

CAL COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2015

## Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		4-6
Management's Discussion and Analysis		7-15
<b>Basic Financial Statements:</b>	<b><u>Exhibit</u></b>	
<i>Government-wide Financial Statements:</i>		
Statement of Net Position	A	18
Statement of Activities	B	19
<i>Governmental Fund Financial Statements:</i>		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
<i>Proprietary Fund Financial Statements:</i>		
Statement of Net Position	G	24
Statement of Revenues, Expenses and Changes in Fund Net Position	H	25
Statement of Cash Flows	I	26
<i>Fiduciary Fund Financial Statements:</i>		
Statement of Fiduciary Net Position	J	27
Notes to Financial Statements		27-40
<b>Required Supplementary Information:</b>		
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		42
Notes to Required Supplementary Information - Budgetary Reporting		43
Schedule of the District's Proportionate Share of the Net Pension Liability		44
Schedule of District Contributions		45
Notes to Required Supplementary Information - Pension Liability		46-47
Schedule of Funding Progress for the Retiree Health Plan		48
<b>Supplementary Information:</b>	<b><u>Schedule</u></b>	
<i>Nonmajor Governmental Funds:</i>		
Combining Balance Sheet	1	50
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	51
<i>Capital Projects Accounts:</i>		
Combining Balance Sheet	3	52
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4	53
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5	54
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	6	55
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		56-57
Schedule of Findings		58-64

**CAL Community School District**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Steve Muhlenbruch	President	2015
Mitch Vanness	Vice President	2017
Beth Eddy	Board Member (Resigned August 2014)	2015
Rob Peil	Board Member (Appointed September 2014)	2015
Austin Elling	Board Member	2017
Todd Mensing	Board Member	2017
<b>School Officials</b>		
Dwight Widen	Superintendent	2015
Amanda Heiden	District Secretary	2015
Marlys Pralle	District Treasurer	2015
Lisa Lewis	Business Manager	2015
Heiny, McManigal, Duffy, Stambaugh & Anderson P.L.C.	Attorney	2015

**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  
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, 2015, 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, 2015, 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.

## **Emphasis of Matter**

As discussed in Note 14 to the financial statements, CAL Community School District adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of the District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 48 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. We previously audited in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those 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 eight years 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 March 28, 2016, 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.

A handwritten signature in black ink that reads "Nolte, Cornman & Johnson PC". The signature is written in a cursive, flowing style.

NOLTE, CORNMAN & JOHNSON, P.C.

March 28, 2016  
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, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2015 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$3,464,536 in fiscal year 2014 to \$3,562,535 in fiscal year 2015, and General Fund expenditures increased from \$3,625,823 in fiscal year 2014 to \$3,687,204 in fiscal year 2015. This resulted in a decrease in the District's General Fund balance from a deficit \$82,122 at June 30, 2014 to a deficit \$206,791, at June 30, 2015, a 151.81% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in local tax revenue received in fiscal year 2015 compared to fiscal year 2014. 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.

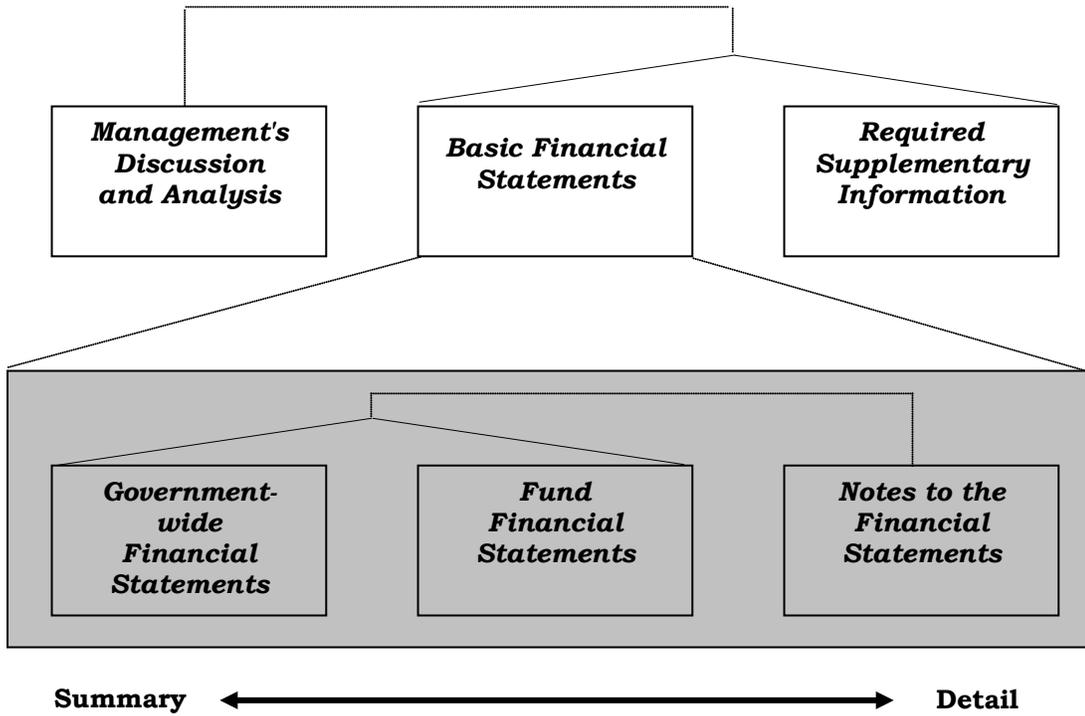
Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

**Figure A-1**  
**CAL Community School District Annual Financial Report**



**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.

<b>Figure A-2</b>			
<b>Major Features of the Government-Wide and Fund Financial Statements</b>			
	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 service
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in fund net position</li> <li>• Statement of cash flows</li> </ul>
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 deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period
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, the Special Revenue Funds, the Capital Projects Fund and the Debt Service Fund.

