

CAL COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2014

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CAL Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2013 Election)

Steve Muhlenbruch	President	2015
Mitch Vanness	Vice President	2013
Bethy Eddy	Board Member	2015
Austin Elling	Board Member	2013
Todd Mensing	Board Member	2013

(After September 2013 Election)

Steve Muhlenbruch	President	2015
Mitch Vanness	Vice President	2017
Bethy Eddy	Board Member	2015
Austin Elling	Board Member	2017
Todd Mensing	Board Member	2017

School Officials

Dwight Widen	Superintendent	2014
Amanda Rapp	Board Secretary	2014
Lisa Lewis	Business Manager	2014
Marlys Pralle	Treasurer	2014
Heiny, McManiga, Duffy, Stambaugh, Anderson P.L.C.	Attorney	2014

CAL COMMUNITY SCHOOL DISTRICT

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 the CAL 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 CAL Community School District, Latimer, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of CAL Community School District as of June 30, 2014, 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.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 40 through 42 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 the 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 required supplementary 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 CAL Community School District's basic financial statements. Another auditor previously audited in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years year ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, 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 February 13, 2015, on our consideration of CAL 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 and should be considered in assessing the results of our audit.



NOLTE, CORNMAN & JOHNSON, P.C.

February 13, 2015
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAL 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, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,153,105 in fiscal 2013 to \$3,464,536 in fiscal 2014, and General Fund expenditures increased from \$3,351,004 in fiscal 2013 to \$3,625,823 in fiscal 2014. This resulted in a decrease in the District's General Fund balance from \$79,165 at June 30, 2013 to a deficit \$82,122, at June 30, 2014, a 203.74% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in local source revenue received in fiscal 2014 compared to fiscal 2013. The increase in expenditures was due primarily to an increase in salaries and benefits paid to District employees.

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

Notes to the 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, as well as 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.

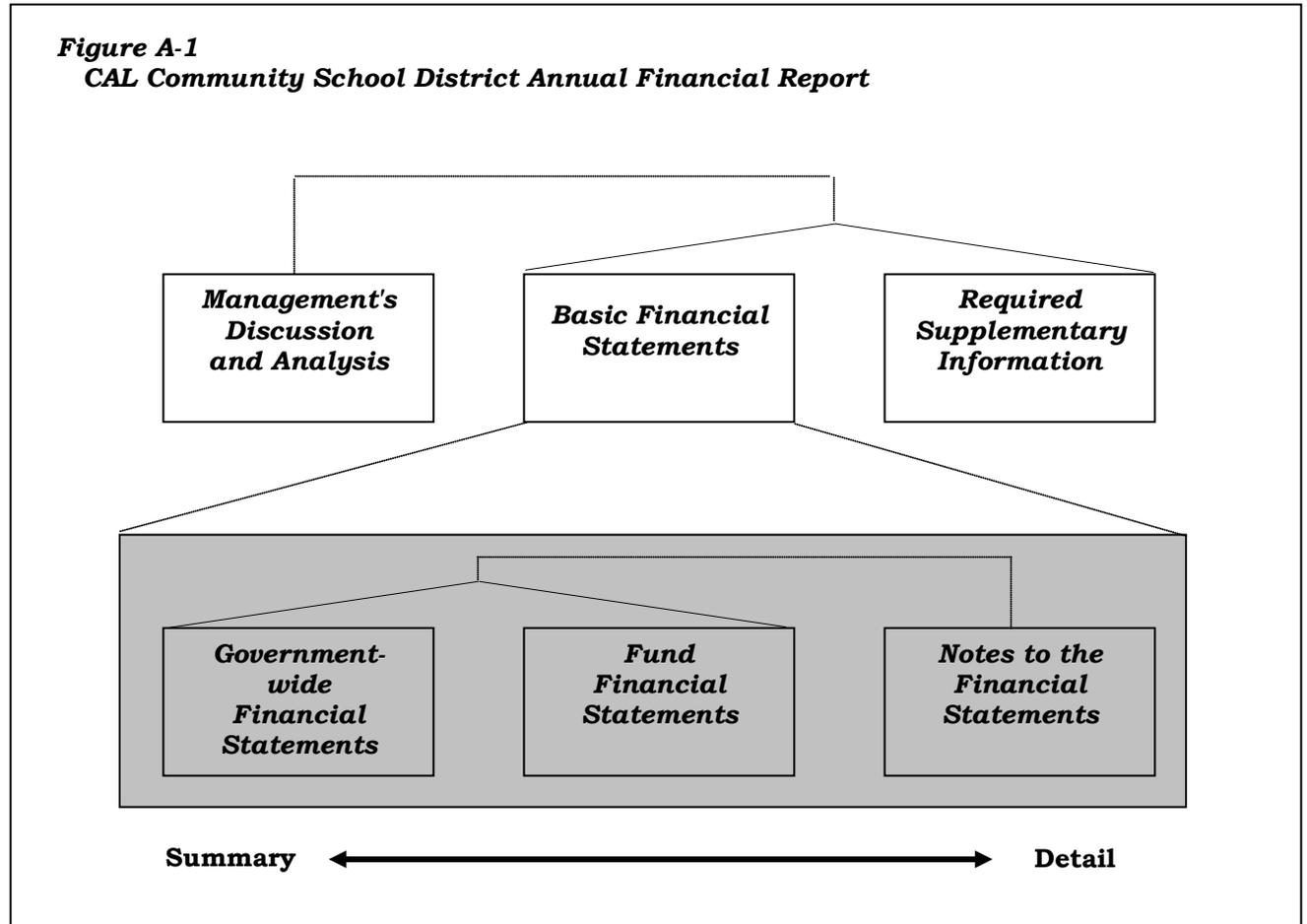


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
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 services
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows
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
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
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

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 two 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, Capital Projects Fund, Debt Service, and Special Revenue Funds.

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.

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, 2014 compared to June 30, 2013.

