

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2016

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## Cardinal of Eldon Community School District

### Officials

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

##### (Before September 2015 Election)

Mike Kayser	President	2017
Fred Thomas	Vice President	2015
Bill Steele	Board Member	2015
Carol Streeby	Board Member	2015
Roger Davis	Board Member	2015

##### (After September 2015 Election)

Mike Kayser	President	2017
Carol Streeby	Vice President	2019
Bill Steele	Board Member	2017
Alan Campbell	Board Member	2019
Roger Davis	Board Member	2019

#### School Officials

Joel Pedersen	Superintendent	2016
Sherry VanBlaricom	Board Secretary	2016
Robin Leonard	Treasurer/Business Manager	2016
Ahlers & Cooney, P.C.	Attorney	2016

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of Cardinal of Eldon 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 Cardinal of Eldon Community School District, Eldon, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 48 through 53 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 Cardinal of Eldon 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 nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The 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 April 27, 2017 on our consideration of Cardinal of Eldon 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 reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Cardinal of Eldon Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

April 27, 2017  
Newton, Iowa

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

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

### **2016 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$7,600,250 in fiscal year 2015 to \$7,534,520 in fiscal year 2016, while General Fund expenditures increased from \$8,002,367 in fiscal year 2015 to \$8,579,424 in fiscal year 2016. Expenditures exceeded revenues resulting in a decrease in the District's General Fund balance from \$1,749,659 at June 30, 2015 to \$704,755 at June 30, 2016.
- The decrease in General Fund revenues was attributable in part to decreases in local taxes, state and federal source revenue received in fiscal year 2016. The increase in expenditures was due primarily to increased spending in the instruction functional area.

### **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 Cardinal of Eldon 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 Cardinal of Eldon 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 Cardinal of Eldon Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

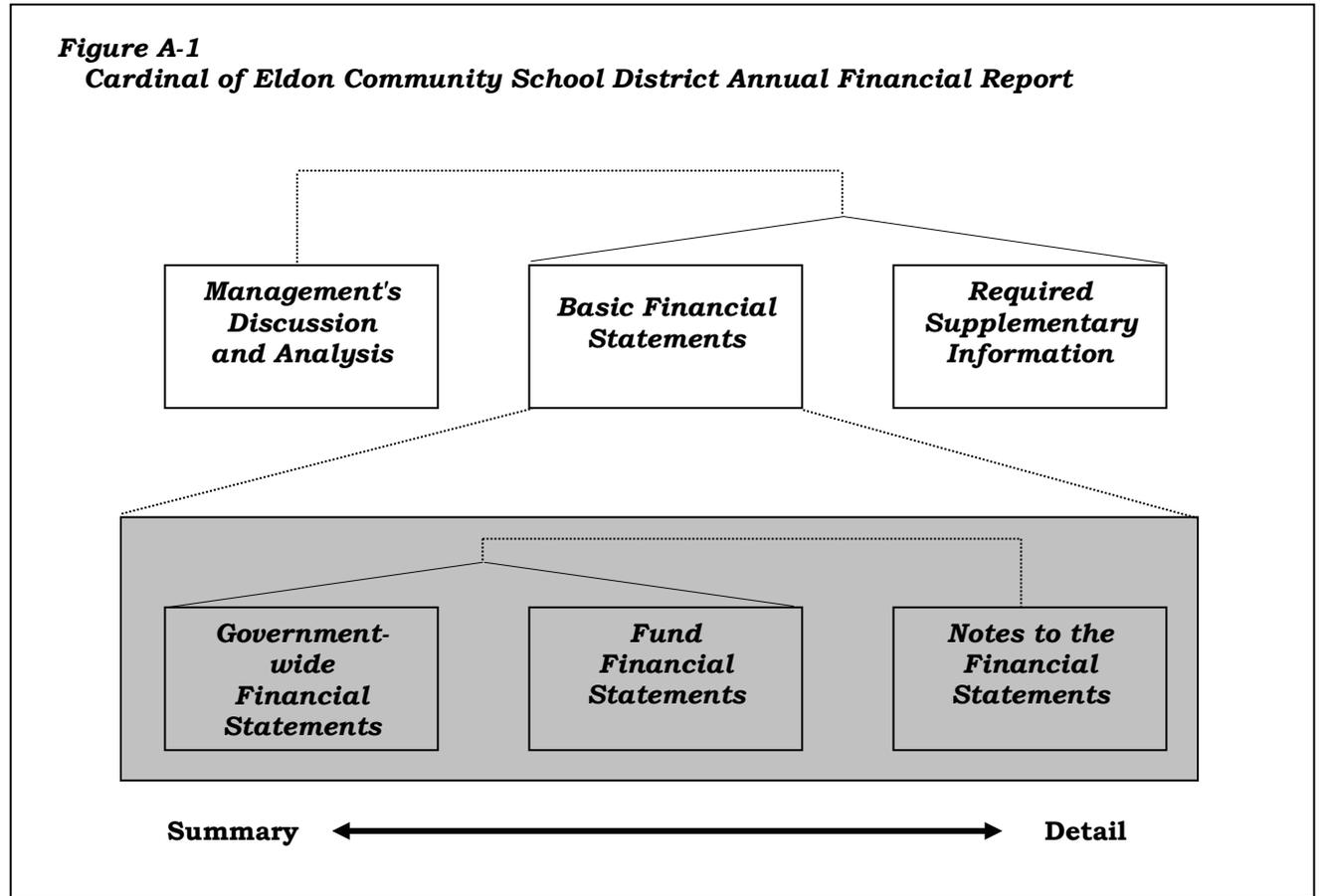


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

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

## REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

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

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

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

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

### **Fund Financial Statements**

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

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

The District has three kinds of funds:

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

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and 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 Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-16
Current and other assets	\$ 6,009,882	6,420,377	49,359	52,115	6,059,241	6,472,492	-6.38%
Capital assets	14,485,881	8,844,163	65,852	49,402	14,551,733	8,893,565	63.62%
Total assets	<u>20,495,763</u>	<u>15,264,540</u>	<u>115,211</u>	<u>101,517</u>	<u>20,610,974</u>	<u>15,366,057</u>	<u>34.13%</u>
Deferred outflows of resources	690,550	499,940	23,719	15,837	714,269	515,777	38.48%
Long-term liabilities	13,474,355	6,978,976	97,613	60,263	13,571,968	7,039,239	92.80%
Other liabilities	1,001,831	947,367	36,557	17,968	1,038,388	965,335	7.57%
Total liabilities	<u>14,476,186</u>	<u>7,926,343</u>	<u>134,170</u>	<u>78,231</u>	<u>14,610,356</u>	<u>8,004,574</u>	<u>82.53%</u>
Deferred inflows of resources	2,544,212	2,997,488	1,622	20,338	2,545,834	3,017,826	-15.64%
Net position:							
Net investment in capital assets	4,750,881	4,834,163	65,852	49,402	4,816,733	4,883,565	-1.37%
Restricted	1,608,789	1,347,797	-	-	1,608,789	1,347,797	19.36%
Unrestricted	(2,193,755)	(1,341,311)	(62,714)	(30,617)	(2,256,469)	(1,371,928)	-64.47%
Total net position	<u>\$ 4,165,915</u>	<u>4,840,649</u>	<u>3,138</u>	<u>18,785</u>	<u>4,169,053</u>	<u>4,859,434</u>	<u>-14.21%</u>

The District’s total net position decreased by 14.21%, or \$690,381 from the prior year. The largest portion of the District’s net position is invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District’s restricted net position increased \$260,992 or 19.36% from the prior year. This increase was primarily due to an increase in amount restricted for school infrastructure compared to the prior year.

