

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2017

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## South Central Calhoun Community School District

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Ron Maulsby	President	2017
Judy Hungate	Vice-President	2017
Brad Assman	Board Member	2017
Roger McKinney	Board Member	2019
Ryan Hildreth	Board Member (Resigned April 2017)	2019
Alan Wedemeyer	Board Member	2019
Tom Steinborn	Board Member (Resigned April 2017)	2019
Kari Musselman	Board Member (Appointed May 2017)	2017
Darci Lightner	Board Member (Appointed May 2017)	2017
<b>School Officials</b>		
Jeff Kruse	Superintendent	2017
Carol Collins	Board Secretary/ Treasurer	2017
Rick Franck	Attorney	2017
Brian Gruhn	Attorney	2017
David Willis	Attorney	2017

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Telephone (641) 792-1910

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of South Central Calhoun Community School District, Rockwell City, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of South Central Calhoun Community School District as of June 30, 2017, and the respective changes in its financial position and, where applicable, its 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 15 and 46 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Central Calhoun Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2016 (which is not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 12, 2018, on our consideration of South Central Calhoun Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering South Central Calhoun Community School District's internal control over financial reporting and compliance.



NOLTE, CORNMAN & JOHNSON, P.C.

February 12, 2018  
Newton, Iowa



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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South Central Calhoun Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2017. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2017 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$10,222,381 during fiscal year 2016 to \$10,903,744 during fiscal year 2017, while General Fund expenditures increased from \$9,559,591 in fiscal year 2016 to \$9,620,120 in fiscal year 2017. Revenues outpaced expenditures causing the District's General Fund balance to increase from \$6,289,582 at June 30, 2016 to \$7,573,206 at June 30, 2017, a 20.41% increase.
- The District continues to receive incentive revenues related to former Whole Grade Sharing and current reorganization. These incentives will expire after the 2018 fiscal year. The School Board has voted to hold the temporary incentives in an Assigned Fund Balance in order to track the incentives and not build them into a permanent budget.
- The fiscal year 2017 General Fund revenue increase was primarily attributable to an increase in state source revenues received compared to the prior year. The increase in General Fund expenditures was due primarily to an increase in negotiated salaries and benefits.
- The District's solvency ratio (unassigned plus assigned fund balance /General Fund revenues minus AEA flowthrough) increased from 62.98% at June 30, 2016 to 70.97% at June 30, 2017.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of South Central Calhoun Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report South Central Calhoun Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which South Central Calhoun Community School District acts solely as an agent or custodian for the benefit of those outside of School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