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

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District 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, 2015 compared to June 30, 2014.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Current and other assets	\$ 3,084,153	3,306,803	78,775	57,221	3,162,928	3,364,024	-5.98%
Capital assets	2,677,094	2,864,967	19,393	18,452	2,696,487	2,883,419	-6.48%
Total assets	5,761,247	6,171,770	98,168	75,673	5,859,415	6,247,443	-6.21%
Deferred outflows of resources	331,258	-	5,864	-	337,122	-	100.00%
Long-term liabilities	2,783,137	1,630,399	32,530	10,732	2,815,667	1,641,131	71.57%
Other liabilities	515,604	676,415	7,634	10,742	523,238	687,157	-23.85%
Total liabilities	3,298,741	2,306,814	40,164	21,474	3,338,905	2,328,288	43.41%
Deferred inflows of resources	1,884,184	1,479,935	7,469	-	1,891,653	1,479,935	27.82%
Net position:							
Net investment in capital assets	1,712,094	1,799,967	19,393	18,452	1,731,487	1,818,419	-4.78%
Restricted	1,226,826	1,161,552	-	-	1,226,826	1,161,552	5.62%
Unrestricted	(2,029,340)	(576,498)	37,006	35,747	(1,992,334)	(540,751)	-268.44%
Total net position	\$ 909,580	2,385,021	56,399	54,199	965,979	2,439,220	-60.40%

The District's total net position decreased by \$1,473,241 or by 60.40%, 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 \$65,274, or 5.62% over the prior year. The increase is primarily due to the improvement in the Capital Projects Fund balance 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 \$1,451,583, or 268.44%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$1,323,820 and \$22,620, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of

resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

**Figure A-4** shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

	Figure A-4						
	Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2014-15
Revenues:							
Program revenues:							
Charges for service	\$ 315,355	334,929	44,518	48,359	359,873	383,288	-6.11%
Operating grants, contributions and restricted interest	456,090	455,278	125,338	119,381	581,428	574,659	1.18%
General revenues:							
Property tax	1,486,723	1,453,519	-	-	1,486,723	1,453,519	2.28%
Income surtax	156,899	176,672	-	-	156,899	176,672	-11.19%
Statewide sales, services and use tax	250,511	242,370	-	-	250,511	242,370	3.36%
Unrestricted state grants	1,470,924	1,455,463	-	-	1,470,924	1,455,463	1.06%
Unrestricted investment earnings	2,454	5,967	-	-	2,454	5,967	-58.87%
Other	35,162	140,507	-	-	35,162	140,507	-74.97%
Total revenues	4,174,118	4,264,705	169,856	167,740	4,343,974	4,432,445	-2.00%
Program expenses:							
Instruction	2,790,928	2,986,540	-	-	2,790,928	2,986,540	-6.55%
Support services	1,186,602	1,239,457	-	-	1,186,602	1,239,457	-4.26%
Non-instructional programs	-	-	145,036	159,123	145,036	159,123	-8.85%
Other expenditures	348,209	271,652	-	-	348,209	271,652	28.18%
Total expenses	4,325,739	4,497,649	145,036	159,123	4,470,775	4,656,772	-3.99%
Change in net position	(151,621)	(232,944)	24,820	8,617	(126,801)	(224,327)	-43.47%
Net position beginning of year, as restated	1,061,201	2,617,965	31,579	45,582	1,092,780	2,663,547	-58.97%
Net position end of year	\$ 909,580	2,385,021	56,399	54,199	965,979	2,439,220	-60.40%

In fiscal year 2015, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 80.62% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for all of the revenue from business type activities. The District's total revenues were approximately \$4.34 million, of which approximately \$4.17 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 2.00% decrease in revenues and a 3.99% decrease in expenses. The decrease in revenues is primarily due to a decrease in other general revenues received compared to the prior year. The decrease in expenses occurred primarily in the instruction functional area.

## Governmental Activities

Revenues for governmental activities were \$4,174,118 and expenses were \$4,325,739 for the year ended June 30, 2015.

**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, 2015 compared to the year ended June 30, 2014.

	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not Restated)	Change 2014-15	2015	2014 (Not Restated)	Change 2014-15
Instruction	\$ 2,790,928	2,986,540	-6.55%	2,148,738	2,324,304	-7.55%
Support services	1,186,602	1,239,457	-4.26%	1,179,369	1,231,722	-4.25%
Other expenses	348,209	271,652	28.18%	226,187	151,416	49.38%
Totals	<u>\$ 4,325,739</u>	<u>4,497,649</u>	<u>-3.82%</u>	<u>3,554,294</u>	<u>3,707,442</u>	<u>-4.13%</u>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$315,355.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$456,090.
- The net cost of governmental activities was financed with \$1,486,723 in property tax, \$156,899 in income surtax, \$250,511 in statewide sales, services and use tax, \$1,470,924 in unrestricted state grants, \$2,454 in interest income, and \$35,162 in other general revenues.

## Business Type Activities

Revenues of the District's business type activities were \$169,856 and expenses were \$145,036. 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 balances of \$973,599, below last year's ending fund balances of \$1,029,437. The primary reason for the decrease in combined fund balances during fiscal year 2015 was the decrease in the General Fund balance.

## Governmental Fund Highlights

- The District's deteriorating General Fund financial position is a result of many factors. The General Fund balance decreased from a deficit \$82,122 at June 30, 2014 to a deficit \$206,791 at June 30, 2015. Growth during the year in local 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 Capital Projects Fund balance increased from \$687,260 at June 30, 2014 to \$771,912 at June 30, 2015. The Capital Projects: Statewide Sales, Services and Use Tax Fund increased from \$352,718 at June 30, 2014 to \$389,939 at June 30, 2015 while the Capital Projects: Physical, Plant and Equipment Levy Fund increased from \$334,542 at June 30, 2014 to \$381,973 at June 30, 2015.

### Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$31,579, restated as of July 1, 2014 to \$56,399 at June 30, 2015, representing an increase of 78.60%. An increase in revenues from federal sources combined with decrease in expenditures led to 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 program and transportation costs as well as facility improvements.

The District's revenues were \$169,879 more than budgeted revenues, a variance 4.10%. The most significant variance resulted from the District receiving more from state sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures 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.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2015, the District had invested \$2,696,487, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. **(See Figure A-6)** This represents a net decrease of 6.48% from the prior year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$256,051.