Unrestricted net position - the part of net position that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- decreased \$884,541 or 64.47% compared to the prior year. This reduction in unrestricted net position was primarily a result of the decrease in unassigned balance of the General Fund compared to the prior 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	\$ 1,572,915	1,212,813	122,587	109,325	1,695,502	1,322,138	28.24%
Operating grants, contributions and restricted interest	944,337	1,183,268	403,517	329,757	1,347,854	1,513,025	-10.92%
General revenues:							
Property tax	2,232,360	2,102,031	-	-	2,232,360	2,102,031	6.20%
Income surtax	238,539	46,303	-	-	238,539	46,303	415.17%
Statewide sales, services and use tax	533,203	570,238	-	-	533,203	570,238	-6.49%
Unrestricted state grants	3,443,252	3,603,486	-	-	3,443,252	3,603,486	-4.45%
Unrestricted investment earnings	6,041	7,677	43	1	6,084	7,678	-20.76%
Other	122,658	105,347	5,252	915	127,910	106,262	20.37%
Total revenues	<u>9,093,305</u>	<u>8,831,163</u>	<u>531,399</u>	<u>439,998</u>	<u>9,624,704</u>	<u>9,271,161</u>	<u>3.81%</u>
Program expenses:							
Instruction	5,459,795	4,748,758	-	-	5,459,795	4,748,758	14.97%
Support services	3,523,248	2,914,756	7,813	2,746	3,531,061	2,917,502	21.03%
Non-instructional programs	-	-	539,233	413,855	539,233	413,855	30.30%
Other expenses	784,996	617,151	-	-	784,996	617,151	27.20%
Total expenses	<u>9,768,039</u>	<u>8,280,665</u>	<u>547,046</u>	<u>416,601</u>	<u>10,315,085</u>	<u>8,697,266</u>	<u>18.60%</u>
Change in net position	(674,734)	550,498	(15,647)	23,397	(690,381)	573,895	-220.30%
Net position beginning of year	<u>4,840,649</u>	<u>4,290,151</u>	<u>18,785</u>	<u>(4,612)</u>	<u>4,859,434</u>	<u>4,285,539</u>	<u>13.39%</u>
Net position end of year	<u>\$ 4,165,915</u>	<u>4,840,649</u>	<u>3,138</u>	<u>18,785</u>	<u>4,169,053</u>	<u>4,859,434</u>	<u>-14.21%</u>

In fiscal year 2016, property tax and unrestricted state grants accounted for 62.42% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for 99.00% of the revenue from business type activities.

The District's total revenues were approximately \$9.62 million, of which approximately \$9.09 million was for governmental activities and approximately \$0.53 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.81% increase in revenues and a 18.60% increase in expenses. The increase in revenues is primarily due to increases in charges for service revenue received while the increase in expenses is primarily related to increases in costs incurred in the instruction functional area compared to the prior year.

## Governmental Activities

Revenues for governmental activities were \$9,093,305 and expenses were \$9,768,039 for the year ended June 30, 2016.

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

	Total Cost of Services			Net Cost of Services		
	2016	2015	Change 2015-16	2016	2015	Change 2015-16
Instruction	\$ 5,459,795	4,748,758	14.97%	3,204,306	2,597,612	23.36%
Support services	3,523,248	2,914,756	20.88%	3,500,716	2,913,248	20.17%
Other expenses	784,996	617,151	27.20%	545,765	373,724	46.03%
Totals	<u>\$ 9,768,039</u>	<u>8,280,665</u>	<u>17.96%</u>	<u>7,250,787</u>	<u>5,884,584</u>	<u>23.22%</u>

For the year ended June 30, 2016:

- The cost financed by users of the District's programs was \$1,572,915.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$944,337.
- The net cost of governmental activities was financed with \$2,232,360 in property tax, \$238,539 in income surtax, \$533,203 in statewide sales, services and use tax, \$3,443,252 in unrestricted state grants, \$6,041 in interest income, and \$122,658 in other general revenues.

## Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2016 were \$531,399, representing an 20.77% increase over the prior year, while expenses totaled \$547,046, a 31.31% increase from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income and other general revenues.

## INDIVIDUAL FUND ANALYSIS

As previously noted, the Cardinal of Eldon 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 a combined fund balance of \$2,539,450, below last year's ending combined fund balances of \$3,251,048. The primary reason for the decrease in combined fund balances was a decrease in the General Fund.

## Governmental Fund Highlights

- The District's General Fund balance decreased from a balance of \$1,749,659 at June 30, 2015 to \$704,755 at June 30, 2016. The District's declining General Fund financial position is the product of many factors. District revenues decreased compared to the prior year primarily with state and other local source revenues. District expenditures increased primarily due to an increase in instruction and support services expenditures incurred during the year.

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- The Capital Projects Fund balance increased from \$418,998 at June 30, 2015 to \$974,610 at June 30, 2016. The Capital Projects: Statewide Sales, Services and Use Tax Fund balance increased from \$628,659 at June 30, 2015 to \$741,557 at June 30, 2016. The increase is related to a decrease in capital outlay expenditures incurred during the year. The Capital Projects: Physical Plant and Equipment Levy Fund balance increased from \$188,754 at June 30, 2015 to \$233,053 at June 30, 2016. The Capital Projects: Building Projects account increased from a deficit \$398,415 at June 30, 2015 to a \$0 at June 30, 2016 due to General obligation bond and capital loan note proceeds as well as increased capital outlay expenditures.
  - The Debt Service Fund balance increased from \$280,764 at June 30, 2015 to \$292,604 at June 30, 2016 primarily due to increase in local source revenue received during the year.

### **Proprietary Fund Highlights**

The School Nutrition Fund net position decreased from \$18,785 at June 30, 2015 to \$3,138 at June 30, 2016, representing a decrease of 83%. The decrease in net position is primarily due to an increase in non-instructional expenditures incurred compared to the prior year.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Cardinal of Eldon Community School District amended its budget one time to reflect additional expenditures.

The District's revenues were \$89,806 less than budgeted revenues, a variance of 0.94%. The most significant variance resulted from the District receiving less in local sources than originally anticipated.

It is the District's practice to budget expenditures close to what the District believes actual expenses will be for the General Fund, and then amend the budget if necessary. 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 non-instructional programs and other expenditures functional areas, 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 \$14,551,733, net of accumulated depreciation, in a broad range of capital assets, including buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 63.62% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$731,691.

The original cost of the District's capital assets was \$20,539,722. Governmental funds accounted for \$20,324,055 with the remainder of \$215,667 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$1,168,687 at June 30, 2015, compared to \$3,720,418 reported at June 30, 2016. The increase primarily represents an increase in expenses incurred on the elementary school construction project.

Figure A-6  
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2016	2015	2016	2015	2016	2015	2015-16
Construction in progress	\$ 3,720,418	1,168,687	-	-	3,720,418	1,168,687	218.34%
Buildings	9,002,956	6,393,180	-	-	9,002,956	6,393,180	40.82%
Land improvements	636,448	655,522	-	-	636,448	655,522	-2.91%
Machinery and equipment	1,126,059	626,774	65,852	49,402	1,191,911	676,176	76.27%
Total	\$ 14,485,881	8,844,163	65,852	49,402	14,551,733	8,893,565	63.62%

### Long-Term Debt

At June 30, 2016, the District had \$13,571,968 in long-term debt outstanding. This represents an increase of 92.80%, or \$6,532,729 from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had total outstanding general obligation bonds payable of \$5,060,000 at June 30, 2016. \$5,000 of this amount has been outstanding since 1995.

The District had total outstanding revenue bonds payable of \$3,770,000 at June 30, 2016, payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

The District had a computer lease payable of \$72,659 at June 30, 2016, payable from the Capital Projects: Physical Plant and Equipment Levy Fund.

The District had total outstanding termination benefits payable of \$242,632 at June 30, 2016, payable from the Management Levy Fund.

The District had compensated absences payable in the amount of \$25,986 at June 30, 2016, payable from the General Fund.

The District had total outstanding net pension liability of \$2,727,225 at June 30, 2016. Governmental activities account for \$2,651,974 of this total while business type activities account for the remaining \$75,251.

The District has total outstanding net OPEB liability of \$768,466 at June 30, 2016. Governmental activities account for \$746,104 of this total while business type activities account for the remaining \$22,362.

