

CAL COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2016

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CAL Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2015 Election)		
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
(After September 2015 Election)		
Mitch Vanness	President	2017
Austin Elling	Vice President	2017
Rob Peil	Board Member	2019
Todd Mensing	Board Member (Resigned November 2015)	2017
Jacob McNutt	Board Member (Appointed November 2015)	2017
Cathy Carlson	Board Member	2019
School Officials		
Steve Lane	Superintendent	2016
Amanda Heiden	District Secretary	2016
Marlys Pralle	District Treasurer	2016
Lisa Lewis	Business Manager	2016
Heiny, McManigal, Duffy, Stambaugh & Anderson P.L.C.	Attorney	2016

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

INDEPENDENT AUDITOR'S REPORT

**To the Board of Education of
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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of the District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 47 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 two years ended June 30, 2015 (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 seven 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 May 9, 2017, 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, somewhat stylized font.

NOLTE, CORNMAN & JOHNSON, P.C.

May 9, 2017
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, 2016. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,562,535 in fiscal year 2015 to \$3,700,620 in fiscal year 2016, and General Fund expenditures decreased from \$3,687,204 in fiscal year 2015 to \$3,681,569 in fiscal year 2016. This resulted in an increase in the District's General Fund balance from a deficit \$206,791 at June 30, 2015 to a deficit \$187,740, at June 30, 2016, a 9.21% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in local tax revenue and tuition received in fiscal year 2016 compared to fiscal year 2015. The decrease in expenditures was due primarily to a decrease 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 custodian 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.

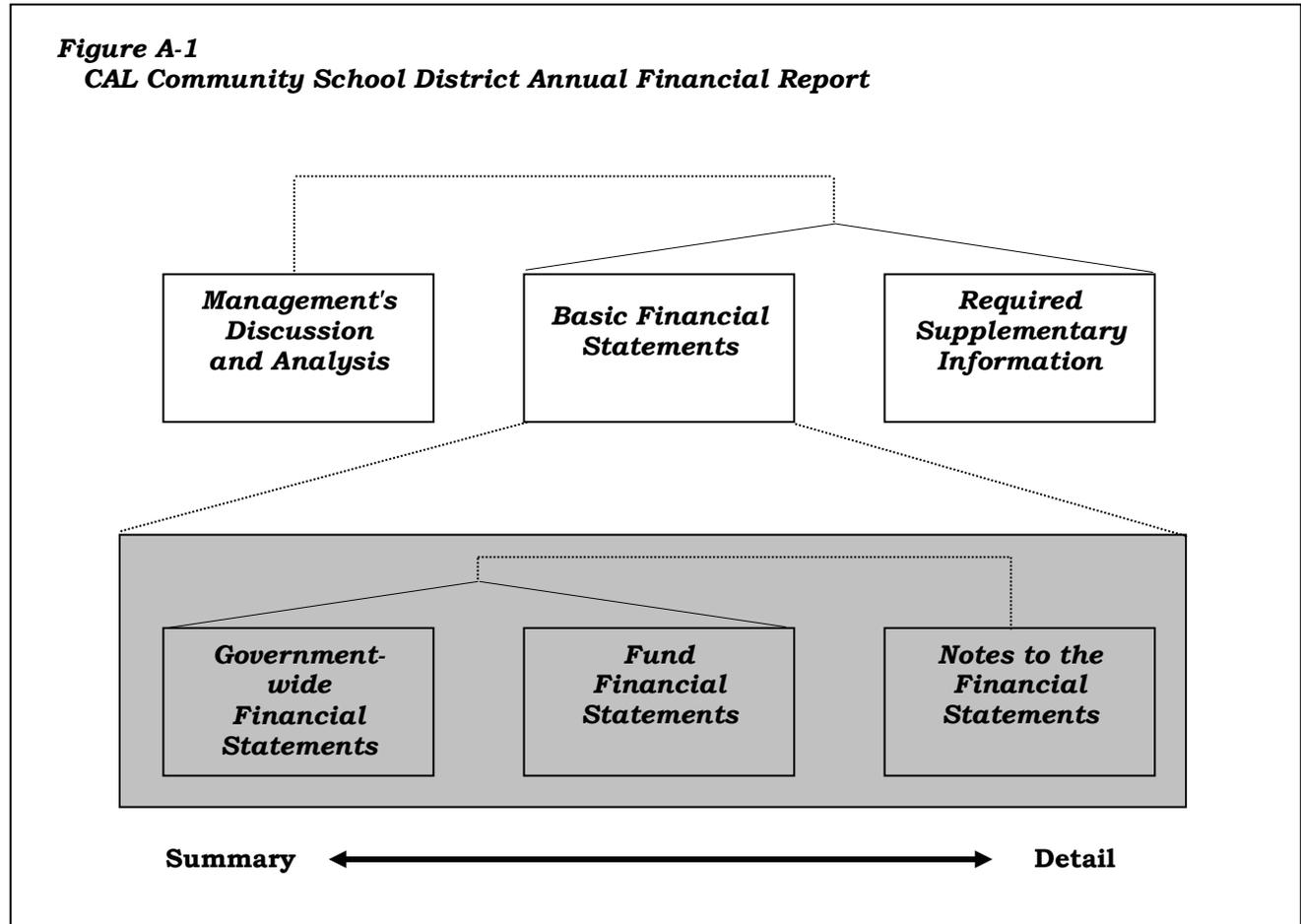


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-Wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food service
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of 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, 2016 compared to June 30, 2015.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-16
Current and other assets	\$ 3,327,922	3,084,153	114,261	78,775	3,442,183	3,162,928	8.83%
Capital assets	2,717,341	2,677,094	26,696	19,393	2,744,037	2,696,487	1.76%
Total assets	6,045,263	5,761,247	140,957	98,168	6,186,220	5,859,415	5.58%
Deferred outflows of resources	339,727	331,258	6,129	5,864	345,856	337,122	2.59%
Long-term liabilities	2,901,500	2,783,137	37,876	32,530	2,939,376	2,815,667	4.39%
Other liabilities	615,865	515,604	10,208	7,634	626,073	523,238	19.65%
Total liabilities	3,517,365	3,298,741	48,084	40,164	3,565,449	3,338,905	6.78%
Deferred inflows of resources	1,830,540	1,884,184	1,699	7,469	1,832,239	1,891,653	-3.14%
Net position:							
Net investment in capital assets	1,862,341	1,712,094	26,696	19,393	1,889,037	1,731,487	9.10%
Restricted	1,106,938	1,226,826	-	-	1,106,938	1,226,826	-9.77%
Unrestricted	(1,932,194)	(2,029,340)	70,607	37,006	(1,861,587)	(1,992,334)	6.56%
Total net position	\$ 1,037,085	909,580	97,303	56,399	1,134,388	965,979	17.43%