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,
	2014	2013	2014	2013	2014	2013	2013-14
Current and other assets	\$ 3,306,803	3,258,633	57,221	32,982	3,364,024	3,291,615	2.20%
Capital assets	2,864,967	3,030,658	18,452	17,068	2,883,419	3,047,726	-5.39%
Total assets	6,171,770	6,289,291	75,673	50,050	6,247,443	6,339,341	-1.45%
Long-term liabilities	1,630,399	1,638,613	10,732	-	1,641,131	1,638,613	0.15%
Other liabilities	676,415	580,071	10,742	4,468	687,157	584,539	17.56%
Total liabilities	2,306,814	2,218,684	21,474	4,468	2,328,288	2,223,152	4.73%
Deferred inflows of resources	1,479,935	1,452,642	-	-	1,479,935	1,452,642	1.88%
Net position:							
Net investment in capital assets	1,799,967	1,865,658	18,452	17,068	1,818,419	1,882,726	-3.42%
Restricted	1,161,552	1,106,855	-	-	1,161,552	1,106,855	4.94%
Unrestricted	(576,498)	(354,548)	35,747	28,514	(540,751)	(326,034)	-65.86%
Total net position	\$ 2,385,021	2,617,965	54,199	45,582	2,439,220	2,663,547	-8.42%

The District's combined net position decreased by \$224,327 or by 8.42%, from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to investment in capital assets is liquidated with resources 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 increased \$54,697, or 4.94% over the prior year. The increase is primarily due to the increase in fund balances of the Debt Service Fund during the year.

Unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased \$214,717, or 65.86%. This decrease in unrestricted net position was primarily a result of the decrease in fund balance in the District's General Fund.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to June 30, 2013.

	Figure A-4						
	Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
2014	2013	2014	2013	2014	2013	2013-14	
Revenues:							
Program revenues:							
Charges for service	\$ 334,929	304,817	48,359	48,233	383,288	353,050	8.56%
Operating grants and contributions and restricted interest	455,278	565,816	119,381	106,954	574,659	672,770	-14.58%
General revenues:							
Property tax	1,453,519	1,396,088	-	-	1,453,519	1,396,088	4.11%
Income surtax	176,672	135,469	-	-	176,672	135,469	30.42%
Statewide sales, services and use tax	242,370	233,176	-	-	242,370	233,176	3.94%
Unrestricted state grants	1,455,463	1,200,747	-	-	1,455,463	1,200,747	21.21%
Unrestricted investment earnings	5,967	4,528	-	-	5,967	4,528	31.78%
Other	140,507	41,511	-	-	140,507	41,511	238.48%
Total revenues	4,264,705	3,882,152	167,740	155,187	4,432,445	4,037,339	9.79%
Program expenses:							
Instructional	2,986,540	2,833,942	-	-	2,986,540	2,833,942	5.38%
Support services	1,239,457	1,083,431	-	-	1,239,457	1,083,431	14.40%
Non-instructional programs	-	-	159,123	158,428	159,123	158,428	0.44%
Other expenditures	271,652	177,716	-	-	271,652	177,716	52.86%
Total expenses	4,497,649	4,095,089	159,123	158,428	4,656,772	4,253,517	9.48%
Change in net position	(232,944)	(212,937)	8,617	(3,241)	(224,327)	(216,178)	3.77%
Beginning net position	2,617,965	2,830,902	45,582	48,823	2,663,547	2,879,725	-7.51%
Ending net position	\$ 2,385,021	2,617,965	54,199	45,582	2,439,220	2,663,547	-8.42%

In fiscal 2014, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 78.04% of the revenue from governmental activities while charges for service and operating grants and contributions account for all of the revenue from business type activities.

The District's total revenues were approximately \$4.43 million of which approximately \$4.26 million was for governmental activities and approximately \$0.17 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 9.79% increase in revenues and a 9.48% increase in expenses. The increase in revenue is primarily due to the increase in unrestricted state grant revenue received while the increase in expenses was related to increases in expenditures in the instruction and support services functional areas due to increases in salaries and related benefits paid to District employees.

Governmental Activities

Revenues for governmental activities were \$4,264,705 and expenses were \$4,497,649 for the year ended June 30, 2014.

Figure A-5 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, 2014 compared to the year ended June 30, 2013.

	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-14	2014	2013	Change 2013-14
Instruction	\$ 2,986,540	2,833,942	5.38%	2,324,304	2,083,014	11.58%
Support services	1,239,457	1,083,431	14.40%	1,231,722	1,079,049	14.15%
Other expenses	271,652	177,716	52.86%	151,416	62,393	142.68%
Totals	\$ 4,497,649	4,095,089	9.83%	3,707,442	3,224,456	14.98%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$334,929.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$455,278.
- The net cost of governmental activities was financed with \$1,453,519 in property tax, \$176,672 in income surtax, \$242,370 in statewide sales, services and use tax, \$1,455,463 in unrestricted state grants, \$5,967 in interest income, and \$140,507 in other general revenues.

Business type Activities

Revenues of the District's business type activities were \$167,740 and expenses were \$159,123. 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.

INDIVIDUAL FUND ANALYSIS

As previously noted, the CAL 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 balance of \$1,029,437, below last year's ending fund balances of \$1,120,790. The primary reason for the decrease in combined fund balances in fiscal 2014 was due to the decrease in fund balance of the General Fund.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is a result of many factors. The General Fund Balance decreased from \$79,165 at June 30, 2013 to a deficit \$82,122 at June 30, 2014. Growth during the year in tax and state grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the increase in expenditures associated with increased salaries and benefits paid to District employees.
- The Management Levy Fund balance decreased from \$269,085 at June 30, 2013 to \$231,601 at June 30, 2014. The primary reason for this decrease in fund balance is the increase in support service expenditures incurred during the year.

-
- The Capital Projects Fund balance increased from \$679,329 at June 30, 2013 to \$687,260 at June 30, 2014. The Capital Projects: Statewide Sales, Service and Use Tax Fund decreased from \$418,334 at June 30, 2013 to \$352,718 at June 30, 2014 while the Capital Projects: Physical, Plant and Equipment Levy increased from \$260,995 at June 30, 2013 to \$334,542 at June 30, 2014.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$45,582 at June 30, 2013 to \$54,199 at June 30, 2014, representing an increase of 18.90%. Increased revenues received from federal sources as compared to the prior year coupled with relatively unchanged expenditures as compared to the prior year caused the increase in fund balance.

BUDGETARY HIGHLIGHTS

Over the course, of the year, CAL Community School District amended its budget one time to reflect additional expenditures associated with special education transportation expenses and facility improvements.

The District's revenues were \$309,060 more than budgeted revenues, a variance 7.52%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

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

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction and support services functional areas and in total.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$2,883,419, 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)** The represents a net decrease of 5.39% from the prior year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$265,894.