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
General obligation bonds	\$ 5,060,000	5,000	-	-	5,060,000	5,000	101100.00%
Revenue bonds	3,770,000	4,005,000	-	-	3,770,000	4,005,000	-5.87%
Capital loan note	905,000	-	-	-	905,000	-	100.00%
Computer lease	72,659	142,780	-	-	72,659	142,780	-49.11%
Termination benefits	242,632	324,274	-	-	242,632	324,274	-25.18%
Compensated absences	25,986	31,034	-	-	25,986	31,034	-16.27%
Net pension liability	2,651,974	2,015,586	75,251	53,329	2,727,225	2,068,915	31.82%
Net OPEB liability	746,104	455,302	22,362	6,934	768,466	462,236	66.25%
Total	<u>\$ 13,474,355</u>	<u>6,978,976</u>	<u>97,613</u>	<u>60,263</u>	<u>13,571,968</u>	<u>7,039,239</u>	<u>92.80%</u>

## 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:

- Declining enrollment would negatively impact District finances. Low or no supplemental state aid over several years negatively impacts the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget. In addition, state budget concerns will affect future projections.

## 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 Robin Leonard, Treasurer/Business Manager, Cardinal of Eldon Community School District, 4045 Ashland Road, Eldon, Iowa, 52554.

BASIC FINANCIAL STATEMENTS

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2016

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 2,951,744	32,735	2,984,479
Receivables:			
Property tax:			
Delinquent	41,416	-	41,416
Succeeding year	2,318,857	-	2,318,857
Income surtax	209,113	-	209,113
Due from other governments	488,752	4,424	493,176
Inventories	-	12,200	12,200
Capital assets, net of accumulated depreciation	14,485,881	65,852	14,551,733
<b>TOTAL ASSETS</b>	<b>20,495,763</b>	<b>115,211</b>	<b>20,610,974</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related deferred outflows	690,550	23,719	714,269
<b>LIABILITIES</b>			
Accounts payable	156,684	1,628	158,312
Salaries and benefits payable	785,778	33,255	819,033
Accrued interest payable	59,369	-	59,369
Unearned revenue	-	1,674	1,674
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	240,000	-	240,000
Revenue bonds	240,000	-	240,000
Capital loan note	175,000	-	175,000
Computer lease	72,659	-	72,659
Compensated absences	25,986	-	25,986
Termination benefits	79,073	-	79,073
Portion due after one year:			
General obligation bonds	4,820,000	-	4,820,000
Revenue bonds	3,530,000	-	3,530,000
Capital loan note	730,000	-	730,000
Termination benefits	163,559	-	163,559
Net pension liability	2,651,974	75,251	2,727,225
Net OPEB liability	746,104	22,362	768,466
<b>TOTAL LIABILITIES</b>	<b>14,476,186</b>	<b>134,170</b>	<b>14,610,356</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related deferred inflows	225,355	1,622	226,977
Unavailable property tax revenue	2,318,857	-	2,318,857
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,544,212</b>	<b>1,622</b>	<b>2,545,834</b>
<b>NET POSITION</b>			
Net investment in capital assets	4,750,881	65,852	4,816,733
Restricted for:			
Categorical funding	76,095	-	76,095
Debt service	562,362	-	562,362
Management levy purposes	216,976	-	216,976
Student activities	107,873	-	107,873
School infrastructure	412,430	-	412,430
Physical plant and equipment	233,053	-	233,053
Unrestricted	(2,193,755)	(62,714)	(2,256,469)
<b>TOTAL NET POSITION</b>	<b>\$ 4,165,915</b>	<b>3,138</b>	<b>4,169,053</b>

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON 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	
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:						
Regular	\$ 2,610,734	967,724	195,247	(1,447,763)	-	(1,447,763)
Special	1,025,294	359,638	129,910	(535,746)	-	(535,746)
Other	1,823,767	244,692	358,278	(1,220,797)	-	(1,220,797)
	5,459,795	1,572,054	683,435	(3,204,306)	-	(3,204,306)
Support services:						
Student	110,775	-	-	(110,775)	-	(110,775)
Instructional staff	974,673	-	-	(974,673)	-	(974,673)
Administration	1,117,785	-	-	(1,117,785)	-	(1,117,785)
Operation and maintenance of plant	816,879	-	-	(816,879)	-	(816,879)
Transportation	503,136	861	21,671	(480,604)	-	(480,604)
	3,523,248	861	21,671	(3,500,716)	-	(3,500,716)
Long-term debt interest	225,065	-	-	(225,065)	-	(225,065)
Other expenditures:						
AEA flowthrough	239,231	-	239,231	-	-	-
Depreciation(unallocated)*	320,700	-	-	(320,700)	-	(320,700)
	559,931	-	239,231	(320,700)	-	(320,700)
Total governmental activities	9,768,039	1,572,915	944,337	(7,250,787)	-	(7,250,787)
Business type activities:						
Support services:						
Operation and maintenance of plant	7,813	-	-	-	(7,813)	(7,813)
Non-instructional programs:						
Food service operations	539,233	122,587	403,517	-	(13,129)	(13,129)
Total business type activities	547,046	122,587	403,517	-	(20,942)	(20,942)
Total	\$ 10,315,085	1,695,502	1,347,854	(7,250,787)	(20,942)	(7,271,729)
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 1,628,763	-	1,628,763
Capital outlay				230,665	-	230,665
Debt service				372,932	-	372,932
Income surtax				238,539	-	238,539
Statewide sales, services and use tax				533,203	-	533,203
Unrestricted state grants				3,443,252	-	3,443,252
Unrestricted investment earnings				6,041	43	6,084
Other				122,658	5,252	127,910
Total general revenues				6,576,053	5,295	6,581,348
Change in net position				(674,734)	(15,647)	(690,381)
Net position beginning of year				4,840,649	18,785	4,859,434
Net position end of year				\$ 4,165,915	3,138	4,169,053

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

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	General	Capital Projects	Debt Service	Nonmajor	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 1,187,150	907,338	285,684	571,572	2,951,744
Receivables:					
Property tax:					
Delinquent	30,216	4,280	6,920	-	41,416
Succeeding year	1,621,944	237,665	384,248	75,000	2,318,857
Income surtax	209,113	-	-	-	209,113
Due from other governments	401,584	87,168	-	-	488,752
<b>TOTAL ASSETS</b>	<b>\$ 3,450,007</b>	<b>1,236,451</b>	<b>676,852</b>	<b>646,572</b>	<b>6,009,882</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 128,417	24,176	-	4,091	156,684
Salaries and benefits payable	785,778	-	-	-	785,778
Total liabilities	914,195	24,176	-	4,091	942,462
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,621,944	237,665	384,248	75,000	2,318,857
Income surtax	209,113	-	-	-	209,113
Total deferred inflows of resources	1,831,057	237,665	384,248	75,000	2,527,970
Fund balances:					
Restricted for:					
Categorical funding	76,095	-	-	-	76,095
Debt service	-	329,127	292,604	-	621,731
Management levy purposes	-	-	-	459,608	459,608
Student activities	-	-	-	107,873	107,873
School infrastructure	-	412,430	-	-	412,430
Physical plant and equipment	-	233,053	-	-	233,053
Unassigned:					
General	628,660	-	-	-	628,660
Total fund balances	704,755	974,610	292,604	567,481	2,539,450
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 3,450,007</b>	<b>1,236,451</b>	<b>676,852</b>	<b>646,572</b>	<b>6,009,882</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