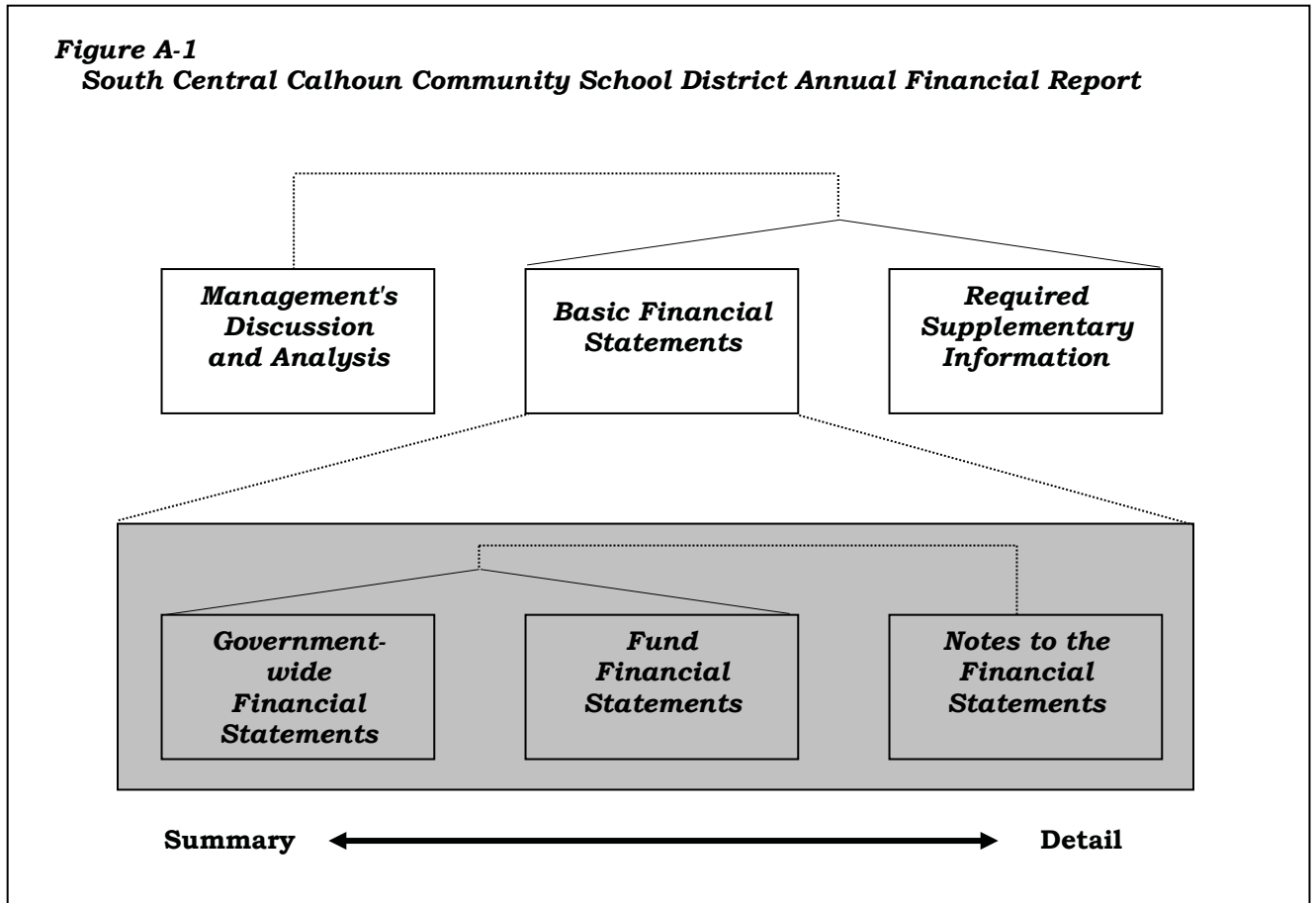




Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

<b>Figure A-2</b>				
<b>Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>· Statement of net position</li> <li>· Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>· Balance sheet</li> <li>· Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>· Statement of net position</li> <li>· Statement of revenues, expenses and changes in fund net position</li> <li>· Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>· Statement of fiduciary net position</li> <li>· Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow / inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period.
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## **REPORTING THE DISTRICT’S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

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

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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, Debt Service Fund and the Capital Projects Fund.

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

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

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2017 compared to June 30, 2016.

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,
	2017	2016	2017	2016	2017	2016	2016-17
Current and other assets	\$ 14,876,742	13,494,193	316,238	237,433	15,192,980	13,731,626	10.64%
Capital assets	8,570,882	8,723,367	131,767	137,728	8,702,649	8,861,095	-1.79%
Total assets	<u>23,447,624</u>	<u>22,217,560</u>	<u>448,005</u>	<u>375,161</u>	<u>23,895,629</u>	<u>22,592,721</u>	<u>5.77%</u>
Deferred outflows of resources	1,725,184	1,025,723	42,982	27,098	1,768,166	1,052,821	67.95%
Long-term liabilities	6,139,774	5,093,802	144,629	115,535	6,284,403	5,209,337	20.64%
Other liabilities	488,632	541,002	11,248	12,247	499,880	553,249	-9.65%
Total liabilities	<u>6,628,406</u>	<u>5,634,804</u>	<u>155,877</u>	<u>127,782</u>	<u>6,784,283</u>	<u>5,762,586</u>	<u>17.73%</u>
Deferred inflows of resources	4,964,631	5,255,690	14,389	27,138	4,979,020	5,282,828	-5.75%
Net position:							
Net investment in capital assets	7,700,882	7,648,367	131,767	137,728	7,832,649	7,786,095	0.60%
Restricted	2,376,736	2,382,261	-	-	2,376,736	2,382,261	-0.23%
Unrestricted	3,502,153	2,322,161	188,954	109,611	3,691,107	2,431,772	51.79%
Total net position	<u>\$ 13,579,771</u>	<u>12,352,789</u>	<u>320,721</u>	<u>247,339</u>	<u>13,900,492</u>	<u>12,600,128</u>	<u>10.32%</u>

The District's total net position increased 10.32% or \$1,300,364 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g. land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$5,525 or .23% from the prior year. The decrease in restricted net position is primarily a result of a decrease in the amount restricted for management levy purposes and physical plant and equipment.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$1,259,335 or 51.79% from the prior year. This increase in unrestricted net position is primarily a result of an increase in the District's assigned and unassigned General Fund balances.