The original cost of the District's capital assets was \$6,363,932. Governmental funds account for \$6,311,848, with the remainder of \$52,084 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 \$99,583 at June 30, 2015 as compared to \$123,485 at June 30, 2014, due primarily to depreciation expense applied 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,
	2015	2014	2015	2014	2015	2014	2014-15
Land	\$ 10,100	10,100	-	-	10,100	10,100	0.00%
Buildings	2,548,139	2,712,168	-	-	2,548,139	2,712,168	-6.44%
Land improvements	38,665	37,666	-	-	38,665	37,666	2.58%
Machinery and equipment	80,190	105,033	19,393	18,452	99,583	123,485	-24.00%
Total	<u>\$ 2,677,094</u>	<u>2,864,967</u>	<u>19,393</u>	<u>18,452</u>	<u>2,696,487</u>	<u>2,883,419</u>	<u>-6.48%</u>

---

## Long-Term Debt

At June 30, 2015, the District had \$2,815,667 in revenue bonds payable, and other long-term debt outstanding. This represents an increase of 71.57% 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 outstanding revenue bonded indebtedness of \$965,000 at June 30, 2015, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had total net pension liability of \$1,165,701 at June 30, 2015. Of this amount, governmental activities accounted for \$1,146,117 and business type activities accounted for \$19,584.

The District had total net OPEB liability of \$684,966 at June 30, 2015. Governmental activities accounted for \$672,020 and business type activities accounted for \$12,946 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		2014		2014		2014-15
	2015	(Not Restated)	2015	(Not Restated)	2015	(Not Restated)	2014-15
Revenue bonds	\$ 965,000	1,065,000	-	-	965,000	1,065,000	-9.39%
Termination benefits	-	8,278	-	-	-	8,278	-100.00%
Net pension liability	1,146,117	-	19,584	-	1,165,701	-	100.00%
Net OPEB liability	672,020	557,112	12,946	10,732	684,966	567,844	20.63%
Total	\$ 2,783,137	1,630,390	32,530	10,732	2,815,667	1,641,122	71.57%

## 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 number one thing affecting CAL is declining enrollment.
- The low percent of allowable growth rate from the state does not give CAL enough to pay for operating expense.

## 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 Heiden, District Secretary, CAL Community School District, 1441 Gull Avenue, Latimer, IA.

**CAL COMMUNITY SCHOOL DISTRICT**

## **BASIC FINANCIAL STATEMENTS**

CAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,309,281	63,586	1,372,867
Receivables:			
Property tax:			
Delinquent	13,818	-	13,818
Succeeding year	1,447,088	-	1,447,088
Income surtax	161,497	14	161,511
Accounts	1,296	7,687	8,983
Due from other governments	151,173	-	151,173
Inventories	-	7,488	7,488
Capital assets, net of accumulated depreciation	2,677,094	19,393	2,696,487
<b>Total assets</b>	<b>5,761,247</b>	<b>98,168</b>	<b>5,859,415</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	331,258	5,864	337,122
<b>Liabilities</b>			
Accounts payable	147,699	4,592	152,291
Salaries and benefits payable	352,989	3,042	356,031
Advances from grantors	1,281	-	1,281
Accrued interest payable	13,635	-	13,635
Long-term liabilities:			
Portion due within one year:			
Revenue bonds	110,000	-	110,000
Portion due after one year:			
Revenue bonds	855,000	-	855,000
Net pension liability	1,146,117	19,584	1,165,701
Net OPEB liability	672,020	12,946	684,966
<b>Total liabilities</b>	<b>3,298,741</b>	<b>40,164</b>	<b>3,338,905</b>
<b>Deferred Inflows of Resources</b>			
Pension related deferred inflows	437,096	7,469	444,565
Unavailable property tax revenue	1,447,088	-	1,447,088
<b>Total deferred inflows of resources</b>	<b>1,884,184</b>	<b>7,469</b>	<b>1,891,653</b>
<b>Net Position</b>			
Net investment in capital assets	1,712,094	19,393	1,731,487
Restricted for:			
Categorical funding	60,071	-	60,071
Debt service	234,757	-	234,757
Management levy purposes	215,794	-	215,794
Student activities	68,292	-	68,292
School infrastructure	265,939	-	265,939
Physical plant and equipment	381,973	-	381,973
Unrestricted	(2,029,340)	37,006	(1,992,334)
<b>Total net position</b>	<b>\$ 909,580</b>	<b>56,399</b>	<b>965,979</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

	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
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 1,291,772	139,970	26,375	(1,125,427)	-	(1,125,427)
Special	631,729	58,293	122,942	(450,494)	-	(450,494)
Other	867,427	116,083	178,527	(572,817)	-	(572,817)
	<u>2,790,928</u>	<u>314,346</u>	<u>327,844</u>	<u>(2,148,738)</u>	<u>-</u>	<u>(2,148,738)</u>
Support services:						
Student	16,541	-	-	(16,541)	-	(16,541)
Instructional staff	179,944	-	-	(179,944)	-	(179,944)
Administration	389,063	-	-	(389,063)	-	(389,063)
Operation and maintenance of plant	423,730	-	-	(423,730)	-	(423,730)
Transportation	177,324	1,009	6,224	(170,091)	-	(170,091)
	<u>1,186,602</u>	<u>1,009</u>	<u>6,224</u>	<u>(1,179,369)</u>	<u>-</u>	<u>(1,179,369)</u>
Long-term debt interest	28,020	-	-	(28,020)	-	(28,020)
Other expenditures:						
AEA flowthrough	122,022	-	122,022	-	-	-
Depreciation(unallocated)*	198,167	-	-	(198,167)	-	(198,167)
	<u>320,189</u>	<u>-</u>	<u>122,022</u>	<u>(198,167)</u>	<u>-</u>	<u>(198,167)</u>
Total governmental activities	<u>4,325,739</u>	<u>315,355</u>	<u>456,090</u>	<u>(3,554,294)</u>	<u>-</u>	<u>(3,554,294)</u>
Business type activities:						
Non-instructional programs:						
Food service operations	145,036	44,518	125,338	-	24,820	24,820
Total	<u>\$ 4,470,775</u>	<u>359,873</u>	<u>581,428</u>	<u>(3,554,294)</u>	<u>24,820</u>	<u>(3,529,474)</u>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 1,414,573	-	1,414,573
Capital outlay				72,150	-	72,150
Income surtax				156,899	-	156,899
Statewide sales, services and use tax				250,511	-	250,511
Unrestricted state grants				1,470,924	-	1,470,924
Unrestricted investment earnings				2,454	-	2,454
Other general revenues				35,162	-	35,162
Total general revenues				<u>3,402,673</u>	<u>-</u>	<u>3,402,673</u>
Change in net position				(151,621)	24,820	(126,801)
Net position beginning of year, as restated				1,061,201	31,579	1,092,780
Net position end of year				<u>\$ 909,580</u>	<u>56,399</u>	<u>965,979</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, 2015