The original cost of the District's capital assets was \$6,303,658. Governmental funds account for \$6,252,573 with the remainder of \$51,085 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$123,485 at June 30, 2014 as compared to \$243,990 at June 30, 2013, due primarily to depreciation expense incurred during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Land	\$ 10,100	10,100	-	-	10,100	10,100	0.00%
Buildings	2,712,168	2,764,456	-	-	2,712,168	2,764,456	-1.93%
Land improvements	37,666	29,180	-	-	37,666	29,180	22.53%
Machinery and equipment	105,033	226,922	18,452	17,068	123,485	243,990	-97.59%
Total	\$ 2,864,967	3,030,658	18,452	17,068	2,883,419	3,047,726	-5.39%

Long-Term Debt

At June 30, 2014, the District had \$1,641,122 in revenue bonds payable, and other long-term debt outstanding. This represents an increase of 0.15% from last year. **(See Figure A-7)** More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding revenue bond indebtedness of \$1,065,000 at June 30, 2014, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had total outstanding termination benefits of \$8,278 at June 30, 2014, payable from the Special Revenue: Management Levy Fund.

The District had a net OPEB liability of \$567,844 at June 30, 2014. Governmental activities account for \$557,112 and business type activities account for \$10,732 of the total.

Figure A-7
Outstanding Long-Term Obligations

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-14
Revenue bonds	\$ 1,065,000	1,165,000	-	-	1,065,000	1,165,000	-8.58%
Termination benefits	8,278	13,632	-	-	8,278	13,632	-39.28%
Net OPEB liability	557,112	459,981	10,732	-	567,844	459,981	21.12%
Total	\$ 1,630,390	1,638,613	10,732	-	1,641,122	1,638,613	0.15%

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 continuing years trends of declining enrollment, open enrolled out students, decreased supplemental state aid, have required the use of District reserves to maintain a quality of education desired by the Board of Directors. As a result expenditures continue to increase to meet student needs.

-
- The Board of Directors continue to review cost saving reductions where possible to reduce the need to use reserves. This has become increasingly difficult as student performance and education needs are increasing.
 - The Board of Directors realizes that a low Tax Levy, especially the Cash Reserve Levy, must be reviewed and increased over a period of annual budgets to increase future funding.

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 Lisa Lewis, Business Manager or Amanda Rapp, Board Secretary, CAL Community School District, 1441 Gull Avenue, Latimer, IA.

BASIC FINANCIAL STATEMENTS

CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and pooled investments:	\$ 1,458,136	45,349	1,503,485
Receivables:			
Property tax:			
Delinquent	11,659	-	11,659
Succeeding year	1,479,935	-	1,479,935
Income surtax	135,451	-	135,451
Accounts	853	480	1,333
Due from other governments	220,769	6,914	227,683
Inventories	-	4,478	4,478
Capital assets, net of accumulated depreciation	2,864,967	18,452	2,883,419
TOTAL ASSETS	6,171,770	75,673	6,247,443
LIABILITIES			
Accounts payable	322,458	8,972	331,430
Salaries and benefits payable	336,309	1,770	338,079
Advances from grantors	3,213	-	3,213
Accrued interest payable	14,435	-	14,435
Long-term liabilities:			
Portion due within one year:			
Revenue bonds payable	100,000	-	100,000
Termination benefits payable	3,975	-	3,975
Portion due after one year:			
Revenue bonds payable	965,000	-	965,000
Termination benefits payable	4,312	-	4,312
Net OPEB liability	557,112	10,732	567,844
TOTAL LIABILITIES	2,306,814	21,474	2,328,288
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	1,479,935	-	1,479,935
NET POSITION			
Net investment in capital assets	1,799,967	18,452	1,818,419
Restricted for:			
Categorical funding	72,715	-	72,715
Debt service	224,006	-	224,006
Management levy purposes	223,314	-	223,314
Student activities	78,257	-	78,257
School infrastructure	228,718	-	228,718
Physical plant and equipment	334,542	-	334,542
Unrestricted	(576,498)	35,747	(540,751)
TOTAL NET POSITION	\$ 2,385,021	54,199	2,439,220

SEE NOTES TO FINANCIAL STATEMENTS.

**CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest		Governmental Activities	Business Type Activities	Total
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 1,401,770	137,629	21,134		(1,243,007)	-	(1,243,007)
Special	615,621	43,051	115,581		(456,989)	-	(456,989)
Other	969,149	153,225	191,616		(624,308)	-	(624,308)
	<u>2,986,540</u>	<u>333,905</u>	<u>328,331</u>		<u>(2,324,304)</u>	<u>-</u>	<u>(2,324,304)</u>
Support services:							
Student	18,362	-	-		(18,362)	-	(18,362)
Instructional staff	168,987	-	-		(168,987)	-	(168,987)
Administration	368,844	-	-		(368,844)	-	(368,844)
Operation and maintenance of plant	477,189	-	-		(477,189)	-	(477,189)
Transportation	206,075	1,024	6,711		(198,340)	-	(198,340)
	<u>1,239,457</u>	<u>1,024</u>	<u>6,711</u>		<u>(1,231,722)</u>	<u>-</u>	<u>(1,231,722)</u>
Long-term debt interest	30,370	-	-		(30,370)	-	(30,370)
Other expenditures:							
AEA flowthrough	120,236	-	120,236		-	-	-
Depreciation(unallocated)*	121,046	-	-		(121,046)	-	(121,046)
	<u>241,282</u>	<u>-</u>	<u>120,236</u>		<u>(121,046)</u>	<u>-</u>	<u>(121,046)</u>
Total governmental activities	4,497,649	334,929	455,278		(3,707,442)	-	(3,707,442)
Business type activities:							
Non-instructional programs:							
Food service operations	159,123	48,359	119,381		-	8,617	8,617
Total	<u>\$ 4,656,772</u>	<u>383,288</u>	<u>574,659</u>		<u>(3,707,442)</u>	<u>8,617</u>	<u>(3,698,825)</u>
General Revenues:							
Property tax levied for:							
General purposes				\$ 1,346,017	-		1,346,017
Capital outlay				107,502	-		107,502
Income surtax				176,672	-		176,672
Statewide sales, services and use tax				242,370	-		242,370
Unrestricted state grants				1,455,463	-		1,455,463
Unrestricted investment earnings				5,967	-		5,967
Other general revenues				140,507	-		140,507
Total general revenues				<u>3,474,498</u>	<u>-</u>		<u>3,474,498</u>
Change in net position				(232,944)	8,617		(224,327)
Net position beginning of year				2,617,965	45,582		2,663,547
Net position end of year				<u>\$ 2,385,021</u>	<u>54,199</u>		<u>2,439,220</u>