Figure A-4 shows the changes in net position for the year ended June 30, 2017 compared to the year ended June 30, 2016.

	Figure A-4						
	Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2017	2016	2017	2016	2017	2016	2016-17
Revenues:							
Program revenues:							
Charges for service	\$ 765,507	776,274	280,626	277,861	1,046,133	1,054,135	-0.76%
Operating grants, contributions and restricted interest	892,254	819,459	323,151	297,845	1,215,405	1,117,304	8.78%
Capital grants, contributions and restricted interest	34,470	162,935	-	-	34,470	162,935	-78.84%
General revenues:							
Property tax	4,350,437	4,291,990	-	-	4,350,437	4,291,990	1.36%
Statewide sales, services and use tax	881,062	864,129	-	-	881,062	864,129	1.96%
Unrestricted state grants	5,364,018	4,764,963	-	-	5,364,018	4,764,963	12.57%
Unrestricted investment earnings	61,202	18,405	141	102	61,343	18,507	231.46%
Other	61,076	274,487	3,084	3,770	64,160	278,257	-76.94%
Total revenues	<u>12,410,026</u>	<u>11,972,642</u>	<u>607,002</u>	<u>579,578</u>	<u>13,017,028</u>	<u>12,552,220</u>	<u>3.70%</u>
Program expenses:							
Instruction	7,074,304	5,722,134	-	-	7,074,304	5,722,134	23.63%
Support services	3,280,355	3,597,360	27,255	25,056	3,307,610	3,622,416	-8.69%
Non-instructional programs	-	-	506,365	471,897	506,365	471,897	7.30%
Other expenses	828,385	818,629	-	-	828,385	818,629	1.19%
Total expenses	<u>11,183,044</u>	<u>10,138,123</u>	<u>533,620</u>	<u>496,953</u>	<u>11,716,664</u>	<u>10,635,076</u>	<u>10.17%</u>
Change in net position before special item	1,226,982	1,834,519	73,382	82,625	1,300,364	1,917,144	-32.17%
Special item:							
Compensation for the loss of capital assets	-	1,325,539	-	-	-	1,325,539	-100.00%
Change in net position	1,226,982	3,160,058	73,382	82,625	1,300,364	3,242,683	-59.90%
Net position beginning of year	12,352,789	9,192,731	247,339	164,714	12,600,128	9,357,445	34.65%
Net position end of year	<u>\$ 13,579,771</u>	<u>12,352,789</u>	<u>320,721</u>	<u>247,339</u>	<u>13,900,492</u>	<u>12,600,128</u>	<u>10.32%</u>

In fiscal year 2017, property tax and unrestricted state grants accounted for 78.28% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for 99.47% of the revenue from business type activities.

The District's total revenues were approximately \$13.02 million, of which approximately \$12.41 million was for governmental activities and approximately \$0.61 million was for business type activities.

As shown in Figure A-4, the District experienced a 3.07% increase in revenues and a 10.17% increase in expenses. The increase in revenues is primarily due to the increase in unrestricted state grant revenues received as compared to the prior year and the increase in expenses is primarily due to a increase in instruction costs from the prior year.

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## Governmental Activities

Revenues for governmental activities were \$12,410,026 and expenses were \$11,183,044 for the year ended June 30, 2017.

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, 2017 compared to those expenses for the year ended June 30, 2016.