The District's total net position increased by \$168,409 or by 17.43%, 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 decreased \$119,888, or 9.77% over the prior year. The decrease is primarily due to the decrease in the Management 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 - increased \$130,747, or 6.56%. This increase in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

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

	Figure A-4 Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2016	2015	2016	2015	2016	2015	2015-16
Revenues:							
Program revenues:							
Charges for service	\$ 411,126	315,355	43,751	44,518	454,877	359,873	26.40%
Operating grants, contributions and restricted interest	364,931	456,090	129,400	125,338	494,331	581,428	-14.98%
General revenues:							
Property tax	1,453,462	1,486,723	-	-	1,453,462	1,486,723	-2.24%
Income surtax	135,715	156,899	-	-	135,715	156,899	-13.50%
Statewide sales, services and use tax	241,195	250,511	-	-	241,195	250,511	-3.72%
Unrestricted state grants	1,486,500	1,470,924	-	-	1,486,500	1,470,924	1.06%
Unrestricted investment earnings	2,226	2,454	-	-	2,226	2,454	-9.29%
Other	131,687	35,162	-	-	131,687	35,162	274.52%
Total revenues	<u>4,226,842</u>	<u>4,174,118</u>	<u>173,151</u>	<u>169,856</u>	<u>4,399,993</u>	<u>4,343,974</u>	<u>1.29%</u>
Program expenses:							
Instruction	2,985,489	2,790,928	-	-	2,985,489	2,790,928	6.97%
Support services	850,494	1,186,602	499	-	850,993	1,186,602	-28.28%
Non-instructional programs	-	-	131,748	145,036	131,748	145,036	-9.16%
Other expenditures	263,354	348,209	-	-	263,354	348,209	-24.37%
Total expenses	<u>4,099,337</u>	<u>4,325,739</u>	<u>132,247</u>	<u>145,036</u>	<u>4,231,584</u>	<u>4,470,775</u>	<u>-5.35%</u>
Change in net position	127,505	(151,621)	40,904	24,820	168,409	(126,801)	-232.81%
Net position beginning of year	909,580	1,061,201	56,399	31,579	965,979	1,092,780	-11.60%
Net position end of year	<u>\$ 1,037,085</u>	<u>909,580</u>	<u>97,303</u>	<u>56,399</u>	<u>1,134,388</u>	<u>965,979</u>	<u>17.43%</u>

In fiscal year 2016, property tax, income surtax, statewide sales, services and use tax and unrestricted state grants accounted for 78.47% 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 \$4.40 million, of which approximately \$4.23 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 1.29% increase in revenues and a 5.35% decrease in expenses. The increase in revenues is primarily due to an increase in other general revenues received compared to the prior year. The decrease in expenses occurred primarily in the support service functional area.

Governmental Activities

Revenues for governmental activities were \$4,226,842 and expenses were \$4,099,337 for the year ended June 30, 2016.

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, 2016 compared to the year ended June 30, 2015.

Figure A-5						
Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2016	2015	Change 2015-16	2016	2015	Change 2015-16
Instruction	\$ 2,985,489	2,790,928	6.97%	2,337,458	2,148,738	8.78%
Support services	850,494	1,186,602	-28.33%	843,413	1,179,369	-28.49%
Other expenses	263,354	348,209	-24.37%	142,409	226,187	-37.04%
Totals	\$ 4,099,337	4,325,739	-5.23%	3,323,280	3,554,294	-6.50%

For the year ended June 30, 2016:

- The cost financed by users of the District’s programs was \$411,126.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$364,931.
- The net cost of governmental activities was financed with \$1,453,462 in property tax, \$135,715 in income surtax, \$241,195 in statewide sales, services and use tax, \$1,486,500 in unrestricted state grants, \$2,226 in interest income, and \$131,687 in other general revenues.

Business Type Activities

Revenues of the District’s business type activities were \$173,151 and expenses were \$132,247. 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 \$840,400, below last year’s ending fund balances of \$973,599. The primary reason for the decrease in combined fund balances during fiscal year 2016 was the decrease in the Management Fund balance.

Governmental Fund Highlights

- The District’s deteriorating General Fund financial position is a result of many factors. The General Fund balance increased from a deficit \$206,791 at June 30, 2015 to a deficit \$187,740 at June 30, 2016. Growth during the year in local tax and tuition resulted in an increase in revenues.
- The Capital Projects Fund balance decreased from \$771,912 at June 30, 2015 to \$757,835 at June 30, 2016. The Capital Projects: Statewide Sales, Services and Use Tax Fund decreased from \$389,939 at June 30, 2015 to \$385,847 at June 30, 2016 while the Capital Projects: Physical, Plant and Equipment Levy Fund decreased from \$381,973 at June 30, 2015 to \$371,988 at June 30, 2016.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$56,399, at June 30, 2015 to \$97,303 at June 30, 2016, representing an increase of 72.53%. 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 \$161,967 less than budgeted revenues, a variance 3.56%. 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.

In spite of the District's budgetary practice, the certified budget was exceeded in the instructional and other expenditures functional area, as well as in total during the year ended June 30, 2016.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had invested \$2,744,037, 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 increase of 1.76% 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 \$172,801.