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

SEE NOTES TO FINANCIAL STATEMENTS

CAL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Management Levy	Capital Projects	Nonmajor	Total
ASSETS					
Cash and pooled investments	\$ 415,956	229,897	609,264	203,019	1,458,136
Receivables:					
Property tax:					
Delinquent	9,915	883	861	-	11,659
Succeeding year	1,306,931	101,183	71,821	-	1,479,935
Income surtax	90,301	-	45,150	-	135,451
Accounts	-	853	-	-	853
Due from other governments	130,354	-	90,415	-	220,769
TOTAL ASSETS	\$ 1,953,457	332,816	817,511	203,019	3,306,803
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 298,825	32	13,280	10,321	322,458
Salaries and benefits payable	336,309	-	-	-	336,309
Advances from grantors	3,213	-	-	-	3,213
Total liabilities	638,347	32	13,280	10,321	661,980
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,306,931	101,183	71,821	-	1,479,935
Income surtax	90,301	-	45,150	-	135,451
Total deferred inflows of resources	1,397,232	101,183	116,971	-	1,615,386
Fund balances:					
Restricted for:					
Categorical funding	72,715	-	-	-	72,715
Debt service	-	-	124,000	114,441	238,441
Management levy purposes	-	231,601	-	-	231,601
Student activities	-	-	-	78,257	78,257
School infrastructure	-	-	228,718	-	228,718
Physical plant and equipment	-	-	334,542	-	334,542
Unassigned	(154,837)	-	-	-	(154,837)
Total fund balances	(82,122)	231,601	687,260	192,698	1,029,437
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,953,457	332,816	817,511	203,019	3,306,803

SEE NOTES TO FINANCIAL STATEMENTS

CAL COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2014

Total fund balances of governmental funds(page 20)	\$ 1,029,437
 <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 in the governmental funds.	2,864,967
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(14,435)
Accounts receivable income surtax, are not yet available to pay current year expenditures and there fore, are recognized as deferred inflows of resources in the govenemental funds.	135,451
Long-term liabilities, revenue bonds payable, termination benefits payable and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(1,630,399)</u>
Net position of governmental activities(page 18)	<u><u>\$ 2,385,021</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General	Management Levy	Capital Projects	Nonmajor	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,344,147	110,066	160,792	-	1,615,005
Tuition	114,667	-	-	-	114,667
Other	109,281	116,279	1,880	153,596	381,036
State sources	1,636,009	-	242,370	-	1,878,379
Federal sources	260,432	-	-	-	260,432
TOTAL REVENUES	3,464,536	226,345	405,042	153,596	4,249,519
EXPENDITURES:					
Current:					
Instruction:					
Regular	1,210,214	92,293	-	-	1,302,507
Special	604,177	-	-	-	604,177
Other	778,066	-	-	168,548	946,614
	2,592,457	92,293	-	168,548	2,853,298
Support services:					
Student	18,362	-	-	-	18,362
Instructional staff	163,240	-	2,090	-	165,330
Administration	339,515	-	16,473	-	355,988
Operation and maintenance of plant	253,919	132,031	16,391	-	402,341
Transportation	138,094	39,505	-	-	177,599
	913,130	171,536	34,954	-	1,119,620
Capital outlay	-	-	116,648	-	116,648
Long-term debt:					
Principal	-	-	-	100,000	100,000
Interest and fiscal charges	-	-	-	31,070	31,070
	-	-	-	131,070	131,070
Other expenditures:					
AEA flowthrough	120,236	-	-	-	120,236
TOTAL EXPENDITURES	3,625,823	263,829	151,602	299,618	4,340,872
Excess(Deficiency) of revenues over(under) expenditures	(161,287)	(37,484)	253,440	(146,022)	(91,353)
OTHER FINANCING SOURCES(USES):					
Transfer in	-	-	-	245,509	245,509
Transfer out	-	-	(245,509)	-	(245,509)
Total other financing sources(uses)	-	-	(245,509)	245,509	-
Change in fund balances	(161,287)	(37,484)	7,931	99,487	(91,353)
Fund balance beginning of year	79,165	269,085	679,329	93,211	1,120,790
Fund balance end of year	\$ (82,122)	231,601	687,260	192,698	1,029,437

SEE NOTES TO FINANCIAL STATEMENTS

CAL 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, 2014

Change in fund balances - total governmental funds(page 22) \$ (91,353)

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

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

Capital outlay	\$ 97,287	
Depreciation expense	<u>(262,978)</u>	(165,691)

Repayments of long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	100,000
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Income surtax accounts receivable is not available revenue and is recognized as deferred inflows of resources in the governmental funds.	15,186
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	700
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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	5,345
Other postemployment benefits	<u>(97,131)</u>

Change in net position of governmental activities(page 19) \$ (232,944)

SEE NOTES TO FINANCIAL STATEMENTS

CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	Enterprise School Nutrition
ASSETS	
Current assets:	
Cash and pooled investments	\$ 45,349
Accounts receivable	480
Due from other governments	6,914
Inventories	4,478
	57,221
Noncurrent assets:	
Capital assets, net of accumulated depreciation	18,452
TOTAL ASSETS	75,673
LIABILITIES	
Current liabilities	
Accounts payable	8,972
Salaries and benefits payable	1,770
Total current liabilities	10,742
Noncurrent liabilities:	
Net OPEB liability	10,732
TOTAL LIABILITIES	21,474
NET POSITION	
Net investment in capital assets	18,452
Unrestricted	35,747
TOTAL NET POSITION	\$ 54,199

SEE NOTES TO FINANCIAL STATEMENTS

CAL COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2014

	Enterprise School Nutrition
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 48,359
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	37,199
Benefits	23,782
Services	1,603
Supplies	93,623
Depreciation	2,916
TOTAL OPERATING EXPENSES	159,123
OPERATING LOSS	(110,764)
NON-OPERATING REVENUES:	
State sources	1,417
Federal sources	117,964
TOTAL NON-OPERATING REVENUES	119,381
Change in net position	8,617
Net position beginning of year	45,582
Net position end of year	\$ 54,199

SEE NOTES TO FINANCIAL STATEMENTS

CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2014

	Enterprise School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 58,611
Cash payments to employees for services	(61,020)
Cash payments to suppliers for goods or services	(80,315)
Net cash used in operating activities	(82,724)
Cash flows from non-capital financing activities:	
State grants received	1,417
Federal grants received	105,596
Net cash provided by non-capital financing activities	107,013
Cash flows from capital financing activities:	
Acquisition of assets	(4,300)
Net increase in cash and cash equivalents	19,989
Cash and cash equivalents at beginning of year	25,360
Cash and cash equivalents at end of year	\$ 45,349
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (110,764)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	10,673
Depreciation	2,916
Increase in inventories	(2,075)
Increase in accounts receivable	(480)
Increase in accounts payable	6,313
Decrease in salaries and benefits payable	(39)
Increase in other postemployment benefits	10,732
Net cash used in operating activities	\$ (82,724)

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2014, the District received Federal commodities valued at \$10,673.