	Total Cost of Services			Net Cost of Services		
	2017	2016	Change 2016-17	2017	2016	Change 2016-17
Instruction	\$ 7,074,304	5,722,134	23.63%	6,001,099	4,636,729	29.43%
Support services	3,280,355	3,597,360	-8.81%	3,052,384	3,305,771	-7.66%
Other expenses	828,385	818,629	1.19%	437,330	436,955	0.09%
Totals	<u>\$ 11,183,044</u>	<u>10,138,123</u>	<u>10.31%</u>	<u>9,490,813</u>	<u>8,379,455</u>	<u>13.26%</u>

For the year ended June 30, 2017:

- The cost financed by users of the District's programs was \$765,507.
- Federal and state governments along with contributions from local sources subsidized certain programs with grants and contributions totaling \$892,254.
- The net cost of governmental activities was financed with \$4,350,437 in property tax, \$5,364,018 in unrestricted state grants, \$881,062 in statewide sales, services and use tax, \$61,202 in interest income, and \$61,076 in other general revenues.

## Business Type Activities

Revenues of the District's business type activities were \$607,002, representing a 4.73% increase from the prior year and expenses were \$533,620 for the year ended June 30, 2017, representing an increase of 7.38% from the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements, investment income, and other general revenues.

## INDIVIDUAL FUND ANALYSIS

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

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$9,926,145, above last year's ending combined fund balances of \$8,602,297. The primary reason for this increase in combined fund balances is due to the increase in the fund balance of the General Fund during the year.

## Governmental Fund Highlights

- The District's General Fund financial position is a product of many factors. The General Fund balance increased from \$6,289,582 at June 30, 2016 to \$7,573,206 at June 30, 2017. Total revenues increased from the prior year primarily due to a increase in state source funding received from the prior year and expenditures increased primarily due to an increase in negotiated salaries and benefits. However, total revenues continued to outpace total expenditures ensuring an increase in ending fund balance for fiscal year 2017.

- The Capital Projects Fund balance increased from \$1,347,092 at June 30, 2016 to \$1,368,385 at June 30, 2017. Revenues remained relatively unchanged and expenditures decreased approximately 25% from the prior year, resulting in an increase in the Capital Projects Fund balance for fiscal year 2017.

### Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$247,339 at June 30, 2016 to \$320,721 at June 30, 2017, representing an increase of 29.67%. Both revenues and expenses increased moderately when compared to the prior year.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$290,958 more than budgeted revenues, a variance of 2.29%. The most significant variance resulted from the District receiving more from state sources than originally anticipated.

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2017, the District had invested \$8,702,649 net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a 1.79% decrease from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$691,975.

The original cost of the District's capital assets as \$19,815,535. Governmental activities accounted for \$19,541,597 with the remainder of \$273,938 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$7,108,200 at June 30, 2016 compared to \$6,798,458 at June 30, 2017. This decrease resulted primarily from the annual depreciation expense applied during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	2016-17
Land	\$ 123,326	123,326	-	-	123,326	123,326	0.00%
Buildings	6,798,458	7,108,200	-	-	6,798,458	7,108,200	-4.56%
Land improvements	558,360	482,538	-	-	558,360	482,538	13.58%
Machinery and equipment	1,090,738	1,009,303	131,767	137,728	1,222,505	1,147,031	6.17%
Total	\$ 8,570,882	8,723,367	131,767	137,728	8,702,649	8,861,095	-1.79%

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## Long-Term Debt

At June 30, 2017, the District had \$870,000 of total long-term debt outstanding. (See Figure A-7) This represents an 19.07% decrease from the prior year. More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District had outstanding revenue bonded indebtedness of \$870,000 at June 30, 2017 payable from the Capital Projects: Statewide Sales, Services and Use Tax Fund.

	Figure A-7 Outstanding Long-Term Liabilities		
	Total District	Total	Change
	June 30,	June 30,	June 30,
	2017	2016	2016-17
Revenue bonds	\$ 870,000	1,075,000	-19.07%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District is committed to building a sustainable budget which does not include temporary funding as a permanent resource. This practice will keep the District in a stable financial position through minor changes in enrollment and staffing needs.
- The communities in the District have stable employment opportunities, and the District does not foresee substantial changes in job availability for families.
- The rural agricultural area of the District is experiencing the same economic downturn as all rural areas, but the District does not anticipate a dramatic effect on the finances or enrollment.
- The District does not anticipate the supplemental state aid to increase at a rate to meet increasing expenditure demands. A supplemental state aid below 4 percent creates significant challenges for schools in Iowa to create and sustain current staffing and programs.
- The District does not anticipate a significant or long-term benefit to District finances due to the Flexibility Fund provisions allowed with legislation affecting the Fiscal Year 2018 budget.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Carol Collins, Board Secretary/Treasurer, South Central Calhoun Community School District, 1000 Tonawanda St, Rockwell City, IA 50579.