The original cost of the District's capital assets was \$6,528,688. Governmental funds account for \$6,464,940, with the remainder of \$63,748 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 \$253,676 at June 30, 2016 as compared to \$99,583 at June 30, 2015, due primarily to purchase of buses during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-16
Land	\$ 10,100	10,100	-	-	10,100	10,100	0.00%
Buildings	2,438,394	2,548,139	-	-	2,438,394	2,548,139	-4.50%
Land improvements	41,867	38,665	-	-	41,867	38,665	7.65%
Machinery and equipment	226,980	80,190	26,696	19,393	253,676	99,583	60.74%
Total	\$ 2,717,341	2,677,094	26,696	19,393	2,744,037	2,696,487	1.76%

Long-Term Debt

At June 30, 2016, the District had \$2,939,376 in revenue bonds payable, and other long-term debt outstanding. This represents an increase of 4.39% 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 \$855,000 at June 30, 2016, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had total net pension liability of \$1,468,501 at June 30, 2016. Of this amount, governmental activities accounted for \$1,443,497 and business type activities accounted for \$25,004.

The District had total net OPEB liability of \$615,875 at June 30, 2016. Governmental activities accounted for \$603,003 and business type activities accounted for \$12,872 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,
	2016	2015	2016	2015	2016	2015	2015-16
Revenue bonds	\$ 855,000	965,000	-	-	855,000	965,000	-11.40%
Net pension liability	1,443,497	1,146,117	25,004	19,584	1,468,501	1,165,701	25.95%
Net OPEB liability	603,003	672,020	12,872	12,946	615,875	684,966	-10.27%
Total	\$ 2,901,500	2,783,137	37,876	32,530	2,939,376	2,815,667	4.39%

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, 2016

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 1,181,579	81,141	1,262,720
Receivables:			
Property tax:			
Delinquent	13,861	-	13,861
Succeeding year	1,710,021	-	1,710,021
Income surtax	174,281	-	174,281
Accounts	3,891	-	3,891
Due from other governments	244,289	5,476	249,765
Inventories	-	27,644	27,644
Capital assets, net of accumulated depreciation	2,717,341	26,696	2,744,037
Total assets	6,045,263	140,957	6,186,220
Deferred Outflows of Resources			
Pension related deferred outflows	339,727	6,129	345,856
Liabilities			
Accounts payable	268,648	7,282	275,930
Salaries and benefits payable	334,572	2,445	337,017
Accrued interest payable	12,645	-	12,645
Unearned revenue	-	481	481
Long-term liabilities:			
Portion due within one year:			
Revenue bonds	110,000	-	110,000
Portion due after one year:			
Revenue bonds	745,000	-	745,000
Net pension liability	1,443,497	25,004	1,468,501
Net OPEB liability	603,003	12,872	615,875
Total liabilities	3,517,365	48,084	3,565,449
Deferred Inflows of Resources			
Pension related deferred inflows	120,519	1,699	122,218
Unavailable property tax revenue	1,710,021	-	1,710,021
Total deferred inflows of resources	1,830,540	1,699	1,832,239
Net Position			
Net investment in capital assets	1,862,341	26,696	1,889,037
Restricted for:			
Categorical funding	91,443	-	91,443
Debt service	234,240	-	234,240
Management levy purposes	96,760	-	96,760
Student activities	50,660	-	50,660
School infrastructure	261,847	-	261,847
Physical plant and equipment	371,988	-	371,988
Unrestricted	(1,932,194)	70,607	(1,861,587)
Total net position	\$ 1,037,085	97,303	1,134,388

SEE NOTES TO FINANCIAL STATEMENTS.

CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 1,770,758	122,493	6,355	(1,641,910)	-	(1,641,910)
Special	623,483	121,549	60,183	(441,751)	-	(441,751)
Other	591,248	166,074	171,377	(253,797)	-	(253,797)
	<u>2,985,489</u>	<u>410,116</u>	<u>237,915</u>	<u>(2,337,458)</u>	<u>-</u>	<u>(2,337,458)</u>
Support services:						
Student	18,734	-	880	(17,854)	-	(17,854)
Instructional staff	173,899	-	71	(173,828)	-	(173,828)
Administration	249,072	-	173	(248,899)	-	(248,899)
Operation and maintenance of plant	295,308	-	-	(295,308)	-	(295,308)
Transportation	113,481	1,010	4,947	(107,524)	-	(107,524)
	<u>850,494</u>	<u>1,010</u>	<u>6,071</u>	<u>(843,413)</u>	<u>-</u>	<u>(843,413)</u>
Long-term debt interest	27,040	-	-	(27,040)	-	(27,040)
Other expenditures:						
AEA flowthrough	120,945	-	120,945	-	-	-
Depreciation(unallocated)*	115,369	-	-	(115,369)	-	(115,369)
	<u>236,314</u>	<u>-</u>	<u>120,945</u>	<u>(115,369)</u>	<u>-</u>	<u>(115,369)</u>
Total governmental activities	<u>4,099,337</u>	<u>411,126</u>	<u>364,931</u>	<u>(3,323,280)</u>	<u>-</u>	<u>(3,323,280)</u>
Business type activities:						
Support services:						
Operation and maintenance of plant	499	-	-	-	(499)	(499)
Non-instructional programs:						
Food service operations	131,748	43,751	129,400	-	41,403	41,403
Total business type activities	<u>132,247</u>	<u>43,751</u>	<u>129,400</u>	<u>-</u>	<u>40,904</u>	<u>40,904</u>
Total	<u>\$ 4,231,584</u>	<u>454,877</u>	<u>494,331</u>	<u>(3,323,280)</u>	<u>40,904</u>	<u>(3,282,376)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,444,288	-	1,444,288
Capital outlay				9,174	-	9,174
Income surtax				135,715	-	135,715
Statewide sales, services and use tax				241,195	-	241,195
Unrestricted state grants				1,486,500	-	1,486,500
Unrestricted investment earnings				2,226	-	2,226
Other general revenues				131,687	-	131,687
Total general revenues				<u>3,450,785</u>	<u>-</u>	<u>3,450,785</u>
Change in net position				127,505	40,904	168,409
Net position beginning of year				909,580	56,399	965,979
Net position end of year				<u>\$ 1,037,085</u>	<u>97,303</u>	<u>1,134,388</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, 2016