SEE NOTES TO FINANCIAL STATEMENTS

CAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) Summary of Significant Accounting Policies

The CAL Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Coulter, Alexander and Latimer, Iowa and the predominately agricultural territory in a portion of Franklin and Wright 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, CAL Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but 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 Franklin and Wright County Assessor's 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 non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from Business type activities, which rely to a significant extent on fees and charges for service.

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation plus unspent bond proceeds reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments 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 Management Levy Fund is utilized to account for the payment of property insurance and unemployment benefits.

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

The District reports the following nonmajor 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.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from 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, Liabilities, Deferred Inflows of Resources and Fund Balances

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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

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, and equipment, and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at 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	\$ 2,000
Buildings	2,000
Land improvements	2,000
Intangibles	2,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20-50 years
Intangibles	5-10 years
Machinery and equipment	5-15 years

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

Advances from Grantors - Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

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.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current 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 inflows of resources consists of property tax receivables and other receivables and other unavailable revenue.

Deferred inflows or resources in 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.

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures in the instruction and support services functional areas and in total exceeded budgeted amounts.

(2) Cash, Cash Equivalents and Pooled Investments

The District's deposits at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; 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, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$984 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAA by Standard and Poor's Financial Services.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 245,509

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,100	-	-	10,100
Total capital assets not being depreciated	<u>10,100</u>	<u>-</u>	<u>-</u>	<u>10,100</u>
Capital assets being depreciated:				
Buildings	4,228,736	62,117	-	4,290,853
Land improvements	252,101	15,127	-	267,228
Machinery and equipment	1,664,349	20,043	-	1,684,392
Total capital assets being depreciated	<u>6,145,186</u>	<u>97,287</u>	<u>-</u>	<u>6,242,473</u>
Less accumulated depreciation for:				
Buildings	1,464,280	114,405	-	1,578,685
Land improvements	222,921	6,641	-	229,562
Machinery and equipment	1,437,427	141,932	-	1,579,359
Total accumulated depreciation	<u>3,124,628</u>	<u>262,978</u>	<u>-</u>	<u>3,387,606</u>
Total capital assets being depreciated, net	<u>3,020,558</u>	<u>(165,691)</u>	<u>-</u>	<u>2,854,867</u>
Governmental activities capital assets, net	<u>\$ 3,030,658</u>	<u>(165,691)</u>	<u>-</u>	<u>2,864,967</u>
Business type activities:				
Machinery and equipment	\$ 46,785	4,300	-	51,085
Less accumulated depreciation	29,717	2,916	-	32,633
Business type activities capital assets, net	<u>\$ 17,068</u>	<u>1,384</u>	<u>-</u>	<u>18,452</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 73,085
Other	6,400
Support services:	
Administration	964
Operation and maintenance of plant	33,223
Transportation	28,260
	<u>141,932</u>
Unallocated depreciation	<u>121,046</u>
Total governmental activities depreciation expense	<u>\$ 262,978</u>
Business type activities:	
Food service operations	<u>\$ 2,916</u>

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Reduction	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 1,165,000	-	100,000	1,065,000	100,000
Termination benefits	13,632	-	5,354	8,278	3,975
Net OPEB liability	459,981	97,131	-	557,112	-
Total	<u>\$ 1,638,613</u>	<u>97,131</u>	<u>105,354</u>	<u>1,630,390</u>	<u>103,975</u>
Business type activities					
Net OPEB liability	\$ -	10,732	-	10,732	-

Revenue Bonds

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bonds Issued December 1, 2010			
	Interest Rate	Principal	Interest	Total
2015	1.60 %	\$ 100,000	28,070	128,070
2016	1.80	110,000	26,280	136,280
2017	2.10	110,000	24,135	134,135
2018	2.50	115,000	21,543	136,543
2019	2.80	120,000	18,425	138,425
2020-2023	3.00-3.50	510,000	35,387	545,387
Total		<u>\$ 1,065,000</u>	<u>153,840</u>	<u>1,218,840</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,240,000 of bonds issued in December 2010. The bonds were issued for the purpose of financing a portion of the costs of a remodeling project. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 53% of the statewide sales, services and use tax revenues. Total principal and interest remaining to be paid on the bonds is \$1,218,840. For the current year \$100,000 of principal and \$29,570 of interest was paid on the bonds and total statewide sales, services and use tax was \$242,370.

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

- a) \$124,000 of the proceeds from the issuance of the revenue bonds shall be deposited into a reserve account to be used 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 into the project account. This reserve account is accounted for in the Capital Projects: Statewide Sales, Service and Use Tax Fund.

- b) The District will make monthly transfers from the Capital Projects: Statewide Sales, Services and Use Tax Fund to a revenue account held by the bonding agent in the District's name.
- 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 when payments are due.
- d) Any monies remaining in the revenue account after the required transfers to the sinking account may be transferred to the project account to be used for any lawful purpose.

Termination Benefits

During fiscal year 2010, the District approved a voluntary early retirement plan for full-time licensed employees. The plan was only offered to employees for one year. The District instituted an early retirement program to its employees who are eligible for IPERS retirement but not eligible for Medicare/Medicaid benefits. The program consists of two parts. Part one is a cash benefit where the retiring employee receives a cash payout equal to 40% of their last current contract plus \$85 a day of accumulated sick leave up to a maximum of 90 days. This cash benefit option is contingent on whether the board of Education annually implements the policy and is paid in two annual installments. Part two of the program is continuation of the District group health and major medical single premium insurance coverage. Retiring employees will be provided 4% for each year of salaried employment in the District up to a maximum of 80% toward the cost of single coverage. Retirees will be required to pay the balance.

At June 30, 2014, the District has obligations to one participant with a total liability of \$8,278. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$5,354.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees' Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$171,756, \$151,529 and \$142,557, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health plan which provides medical benefits for employees, retirees and their spouses. There are 33 active and 7 retired members in the plan. Participants must be age 55 or older at retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical benefit as active employees, which results in an implicit rate subsidy and an OPEB liability. The District provides an Early Retirement Insurance Benefit Incentive. To qualify the employee must be IPERS eligible with 7 years of distinct service. The benefit is 4% per year of service of the single premium coverage upon retirement. Early retiree insurance premiums have been included in the OPEB valuation as an explicit rate subsidy and part of the 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 funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 196,678
Interest on net OPEB obligation	11,500
Adjustment to annual required contribution	<u>(50,885)</u>
Annual OPEB cost	157,293
Contributions made	<u>(49,430)</u>
Increase in net OPEB obligation	107,863
Net OPEB obligation beginning of year	<u>459,981</u>
Net OPEB obligation end of year	<u><u>\$ 567,844</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. 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, 2014.