BASIC FINANCIAL STATEMENTS

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2017

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 10,065,196	292,537	10,357,733
Receivables:			
Property tax:			
Delinquent	49,481	-	49,481
Succeeding year	4,461,965	-	4,461,965
Accounts	4,303	248	4,551
Due from other governments	295,797	8,980	304,777
Inventories	-	14,473	14,473
Capital assets not being depreciated:			
Land	123,326	-	123,326
Capital assets, net of accumulated depreciation:			
Buildings, land improvements and machinery and equipment	8,447,556	131,767	8,579,323
<b>Total assets</b>	<b>23,447,624</b>	<b>448,005</b>	<b>23,895,629</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	1,725,184	42,982	1,768,166
<b>Liabilities</b>			
Accounts payable	486,937	2,609	489,546
Salaries and benefits payable	1,695	-	1,695
Unearned revenue	-	8,639	8,639
Long-term liabilities:			
Portion due within one year:			
Revenue bonds	205,000	-	205,000
Termination benefits	79,801	-	79,801
Portion due after one year:			
Revenue bonds	665,000	-	665,000
Termination benefits	8,430	-	8,430
Net pension liability	5,106,046	144,629	5,250,675
Net OPEB liability	75,497	-	75,497
<b>Total liabilities</b>	<b>6,628,406</b>	<b>155,877</b>	<b>6,784,283</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	4,461,965	-	4,461,965
Pension related deferred inflows	502,666	14,389	517,055
<b>Total deferred inflows of resources</b>	<b>4,964,631</b>	<b>14,389</b>	<b>4,979,020</b>
<b>Net Position</b>			
Net investment in capital assets	7,700,882	131,767	7,832,649
Restricted for:			
Categorical funding	112,028	-	112,028
Debt service	200,922	-	200,922
Management levy purposes	551,729	-	551,729
Student activities	143,672	-	143,672
School infrastructure	1,113,408	-	1,113,408
Physical plant and equipment	254,977	-	254,977
Unrestricted	3,502,153	188,954	3,691,107
<b>Total net position</b>	<b>\$ 13,579,771</b>	<b>320,721</b>	<b>13,900,492</b>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>							
Governmental activities:							
Instruction:							
Regular	\$ 4,315,189	229,139	47,296	-	(4,038,754)	-	(4,038,754)
Special	1,243,913	32,640	103,038	-	(1,108,235)	-	(1,108,235)
Other	1,515,202	332,477	328,615	-	(854,110)	-	(854,110)
	<u>7,074,304</u>	<u>594,256</u>	<u>478,949</u>	<u>-</u>	<u>(6,001,099)</u>	<u>-</u>	<u>(6,001,099)</u>
Support services:							
Student	304,334	-	12,289	-	(292,045)	-	(292,045)
Instructional staff	455,434	-	3,221	-	(452,213)	-	(452,213)
Administration	976,765	166,251	-	-	(810,514)	-	(810,514)
Operation and maintenance of plant	919,606	-	-	34,470	(885,136)	-	(885,136)
Transportation	624,216	5,000	6,740	-	(612,476)	-	(612,476)
	<u>3,280,355</u>	<u>171,251</u>	<u>22,250</u>	<u>34,470</u>	<u>(3,052,384)</u>	<u>-</u>	<u>(3,052,384)</u>
Long-term debt interest	27,038	-	-	-	(27,038)	-	(27,038)
Other expenditures:							
AEA flowthrough	391,055	-	391,055	-	-	-	-
Depreciation(unallocated)*	410,292	-	-	-	(410,292)	-	(410,292)
	<u>801,347</u>	<u>-</u>	<u>391,055</u>	<u>-</u>	<u>(410,292)</u>	<u>-</u>	<u>(410,292)</u>
Total governmental activities	<u>11,183,044</u>	<u>765,507</u>	<u>892,254</u>	<u>34,470</u>	<u>(9,490,813)</u>	<u>-</u>	<u>(9,490,813)</u>
Business type activities:							
Support services:							
Operation and maintenance of plant	27,255	-	-	-	-	(27,255)	(27,255)
Non-instructional programs:							
Food service operations	506,365	280,626	323,151	-	-	97,412	97,412
Total business type activities	<u>533,620</u>	<u>280,626</u>	<u>323,151</u>	<u>-</u>	<u>-</u>	<u>70,157</u>	<u>70,157</u>
Total	<u>\$ 11,716,664</u>	<u>1,046,133</u>	<u>1,215,405</u>	<u>34,470</u>	<u>(9,490,813)</u>	<u>70,157</u>	<u>(9,420,656)</u>
<b>General Revenues:</b>							
Property tax levied for:							
General purposes				\$ 4,209,483	-	4,209,483	
Capital outlay				140,954	-	140,954	
Statewide sales, services and use tax				881,062	-	881,062	
Unrestricted state grants				5,364,018	-	5,364,018	
Unrestricted investment earnings				61,202	141	61,343	
Other				61,076	3,084	64,160	
Total general revenues				<u>10,717,795</u>	<u>3,225</u>	<u>10,721,020</u>	
Change in net position				1,226,982	73,382	1,300,364	
Net position beginning of year				<u>12,352,789</u>	<u>247,339</u>	<u>12,600,128</u>	
Net position end of year				<u>\$ 13,579,771</u>	<u>320,721</u>	<u>13,900,492</u>	