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 189,163	721,282	271,134	1,181,579
Receivables:				
Property tax:				
Delinquent	13,773	88	-	13,861
Succeeding year	1,518,708	151,313	40,000	1,710,021
Income surtax	141,603	32,678	-	174,281
Accounts	1,808	-	2,083	3,891
Due from other governments	204,794	39,495	-	244,289
Total assets	\$ 2,069,849	944,856	313,217	3,327,922
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 262,706	3,030	2,912	268,648
Salaries and benefits payable	334,572	-	-	334,572
Total liabilities	597,278	3,030	2,912	603,220
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,518,708	151,313	40,000	1,710,021
Income surtax	141,603	32,678	-	174,281
Total deferred inflows of resources	1,660,311	183,991	40,000	1,884,302
Fund balances:				
Restricted for:				
Categorical funding	91,443	-	-	91,443
Debt service	-	124,000	122,885	246,885
Management levy purposes	-	-	96,760	96,760
Student activities	-	-	50,660	50,660
School infrastructure	-	261,847	-	261,847
Physical plant and equipment	-	371,988	-	371,988
Unassigned	(279,183)	-	-	(279,183)
Total fund balances	(187,740)	757,835	270,305	840,400
Total liabilities, deferred inflows of resources and fund balances	\$ 2,069,849	944,856	313,217	3,327,922

SEE NOTES TO FINANCIAL STATEMENTS.

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

Total fund balances of governmental funds(page 20)		\$ 840,400
 <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.		2,717,341
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.		(12,645)
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.		174,281
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	\$ 339,727	
Deferred inflows of resources	<u>(120,519)</u>	219,208
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>(2,901,500)</u>
Net position of governmental activities(page 18)		<u><u>\$ 1,037,085</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 1,526,348	50,045	-	1,576,393
Tuition	294,919	-	-	294,919
Other	29,922	86,015	136,145	252,082
State sources	1,691,206	241,233	-	1,932,439
Federal sources	158,225	-	-	158,225
Total revenues	<u>3,700,620</u>	<u>377,293</u>	<u>136,145</u>	<u>4,214,058</u>
Expenditures:				
Current:				
Instruction:				
Regular	1,695,407	-	3,608	1,699,015
Special	634,780	-	-	634,780
Other	446,022	-	142,476	588,498
	<u>2,776,209</u>	<u>-</u>	<u>146,084</u>	<u>2,922,293</u>
Support services:				
Student	18,277	-	-	18,277
Instructional staff	153,711	-	17,595	171,306
Administration	251,731	13,740	45	265,516
Operation and maintenance of plant	227,201	19,696	97,719	344,616
Transportation	133,495	113,245	11,112	257,852
	<u>784,415</u>	<u>146,681</u>	<u>126,471</u>	<u>1,057,567</u>
Capital outlay	-	108,422	-	108,422
Long-term debt:				
Principal	-	-	110,000	110,000
Interest and fiscal charges	-	-	28,030	28,030
	<u>-</u>	<u>-</u>	<u>138,030</u>	<u>138,030</u>
Other expenditures:				
AEA flowthrough	120,945	-	-	120,945
Total expenditures	<u>3,681,569</u>	<u>255,103</u>	<u>410,585</u>	<u>4,347,257</u>
Excess(Deficiency) of revenues over(under) expenditures	19,051	122,190	(274,440)	(133,199)
Other financing sources(uses):				
Transfer in	-	-	136,267	136,267
Transfer out	-	(136,267)	-	(136,267)
Total other financing sources(uses)	<u>-</u>	<u>(136,267)</u>	<u>136,267</u>	<u>-</u>
Change in fund balances	19,051	(14,077)	(138,173)	(133,199)
Fund balances beginning of year	<u>(206,791)</u>	<u>771,912</u>	<u>408,478</u>	<u>973,599</u>
Fund balances end of year	<u>\$ (187,740)</u>	<u>757,835</u>	<u>270,305</u>	<u>840,400</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, 2016

Change in fund balances - total governmental funds(page 22) \$ (133,199)

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, and depreciation expense in the current year are as follows:

Capital outlay	\$ 208,687	
Depreciation expense	(168,440)	40,247

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. 110,000

Income surtax receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. 12,784

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. 990

The current year District 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. 177,669

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

Pension expense	(150,003)	
Other postemployment benefits	69,017	(80,986)

Change in net position of governmental activities(page 19) \$ 127,505

SEE NOTES TO FINANCIAL STATEMENTS.

CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2016

	Enterprise, School Nutrition
Assets	
Current assets:	
Cash and pooled investments	\$ 81,141
Due from other governments	5,476
Inventories	27,644
	114,261
Noncurrent assets:	
Capital assets, net of accumulated depreciation	26,696
Total assets	140,957
 Deferred Outflows of Resources	
Pension related deferred outflows	6,129
 Liabilities	
Current liabilities:	
Accounts payable	7,282
Salaries and benefits payable	2,445
Unearned revenue	481
	10,208
Noncurrent liabilities:	
Net pension liability	25,004
Net OPEB liability	12,872
	37,876
Total liabilities	48,084
 Deferred Inflows of Resources	
Pension related deferred inflows	1,699
 Net Position	
Net investment in capital assets	26,696
Unrestricted	70,607
Total net position	\$ 97,303

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise, School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 43,751
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Supplies	499
Non-instructional programs:	
Food service operations:	
Salaries	38,025
Benefits	12,632
Services	1,492
Supplies	75,238
Depreciation	4,361
Total operating expenses	132,247
Operating loss	(88,496)
Non-operating revenues:	
State sources	1,483
Federal sources	127,917
Total non-operating revenues	129,400
Change in net position	40,904
Net position beginning of year	56,399
Net position end of year	\$ 97,303

SEE NOTES TO FINANCIAL STATEMENTS.

CAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2016

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 44,246
Cash payments to employees for services	(51,943)
Cash payments to suppliers for goods or services	(86,992)
Net cash used in operating activities	(94,689)
Cash flows from non-capital financing activities:	
State grants received	1,483
Federal grants received	122,425
Net cash provided by non-capital financing activities	123,908
Cash flows from capital financing activities:	
Acquisition of assets	(11,664)
Net increase in cash and pooled investments	17,555
Cash and pooled investments beginning of year	63,586
Cash and pooled investments end of year	\$ 81,141
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (88,496)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	7,703
Depreciation	4,361
Increase in inventories	(20,156)
Decrease in accounts receivable	14
Increase in accounts payable	2,690
Decrease in salaries and benefits payable	(597)
Increase in deferred revenue	481
Increase in net pension liability	5,420
Increase in deferred outflows of resources	(265)
Decrease in deferred inflows of resources	(5,770)
Decrease in other postemployment benefits	(74)
Net cash used in operating activities	\$ (94,689)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2016, the District received \$7,703 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

CAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(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, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2015.

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

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

Capital Assets - Capital assets, which include property, machinery, 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. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position 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. During the year ended June 30, 2016, the District exceeded the amounts budgeted for the instructional programs and other expenditures functional area, as well as in total.

(2) Cash, Cash Equivalents and Pooled Investments

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

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

At June 30, 2016, the District had 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 AAAM by Standard and Poor's Financial Services.

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

(3) Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,100	-	-	10,100
Total capital assets not being depreciated	<u>10,100</u>	<u>-</u>	<u>-</u>	<u>10,100</u>
Capital assets being depreciated:				
Buildings	4,312,853	3,586	-	4,316,439
Land improvements	280,365	5,240	-	285,605
Machinery and equipment	1,708,530	199,861	55,595	1,852,796
Total capital assets being depreciated	<u>6,301,748</u>	<u>208,687</u>	<u>55,595</u>	<u>6,454,840</u>
Less accumulated depreciation for:				
Buildings	1,764,714	113,331	-	1,878,045
Land improvements	241,700	2,038	-	243,738
Machinery and equipment	1,628,340	53,071	55,595	1,625,816
Total accumulated depreciation	<u>3,634,754</u>	<u>168,440</u>	<u>55,595</u>	<u>3,747,599</u>
Total capital assets being depreciated, net	<u>2,666,994</u>	<u>40,247</u>	<u>-</u>	<u>2,707,241</u>
Governmental activities capital assets, net	<u>\$ 2,677,094</u>	<u>40,247</u>	<u>-</u>	<u>2,717,341</u>
Business type activities:				
Machinery and equipment	\$ 52,084	11,664	-	63,748
Less accumulated depreciation	<u>32,691</u>	<u>4,361</u>	<u>-</u>	<u>37,052</u>
Business type activities capital assets, net	<u>\$ 19,393</u>	<u>7,303</u>	<u>-</u>	<u>26,696</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 11,108
Other	4,087
Support services:	
Instructional staff	2,674
Administration	929
Operation and maintenance of plant	5,962
Transportation	<u>28,311</u>
	53,071
Unallocated depreciation	<u>115,369</u>
Total governmental activities depreciation expense	<u>\$ 168,440</u>
Business type activities:	
Food service operations	<u>\$ 4,361</u>

(4) Interfund Transfers

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

Transfer to	Transfer from	Amount
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	<u>\$ 136,267</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, 2016 are summarized as follows:

	Balance Beginning of Year	Additions	Reduction	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 965,000	-	110,000	855,000	110,000
Net pension liability	1,146,117	297,380	-	1,443,497	-
Net OPEB liability	672,020	-	69,017	603,003	-
Total	<u>\$ 2,783,137</u>	<u>297,380</u>	<u>179,017</u>	<u>2,901,500</u>	<u>110,000</u>
Business type activities					
Net pension liability	\$ 19,584	5,420	-	25,004	-
Net OPEB liability	12,946	-	74	12,872	-
Total	<u>\$ 32,530</u>	<u>5,420</u>	<u>74</u>	<u>37,876</u>	<u>-</u>

Revenue Bonds

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

Year Ending June 30,	Bonds Issued December 1, 2010			
	Interest Rate	Principal	Interest	Total
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	3.20	125,000	11,145	136,145
2022-2023	3.40-3.50	265,000	9,298	274,298
Total		<u>\$ 855,000</u>	<u>99,490</u>	<u>954,490</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 \$954,490. For the current year \$110,000 of principal and \$26,280 of interest was paid on the bonds and total statewide sales, services and use tax was \$241,195.

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.

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, except members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.

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

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

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

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

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95 percent of 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, 2016 were \$181,018.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the District reported a liability of \$1,468,501 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's collective proportion was 0.029724 percent, which was an increase of 0.000331 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$152,737. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22,187	\$ -
Changes of assumptions	40,432	-
Net difference between projected and actual earnings on IPERS' investments	-	122,218
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	102,219	-
District contributions subsequent to the measurement date	181,018	-
Total	<u>\$ 345,856</u>	<u>\$ 122,218</u>

\$181,018 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2017	\$ (11,921)
2018	(11,921)
2019	(11,921)
2020	75,659
2021	2,724
Total	<u>\$ 42,620</u>

There were no non-employer contributing entities at IPERS.