For the ended June 30, 2014, the District contributed \$49,430 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
2012	\$ 143,314	21.1%	\$ 239,978
2013	170,613	28.0%	459,981
2014	157,293	31.4%	567,844

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$890,296, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$890,296. The covered payroll (annual payroll of active employees covered by the plan) was \$1,992,708 and the ratio of UAAL to covered payroll was 44.7%. As of June 30, 2014 there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, 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 benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 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 and a health cost trend rate of 6% per year.

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000. The UAAL is being amortized as a level percentage 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), an 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 in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision.

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, 2014 were \$1,376,005.

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.

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$120,236 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Operating Lease Commitments

The District entered into a 60 month contract to lease copiers in May 2011. The payments the District will make over the next two years are as follows:

Year Ending June 30,	Lease Payment
2015	\$ 13,403
2016	12,287
Total	<u>\$ 25,690</u>

(11) Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

Program	Amount
Home school assistance program	\$ 3,880
Dropout and dropout prevention	37,402
Beginning teacher mentoring and induction	671
Professional development for model core curriculum	11,406
Professional development	16,362
Teacher leadership grants	2,994
Total	<u>\$ 72,715</u>

(12) Budget Overexpenditures

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2014, the District exceeded budgeted expenditures in the instruction and support services functional areas and in total.

(13) Deficit Fund Balance/Net Position

At June 30, 2014, the District had a deficit unassigned fund balance of \$154,837 in the General Fund, and a total deficit General Fund balance of \$82,122. The District also had a deficit unrestricted net position of \$576,498 in the Governmental Activities.

(14) Reconciliation of Governmental Fund Balances to Net Position

Reconciliation of certain governmental fund balances to net position is the following:

	Net Investment in Capital Assets	Management Levy	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	231,601	238,441	(154,837)
Capital assets, net of accumulated depreciation	2,864,967	-	-	-
Revenue bond capitalized indebtedness	(1,065,000)	-	-	-
Termination benefits	-	(8,287)	-	-
Accrued interest payable	-	-	(14,435)	-
Income surtax	-	-	-	135,451
Net OPEB liability	-	-	-	(557,112)
Net position (Exhibit A)	<u>\$ 1,799,967</u>	<u>223,314</u>	<u>224,006</u>	<u>(576,498)</u>

(15) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68 Accounting and Financial Reporting for Pensions - an Amendment to GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

CAL COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

CAL COMMUNITY SCHOOL DISTRICT
 BUDGETARY COMPARISON OF REVENUES, EXPENDITURES/EXPENSES AND
 CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
 AND PROPRIETARY FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2014

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 2,110,708	48,359	2,159,067	2,195,244	2,195,244	(36,177)
State sources	1,878,379	1,417	1,879,796	1,633,955	1,633,955	245,841
Federal sources	260,432	117,964	378,396	279,000	279,000	99,396
Total revenues	4,249,519	167,740	4,417,259	4,108,199	4,108,199	309,060
Expenditures/expenses:						
Instruction	2,853,298	-	2,853,298	2,644,600	2,744,600	(108,698)
Support services	1,119,620	-	1,119,620	997,000	997,000	(122,620)
Non-instructional programs	-	159,123	159,123	175,000	225,000	65,877
Other expenditures	367,954	-	367,954	386,415	386,415	18,461
Total expenditures/expenses	4,340,872	159,123	4,499,995	4,203,015	4,353,015	(146,980)
Excess(Deficiency) of revenues over(under) expenditures/expenses	(91,353)	8,617	(82,736)	(94,816)	(244,816)	162,080
Balance beginning of year	1,120,790	45,582	1,166,372	875,789	875,789	290,583
Balance end of year	\$ 1,029,437	54,199	1,083,636	780,973	630,973	452,663

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CAL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2014

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$150,000.

During the year ended June 30, 2014, expenditures in the instruction and support services functional areas and in total exceeded the amounts budgeted.

CAL 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 (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 1,115,300	1,115,300	0.0%	\$ 1,785,000	62.5%
2011	July 1, 2009	-	1,131,000	1,131,000	0.0%	1,795,000	63.0%
2012	July 1, 2009	-	1,052,700	1,052,700	0.0%	1,813,500	58.0%
2013	July 1, 2012	-	802,454	802,454	0.0%	1,833,161	43.8%
2014	July 1, 2012	-	890,296	890,296	0.0%	1,992,708	44.7%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

SUPPLEMENTARY INFORMATION

CAL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	Special Revenue		
	Student Activity	Debt Service	Total
ASSETS			
Cash and pooled investments	\$ 88,578	114,441	203,019
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 10,321	-	10,321
Fund balances:			
Restricted for:			
Debt service	-	114,441	114,441
Student activities	78,257	-	78,257
Total fund balances	78,257	114,441	192,698
TOTAL LIABILITIES AND FUND BALANCES	\$ 88,578	114,441	203,019

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CAL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2014

	Special Revenue		Total
	Student Activity	Debt Service Fund	
REVENUES:			
Local sources:			
Other	\$ 153,594	2	153,596
EXPENDITURES:			
Current:			
Instruction:			
Other	168,548	-	168,548
Long-term debt:			
Principal	-	100,000	100,000
Interest and fiscal charges	-	31,070	31,070
TOTAL EXPENDITURES	168,548	131,070	299,618
Deficiency of revenues under expenditures	(14,954)	(131,068)	(146,022)
OTHER FINANCING SOURCES:			
Transfer in	-	245,509	245,509
Change in fund balances	(14,954)	114,441	99,487
Fund balance beginning of year	93,211	-	93,211
Fund balance end of year	\$ 78,257	114,441	192,698

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CAL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECT ACCOUNTS
 JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
ASSETS			
Cash and pooled investments	\$ 262,303	346,961	609,264
Receivables:			
Property tax:			
Delinquent	-	861	861
Succeeding year	-	71,821	71,821
Income surtax	-	45,150	45,150
Due from other governments	90,415	-	90,415
TOTAL ASSETS	\$ 352,718	464,793	817,511
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	13,280	13,280
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	-	71,821	71,821
Income surtax	-	45,150	45,150
Total liabilities	-	116,971	116,971
Fund balances:			
Restricted for:			
Debt service	124,000	-	124,000
School infrastructure	228,718	-	228,718
Physical plant and equipment	-	334,542	334,542
Total fund balances	352,718	334,542	687,260
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 352,718	464,793	817,511