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

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

	General	Capital Projects	Nonmajor	Total
<b>Assets</b>				
Cash and pooled investments	\$ 7,496,686	1,360,090	1,208,420	10,065,196
Receivables:				
Property tax:				
Delinquent	46,003	1,601	1,877	49,481
Succeeding year	4,217,144	144,820	100,001	4,461,965
Accounts	4,303	-	-	4,303
Due from other governments	222,483	73,314	-	295,797
<b>Total assets</b>	<b>\$ 11,986,619</b>	<b>1,579,825</b>	<b>1,310,298</b>	<b>14,876,742</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 196,269	66,620	224,048	486,937
Salaries and benefits payable	-	-	1,695	1,695
Total liabilities	196,269	66,620	225,743	488,632
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	4,217,144	144,820	100,001	4,461,965
Fund balances:				
Restricted for:				
Categorical funding	112,028	-	-	112,028
Debt service	-	-	200,922	200,922
Management levy purposes	-	-	639,960	639,960
Student activities	-	-	143,672	143,672
School infrastructure	-	1,113,408	-	1,113,408
Physical plant and equipment	-	254,977	-	254,977
Assigned for special purposes	2,292,373	-	-	2,292,373
Unassigned	5,168,805	-	-	5,168,805
Total fund balances	7,573,206	1,368,385	984,554	9,926,145
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 11,986,619</b>	<b>1,579,825</b>	<b>1,310,298</b>	<b>14,876,742</b>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2017

<b>Total fund balances of governmental funds(page 20)</b>	\$ 9,926,145		
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	8,570,882		
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:			
Deferred outflows of resources	\$ 1,725,184		
Deferred inflows of resources	<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="text-align: right; border-bottom: 1px solid black;">(502,666)</td> <td style="text-align: right; padding-left: 10px;">1,222,518</td> </tr> </table>	(502,666)	1,222,518
(502,666)	1,222,518		
Long-term liabilities, including revenue bonds payable, termination benefits payable, other postemployment benefits payable and net pension liability are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="text-align: right; border-bottom: 1px solid black;">(6,139,774)</td> </tr> </table>	(6,139,774)	
(6,139,774)			
<b>Net position of governmental activities(page 18)</b>	<b><u><u>\$ 13,579,771</u></u></b>		