	General	Capital Projects	Nonmajor	Total
<b>Assets</b>				
Cash and pooled investments	\$ 166,085	735,582	407,614	1,309,281
Receivables:				
Property tax:				
Delinquent	12,204	669	945	13,818
Succeeding year	1,437,893	9,195	-	1,447,088
Income surtax	107,665	53,832	-	161,497
Accounts	250	-	1,046	1,296
Due from other governments	112,282	38,891	-	151,173
<b>Total assets</b>	<b>\$ 1,836,379</b>	<b>838,169</b>	<b>409,605</b>	<b>3,084,153</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 143,342	3,230	1,127	147,699
Salaries and benefits payable	352,989	-	-	352,989
Advances from grantors	1,281	-	-	1,281
Total liabilities	497,612	3,230	1,127	501,969
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,437,893	9,195	-	1,447,088
Income surtax	107,665	53,832	-	161,497
Total deferred inflows of resources	1,545,558	63,027	-	1,608,585
Fund balances:				
Restricted for:				
Categorical funding	60,071	-	-	60,071
Debt service	-	124,000	124,392	248,392
Management levy purposes	-	-	215,794	215,794
Student activities	-	-	68,292	68,292
School infrastructure	-	265,939	-	265,939
Physical plant and equipment	-	381,973	-	381,973
Unassigned	(266,862)	-	-	(266,862)
Total fund balances	(206,791)	771,912	408,478	973,599
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,836,379</b>	<b>838,169</b>	<b>409,605</b>	<b>3,084,153</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CAL COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2015

<b>Total fund balances of governmental funds(page 20)</b>		<b>\$ 973,599</b>
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		2,677,094
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the government funds.		(13,635)
Accounts receivable income surtax are not yet available to finance expenditures of the current year and, therefore, are recognized as deferred inflows of resources in the governmental funds.		161,497
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 331,258	
Deferred inflows of resources	<u>(437,096)</u>	(105,838)
Long-term liabilities, including revenue bonds payable, net pension liability and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(2,783,137)</u>
<b>Net position of governmental activities(page 18)</b>		<b><u><u>\$ 909,580</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

CAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 1,400,161	115,768	101,647	1,617,576
Tuition	149,774	-	-	149,774
Other	99,475	1,218	121,079	221,772
State sources	1,654,946	250,511	-	1,905,457
Federal sources	253,493	-	-	253,493
Total revenues	<u>3,557,849</u>	<u>367,497</u>	<u>222,726</u>	<u>4,148,072</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,268,952	-	1,052	1,270,004
Special	631,526	-	-	631,526
Other	755,786	-	111,042	866,828
	<u>2,656,264</u>	<u>-</u>	<u>112,094</u>	<u>2,768,358</u>
Support services:				
Student	16,541	-	-	16,541
Instructional staff	160,556	-	20,366	180,922
Administration	352,870	11,204	8,986	373,060
Operation and maintenance of plant	227,931	42,454	90,023	360,408
Transportation	151,020	-	17,017	168,037
	<u>908,918</u>	<u>53,658</u>	<u>136,392</u>	<u>1,098,968</u>
Capital outlay	-	90,428	-	90,428
Long-term debt:				
Principal	-	-	100,000	100,000
Interest and fiscal charges	-	-	28,820	28,820
	<u>-</u>	<u>-</u>	<u>128,820</u>	<u>128,820</u>
Other expenditures:				
AEA flowthrough	122,022	-	-	122,022
Total expenditures	<u>3,687,204</u>	<u>144,086</u>	<u>377,306</u>	<u>4,208,596</u>
Excess(Deficiency) of revenues over(under) expenditures	(129,355)	223,411	(154,580)	(60,524)
Other financing sources(uses):				
Transfer in	-	-	138,759	138,759
Transfer out	-	(138,759)	-	(138,759)
Issurance proceeds	4,686	-	-	4,686
Total other financing sources(uses)	<u>4,686</u>	<u>(138,759)</u>	<u>138,759</u>	<u>4,686</u>
Change in fund balances	(124,669)	84,652	(15,821)	(55,838)
Fund balances beginning of year	(82,122)	687,260	424,299	1,029,437
Fund balances end of year	<u>\$ (206,791)</u>	<u>771,912</u>	<u>408,478</u>	<u>973,599</u>

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, 2015

**Change in fund balances - total governmental funds(page 22)** \$ (55,838)

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

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

Capital outlay	\$ 65,320	
Depreciation expense	(252,663)	
Loss on disposal of assets	<u>(530)</u>	(187,873)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 100,000

Income surtax receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 26,046

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 800

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 178,591

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	8,287	
Pension expense	(106,726)	
Other postemployment benefits	<u>(114,908)</u>	<u>(213,347)</u>

**Change in net position of governmental activities(page 19)** (151,621)

SEE NOTES TO FINANCIAL STATEMENTS.

CAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2015

	Enterprise, School Nutrition
<b>Assets</b>	
Current assets:	
Cash and pooled investments	\$ 63,586
Accounts receivable	14
Due from other governments	7,687
Inventories	7,488
	78,775
Noncurrent assets:	
Capital assets, net of accumulated depreciation	19,393
<b>Total assets</b>	<b>98,168</b>
 <b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	5,864
 <b>Liabilities</b>	
Current liabilities:	
Accounts payable	4,592
Salaries and benefits payable	3,042
	7,634
Noncurrent liabilities:	
Net pension liability	19,584
Net OPEB liability	12,946
	32,530
<b>Total liabilities</b>	<b>40,164</b>
 <b>Deferred Inflows of Resources</b>	
Pension related deferred inflows	7,469
 <b>Net Position</b>	
Net investment in capital assets	19,393
Unrestricted	37,006
<b>Total net position</b>	<b>\$ 56,399</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CAL COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2015

	Enterprise, School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 44,518
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	37,769
Benefits	14,543
Services	1,218
Supplies	88,118
Depreciation	3,388
Total operating expenses	145,036
Operating loss	(100,518)
Non-operating revenues:	
State sources	1,353
Federal sources	123,985
Total non-operating revenues	125,338
Change in net position	24,820
Net position beginning of year, as restated	31,579
Net position end of year	\$ 56,399

SEE NOTES TO FINANCIAL STATEMENTS.