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CAL COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT ACCOUNTS
 YEAR ENDED JUNE 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
REVENUES:			
Local sources:			
Local tax	\$ -	160,792	160,792
Other	1,120	760	1,880
State sources	242,370	-	242,370
TOTAL REVENUES	243,490	161,552	405,042
EXPENDITURES:			
Current:			
Support services:			
Instructional staff	-	2,090	2,090
Administration	-	16,473	16,473
Operation and maintenance of plant	-	16,391	16,391
Capital outlay	63,597	53,051	116,648
TOTAL EXPENDITURES	63,597	88,005	151,602
Excess of revenues over expenditures	179,893	73,547	253,440
OTHER FINANCING USES:			
Transfer out	(245,509)	-	(245,509)
Change in fund balances	(65,616)	73,547	7,931
Fund balance beginning of year	418,334	260,995	679,329
Fund balance end of year	\$ 352,718	334,542	687,260

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CAL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
DRAMA AND SPEECH	\$ 143	686	489	-	340
VOCAL	-	660	2,573	1,913	-
INSTRUMENTAL	-	1,030	2,044	1,014	-
BOYS BASKETBALL	1,805	2,615	2,378	-	2,042
FOOTBALL	988	3,337	8,262	3,937	-
BOYS SOCCER	-	636	15,518	29,764	14,882
BASEBALL	-	1,258	2,703	1,445	-
BOYS TRACK	-	-	733	733	-
GIRLS BASKETBALL	226	3,790	3,787	-	229
VOLLEYBALL	1,017	2,996	3,239	-	774
GIRLS SOCCER	-	524	2,650	2,126	-
SOFTBALL	1	1,855	2,998	1,142	-
GIRLS TRACK	-	262	871	609	-
START CASH	-	-	150	150	-
ANNUAL	-	1,873	3,109	1,236	-
ACTIVITY PASSES	44,397	3,304	3,547	(44,154)	-
FFA	22,271	62,506	47,175	-	37,602
CHEERLEADERS	-	544	577	33	-
NATIONAL HONOR SOCIETY	-	-	170	170	-
DISTRICT FOOTBALL	-	-	56	56	-
WASHINGTON DC TRIP	-	17,683	17,675	-	8
SPANISH CLUB	106	-	-	-	106
STUDENT COUNCIL	1,267	3,224	4,702	211	-
CLASS OF 2012	93	1,304	740	-	657
CLASS OF 2014	333	1,042	1,604	229	-
CLASS OF 2015	2,139	689	1,954	-	874
CLASS OF 2016	1,453	-	-	-	1,453
CLASS OF 2017	136	798	200	-	734
CLASS OF 2018	2,299	1,816	1,018	-	3,097
CLASS OF 2019	554	229	138	-	645
HIGH SCHOOL ACTIVITY	-	1,194	1,993	799	-
ELEMENTARY ACTIVITY	1,144	565	311	16	1,414
MS ACTIVITY	1,257	876	886	-	1,247
INSTRUMENT RENTAL	572	481	-	-	1,053
GREENHOUSE	2,405	20,915	22,606	-	714
CONCESSIONS	5,219	9,155	4,986	(1,968)	7,420
MUSIC RESALE	-	858	1,281	423	-
ART RESALE	190	-	-	-	190
MANUFACTURING RESALE	1,453	-	108	-	1,345
SPECIAL OLYMPICS	431	-	-	-	431
BOOK FUND	312	4,889	5,317	116	-
MISCELLANEOUS	1,000	-	-	-	1,000
Total	\$ 93,211	153,594	168,548	-	78,257

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

CAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES/EXPENSES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 1,615,005	1,764,734	1,765,525	1,659,832	1,578,844	1,565,066	1,424,486	1,466,995	1,407,383	1,465,673
Tuition	114,667	86,017	107,970	98,996	90,711	119,910	219,712	224,027	228,663	112,982
Other	381,036	280,564	214,392	229,015	211,931	137,568	259,318	239,255	262,003	258,763
State sources	1,878,379	1,591,532	1,461,559	1,378,813	1,158,283	1,376,902	1,391,844	1,145,976	985,164	1,029,496
Federal sources	260,432	158,702	86,404	195,179	307,179	153,737	96,379	298,219	96,766	163,195
Total	\$ 4,249,519	3,881,549	3,635,850	3,561,835	3,346,948	3,353,183	3,391,739	3,374,472	2,979,979	3,030,109
Expenditures:										
Current:										
Instruction	\$ 2,853,298	2,674,948	2,515,196	2,389,024	2,378,765	2,175,182	2,142,828	2,079,515	1,972,150	1,794,257
Support services:										
Student	18,362	4,189	1,047	1,408	3,218	692	2,214	1,637	10,827	30,383
Instructional staff	165,330	152,377	162,179	76,134	66,954	93,136	112,243	109,281	80,510	132,444
Administration	355,988	329,003	331,348	299,008	262,378	260,840	249,906	256,407	251,455	234,129
Operation and maintenance										
of plant	402,341	257,090	252,425	271,267	213,080	243,953	262,851	285,521	276,391	342,120
Transportation	177,599	163,270	199,892	234,704	179,920	156,471	181,306	130,680	131,514	121,570
Non-instructional programs	-	-	-	-	-	-	-	-	-	15,949
Capital outlay	116,648	193,173	874,880	725,512	310,757	225,946	89,103	407,193	336,595	13,641
Long-term debt:										
Principal	100,000	75,000	-	-	-	-	84,835	70,165	-	-
Interest and fiscal charges	31,070	32,220	33,768	-	-	-	3,427	7,335	-	-
Other expenditures:										
AEA flow-through	120,236	115,323	113,170	123,963	123,551	103,615	101,928	82,702	82,702	83,366
Total	\$ 4,340,872	3,996,593	4,483,905	4,121,020	3,538,623	3,259,835	3,230,641	3,430,436	3,142,144	2,767,859

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 the CAL Community School District:

We have audited in accordance with U.S. generally accepted auditing standard 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 CAL Community School District as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 13, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered CAL Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CAL Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CAL Community School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control over financial reporting we consider to be a material weakness and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-B-14 through I-F-14 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CAL 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 that 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, 2014 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.

CAL Community School District's Responses to Findings

CAL Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit CAL Community School District's responses 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 CAL Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

February 13, 2015
Newton, Iowa

CAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-14 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 each of the following areas for the District:

- 1) Receipts - recording, depositing, journalizing, posting and reconciling.
- 2) Disbursements - purchase order processing, check preparation, mailing and recording.
- 3) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, and posting.
- 4) Financial reporting - preparing, reconciling and approving.
- 5) School lunch program - collecting, recording, journalizing, posting, reconciling, and recording.

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 - We will work on ways to improve segregation of duties.

Conclusion - Response accepted.