<b>Total fund balances of governmental funds (page 20)</b>	\$	2,539,450
 <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.		14,485,881
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(59,369)
Accounts receivable income surtax, are not available to finance expenditures of the current fiscal year, therefore, is recognized as deferred inflows of resources in the governmental funds.		209,113
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	\$ 690,550	
Deferred inflows of resources	<u>(225,355)</u>	465,195
Long-term liabilities, including bonds payable, capital loan note payable, termination benefits payable, accrued compensated absences, net pension liability, computer lease payable and other postemployment benefits payable are not due and payable in the current period and, therefore are not reported as liabilities in the governmental funds.		<u>(13,474,355)</u>
<b>Net position of governmental activities (page 18)</b>	<b>\$</b>	<b><u><u>4,165,915</u></u></b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	General	Capital Projects	Debt Service	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 1,700,729	230,665	372,932	-	2,304,326
Tuition	1,320,923	-	-	-	1,320,923
Other	271,797	2,039	1,148	256,516	531,500
State sources	3,858,152	534,343	1,843	-	4,394,338
Federal sources	375,645	-	-	-	375,645
Total revenues	<u>7,527,246</u>	<u>767,047</u>	<u>375,923</u>	<u>256,516</u>	<u>8,926,732</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,671,368	-	-	112,216	2,783,584
Special	1,179,210	-	-	-	1,179,210
Other	1,346,559	-	-	259,757	1,606,316
	<u>5,197,137</u>	<u>-</u>	<u>-</u>	<u>371,973</u>	<u>5,569,110</u>
Support services:					
Student	135,452	-	-	-	135,452
Instructional staff	835,279	-	-	-	835,279
Administration	975,155	8,750	-	43,857	1,027,762
Operation and maintenance of plant	697,943	-	-	48,870	746,813
Transportation	499,227	43,148	-	18,688	561,063
	<u>3,143,056</u>	<u>51,898</u>	<u>-</u>	<u>111,415</u>	<u>3,306,369</u>
Capital outlay	-	5,949,117	-	-	5,949,117
Long-term debt:					
Principal	-	-	555,121	-	555,121
Interest and fiscal charges	-	-	215,076	-	215,076
	<u>-</u>	<u>-</u>	<u>770,197</u>	<u>-</u>	<u>770,197</u>
Other expenditures:					
AEA flowthrough	239,231	-	-	-	239,231
Total expenditures	<u>8,579,424</u>	<u>6,001,015</u>	<u>770,197</u>	<u>483,388</u>	<u>15,834,024</u>
Deficiency of revenues under expenditures	(1,052,178)	(5,233,968)	(394,274)	(226,872)	(6,907,292)
Other financing sources(uses):					
Transfer in	7,274	967,302	406,114	-	1,380,690
Transfer out	-	(1,373,416)	-	(7,274)	(1,380,690)
General obligation bond issuance proceeds	-	5,305,000	-	-	5,305,000
Premium on general obligation bond issuance	-	45,004	-	-	45,004
Discount on general obligation bond issuance	-	(59,310)	-	-	(59,310)
Capital loan note issuance proceeds	-	905,000	-	-	905,000
Total other financing sources(uses)	<u>7,274</u>	<u>5,789,580</u>	<u>406,114</u>	<u>(7,274)</u>	<u>6,195,694</u>
Change in fund balances	(1,044,904)	555,612	11,840	(234,146)	(711,598)
Fund balances beginning of year	<u>1,749,659</u>	<u>418,998</u>	<u>280,764</u>	<u>801,627</u>	<u>3,251,048</u>
Fund balances end of year	<u>\$ 704,755</u>	<u>974,610</u>	<u>292,604</u>	<u>567,481</u>	<u>2,539,450</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON 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)** \$ (711,598)

*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. The amounts of capital outlay and depreciation expense in the year are as follows:

Capital outlay	\$ 6,365,177	
Depreciation expense	<u>(723,459)</u>	5,641,718

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. 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.

Current year issuances exceed repayments, as follows:

Issued	\$ (6,210,000)	
Repaid	<u>555,121</u>	(5,654,879)

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

(9,989)

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

371,430

Income surtax account receivable is not available to finance expenditures of the current year and is not considered available revenue, therefore, recognized as deferred inflows of resources in the governmental funds.

166,573

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

Termination benefits	81,642	
Pension expense	(273,877)	
Compensated absences	5,048	
Other postemployment benefits	<u>(290,802)</u>	<u>(477,989)</u>

**Change in net position of governmental activities (page 19)** \$ (674,734)

SEE NOTES TO FINANCIAL STATEMENTS.

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

		Enterprise School Nutrition
<b>ASSETS</b>		
Current assets:		
Cash and pooled investments	\$	32,735
Due from other governments		4,424
Inventories		12,200
Total current assets		49,359
Noncurrent assets:		
Capital assets, net of accumulated depreciation		65,852
<b>TOTAL ASSETS</b>		<b>115,211</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension related deferred outflows		23,719
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable		1,628
Salaries and benefits payable		33,255
Unearned revenue		1,674
Total current liabilities		36,557
Noncurrent liabilities		
Net pension liability		75,251
Net OPEB liability		22,362
Total noncurrent liabilities		97,613
<b>TOTAL LIABILITIES</b>		<b>134,170</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension related deferred inflows		1,622
<b>NET POSITION</b>		
Net investment in capital assets		65,852
Unrestricted		(62,714)
<b>TOTAL NET POSITION</b>	<b>\$</b>	<b>3,138</b>

SEE NOTES TO FINANCIAL STATEMENTS.

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

	Enterprise School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 122,587
Miscellaneous	5,252
<b>TOTAL OPERATING REVENUES</b>	<b>127,839</b>
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Services	7,813
Non-instructional programs:	
Food service operations:	
Salaries	159,758
Benefits	60,116
Services	6,370
Supplies	303,447
Other	1,310
Depreciation	8,232
Total non-instructional programs	539,233
Total operating expenses	547,046
Operating loss	(419,207)
Non-operating revenues:	
Interest income	43
State sources	4,284
Federal sources	399,233
Total non-operating revenues	403,560
Change in net position	(15,647)
Net position beginning of year	18,785
Net position end of year	\$ 3,138

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON 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	\$ 122,492
Cash received from miscellaneous	5,252
Cash payments to employees for services	(191,842)
Cash payments to suppliers for goods or services	(272,126)
Net cash used in operating activities	(336,224)
Cash flows from non-capital financing activities:	
State grants received	4,284
Federal grants received	368,859
Net cash provided by non-capital financing activities	373,143
Cash flows from capital financing activities:	
Purchase of capital assets	(24,682)
Cash flows from investing activities:	
Interest on investments	43
Net increase in cash and pooled investments	12,280
Cash and pooled investments beginning of year	20,455
Cash and pooled investments end of year	\$ 32,735
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (419,207)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	41,333
Depreciation	8,232
Decrease in inventories	4,077
Increase in accounts payable	1,404
Increase in salaries and benefits payable	17,280
Decrease in unearned revenue	(95)
Increase in net pension liability	21,922
Increase in deferred outflows of resources	(7,882)
Decrease in deferred inflows of resources	(18,716)
Increase in other postemployment benefits liability	15,428
Net cash used in operating activities	\$ (336,224)

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

During the year ended June 30, 2016, the District received Federal commodities valued at \$41,333.

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2016

	<u>Private Purpose Trust Scholarship</u>
<b>Assets</b>	
Cash and pooled investments	\$ 54,514
<b>Liabilities</b>	-
<b>Net Position</b>	
Held in trust for scholarships	\$ 54,514

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2016

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 710
Interest income	93
Total additions	<u>803</u>
Deductions:	
Instruction:	
Regular	
Scholarships awarded	1,500
Non-instructional programs:	
Other	<u>2,035</u>
Total deductions	<u>3,535</u>
Change in net position	(2,732)
Net position beginning of year	<u>57,246</u>
Net position end of year	<u>\$ 54,514</u>

SEE NOTES TO FINANCIAL STATEMENTS.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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

The Cardinal of Eldon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Eldon, Iowa, and the predominate agricultural territory in Jefferson, Wapello, Davis, and Van Buren 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, Cardinal of Eldon 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 Cardinal of Eldon Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Jefferson, Wapello, Davis, and Van Buren County Assessors' Conference Board.