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

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

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

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

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

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

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the net pension liability	\$ 2,571,082	\$ 1,468,501	\$ 537,844

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

Payables to the Pension Plan - At June 30, 2016, the District reported payables to the defined benefit pension plan of \$23,024 for legally required employer contributions and \$15,341 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 36 active and 3 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, 2016, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 46,370
Interest on net OPEB obligation	17,124
Adjustment to annual required contribution	<u>(108,329)</u>
Annual OPEB cost	(44,835)
Contributions made	<u>(24,256)</u>
Increase in net OPEB obligation	(69,091)
Net OPEB obligation beginning of year	<u>684,966</u>
Net OPEB obligation end of year	<u><u>\$ 615,875</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, 2016.

For the ended June 30, 2016, the District contributed \$24,256 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
2014	\$ 157,293	31.4%	\$ 567,844
2015	152,473	23.2	684,966
2016	44,835	54.1	615,875

Funded Status and Funding Progress - As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$219,484, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$219,484. The covered payroll (annual payroll of active employees covered by the plan) was \$1,582,499 and the ratio of UAAL to covered payroll was 13.9%. As of June 30, 2016, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of 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, 2015 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 RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. 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, 2016 were \$322,575.

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

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

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$120,945 for the year ended June 30, 2016 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(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, 2016 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
LEP Weighting	\$ 3,033
Home school assistance program	5,841
Returning dropouts and dropout prevention programs	12,985
Four-Year Old Preschool State Aid	30,686
Beginning teacher mentoring and induction program	1,207
Professional development for model core curriculum	19,381
Professional development	18,310
Total	<u>\$ 91,443</u>

(12) Deficit Fund Balance/Net Position

At June 30, 2016, the District had a deficit unassigned fund balance of \$279,183 and a deficit total fund balance of \$187,740 in the General Fund. The District also had deficit unrestricted net position of \$1,932,194 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:

	<u>Net Investment in Capital Assets</u>	<u>Debt Service</u>	<u>Unassigned/ Unrestricted</u>
Fund balance (Exhibit C)	\$ -	246,885	(279,183)
Capital assets, net of accumulated depreciation	2,717,341	-	-
Revenue bond capitalized indebtedness	(855,000)	-	-
Accrued interest payable	-	(12,645)	-
Income surtax	-	-	174,281
Pension related deferred outflows	-	-	339,727
Net pension liability	-	-	(1,443,497)
Net OPEB liability	-	-	(603,003)
Pension related deferred Inflows	-	-	(120,519)
Net position (Exhibit A)	<u>\$ 1,862,341</u>	<u>234,240</u>	<u>(1,932,194)</u>

(14) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2016, expenditures in the instruction and other expenditure functional areas, as well as in total exceeded the amounts budgeted.

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, 2016

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 2,123,394	43,751	2,167,145	2,317,663	2,317,663	(150,518)
State sources	1,932,439	1,483	1,933,922	1,996,373	1,996,373	(62,451)
Federal sources	158,225	127,917	286,142	235,140	235,140	51,002
Total revenues	<u>4,214,058</u>	<u>173,151</u>	<u>4,387,209</u>	<u>4,549,176</u>	<u>4,549,176</u>	<u>(161,967)</u>
Expenditures/expenses:						
Instruction	2,922,293	-	2,922,293	2,851,000	2,871,000	(51,293)
Support services	1,057,567	499	1,058,066	1,104,800	1,114,800	56,734
Non-instructional programs	-	131,748	131,748	62,000	152,000	20,252
Other expenditures	367,397	-	367,397	505,981	120,000	(247,397)
Total expenditures/expenses	<u>4,347,257</u>	<u>132,247</u>	<u>4,479,504</u>	<u>4,523,781</u>	<u>4,257,800</u>	<u>(221,704)</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	(133,199)	40,904	(92,295)	25,395	291,376	(383,671)
Balances beginning of year	<u>973,599</u>	<u>56,399</u>	<u>1,029,998</u>	<u>1,147,407</u>	<u>1,147,407</u>	<u>(117,409)</u>
Balances end of year	<u>\$ 840,400</u>	<u>97,303</u>	<u>937,703</u>	<u>1,172,802</u>	<u>1,438,783</u>	<u>(501,080)</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting 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, decreasing budgeted expenditures by \$265,981.

During the year ended June 30, 2016, expenditures in the instruction and other functional area, as well as in total, exceeded the amounts budgeted.

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

	2016	2015
District's proportion of the net pension liability	0.029724%	0.029393%
District's proportionate share of the net pension liability	\$ 1,468,501	1,165,701
District's covered-employee payroll	\$ 2,036,354	1,923,359
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.11%	60.61%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

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

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution	\$ 181,018	181,846	171,756	151,529	142,557	116,550	115,016	105,979	102,845	95,232
Contributions in relation to the statutorily required contribution	<u>(181,018)</u>	<u>(181,846)</u>	<u>(171,756)</u>	<u>(151,529)</u>	<u>(142,557)</u>	<u>(116,550)</u>	<u>(115,016)</u>	<u>(105,979)</u>	<u>(102,845)</u>	<u>(95,232)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>							
District's covered-employee payroll	\$ 2,027,081	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
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.95%	6.35%	6.05%	5.75%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

Changes of benefit terms:

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

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

Changes of assumptions:

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

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

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

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

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

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
2016	July 1, 2015	-	219,484	219,484	0.0	1,582,499	13.9

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.