I-B-14 Timesheet Approval - We noted during our audit that employee timesheets are not being approved by the appropriate administrator prior to submission to the business office. The business office subsequently processes these timesheets as part of payroll with no approval of the timesheets or verification of hours worked by non-certified staff employees.

Recommendation - District should develop and implement controls to ensure all timesheets are approved by the appropriate administrator prior to payment.

Response - We will have an administrator sign off on all hourly timesheets.

Conclusion - Response accepted.

I-C-14 Employee Officials - We noted during our audit District employees who officiate athletic events for the District are paid through the accounts payable systems instead of through the payroll system, therefore income is not reported on the employee's W-2 and subject to applicable withholdings.

Recommendation - Additional payments to employees who provided additional services to the District through officiating should be handled as part of the District's regular payroll process and reported on the employee's W-2. This issue is addressed in Chapter 16 of the Uniform Administrative Procedures for Iowa School District and AEA Officials manual, IRS publication 15, and the Auditor of State's technical Update "School District - Independent Contractor vs. Employee" dated January 2011. The District should review these publications and ensure that all employees who officiate events are paid through payroll instead of accounts payable.

Response - We will change our procedures.

Conclusion - Response accepted.

I-D-14 PTO and CALEA Accounts - We noted during our audit, that the District's PTO and CALEA uses the District's Federal Identification Number at First Citizens National Bank. Because these accounts are using the District's Federal Identification Number, the District should be accounting for these clubs within the District's Student Activity Fund. These accounts and transactions should be included in the District's financial statements and subjected to the same Code of Iowa requirements as well as internal controls that the District follows.

Recommendation - The District should contact officials of the clubs and request the accounts to be turned over to the District. The clubs may establish a 501(c)(3) organization with a federal identification number separate from that of the District, however the current accounts are District assets and should be turned over to the District for proper recording.

In addition, the Board of Directors should consider contacting local banks and request listings of accounts utilizing the District's Federal Identification Number. The District should research any unfamiliar accounts and make necessary changes.

Response - The Board Secretary has contacted the head of each group to let them know they need to apply for their own EIN number.

Conclusion - Response accepted.

I-E-14 Gate Receipts - We noted that the District does not use pre-numbered tickets for all events that require an admission.

Recommendation -The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to the individuals involved. The Board would of course, approve any policies that the District's business office should be involved in developing the detailed procedures. At a minimum the procedures should be:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.

- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number, times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.
- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the “accounting” function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District’s vault or other secure location at the District’s office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - The District will work on this.

Conclusion - Response acknowledged.

- I-F-14 Scholarship Awards - We noted during our audit that scholarship checks were being written from the FFA account in the Student Activity Fund.

Recommendation - If this student activity group intends on awarding scholarships each year, the District needs to make this group aware that they need to fundraise specifically for the purpose of awarding a scholarship. Revenues and subsequent expenditures for scholarships from the activity fund group would be more appropriately handled in a Private Purpose Trust Fund.

Response - We will work on creating a fund and line items for this and clarification of the procedures.

Conclusion - Response accepted.

Other Matters:

- I-G-14 Deficit Lunch Account Balances - During our audit we noted multiple negative student lunch account balances on the Districts financial statements at June 30, 2014. Some of these negative amounts appeared to be excessive.

Recommendation - The District should develop policies regarding the treatment of negative account balances aimed at discouraging accounts from becoming excessively negative. The District may also wish to investigate alternatives to bring negative accounts back to a positive balance.

Response - We will work harder in the school offices to collect and remind parents of their child’s negative balances.

Conclusion - Response accepted.

CAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

II-A-14 Certified Budget - District disbursements for the year ended June 30, 2014 exceeded the certified budget in the instruction and support services, functional areas and in total.

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

Response - District will amend the budgeted in accordance with the code of Iowa in the future.

Conclusion - Response accepted.

II-B-14 Questionable Disbursements - We noted during our audit a disbursement for magazine fundraiser prizes to being awarded to students who were top sellers. Giving prizes for a fundraiser does not appear to meet public purpose as defined in an Attorney General's opinion dated April 25, 1979.

We also noted junior-high reward field trips for students who received good grades. Giving special field trips to students who receive good grades in school does not appear to meet public purpose as defined by the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place and refrain from purchasing prizes to be given to students, and providing field trips to students who receive good grades to be in compliance with Attorney General's opinion dated April 25, 1979.

Response - We will instruct teachers and administrators in charge of these that this is not allowed.

Conclusion - Response accepted.

II-C-14 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-14 Business Transactions - Business transactions between the District and District officials are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Steve Muhleeneruch, Board President Manager - Farmer's Cooperative	Fuel	29,549

In accordance with Chapter 279.7A of the Code of Iowa the above transactions with the District board member does not appear to represent a conflict of interest as he is not an owner and does not represent the fuel business at the Farmer's Cooperative.

- II-E-14 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-14 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-14 Certified Enrollment - Noted a variance in the certified enrollment data certified to the Iowa Department of Education. Noted the District coded a student as a homeschool assistance student, but the District does not have a home school assistance program. Amount certified to the department of education was overstated by 0.3 students.
- Recommendation - The District should contract the Iowa Department of Education and Iowa Department of Management to resolve this matter.
- Response - The District's auditors will contract the Iowa Department of Education and the Iowa Department of Management on the client's behalf to resolve this matter.
- Conclusion - Response accepted.
- II-H-14 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-14 Deposits and Investments - We noted no instances on noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-J-14 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-14 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-14 Financial Condition - At June 30, 2014, the District had a deficit unassigned fund balance of \$154,837 in the General Fund, and a total deficit General Fund balance of \$82,122. The District also had a deficit unrestricted net position of \$576,498 in the Governmental Activities.
- Recommendation - The District should monitor this fund and investigate alternatives to eliminate the deficit and bring the fund back to a positive balance.
- Response - We will work on this, to bring funds back to a positive balance.
- Conclusion - Response accepted.
- II-M-14 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.
- Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	418,334
Revenues:			
Sales tax revenues	\$	242,370	
Other local revenues		1,120	243,490
			<u>661,824</u>
Expenditures:			
School infrastructure construction		63,597	
Transfers to other funds:			
Debt service		245,509	309,106
			<u>309,106</u>
Ending balance		\$	<u><u>352,718</u></u>

For the year ended June 30, 2014, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

	Rate of Levy	
	Reduction	Property
	Per \$1,000	Tax
	of Taxable	Dollars
	Valuation	Reduced
Physical Plant and Equipment Levy (PPEL)	\$ 0.03000	\$ 4,967

II-N-14 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - We will change our procedures for this.

Conclusion - Response accepted.