**B. Basis of Presentation**

Government-wide financial statements - The Statement of Net Position and the Statement of Activities report information on all of the 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 nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt 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 that does not meet the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other 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 Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District reports the following non-major proprietary fund:

The District's proprietary fund is the School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

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

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

### 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 investments in the Iowa Schools Joint Investment Trust which are valued at amortized 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 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 column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	2,000
Land improvements	2,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

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

Asset Class	Estimated Useful Lives
Buildings	50 years
Land improvements	20 years
Intangibles	2 or more years
Furniture and equipment	5-12 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.

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.

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

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Position in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Compensated absences are reported in governmental funds only if they have matured. The cost of vacation payments expected to be liquidated currently is recorded as a long-term liability on the Statement of Net Position and will be paid in the future out of the General Fund. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. The compensated absences liability attributable to the governmental activities will be primarily paid by the General Fund.

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

Deferred Inflows of Resources - 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 receivables and other receivables not collected within sixty days after year end.

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

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

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

Unassigned - All amounts not included in the preceding classifications.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2016 the District exceeded the amounts budgeted for the non-instructional programs, and other expenditures functional areas, as well as in total.

**(2) Cash and Pooled Investments**

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

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

At June 30, 2016, the District had investments in the Iowa Schools Joint Investment Trust Direct Government obligations Portfolio which are valued at an amortized cost of \$1,718,040 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals of the ISJIT investments. The investments in the Iowa Schools Joint Investment Trust were rated AAAm by Standard & Poor’s Financial Services.

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

**(3) 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	\$ 330,825
Debt Service	Capital Projects: Physical Plant and Equipment Levy	75,289
Capital Projects: Building Projects	Capital Projects: Physical Plant and Equipment Levy	967,302
General	Management Levy	<u>7,274</u>
Total		<u>\$ 1,380,690</u>

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

The transfers from the Capital Project: Physical Plant and Equipment Levy to the Debt Service Fund were for principal and interest payments on the District’s computer lease indebtedness.

The transfer from the Capital Project: Physical Plant and Equipment Levy Fund to the Capital Projects: Building Project Fund was to move the proceeds of the capital loan note and other construction costs to the construction account.

The transfer from the Management Levy Fund to the General Fund was to repay the General Fund for insurance deductibles paid during the year.

**(4) 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
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 1,168,687	4,679,508	2,127,777	3,720,418
Total capital assets not being depreciated	<u>1,168,687</u>	<u>4,679,508</u>	<u>2,127,777</u>	<u>3,720,418</u>
Capital assets being depreciated:				
Buildings	8,967,117	2,875,168	-	11,842,285
Land improvements	1,540,368	36,234	-	1,576,602
Machinery and equipment	2,282,706	902,044	-	3,184,750
Total capital assets being depreciated	<u>12,790,191</u>	<u>3,813,446</u>	<u>-</u>	<u>16,603,637</u>
Less accumulated depreciation for:				
Buildings	2,573,937	265,392	-	2,839,329
Land improvements	884,846	55,308	-	940,154
Machinery and equipment	1,655,932	402,759	-	2,058,691
Total accumulated depreciation	<u>5,114,715</u>	<u>723,459</u>	<u>-</u>	<u>5,838,174</u>
Total capital assets being depreciated, net	<u>7,675,476</u>	<u>3,089,987</u>	<u>-</u>	<u>10,765,463</u>
Governmental activities capital assets, net	<u>\$ 8,844,163</u>	<u>7,769,495</u>	<u>2,127,777</u>	<u>14,485,881</u>
<b>Business type activities:</b>				
Machinery and equipment	\$ 190,985	24,682	-	215,667
Less accumulated depreciation	141,583	8,232	-	149,815
Business type activities capital assets, net	<u>\$ 49,402</u>	<u>16,450</u>	<u>-</u>	<u>65,852</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 129,979
Other	74,797
Support services:	
Student	645
Administration	57,126
Operation and maintenance of plant	17,791
Transportation	<u>122,421</u>
	402,759
Unallocated depreciation	<u>320,700</u>
Total governmental activities depreciation expense	<u>\$ 723,459</u>
Business type activities:	
Food service operations	<u>\$ 8,232</u>

**(5) Long-Term Liabilities**

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 5,000	5,305,000	250,000	5,060,000	240,000
Revenue bonds	4,005,000	-	235,000	3,770,000	240,000
Capital loan note	-	905,000	-	905,000	175,000
Computer lease	142,780	-	70,121	72,659	72,659
Compensated absences	31,034	25,986	31,034	25,986	25,986
Termination benefits	324,274	-	81,642	242,632	79,073
Net pension liability	2,015,586	636,388	-	2,651,974	-
Net OPEB liability	455,302	290,802	-	746,104	-
Total	\$ 6,978,976	7,163,176	667,797	13,474,355	832,718
<b>Business type activities:</b>					
Net pension liability	\$ 53,329	21,922	-	75,251	-
Net OPEB liability	6,934	15,428	-	22,362	-
Total	\$ 60,263	37,350	-	97,613	-

**General Obligation Bonds**

Details of the District's June 30, 2016 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Issue March 1, 1983				General Obligation bond issued July 7, 2015				Total			
	Interest Rate	Principal	Interest	Total	Interest Rate	Principal	Interest	Total	Principal	Interest	Total	
1995	8.60 %	\$ 5,000	1,935	6,935	%	\$ -	-	-	5,000	1,935	6,935	
2017		-	-	-	1.50	240,000	126,645	366,645	240,000	126,645	366,645	
2018		-	-	-	1.50	245,000	123,045	368,045	245,000	123,045	368,045	
2019		-	-	-	1.50	250,000	119,370	369,370	250,000	119,370	369,370	
2020		-	-	-	1.55	250,000	115,620	365,620	250,000	115,620	365,620	
2021		-	-	-	1.70	255,000	111,745	366,745	255,000	111,745	366,745	
2022-2026		-	-	-	1.80-2.50	1,350,000	483,945	1,833,945	1,350,000	483,945	1,833,945	
2027-2031		-	-	-	3.000-3.125	1,535,000	299,200	1,834,200	1,535,000	299,200	1,834,200	
2032-2035		-	-	-	3.125-3.500	930,000	65,244	995,244	930,000	65,244	995,244	
		\$ 5,000	1,935	6,935		\$ 5,055,000	1,444,814	6,499,814	5,060,000	1,446,749	6,506,749	

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,	Interest Rate	Issue June 1, 2012		
		Principal	Interest	Total
2017	1.00	% \$ 240,000	87,927	327,927
2018	1.25	240,000	85,228	325,228
2019	1.50	245,000	81,890	326,890
2020	1.75	245,000	77,911	322,911
2021	2.00	250,000	73,265	323,265
2022-2026	2.20-2.80	1,340,000	274,131	1,614,131
2027-2030	2.90-3.10	1,210,000	75,519	1,285,519
Total		\$ 3,770,000	755,871	4,525,871

The District has pledged future statewide sales, services and use tax revenues to repay the \$4,465,000 of bonds issued in June 2012. The bonds were issued for the purpose of financing building improvement projects. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not general obligations of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 62% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$4,525,871. Current year principal and interest payments on the bonds were \$235,000 and \$90,303 respectively, and the total statewide sales, services and use tax revenues were \$533,203.

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

- a) \$329,127 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide, sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Capital Loan Notes

Details of the District's June 30, 2016 capital loan note indebtedness which will be paid from the Capital Projects: Physical, Plant and Equipment Levy Fund are as follows:

Year Ending June 30,	Interest Rate	Capital loan note issued April 14, 2016		
		Principal	Interest	Total
2017	1.25 %	\$ 175,000	12,789	187,789
2018	1.25	180,000	9,125	189,125
2019	1.25	180,000	6,875	186,875
2020	1.25	185,000	4,625	189,625
2021	1.25	185,000	2,313	187,313
		<u>\$ 905,000</u>	<u>35,727</u>	<u>940,727</u>

Computer Lease

Details of the District's June 30, 2016 computer lease indebtedness is as follows:

Year Ending June 30,	Interest Rate	Computer lease issue of June 4, 2012		
		Principal	Interest	Total
2017	3.62 %	\$ 72,659	2,630	75,289

Termination Benefits

The District offered a voluntary early retirement plan in fiscal years 2013 and 2014 to its licensed employees, each plan was only offered for one year. Eligible employees must have been at least fifty-five and must have completed ten years of continuous service as a full-time licensed employee to the District. Licensed employees must have completed an application which was required to be approved by the Board of Education. The Board of Directors does not plan to offer early retirement for the next several years.