CAL COMMUNITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

CAL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2016

	Special Revenue			Debt Service	Total
	Student Activity	Management Levy	Total		
Assets					
Cash and pooled investments	\$ 51,489	96,760	148,249	122,885	271,134
Receivables:					
Property tax:					
Succeeding year	-	40,000	40,000	-	40,000
Accounts	2,083	-	2,083	-	2,083
Total assets	<u>\$ 53,572</u>	<u>136,760</u>	<u>190,332</u>	<u>122,885</u>	<u>313,217</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 2,912	-	2,912	-	2,912
Deferred inflows of resources					
Unavailable revenue:					
Succeeding year property tax	-	40,000	40,000	-	40,000
Total deferred inflows of resources	-	40,000	40,000	-	40,000
Fund balances:					
Restricted for:					
Debt service	-	-	-	122,885	122,885
Management levy purposes	-	96,760	96,760	-	96,760
Student activities	50,660	-	50,660	-	50,660
Total fund balances	<u>50,660</u>	<u>96,760</u>	<u>147,420</u>	<u>122,885</u>	<u>270,305</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 53,572</u>	<u>136,760</u>	<u>190,332</u>	<u>122,885</u>	<u>313,217</u>

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, 2016

	Special Revenue			Debt Service	Total
	Student Activity	Management Levy	Total		
Revenues:					
Local sources:					
Other	\$ 124,844	11,045	135,889	256	136,145
Total revenues	<u>124,844</u>	<u>11,045</u>	<u>135,889</u>	<u>256</u>	<u>136,145</u>
Expenditures:					
Current:					
Instruction:					
Regular	-	3,608	3,608	-	3,608
Other	142,476	-	142,476	-	142,476
Support services:					
Instructional staff	-	17,595	17,595	-	17,595
Administration	-	45	45	-	45
Operation and maintenance of plant	-	97,719	97,719	-	97,719
Transportation	-	11,112	11,112	-	11,112
Long-term debt:					
Principal	-	-	-	110,000	110,000
Interest and fiscal charges	-	-	-	28,030	28,030
Total expenditures	<u>142,476</u>	<u>130,079</u>	<u>272,555</u>	<u>138,030</u>	<u>410,585</u>
Deficiency of revenues under expenditures	(17,632)	(119,034)	(136,666)	(137,774)	(274,440)
Other financing sources:					
Transfer in	-	-	-	136,267	136,267
Change in fund balances	(17,632)	(119,034)	(136,666)	(1,507)	(138,173)
Fund balances beginning of year	<u>68,292</u>	<u>215,794</u>	<u>284,086</u>	<u>124,392</u>	<u>408,478</u>
Fund balances end of year	<u>\$ 50,660</u>	<u>96,760</u>	<u>147,420</u>	<u>122,885</u>	<u>270,305</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CAL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND ACCOUNTS
 JUNE 30, 2016

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 346,352	374,930	721,282
Receivables:			
Property tax:			
Delinquent	-	88	88
Succeeding year	-	151,313	151,313
Income surtax	-	32,678	32,678
Due from other governments	39,495	-	39,495
Total assets	\$ 385,847	559,009	944,856
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	3,030	3,030
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	151,313	151,313
Income surtax	-	32,678	32,678
Total deferred inflows of resources	-	183,991	183,991
Fund balances:			
Restricted for:			
Debt service	124,000	-	124,000
School infrastructure	261,847	-	261,847
Physical plant and equipment	-	371,988	371,988
Total fund balances	385,847	371,988	757,835
Total liabilities, deferred inflows of resources and fund balances	\$ 385,847	559,009	944,856

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	50,045	50,045
Other	423	85,592	86,015
State sources	241,195	38	241,233
Total revenues	<u>241,618</u>	<u>135,675</u>	<u>377,293</u>
Expenditures:			
Current:			
Support services:			
Administration	1,750	11,990	13,740
Operation and maintenance of plant	-	19,696	19,696
Transportation	-	113,245	113,245
Capital outlay	107,693	729	108,422
Total expenditures	<u>109,443</u>	<u>145,660</u>	<u>255,103</u>
Excess(Deficiency) of revenues over (under) expenditures	132,175	(9,985)	122,190
Other financing uses:			
Transfer out	(136,267)	-	(136,267)
Change in fund balances	(4,092)	(9,985)	(14,077)
Fund balances beginning of year	389,939	381,973	771,912
Fund balances end of year	<u>\$ 385,847</u>	<u>371,988</u>	<u>757,835</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, 2016

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 148	607	631	124
Vocal music	-	2,650	2,650	-
Instrumental music	-	1,694	1,694	-
Boys basketball	2,084	2,798	2,444	2,438
Football	-	295	295	-
Boys soccer	107	2,214	2,321	-
Baseball	378	3,859	4,237	-
Boys track	-	1,318	1,318	-
Girls basketball	487	3,350	2,397	1,440
Volleyball	1,221	2,851	2,646	1,426
Girls soccer	-	2,140	2,140	-
Softball	352	7,254	7,606	-
Girls track	-	915	915	-
Yearbook	507	2,888	3,395	-
Activity ticket	623	6,597	7,220	-
FFA	31,535	57,241	63,836	24,940
Cheerleaders	623	2,768	3,391	-
National honor society	-	654	654	-
District football	162	-	-	162
DC trip	208	350	300	258
Spanish club	106	-	-	106
Student council	652	1,670	1,669	653
Class of 2014	1	26	27	-
Class of 2015	143	-	143	-
Class of 2016	1,126	590	1,716	-
Class of 2017	1,087	1,550	1,263	1,374
Class of 2018	3,097	-	921	2,176
Class of 2019	1,233	1,980	2,233	980
Class of 2020	1,236	1,299	1,975	560
Class of 2021	655	1,144	454	1,345
Class of 2022	-	2,103	1,112	991
HS activity	-	212	212	-
Elementary activity	1,614	741	2,355	-
MS activity	1,407	1,094	1,051	1,450
Instrument rental	1,503	30	1,533	-
Greenhouse	-	62	-	62
Concessions	10,999	9,854	12,658	8,195
Miscellaneous	1,000	-	1,000	-
Music resale	-	46	46	-
Art resale	190	-	190	-
Manufacturing resale	1,397	-	1,397	-
Special olympics	431	-	431	-
Book fund	1,980	-	-	1,980
Total	\$ 68,292	124,844	142,476	50,660

