoun Community School District:**

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of South Central Calhoun Community School District as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 12, 2017.

**Internal Control Over Financial Reporting**

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

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

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 deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-16 and I-B-16 to be material weaknesses.

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

## **Compliance and Other Matters**

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

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

## **South Central Calhoun Community School District's Responses to Findings**

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

## **Purpose of this Report**

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

January 12, 2017  
Newton, Iowa

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2016

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-16 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over one or more of the following areas for the District:

- 1) Cash - initiating cash receipt disbursement transactions and handling and recording cash.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, posting, and reconciling.
- 4) Payroll - recordkeeping, preparation, posting.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – The District office personnel and administration will continue to find ways to create more appropriate segregation of duties with available staff as suggested by the auditors.

Conclusion - Response accepted.

I-B-16 Bank Reconciliations - We noted during our audit that bank reconciliations for the District's general checking account were not completed or reconciled to the general ledger in a timely manner. Better internal controls would be achieved if the bank reconciliations were completed on a timely basis.

Recommendation - The District should reconcile all bank statement balances to financial statement balances on a monthly basis. The bank reconciliation when performed timely, and reconciling items adjusted would provide support for the cash position of the District for each month's financials. This would allow the Board of Education and other users of the monthly financial statements a higher confidence in the amount of cash reflected on each funds balance sheet.

If the accounting staff is not comfortable using the accounting software to perform bank reconciliations, the District should consider sending their accounting staff to software training on bank reconciliations. The District should review their internal control and bank reconciliation procedures to ensure these reconciliations are performed each month.

Response - Bank account reconciliations are being completed in a timely manner.

Conclusion - Response accepted.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2016

**Part II: Other Findings Related to Required Statutory Reporting:**

- II-A-16 Certified Budget - District expenditures for the year ended June 30, 2016, did not exceed the amounts budgeted.
- II-B-16 Questionable Disbursements – 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.
- II-C-16 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-16 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Roscoe Simpson, Board Member Owns Ross Plumbing and Heating	Purchase services	\$ 1,627
David Birks, Teacher Owns Birks Family Mowing	Purchase services	\$ 3,670

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

In accordance with an Attorney General’s opinion dated July 2, 1990, the above transactions with the District employee do not appear to represent a conflict of interest.

- II-E-16 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-16 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-16 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-16 Supplementary Weighting - We noted variances regarding the supplementary weighting certified to the Iowa Department of Education. The number certified to the Iowa Department of Education was overstated by 0.193 for the 2015-2016 count.

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

Response - Our auditors will be contacting the Iowa Department of Education and the Department of Management to resolve this matter.

Conclusion - Response accepted.

- II-I-16 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-J-16 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-16 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-16 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, 2016, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 1,222,700
Revenues/transfers in:		
Sales tax revenues	\$ 864,129	
Other local revenues	33,458	897,587
	<u>                    </u>	<u>2,120,287</u>
Expenditures/transfers out:		
School infrastructure construction	538,959	
Equipment	175,141	
Other	118,473	
Transfer to other funds:		
Debt service	235,572	1,068,145
	<u>                    </u>	<u>                    </u>
Ending Balance		<u><u>\$ 1,052,142</u></u>

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