CAL COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2015

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 44,984
Cash payments to employees for services	(50,257)
Cash payments to suppliers for goods or services	(86,149)
Net cash used in operating activities	(91,422)
Cash flows from non-capital financing activities:	
State grants received	1,353
Federal grants received	112,635
Net cash provided by non-capital financing activities	113,988
Cash flows from capital financing activities:	
Acquisition of assets	(4,329)
Net increase in cash and pooled investments	18,237
Cash and pooled investments beginning of year	45,349
Cash and pooled investments end of year	\$ 63,586
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (100,518)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	10,577
Depreciation	3,388
Increase in inventories	(3,010)
Decrease in accounts receivable	466
Decrease in accounts payable	(4,380)
Increase in salaries and benefits payable	1,272
Decrease in net pension liability	(5,922)
Increase in deferred outflows of resources	(2,978)
Increase in deferred inflows of resources	7,469
Increase in other postemployment benefits	2,214
Net cash used in operating activities	\$ (91,422)

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

During the year ended June 30, 2015, the District received \$10,577 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

CAL COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**(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 and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any 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 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity**

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

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	\$ -
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
Buildings	50 years
Land improvements	20-50 years
Intangibles	5-10 years
Machinery and equipment	5-15 years

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

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

Advances from Grantors - Advances from grantors consist of 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.

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

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

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 and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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

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

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.

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

The District's deposits at June 30, 2015 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, 2015, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$985 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) Capital Assets

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 10,100	-	-	10,100
Total capital assets not being depreciated	10,100	-	-	10,100
Capital assets being depreciated:				
Buildings	4,290,853	22,000	-	4,312,853
Land improvements	267,228	13,137	-	280,365
Machinery and equipment	1,684,392	30,183	6,045	1,708,530
Total capital assets being depreciated	6,242,473	65,320	6,045	6,301,748
Less accumulated depreciation for:				
Buildings	1,578,685	186,029	-	1,764,714
Land improvements	229,562	12,138	-	241,700
Machinery and equipment	1,579,359	54,496	5,515	1,628,340
Total accumulated depreciation	3,387,606	252,663	5,515	3,634,754
Total capital assets being depreciated, net	2,854,867	(187,343)	530	2,666,994
Governmental activities capital assets, net	\$ 2,864,967	(187,343)	530	2,677,094
<b>Business type activities:</b>				
Machinery and equipment	\$ 51,085	4,329	3,330	52,084
Less accumulated depreciation	32,633	3,388	3,330	32,691
Business type activities capital assets, net	\$ 18,452	941	-	19,393

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 30,079
Other	2,963
Support services:	
Instructional staff	2,837
Administration	1,119
Operation and maintenance of plant	6,662
Transportation	10,836
	54,496
Unallocated depreciation	198,167
Total governmental activities depreciation expense	\$ 252,663
Business type activities:	
Food service operations	\$ 3,388

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 138,759</u>

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 bond indebtedness.

**(5) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year, Restated	Additions	Reduction	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
Revenue bonds	\$ 1,065,000	-	100,000	965,000	110,000
Termination benefits	8,278	-	8,278	-	-
Net pension liability	1,492,690	-	346,573	1,146,117	-
Net OPEB liability	557,112	114,908	-	672,020	-
Total	<u>\$ 3,123,080</u>	<u>114,908</u>	<u>454,851</u>	<u>2,783,137</u>	<u>110,000</u>
<b>Business type activities</b>					
Net pension liability	\$ 25,506	-	5,922	19,584	-
Net OPEB liability	10,732	2,214	-	12,946	-
Total	<u>\$ 36,238</u>	<u>2,214</u>	<u>5,922</u>	<u>32,530</u>	<u>-</u>

**Revenue Bonds**

Details of the District’s June 30, 2015 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
2016	1.80%	\$ 110,000	26,280	136,280
2017	2.10	110,000	24,135	134,135
2018	2.50	115,000	21,542	136,542
2019	2.80	120,000	18,425	138,425
2020	3.00	120,000	14,945	134,945
2021-2023	3.20-3.50	390,000	20,443	410,443
Total		<u>\$ 965,000</u>	<u>125,770</u>	<u>1,090,770</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

approximately 54% of the statewide sales, services and use tax revenues. Total principal and interest remaining to be paid on the bonds is \$1,090,770. For the current year \$100,000 of principal and \$28,070 of interest was paid on the bonds and total statewide sales, services and use tax was \$250,511.

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.

## **(6) Pension Plan**

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

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

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

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

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

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

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

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$181,846.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$1,165,701 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.028803 percent, which was an increase of 0.001990 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$108,550. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 12,669	\$ -
Changes of assumptions	51,445	-
Net difference between projected and actual earnings on pension plan investments	-	444,565
Changes in proportion and differences between District contributions and proportionate share of contributions	91,162	-
District contributions subsequent to the measurement date	181,846	-
<b>Total</b>	<b>\$ 337,122</b>	<b>\$ 444,565</b>

\$181,846 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
<u>June 30,</u>	
2016	\$ (74,862)
2017	(74,862)
2018	(74,862)
2019	(74,862)
2020	<u>10,159</u>
	<u><u>\$ (289,289)</u></u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	<u>1</u>	(0.69)
Total	<u><u>100%</u></u>	

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 2,202,560	\$ 1,165,701	\$ 290,485

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

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$23,780 for legally required employer contributions and \$15,845 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**(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. Retired 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, 2015, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 190,614
Interest on net OPEB obligation	14,196
Adjustment to annual required contribution	<u>(52,337)</u>
Annual OPEB cost	152,473
Contributions made	<u>(35,351)</u>
Increase in net OPEB obligation	117,122
Net OPEB obligation beginning of year	<u>567,844</u>
Net OPEB obligation end of year	<u><u>\$ 684,966</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, 2015.

For the ended June 30, 2015, the District contributed \$35,351 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
2013	\$ 170,613	28.0%	\$ 459,981
2014	157,293	31.4	567,844
2015	152,473	23.2	684,966

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$792,263, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$792,263. The covered payroll (annual payroll of active employees covered by the plan) was \$1,737,277 and the ratio of UAAL to covered payroll was 45.6%. As of June 30, 2015 there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of 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, 2015 were \$348,431.