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 4,044,665	140,954	164,818	4,350,437
Tuition	306,602	-	-	306,602
Other	307,461	35,186	281,659	624,306
State sources	5,933,786	882,261	1,404	6,817,451
Federal sources	311,230	-	-	311,230
Total revenues	<u>10,903,744</u>	<u>1,058,401</u>	<u>447,881</u>	<u>12,410,026</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,125,696	79,654	27,105	4,232,455
Special	1,208,075	-	-	1,208,075
Other	1,218,181	58,851	261,043	1,538,075
	<u>6,551,952</u>	<u>138,505</u>	<u>288,148</u>	<u>6,978,605</u>
Support services:				
Student	293,463	6,551	-	300,014
Instructional staff	448,837	-	-	448,837
Administration	883,612	52,207	69,898	1,005,717
Operation and maintenance of plant	585,237	31,048	125,302	741,587
Transportation	457,931	185,026	25,315	668,272
	<u>2,669,080</u>	<u>274,832</u>	<u>220,515</u>	<u>3,164,427</u>
Capital outlay	-	390,075	-	390,075
Long-term debt:				
Principal	-	-	205,000	205,000
Interest and fiscal charges	-	-	27,038	27,038
	<u>-</u>	<u>-</u>	<u>232,038</u>	<u>232,038</u>
Other expenditures:				
AEA flowthrough	391,055	-	-	391,055
Total expenditures	<u>9,612,087</u>	<u>803,412</u>	<u>740,701</u>	<u>11,156,200</u>
Excess(Deficiency) of revenues over(under) expenditures	1,291,657	254,989	(292,820)	1,253,826
Other financing sources(uses):				
Transfer in	-	-	244,629	244,629
Transfer out	(8,033)	(236,596)	-	(244,629)
Insurance proceeds	-	-	67,122	67,122
Proceeds from the sale of equipment	-	2,900	-	2,900
Total other financing sources(uses)	<u>(8,033)</u>	<u>(233,696)</u>	<u>311,751</u>	<u>70,022</u>
Change in fund balances	1,283,624	21,293	18,931	1,323,848
Fund balances beginning of year	<u>6,289,582</u>	<u>1,347,092</u>	<u>965,623</u>	<u>8,602,297</u>
Fund balances end of year	<u>\$ 7,573,206</u>	<u>1,368,385</u>	<u>984,554</u>	<u>9,926,145</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2017

**Change in fund balances - total governmental funds(page 22)** \$ 1,323,848

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

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

Capital outlay	\$ 527,494	
Depreciation expense	(673,448)	
Loss on disposal of assets	<u>(6,531)</u>	(152,485)

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

The current year District IPERS contributions are reported as expenditures in the governmental funds, but are reported as deferred outflows of resources in the Statement of Net Position. 539,704

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	(66,313)	
Pension expense	(596,537)	
Other postemployment benefits	<u>(26,235)</u>	<u>(689,085)</u>

**Change in net position of governmental activities(page 19)** \$ 1,226,982

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2017

	Enterprise, School Nutrition
<b>Assets</b>	
Current assets:	
Cash and pooled investments	\$ 292,537
Accounts receivable	248
Due from other governments	8,980
Inventories	14,473
	316,238
Noncurrent assets:	
Capital assets, net of accumulated depreciation	131,767
<b>Total assets</b>	448,005
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	42,982
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	2,609
Unearned revenue	8,639
	11,248
Noncurrent liabilities:	
Net pension liability	144,629
<b>Total liabilities</b>	155,877
<b>Deferred Inflows of Resources</b>	
Pension related deferred inflows	14,389
<b>Net Position</b>	
Net investment in capital assets	131,767
Unrestricted	188,954
<b>Total net position</b>	\$ 320,721

SEE NOTES TO FINANCIAL STATEMENTS.



SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2017

	Enterprise, School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 280,626
Miscellaneous	3,084
Total operating revenues	283,710
Operating expenses:	
Support services:	
Operation and maintenance of plant:	
Salaries	12,352
Benefits	3,329
Services	9,607
Supplies	1,967
	27,255
Non-instructional programs:	
Food service operations:	
Salaries	161,851
Benefits	26,425
Services	892
Supplies	298,670
Depreciation	18,527
	506,365
Total operating expenses	533,620
Operating loss	(249,910)
Non-operating revenues:	
State sources	4,603
Federal sources	318,548
Interest income	141
Total non-operating revenues	323,292
Change in net position	73,382
Net position beginning of year	247,339
Net position end of year	\$ 320,721