Prior year early retirement incentives for each eligible licensed employee is the licensed employee are as follows: each retiree will receive credit for their first ten years of continuous service and will receive the difference between their placement on the tenth step of their educational lane on the salary schedule and the base salary for the current year. In addition to this amount the individual was reimbursed at the rate of \$50 per day for each unused accumulated sick day to the maximum of one hundred twenty days.

Fiscal year 2014 retirees received District provided single premium health insurance coverage up to age 65 so long as the employee continues to participate in the District's group health insurance plan.

At June 30, 2016, the District had obligations to five participants with a total liability of \$242,632. Termination benefits paid for the year ended June 30, 2016 totaled \$81,642.

**(6) Pension Plan**

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

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

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

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

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

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

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

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

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95 percent of 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 \$385,541.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2016, the District reported a liability of \$2,727,225 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's collective proportion was 0.055202 percent, which was an increase of 0.003034 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$283,312. 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	\$ 41,205	\$ -
Changes of assumptions	75,087	-
Net difference between projected and actual earnings on IPERS' investments	-	226,977
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	212,436	-
District contributions subsequent to the measurement date	385,541	-
<b>Total</b>	<b>\$ 714,269</b>	<b>\$ 226,977</b>

\$385,541 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,	Amounts
2017	\$ (22,480)
2018	(22,480)
2019	(22,480)
2020	157,844
2021	11,347
<b>Total</b>	<b>\$ 101,751</b>

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

<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, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 4,774,881	\$ 2,727,225	\$ 998,857

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

Payables to IPERS - At June 30, 2016, the District reported payables to IPERS of \$54,298 for legally required District contributions and \$36,178 for legally required employee contributions withheld from employee wages which have not yet been remitted to IPERS.

**(7) Other Postemployment Benefits (OPEB)**

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 71 active and 5 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize 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	\$ 365,579
Interest on net OPEB obligation	20,801
Adjustment to annual required contribution	<u>(23,800)</u>
Annual OPEB cost	362,580
Contributions made	<u>(56,350)</u>
Increase in net OPEB obligation	306,230
Net OPEB obligation beginning of year	<u>462,236</u>
Net OPEB obligation end of year	<u>\$ 768,466</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

For the year ended June 30, 2016, the District contributed \$56,350 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	\$ 153,844	45.5%	\$ 365,844
2015	154,392	37.6%	462,236
2016	362,580	15.5%	768,466

Funded Status and Funding Progress - As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was approximately \$2.536 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$2.536 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3.623 million and the ratio of the UAAL to covered payroll was 70.0%.

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 health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

As of July 1, 2015 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The ultimate medical trend rate is 5%.

Life expectancy rates are from the life Expectancy Table from National Center for Health Statistics updated in 2008.

The salary increase rate was assumed to be 1.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

## **(8) Risk Management**

The District is a member in the Iowa School Employees Benefits Association (ISEBA), 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 July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical and dental.

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 \$741,263.

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 written notice may withdraw.

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

**(9) 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 \$239,231 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) 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 non-instructional programs and other expenditures functional areas, as well as in total exceeded the amounts budgeted.

**(11) Operating Lease**

During the year ended June 30, 2012, the District entered into a 60 month agreement to lease copy machines with Infomax Office Systems. Amounts remaining on lease, as of June 30, 2016 are as follows:

Year Ending June 30,	Lease Payments
2017	\$ 7,344

**(12) Categorical Funding**

The District's ending balances for categorical funding at June 30, 2016 are comprised of the following programs:

Program	Amount
Returning dropout and dropout prevention programs	\$ 13,469
Successful progression for early readers	11,528
Professional development for model core curriculum	59
Teacher leadership grants	49,178
Governor's Advisory Council STEM Scale-up programs	1,861
Total	<u>\$ 76,095</u>

**(13) Construction Commitment**

The District has entered into various contracts for the Cardinal School Elementary construction project. As of June 30, 2016, costs of \$3,720,418 had been incurred against the contracts. Remaining costs on these contracts will be paid as work on the project progresses.

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

Detailed reconciliation of certain governmental funds balances to the net position is as follows:

	Net investment in capital assets	Management Levy	Debt Service	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	459,608	621,731	628,660
Capital assets, net of accumulated depreciation	14,485,881	-	-	-
General obligation bond capitalized indebtedness	(5,060,000)	-	-	-
Revenue bond capitalized indebtedness	(3,770,000)	-	-	-
Capital loan note capitalized indebtedness	(905,000)	-	-	-
Accrued interest payable	-	-	(59,369)	-
Computer lease indebtedness	-	-	-	(72,659)
Termination benefits	-	(242,632)	-	-
Net pension liability	-	-	-	(2,651,974)
Pension related deferred outflows of resources	-	-	-	690,550
Pension related deferred inflows of resources	-	-	-	(225,355)
Income surtax	-	-	-	209,113
Compensated absences	-	-	-	(25,986)
Net OPEB liability	-	-	-	(746,104)
Net position (Exhibit A)	<u>\$ 4,750,881</u>	<u>216,976</u>	<u>562,362</u>	<u>(2,193,755)</u>

**(15) Deficit Net Position**

At June 30, 2016, the District had a deficit unrestricted net position of \$2,193,755 in the governmental activities. The District also had a deficit unrestricted net position of \$62,714 in the School Nutrition Fund and the business-type activities. These deficit net positions are contributed to by the GASB Statement No 68 pension liability and related deferred inflow and outflow reporting requirements. However, this was not the only reason for the deficit net positions.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 4,156,749	127,882	4,284,631	4,414,508	4,414,508	(129,877)
State sources	4,394,338	4,284	4,398,622	4,447,335	4,447,335	(48,713)
Federal sources	375,645	399,233	774,878	686,094	686,094	88,784
Total revenues	<u>8,926,732</u>	<u>531,399</u>	<u>9,458,131</u>	<u>9,547,937</u>	<u>9,547,937</u>	<u>(89,806)</u>
Expenditures/Expenses:						
Instruction	5,569,110	-	5,569,110	5,284,040	5,600,000	30,890
Support services	3,306,369	7,813	3,314,182	3,365,200	3,500,000	185,818
Non-instructional programs	-	539,233	539,233	435,000	520,000	(19,233)
Other expenditures	6,958,545	-	6,958,545	6,384,003	6,500,000	(458,545)
Total expenditures/expenses	<u>15,834,024</u>	<u>547,046</u>	<u>16,381,070</u>	<u>15,468,243</u>	<u>16,120,000</u>	<u>(261,070)</u>
Deficiency of revenues under expenditures/expenses	(6,907,292)	(15,647)	(6,922,939)	(5,920,306)	(6,572,063)	(350,876)
Other financing sources, net	6,195,694	-	6,195,694	5,116,120	5,116,120	1,079,574
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	(711,598)	(15,647)	(727,245)	(804,186)	(1,455,943)	728,698
Balances beginning of year	<u>3,251,048</u>	<u>18,785</u>	<u>3,269,833</u>	<u>3,862,325</u>	<u>3,862,325</u>	<u>(592,492)</u>
Balances end of year	<u>\$ 2,539,450</u>	<u>3,138</u>	<u>2,542,588</u>	<u>3,058,139</u>	<u>2,406,382</u>	<u>136,206</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2016, the District adopted one budget amendment, increasing budgeted expenditures by \$651,757.