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 \$122,022 for the year ended June 30, 2015 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 contract to lease copiers in May 2011. The operating lease requires minimum monthly payments of \$1,117 and runs through May 2016.

**(11) Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program	Amount
Home school assistance program	\$ 5,841
Returning dropouts and dropout prevention programs	21,960
Beginning teacher mentoring and induction program	1,476
Professional development for model core curriculum	16,853
Professional development	13,941
Total	\$ 60,071

**(12) Deficit Fund Balance/Net Position**

At June 30, 2015, the District had a deficit unassigned fund balance of \$266,862 and a deficit total fund balance of \$206,791 in the General Fund. The District also had deficit unrestricted net position of \$2,029,340 in the Governmental Activities.

**(13) 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	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	248,392	(266,862)
Capital assets, net of accumulated depreciation	2,677,094	-	-
Revenue bond capitalized indebtedness	(965,000)	-	-
Accrued interest payable	-	(13,635)	-
Income surtax	-	-	161,497
Pension related deferred outflows	-	-	331,258
Net pension liability	-	-	(1,146,117)
Net OPEB liability	-	-	(672,020)
Pension related deferred Inflows	-	-	(437,096)
Net position (Exhibit A)	\$ 1,712,094	234,757	(2,029,340)

**(14) Accounting Change/Restatement Note**

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 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, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities
Net position June 30, 2014, as previously reported	\$ 2,385,021	\$ 54,199
Net pension liability at June 30, 2014	(1,492,690)	(25,506)
Deferred outflows of resources related to the contributions made after the June 30, 2013 measurement date	168,870	2,886
Net position July 1, 2014, as restated	\$ 1,061,201	\$ 31,579

**REQUIRED SUPPLEMENTARY INFORMATION**

CAL COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND  
 CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUND  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2015

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 1,989,122	44,518	2,033,640	2,229,910	2,229,910	(196,270)
State sources	1,905,457	1,353	1,906,810	1,654,592	1,654,592	252,218
Federal sources	253,493	123,985	377,478	263,547	263,547	113,931
Total revenues	<u>4,148,072</u>	<u>169,856</u>	<u>4,317,928</u>	<u>4,148,049</u>	<u>4,148,049</u>	<u>169,879</u>
Expenditures/expenses:						
Instruction	2,768,358	-	2,768,358	2,835,000	3,025,000	256,642
Support services	1,098,968	-	1,098,968	1,249,000	1,389,000	290,032
Non-instructional programs	-	145,036	145,036	170,000	250,000	104,964
Other expenditures	341,270	-	341,270	408,153	612,000	270,730
Total expenditures/expenses	<u>4,208,596</u>	<u>145,036</u>	<u>4,353,632</u>	<u>4,662,153</u>	<u>5,276,000</u>	<u>922,368</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(60,524)	24,820	(35,704)	(514,104)	(1,127,951)	1,092,247
Other financing sources, net	<u>4,686</u>	<u>-</u>	<u>4,686</u>	<u>-</u>	<u>-</u>	<u>4,686</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(55,838)	24,820	(31,018)	(514,104)	(1,127,951)	1,096,933
Balances beginning of year, as restated	<u>1,029,437</u>	<u>31,579</u>	<u>1,061,016</u>	<u>903,427</u>	<u>903,427</u>	<u>157,589</u>
Balances end of year	<u>\$ 973,599</u>	<u>56,399</u>	<u>1,029,998</u>	<u>389,323</u>	<u>(224,524)</u>	<u>1,254,522</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CAL COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2015

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 \$613,847.

CAL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 LAST FISCAL YEAR\*  
 REQUIRED SUPPLEMENTARY INFORMATION

	2015
District's proportion of the net pension liability	0.028803%
District's proportionate share of the net pension liability	\$ 1,165,701
District's covered-employee payroll	\$ 2,036,354
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	57.24%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amount presented for each fiscal year were determined as of June 30.

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST 10 FISCAL YEARS  
REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 181,846	171,756	151,529	142,557	116,550	115,016	105,979	102,845	95,232	89,273
Contributions in relation to the statutorily required contribution	(181,846)	(171,756)	(151,529)	(142,557)	(116,550)	(115,016)	(105,979)	(102,845)	(95,232)	(89,273)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 2,036,354	1,923,359	1,747,739	1,766,506	1,676,978	1,654,906	1,668,961	1,699,917	1,656,209	1,552,574
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CAL COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

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

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

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

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

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

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

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

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

CAL COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

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
2015	July 1, 2012	-	792,263	792,263	0.0	1,737,277	45.6

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, 2015

	Special Revenue			Debt Service	Total
	Student Activity	Management Levy	Total		
<b>Assets</b>					
Cash and pooled investments	\$ 68,373	214,849	283,222	124,392	407,614
Receivables:					
Property tax:					
Delinquent	-	945	945	-	945
Accounts	1,046	-	1,046	-	1,046
<b>Total assets</b>	<b>\$ 69,419</b>	<b>215,794</b>	<b>285,213</b>	<b>124,392</b>	<b>409,605</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 1,127	-	1,127	-	1,127
Deferred inflows of resources	-	-	-	-	-
Fund balances:					
Restricted for:					
Debt service	-	-	-	124,392	124,392
Management levy purposes	-	215,794	215,794	-	215,794
Student activities	68,292	-	68,292	-	68,292
Total fund balances	68,292	215,794	284,086	124,392	408,478
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 69,419</b>	<b>215,794</b>	<b>285,213</b>	<b>124,392</b>	<b>409,605</b>

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, 2015

	Special Revenue			Debt Service	Total
	Student Activity	Management Levy	Total		
Revenues:					
Local sources:					
Local tax	\$ -	101,647	101,647	-	101,647
Other	101,077	19,990	121,067	12	121,079
Total revenues	101,077	121,637	222,714	12	222,726
Expenditures:					
Current:					
Instruction:					
Regular	-	1,052	1,052	-	1,052
Other	111,042	-	111,042	-	111,042
Support services:					
Instructional staff	-	20,366	20,366	-	20,366
Administration	-	8,986	8,986	-	8,986
Operation and maintenance of plant	-	90,023	90,023	-	90,023
Transportation	-	17,017	17,017	-	17,017
Long-term debt:					
Principal	-	-	-	100,000	100,000
Interest and fiscal charges	-	-	-	28,820	28,820
Total expenditures	111,042	137,444	248,486	128,820	377,306
Deficiency of revenues under expenditures	(9,965)	(15,807)	(25,772)	(128,808)	(154,580)
Other financing sources:					
Transfer in	-	-	-	138,759	138,759
Change in fund balances	(9,965)	(15,807)	(25,772)	9,951	(15,821)
Fund balances beginning of year	78,257	231,601	309,858	114,441	424,299
Fund balances end of year	\$ 68,292	215,794	284,086	124,392	408,478