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,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues:										
Local sources:										
Local tax	\$ 1,576,393	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
Tuition	294,919	149,774	114,667	86,017	107,970	98,996	90,711	119,910	219,712	224,027
Other	252,082	221,772	381,036	280,564	214,392	229,015	211,931	137,568	259,318	239,255
State sources	1,932,439	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
Federal sources	158,225	253,493	260,432	158,702	86,404	195,179	307,179	153,737	96,379	298,219
Total	\$ 4,214,058	4,148,072	4,249,519	3,881,549	3,635,850	3,561,835	3,346,948	3,353,183	3,391,739	3,374,472
Expenditures:										
Current:										
Instruction:										
Regular	\$ 1,699,015	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*
Special	634,780	631,526	604,177	743,515	601,647	-	-	-	-	-
Other	588,498	866,828	946,614	617,410	262,190	-	-	-	-	-
Support services:										
Student	18,277	16,541	18,362	4,189	1,047	1,408	3,218	692	2,214	1,637
Instructional staff	171,306	180,922	165,330	152,377	162,179	76,134	66,954	93,136	112,243	109,281
Administration	265,516	373,060	355,988	329,003	331,348	299,008	262,378	260,840	249,906	256,407
Operation and maintenance										
of plant	344,616	360,408	402,341	257,090	252,425	271,267	213,080	243,953	262,851	285,521
Transportation	257,852	168,037	177,599	163,270	199,892	234,704	179,920	156,471	181,306	130,680
Capital outlay	108,422	90,428	116,648	193,173	874,880	725,512	310,757	225,946	89,103	407,193
Long-term debt:										
Principal	110,000	100,000	100,000	75,000	-	-	-	-	84,835	70,165
Interest and fiscal charges	28,030	28,820	31,070	32,220	33,768	-	-	-	3,427	7,335
Other expenditures:										
AEA flow-through	120,945	122,022	120,236	115,323	113,170	123,963	123,551	103,615	101,928	82,702
Total	\$ 4,347,257	4,208,596	4,340,872	3,996,593	4,483,905	4,121,020	3,538,623	3,259,835	3,230,641	3,430,436

* 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, 2016, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 9, 2017.

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-16 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 deficiency in internal control described in Part I of the accompanying Schedule of Findings as items I-B-16 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, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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.

May 9, 2017

Newton, Iowa

CAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

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

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

Response - We will try to have more check and balances in place. We currently try to do this with the few number of employees we have.

Conclusion - Response accepted.

I-B-16 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 - We have contacted both entities. One entity has forward me their updated information. We have given the other entity many notices and given them a deadline.

Conclusion - Response accepted.

OTHERS MATTERS:

I-C-16 Scholarship Awards - We noted during our audit that scholarship checks being written to students in the Student Activity fund. Money in the Student Activity Fund is considered to be public funds and is inappropriate to use public funds for a private purpose instead of benefits to the student activity program. If scholarships are fundraised the subsequent revenues and expenses should be recorded in the Private Purpose Trust Fund.

Recommendation - Revenues and subsequent expenditures for scholarships would be more appropriately handled and recorded in the district's Private Purpose Trust Fund.

Response - We will create a new fund for this.

Conclusion - Response accepted.

I-D-16 Board Policies - We noted during our audit some of the policies in the District's board policy book appear to have not been updated within the past five years. The District should take steps to review board policies in a timely manner.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to review board policies in a timely manner.

Response - We are currently updating board policies this year.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-16 Certified Budget - District disbursements for the year ended June 30, 2016, exceeded the certified budget amounts in the instructional and other expenditures functional areas, as well as in total.

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

Response - We will amend in the future.

Conclusion - Response accepted.

II-B-16 Questionable Disbursements - We noted during our audit purchases that included sales tax. As the District is a tax-exempt entity, payments or reimbursement of sales tax would not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review their procedures in place, and make necessary adjustments to comply with the Attorney General's opinion dated April 25, 1979.

Response - We will watch more closely.

Conclusion - Response accepted.

II-C-16 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-16 Business Transactions - Business transactions between the District and District officials were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Melinda Fahrman, Teacher Spouse owns Fahrman Heating and Plumbing	Services	\$ 118
Sarah Debour, Teacher Father-in-law owns Debour Electric	Services	\$ 455
Cathy Carlson, Board Member Owns Cathy's Country Cookin'	Service	\$ 73

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

In accordance with 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-16 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

II-F-16 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-16 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-16 Supplementary Weighting - We noted that supplementary weighting data certified to the Iowa Department of Education was overstated by 0.03 students.

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

Response - The District's auditors will contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter.

Conclusion - Response accepted.

- II-I-16 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-16 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- II-K-16 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-16 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2016, the 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 2016 audit:

Beginning balance		\$ 389,939
Revenues:		
Sales tax revenues	\$ 241,195	
Other local revenues	423	241,618
		<u>631,557</u>
Expenditures:		
Equipment	31,539	
Other	77,904	
Transfers to other funds:		
Debt service	136,267	245,710
		<u>245,710</u>
Ending balance		<u><u>\$ 385,847</u></u>

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

- II-M-16 Financial Condition - The District's governmental activities had deficit unrestricted net position of \$1,932,194 at June 30, 2016. 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 \$279,183 and deficit total fund balance of \$187,740 at June 30, 2016.

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 General Fund account and investigate alternatives to eliminate the deficit fund balance.

Response - We will work on monitoring deficit fund balances and investigating alternatives to eliminate the deficits.

Conclusion - Response accepted.

II-N-16 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 Book Fund, Spanish Club, and District Football accounts in the Student Activity Fund that is carrying a balance with no activity for the past two years.

Recommendation - The District should evaluate the Book Fund, Spanish Club, and District Football accounts 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 - We will work on evaluating inactive accounts.

Conclusion - Response accepted.

II-O-16 Contracts - We noted that the Official contracts are not being signed by the Board President.

Recommendation - Chapter 291.1 of the Code of Iowa requires that President of the Board of Directors to sign all contracts entered by the District. The District should have the Board President sign all contracts entered into by the District to comply with Chapter 291.1 of the Code of Iowa.

Response - We will work on making sure that the Board President signs all contracts entered into by the District.

Conclusion - Response accepted.