During the year ended June 30, 2016, expenditures in the non-instructional programs, and other expenditures functional areas, as well as in total, exceeded the amounts budgeted.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN (IN THOUSANDS)  
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 1,072	1,072	0.0%	\$ 2,550	42.0%
2011	July 1, 2009	-	1,072	1,072	0.0%	2,554	42.0%
2012	July 1, 2009	-	1,072	1,072	0.0%	2,523	42.5%
2013	July 1, 2012	-	1,040	1,040	0.0%	2,562	40.6%
2014	July 1, 2012	-	1,040	1,040	0.0%	2,739	38.0%
2015	July 1, 2012	-	1,040	1,040	0.0%	2,938	35.4%
2016	July 1, 2015	-	2,536	2,536	0.0%	3,623	70.0%

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.

CARDINAL OF ELDON 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	0.055202%	0.052168%
District's proportionate share of the net pension liability	\$ 2,727,225	2,068,915
District's covered-employee payroll	\$ 3,781,809	3,413,617
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.

**CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**FOR THE LAST TEN YEARS**  
**REQUIRED SUPPLEMENTARY INFORMATION**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution	\$ 385,541	337,715	304,836	278,812	252,178	219,486	209,010	205,306	191,617	188,504
Contributions in relation to the statutorily required contribution	(385,541)	(337,715)	(304,836)	(278,812)	(252,178)	(219,486)	(209,010)	(205,306)	(191,617)	(188,504)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 4,317,368	3,781,809	3,413,617	3,215,825	3,124,882	3,158,072	3,007,338	3,233,165	3,167,223	3,278,330
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.

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

*Changes of benefit terms:*

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 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 of the UAL amortization payments.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT

SUPPLEMENTARY INFORMATION

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2016

	Special Revenue		
	Management Levy	Student Activity	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 462,754	108,818	571,572
Receivables:			
Property tax:			
Succeeding year	75,000	-	75,000
<b>TOTAL ASSETS</b>	<b>\$ 537,754</b>	<b>108,818</b>	<b>646,572</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 3,146	945	4,091
Deferred inflows of resources			
Unavailable revenues:			
Succeeding year property tax	75,000	-	75,000
Fund balances:			
Restricted for:			
Management levy purposes	459,608	-	459,608
Student activities	-	107,873	107,873
Total fund balances	459,608	107,873	567,481
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 537,754</b>	<b>108,818</b>	<b>646,572</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Other	\$ 11,824	244,692	256,516
Expenditures:			
Current:			
Instruction:			
Regular	112,216	-	112,216
Other	-	259,757	259,757
	112,216	259,757	371,973
Support services:			
Administration	43,857	-	43,857
Operation and maintenance of plant	48,870	-	48,870
Transportation	18,688	-	18,688
	111,415	-	111,415
Total expenditures	223,631	259,757	483,388
Deficiency of revenues under expenditures	(211,807)	(15,065)	(226,872)
Other financing uses:			
Transfers out	(7,274)	-	(7,274)
Change in fund balances	(219,081)	(15,065)	(234,146)
Fund balances beginning of year	678,689	122,938	801,627
Fund balances end of year	\$ 459,608	107,873	567,481

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUND ACCOUNTS  
 JUNE 30, 2016

	Capital Projects			
	Statewide Sales, Services and Use Tax	Building Projects	Physical Plant and Equipment Levy	Total
<b>ASSETS</b>				
Cash and pooled investments	\$ 654,389	24,176	228,773	907,338
Recivables:				
Property tax:				
Delinquent	-	-	4,280	4,280
Succeeding year	-	-	237,665	237,665
Due from other governments	87,168	-	-	87,168
<b>TOTAL ASSETS</b>	<b>\$ 741,557</b>	<b>24,176</b>	<b>470,718</b>	<b>1,236,451</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	24,176	-	24,176
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	237,665	237,665
Fund balances:				
Restricted for:				
Debt service	329,127	-	-	329,127
School infrastructure	412,430	-	-	412,430
Physical plant and equipment	-	-	233,053	233,053
Total fund balances	741,557	-	233,053	974,610
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 741,557</b>	<b>24,176</b>	<b>470,718</b>	<b>1,236,451</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Building Projects	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ -	-	230,665	230,665
Other	489	725	825	2,039
State sources	533,203	-	1,140	534,343
Total revenues	<u>533,692</u>	<u>725</u>	<u>232,630</u>	<u>767,047</u>
Expenditures:				
Current:				
Support services:				
Administration	1,000	7,750	-	8,750
Transportation	43,148	-	-	43,148
Capital outlay	45,821	5,852,556	50,740	5,949,117
Total expenditures	<u>89,969</u>	<u>5,860,306</u>	<u>50,740</u>	<u>6,001,015</u>
Excess(Deficiency) of revenues over(under) expenditures	443,723	(5,859,581)	181,890	(5,233,968)
Other financing sources(uses):				
Transfer in	-	967,302	-	967,302
Transfer out	(330,825)	-	(1,042,591)	(1,373,416)
General obligation bond issuance proceeds	-	5,305,000	-	5,305,000
Premium on general obligation bond issuance	-	45,004	-	45,004
Discount on general obligation bond issuance	-	(59,310)	-	(59,310)
Capital loan note issuance proceeds	-	-	905,000	905,000
Total other financing sources(uses)	<u>(330,825)</u>	<u>6,257,996</u>	<u>(137,591)</u>	<u>5,789,580</u>
Change in fund balances	112,898	398,415	44,299	555,612
Fund balances beginning of year	<u>628,659</u>	<u>(398,415)</u>	<u>188,754</u>	<u>418,998</u>
Fund balances end of year	<u>\$ 741,557</u>	<u>-</u>	<u>233,053</u>	<u>974,610</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2016

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- fund Transfer	Balance End of Year
Concessions	\$ 9,121	-	6,896	-	2,225
Football club	1,712	991	604	-	2,099
Drama	886	780	924	-	742
Vocal	2,063	-	-	(2,063)	-
Show choir	-	1,679	62	-	1,617
Season tickets	11,204	5,139	8,093	-	8,250
Track club	-	671	626	-	45
Boys basketball	2,571	4,524	3,632	-	3,463
Football	7,688	5,884	4,082	-	9,490
Baseball	-	4,203	4,060	-	143
Boys track	320	1,405	2,003	701	423
Wrestling	191	650	354	-	487
Girls basketball	2,676	5,708	7,578	-	806
Volleyball	2,561	4,895	5,937	-	1,519
Softball	33	5,051	4,413	-	671
Girls track	1,740	1,375	1,932	(701)	482
Yearbook	1,909	2,859	3,492	-	1,276
Baseball club	4,293	5,827	8,134	-	1,986
Cross country	598	1,349	1,902	-	45
Art club	963	10	-	-	973
BB Cheerleaders	1,224	-	-	-	1,224
General activity	63	-	-	-	63
Sophomore	34	-	-	-	34
Freshman	134	-	28	-	106
Seniors	1,645	-	1,143	-	502
Juniors	1,514	12,473	11,408	816	3,395
Girls baseball club	795	7,299	7,127	(517)	450
National honor society	183	-	92	-	91
JH trip fund	18,822	74,494	78,560	1,210	15,966
FFA	255	9,017	5,144	-	4,128
Softball club	1,075	1,269	747	-	1,597
HS student council	2,723	6,180	5,343	462	4,022
Volleyball club	3,797	4,148	5,210	(160)	2,575
Wrestling club	2,923	2,905	4,927	-	901
Foreign language club	283	-	-	(283)	-
Boys basketball club	2,395	-	1,075	517	1,837
JH student council	711	55	275	-	491
Elementary concessions	562	-	-	(562)	-
Patriotism day	808	297	299	(462)	344
JH cheerleading	437	-	-	-	437
Wrestling cheerleading	675	-	-	-	675
Weight room club	4,249	4,706	9,945	1,840	850
A club	19,547	37,533	37,874	(1,003)	18,203
Music boosters	4,573	13,800	14,339	2,183	6,217
FCCLA	994	-	-	(994)	-
Band trip	1,400	10,952	6,176	(984)	5,192
Football cheerleading	588	6,414	5,321	-	1,681
Robotic club	-	150	-	-	150
Total	\$ 122,938	244,692	259,757	-	107,873