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CAL COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 353,255	382,327	735,582
Receivables:			
Property tax:			
Delinquent	-	669	669
Succeeding year	-	9,195	9,195
Income surtax	-	53,832	53,832
Due from other governments	38,891	-	38,891
<b>Total assets</b>	<b>\$ 392,146</b>	<b>446,023</b>	<b>838,169</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 2,207	1,023	3,230
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	9,195	9,195
Income surtax	-	53,832	53,832
Total deferred inflows of resources	-	63,027	63,027
Fund balances:			
Restricted for:			
Debt service	124,000	-	124,000
School infrastructure	265,939	-	265,939
Physical plant and equipment	-	381,973	381,973
Total fund balances	389,939	381,973	771,912
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 392,146</b>	<b>446,023</b>	<b>838,169</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CAL COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	115,768	115,768
Other	482	736	1,218
State sources	250,511	-	250,511
Total revenues	<u>250,993</u>	<u>116,504</u>	<u>367,497</u>
Expenditures:			
Current:			
Support services:			
Administration	-	11,204	11,204
Operation and maintenance of plant	-	42,454	42,454
Capital outlay	75,013	15,415	90,428
Total expenditures	<u>75,013</u>	<u>69,073</u>	<u>144,086</u>
Excess of revenues over expenditures	175,980	47,431	223,411
Other financing uses:			
Transfer out	<u>(138,759)</u>	-	<u>(138,759)</u>
Change in fund balances	37,221	47,431	84,652
Fund balances beginning of year	<u>352,718</u>	<u>334,542</u>	<u>687,260</u>
Fund balances end of year	<u>\$ 389,939</u>	<u>381,973</u>	<u>771,912</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CAL COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2015

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund Transfers	Balance End of Year
Drama	\$ 340	-	192	-	148
Vocal music	-	2,750	3,325	575	-
Instrumental music	-	575	1,432	857	-
Boys basketball	2,042	1,990	1,948	-	2,084
Football	-	4,751	9,100	4,349	-
Boys soccer	14,882	1,368	1,498	(14,645)	107
Baseball	-	1,359	2,414	1,433	378
Boys track	-	-	572	572	-
Girls basketball	229	3,107	2,849	-	487
Volleyball	774	4,044	3,597	-	1,221
Girls soccer	-	1,803	2,797	994	-
Softball	-	1,665	1,455	142	352
Girls track	-	-	727	727	-
Start cash	-	-	350	350	-
Yearbook	-	3,660	3,153	-	507
Activity ticket	-	3,168	3,729	1,184	623
FFA	37,602	38,355	44,422	-	31,535
Cheerleaders	-	4,502	3,879	-	623
National honor society	-	309	730	421	-
District football	-	162	-	-	162
DC trip	8	200	-	-	208
Spanish club	106	411	411	-	106
Student council	-	4,216	3,564	-	652
Class of 2012	657	-	-	(657)	-
Class of 2014	-	22	118	97	1
Class of 2015	874	-	1,731	1,000	143
Class of 2016	1,453	323	1,850	1,200	1,126
Class of 2017	734	689	336	-	1,087
Class of 2018	3,097	-	-	-	3,097
Class of 2019	645	1,444	856	-	1,233
Class of 2020	-	1,409	830	657	1,236
Class of 2021	-	1,646	991	-	655
HS activity	-	150	649	499	-
Elementary activity	1,414	200	454	454	1,614
MS activity	1,247	1,135	975	-	1,407
Instrument rental	1,053	450	-	-	1,503
Greenhouse	714	1,133	3,770	1,923	-
Concessions	7,420	11,646	5,867	(2,200)	10,999
Miscellaneous	1,000	-	-	-	1,000
Music resale	-	403	471	68	-
Art resale	190	-	-	-	190
Manufacturing resale	1,345	52	-	-	1,397
Special olympics	431	-	-	-	431
Book fund	-	1,980	-	-	1,980
Total	\$ 78,257	101,077	111,042	-	68,292

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis									
	Years Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 1,617,576	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
Tuition	149,774	114,667	86,017	107,970	98,996	90,711	119,910	219,712	224,027	228,663
Other	221,772	381,036	280,564	214,392	229,015	211,931	137,568	259,318	239,255	262,003
State sources	1,905,457	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
Federal sources	253,493	260,432	158,702	86,404	195,179	307,179	153,737	96,379	298,219	96,766
<b>Total</b>	<b>\$ 4,148,072</b>	<b>4,249,519</b>	<b>3,881,549</b>	<b>3,635,850</b>	<b>3,561,835</b>	<b>3,346,948</b>	<b>3,353,183</b>	<b>3,391,739</b>	<b>3,374,472</b>	<b>2,979,979</b>
Expenditures:										
Current:										
Instruction:										
Regular	\$ 1,270,004	1,302,507	1,314,023	1,651,359	2,389,024*	2,378,765*	2,175,182*	2,142,828*	2,079,515*	1,972,150*
Special	631,526	604,177	743,515	601,647	-	-	-	-	-	-
Other	866,828	946,614	617,410	262,190	-	-	-	-	-	-
Support services:										
Student	16,541	18,362	4,189	1,047	1,408	3,218	692	2,214	1,637	10,827
Instructional staff	180,922	165,330	152,377	162,179	76,134	66,954	93,136	112,243	109,281	80,510
Administration	373,060	355,988	329,003	331,348	299,008	262,378	260,840	249,906	256,407	251,455
Operation and maintenance										
of plant	360,408	402,341	257,090	252,425	271,267	213,080	243,953	262,851	285,521	276,391
Transportation	168,037	177,599	163,270	199,892	234,704	179,920	156,471	181,306	130,680	131,514
Capital outlay	90,428	116,648	193,173	874,880	725,512	310,757	225,946	89,103	407,193	336,595
Long-term debt:										
Principal	100,000	100,000	75,000	-	-	-	-	84,835	70,165	-
Interest and fiscal charges	28,820	31,070	32,220	33,768	-	-	-	3,427	7,335	-
Other expenditures:										
AEA flow-through	122,022	120,236	115,323	113,170	123,963	123,551	103,615	101,928	82,702	82,702
<b>Total</b>	<b>\$ 4,208,596</b>	<b>4,340,872</b>	<b>3,996,593</b>	<b>4,483,905</b>	<b>4,121,020</b>	<b>3,538,623</b>	<b>3,259,835</b>	<b>3,230,641</b>	<b>3,430,436</b>	<b>3,142,144</b>

\* Unable to breakout instruction expenditures prior to 2012 due to lack of information.

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  
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, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 28, 2016.

**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-15 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-15 through I-D-15 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, 2015 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.

March 28, 2016

Newton, Iowa

CAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-15 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 - The district does acknowledge and appreciate this issue, and will do the best they can to watch this practice with the limited number of staff members they have working in the offices.

Conclusion - Response accepted.

I-B-15 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 - Amanda has contacted these groups personally and by mail. We will revisit during the year to be sure that they have indeed taken care of these accounts.

Conclusion - Response accepted.

I-C-15 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 - We will work on devising a plan that will correct this practice.

Conclusion - Response accepted.

I-D-15 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 wages 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 - The District is working with the coaching staff to correct this process.

Conclusion - Response accepted.

**OTHER MATTERS:**

I-E-15 Deficit Lunch Account Balances - During our audit we noted multiple negative student lunch account balances on the Districts financial statements at June 30, 2015. 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 - The District will work on collecting these balances.

Conclusion - Response accepted.

CAL COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2015

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

II-A-15 Certified Budget - District expenditures for the year ended June 30, 2015, did not exceed the amounts budgeted.

II-B-15 Questionable Disbursements - We noted during our audit a disbursement for prizes to be awarded to students who were top sellers in a magazine fundraiser. Giving prizes to students for being top sellers does not appear to meet public purpose as defined in an 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 to be in compliance with Attorney General's opinion dated April 25, 1979.

Response - The District has visited with the groups to let them know this is not a practice we can continue.

Conclusion - Response accepted.

II-C-15 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-15 Business Transactions - Business transactions between the District and District officials were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Steve Muhleneruch, Board President Manager at Farmer's Cooperative	Fuel	\$ 29,812
Sarah Debour, Teacher Father-in-law owns Debour Electric	Services	\$ 1,255

In accordance with Chapter 279.7A of the Code of Iowa the above transactions with the Board President do not appear to represent a conflict of interest as he does not own the Farmer's Cooperative and the fuel contract was competitively bid.

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

II-E-15 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-15 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

- II-G-15 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-15 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-15 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-15 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-15 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-15 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the following information includes the amounts the District reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2015 audit:

Beginning balance		\$ 352,718
Revenues:		
Sales tax revenues	\$ 250,511	
Other local revenues	482	250,993
		<u>603,711</u>
Expenditures:		
Equipment	51,569	
Other	23,444	
Transfers to other funds:		
Debt service	138,759	213,772
		<u>213,772</u>
Ending balance		<u><u>\$ 389,939</u></u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- II-M-15 Financial Condition - The District's governmental activities had deficit unrestricted net position of \$2,029,340 at June 30, 2015. The primary reason for this deficit net position is due to the implementation of GASB Statements No. 68 and No. 71 during the year. The District's General Fund had deficit unassigned fund balance of \$266,862 and deficit total fund balance of \$206,791 at June 30, 2015.

Recommendation - The District should take steps to ensure the District's administration and Board of Education understand this accounting change/restatement and how GASB

Statements No. 68 and 71 will affect the District's financials moving forward. The District should continue to monitor the Student Activity Fund account and investigate alternatives to eliminate the deficit fund balance.

Response - The deficit in the governmental activities is due to the booking of net pension liability. The District will take steps to further the District's administration and Board of Education understanding of the accounting change and how GASB Statements No. 68 and 71 will affect the District's financials in the future. We will continue to monitor the General Fund balance and investigate alternatives to eliminate the deficits.

Conclusion - Response accepted.

II-N-15 Student Activity - During our audit concerns arose about the propriety of certain receipts, expenditures and accounts within the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity Fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sale of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the co-curricular program defined in the department of education administrative rules (298A.8). More detailed examples of our findings are as follows:

**Inactive Accounts:** Noted a Special Olympics account in the Student Activity Fund that is carrying a balance with no activity for the past two years.

Recommendation - The District should evaluate the Special Olympic account to determine if the club is still in existence or if the money should be reallocated within the Student Activity Fund per the Board of Directors guidance.

Response - The District is working on their chart of accounts, and their student accounts to determine how to correct this issue.

Conclusion - Response accepted.

**Old Class Accounts:** We noted during our audit the Student Activity Fund has an old graduated class account from 2014, with the balance still on the District's books as of June 30, 2015.

Recommendation - Class officers of the graduating class should decide what happens with unused class funds before year end. Any remaining moneys in prior year's graduating class accounts should be reclassified within the Student Activity Fund per the District's Board of Directors guidance.

Response - The District is working on their chart of accounts, and their student accounts to determine how to correct this issue.

Conclusion - Response accepted.

**Questioned Accounts:** We noted during our audit the District is maintaining an Art Resale account, a Manufacturing Resale account, an Instrumental Rental account, a Book Fund account and a Miscellaneous account within the Student Activity Fund. These accounts do not appear to be student run organizations and do not appear to be extracurricular in nature.

Recommendation - The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. The accounts mentioned above appear to be more administratively maintained in nature, rather than maintained by a club or organization and would appear to be more appropriately accounted for in the District's General Fund.

Response - The District is working on their chart of accounts, and their student accounts to determine how to correct this issue.

Conclusion - Response accepted.

**Rent Revenue:** We noted during our audit that the District received money for hosting district and regional events and those revenues were receipted into the Student Activity Fund.

Recommendation - Chapter 297.10 of the Code of Iowa requires rent to be receipted into the General Fund. The District should receipt rent collected for facility usage from hosting district and regional events into the General Fund.

Response - The District is working on their chart of accounts, and their student accounts to determine how to correct this issue.

Conclusion - Response accepted.