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**CARDINAL OF ELDON COMMUNITY SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES 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	\$ 2,304,326	2,206,630	2,349,550	2,956,256	2,861,094	2,689,978	2,461,639	2,447,699	2,125,457	1,946,426
Tuition	1,320,923	973,433	894,284	607,698	438,937	386,679	392,400	260,015	310,638	202,536
Other	531,500	712,737	449,850	346,069	500,295	501,733	570,132	504,749	449,606	414,059
State sources	4,394,338	4,558,771	4,296,343	3,746,287	3,722,111	3,612,696	3,295,213	3,756,251	3,818,424	3,520,413
Federal sources	375,645	437,888	581,794	546,886	310,165	489,572	795,138	260,834	220,338	215,168
Total	\$ 8,926,732	8,889,459	8,571,821	8,203,196	7,832,602	7,680,658	7,514,522	7,229,548	6,924,463	6,298,602
Expenditures:										
Current:										
Instruction:										
Regular	\$ 2,783,584	2,584,392	2,435,555	2,426,137	2,429,017	2,397,749	2,505,063	2,363,404	2,316,023	2,098,677
Special	1,179,210	1,001,033	1,101,949	906,505	1,009,450	879,489	1,124,563	866,255	861,924	903,023
Other	1,606,316	1,439,513	1,196,464	1,128,656	1,065,168	1,125,463	520,244	946,487	1,081,030	1,031,130
Support services:										
Student	135,452	137,177	148,540	138,157	126,544	156,450	113,684	149,593	139,142	142,842
Instructional staff	835,279	841,016	386,019	146,173	126,068	153,504	186,561	917,079	235,689	228,787
Administration	1,027,512	951,717	898,448	823,227	816,108	778,532	736,879	722,909	744,771	695,910
Operation and maintenance of plant	746,813	919,216	545,825	443,886	388,711	410,427	459,020	392,274	399,678	400,112
Transportation	561,063	341,353	488,959	637,209	370,227	284,708	316,796	297,923	283,734	354,127
Other	-	-	-	-	-	-	1,854	-	-	-
Capital outlay	5,949,117	1,130,672	2,030,264	2,966,290	500,176	472,281	30,450	347,032	305,226	349,243
Long Term Debt:										
Principal	555,121	380,295	365,460	150,831	170,389	295,390	295,390	285,390	110,000	105,000
Interest and fiscal charges	215,326	103,571	112,206	61,428	-	6,325	12,025	17,200	21,585	25,995
Other expenditures:										
AEA flow-through	239,231	243,427	233,919	228,436	227,554	251,075	249,117	230,908	224,738	207,648
Total	\$ 15,834,024	10,073,382	9,943,608	10,056,935	7,229,412	7,211,393	6,551,646	7,536,454	6,723,540	6,542,494

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 Cardinal of Eldon 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 Cardinal of Eldon 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 April 27, 2017.

Internal Control Over Financial Reporting

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

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

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 described in Part I of the accompanying Schedule of Findings as item I-B-16 to be a significant deficiency.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cardinal of Eldon 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.

### Cardinal of Eldon Community School District's Responses to Findings

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

### Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Cardinal of Eldon 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.

April 27, 2017  
Newton, Iowa

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

**Part I: Findings Related to the Basic 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. We noted individuals who have control over one or more of the following areas for the District:

- 1) Cash - initiating disbursement transactions, handling and recording cash, reconciling.
- 2) Receipts - collecting, preparing deposit slip and depositing, posting and reconciling.
- 3) Disbursements - purchase order processing, check preparation, mailing and recording.
- 4) Capital assets - purchasing, recording and reconciling.
- 5) Wire transfers - processing and approving.
- 6) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting and distribution.
- 7) Financial reporting - preparing, reconciling and approving.
- 8) Computer systems - performing all general accounting functions and controlling all data input and output.
- 9) Journal entries- preparing, approving and posting.

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

Response - The District will continue to review internal control policies and look for other opportunities to minimize the risk associated with a very small office staff.

Conclusion - Response accepted.

I-B-16 Supporting Documentation - We noted during our audit instances of expenditures for reimbursements made to District employees which lacked an invoice or detailed receipt to be used as supporting documentation.

Recommendation - The District should review its procedures in place to ensure that all items are supported, approved, and paid from an invoice or other form of supporting documentation. The District should adopt process and procedures to use when invoice may not be available, such as requiring additional written approval or supporting documentation other than the invoice.

Response - As our employees travel for work, I am reviewing with each of them the proper procedure for reimbursement. This includes providing a detailed receipt for meals showing all items purchased so that we are following our board policies.

Conclusion - Response accepted.

#### OTHER MATTERS:

I-C-16 Board Policies - We noted during our audit instances of District's board policies which do not appear to have 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 its board policies and update all policies which have not been updated within the past five years. The District should implement additional steps to review board policies in a timely manner.

Response - Upon receipts of the policies noted to not have been reviewed, it has been determined they were reviewed in October of 2016. We are sharing a person with Davis county who is making sure we are up-to-date with all board policies.

Conclusion - Response accepted.

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

II-A-16 Certified Budget - District expenditures for the year ended June 30, 2016 exceeded the amended certified budgeted amounts in the non-instructional programs, 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 - The amendment filed based on a forecast of expenditures was incorrect. In the future, the line item budget will be more closely monitored to ensure the forecast done in April will be more accurate.

Conclusion - Response accepted.

II-B-16 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

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

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

Name, Title and Business Connection	Transaction Description	Amount
Mike Kayser, Board Member Owner of Kayser Soil service	Purchased services	\$158
Cindy Lindner, Kitchen Staff Owner of Ralphie's Graphics	Supplies	\$20

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

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.

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 regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-H-16 Supplementary Weighting - We noted the supplementary weighting data certified to the Iowa Department of Education was overstated by 0.27 students.

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

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

Conclusion - Response accepted.

II-I-16 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-J-16 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-K-16 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-16 Statewide Sales, Services and Use Tax - No instances of non-compliance noted with the use of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning Balance		\$	628,659
Revenues:			
Sales tax revenues	\$	533,203	
Other local revenues		489	533,692
			<u>1,162,351</u>
Expenditures/transfers out:			
School infrastructure construction		45,821	
Equipment		43,148	
Other		1,000	
Transfers to other funds:			
Debt service fund		330,825	420,794
			<u>420,794</u>
Ending Balance		\$	<u><u>741,557</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 Student Activity Fund - During our audit concerns arose about the propriety of certain expenditures within the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grant or aids, textbook/library book fines, fees, rents or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more appropriately included in another fund. Moneys in this fund shall be used to support only the co-curricular program defined in department of education administrative rules (298A.9).

**Scholarships:** We noted scholarship awarded from the Student Activity Fund. Money in the Student Activity Fund is considered to be public funds and is inappropriate to be given to individuals.

Recommendation - The District should receipt any related scholarship revenues and corresponding expenses to the District's Private Purpose Trust Fund where scholarships can be appropriately paid. Additionally, if a student activity group wishes to offer a scholarship, they must fundraise specifically for that purpose and document as such. Any money raised by these fundraisers would be receipted directly into the Private Purpose Trust Fund and not the student activity group's account within the Student Activity Fund.

Response - Our Music boosters and A club are currently working to establish themselves as 501(c)3's. This will prevent this from happening in the future.

Conclusion - Response accepted.

II-N-16 Financial Condition - During our audit we noted that the District has a deficit unrestricted net position of \$62,714 in the School Nutrition Fund and a deficit unrestricted net position of \$2,193,755 in the governmental activities at June 30, 2016.

Recommendation - These deficit net positions were primarily due to the GASB Statement No 68. and No 71. and their pension reporting requirements. However, these GASB Statements were not the sole reason for these deficit net positions. The District should take steps the ensure the District's administration and Board of Education understand GASB Statement No. 68 and 71 and how they will affect the District's financials moving forward.

Response - We will review this with the school board and take measures to build up our fund balances to levels in which the GASB entries will not have a detrimental effect on our net position.

Conclusion - Response accepted.