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2017

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 280,453
Cash received from miscellaneous	3,084
Cash payments to employees for services	(203,496)
Cash payments to suppliers for goods or services	(266,916)
Net cash used in operating activities	(186,875)
Cash flows from non-capital financing activities:	
State grants received	4,603
Federal grants received	264,282
Net cash provided by non-capital financing activities	268,885
Cash flows from capital and other financing activities:	
Purchase of capital assets	(12,566)
Cash flows from investing activities:	
Interest on investments	141
Net increase in cash and pooled investments	69,585
Cash and pooled investments beginning of year	222,952
Cash and pooled investments end of year	\$ 292,537
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	\$ (249,910)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	50,660
Depreciation	18,527
Increase in inventories	(5,366)
Increase in accounts receivable	(248)
Decrease in accounts payable	(1,074)
Increase in unearned revenue	75
Increase in net pension liability	29,094
Increase in deferred outflows of resources	(15,884)
Decrease in deferred inflows of resources	(12,749)
Net cash used in operating activities	\$ (186,875)

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

During the year ended June 30, 2017, the District received \$50,660 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2017

	<u>Private Purpose Trust Scholarship</u>
<b>Assets</b>	
Cash and pooled investments	\$ 4,179
<b>Liabilities</b>	<u>-</u>
<b>Net Position</b>	
Held in trust for scholarships	<u>\$ 4,179</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2017

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	<u>\$          2,459</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>                  4,749</u>
Change in net position	(2,290)
Net position beginning of year	<u>                  6,469</u>
Net position end of year	<u><u>\$          4,179</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

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

The South Central Calhoun Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades preschool through twelve and special education pre-preschool integrated with regular education pre-school children. The geographic area served includes the Cities of Lake City, Lohrville, Lytton and Rockwell City, Iowa, and the predominate agricultural territory in Calhoun, Sac, Greene and Carroll Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, South Central Calhoun Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The South Central Calhoun Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The District reports the following non-major proprietary fund:

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

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary fund is as follows:

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

### C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2016.

Due from Other Governments - Due from other governments represents amounts due from the

State of Iowa, various shared revenues, grants and reimbursements from other governments.

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

Capital Assets - Capital assets, which include property, machinery, equipment, and intangibles acquired after July 1, 1980 are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

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

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

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net



position that applies to a future years(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflow or resources consists of property tax receivables and other receivables not collected within sixty days after year end.

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

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

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

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

Unassigned - All amounts not included in the preceding classifications.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

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

The District's deposits in banks at June 30, 2017 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure 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, 2017, the District had no such investments.

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

(3) **Capital Assets**

Capital assets activity for the year ended June 30, 2017 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 123,326	-	-	123,326
Capital assets being depreciated:				
Buildings	11,958,393	36,788	4,986	11,990,195
Land improvements	1,835,396	144,071	-	1,979,467
Furniture and equipment	5,221,530	346,635	119,556	5,448,609
Total capital assets being depreciated	19,015,319	527,494	124,542	19,418,271
Less accumulated depreciation for:				
Buildings	4,850,193	342,043	499	5,191,737
Land improvements	1,352,858	68,249	-	1,421,107
Furniture and equipment	4,212,227	263,156	117,512	4,357,871
Total accumulated depreciation	10,415,278	673,448	118,011	10,970,715
Total capital assets being depreciated, net	8,600,041	(145,954)	6,531	8,447,556
Governmental activities capital assets, net	\$ 8,723,367	(145,954)	6,531	8,570,882
<b>Business type activities:</b>				
Furniture and equipment	\$ 262,559	12,566	1,187	273,938
Less accumulated depreciation	124,831	18,527	1,187	142,171
Business type activities capital assets, net	\$ 137,728	(5,961)	-	131,767

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 52,181
Special	231
Other	36,217
Support services:	
Instructional staff	4,150
Administration	3,069
Operation and maintenance of plant	33,288
Transportation	134,020
	<u>263,156</u>
Unallocated depreciation	410,292
Total depreciation expense - governmental activities	<u>\$ 673,448</u>
Business type activities:	
Food service operations	<u>\$ 18,527</u>

**(4) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2017 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
Revenue bonds	\$ 1,075,000	-	205,000	870,000	205,000
Termination benefits	21,918	73,057	6,744	88,231	79,801
Net pension liability	3,947,622	1,158,424	-	5,106,046	-
Net OPEB liability	49,262	28,153	1,918	75,497	-
Total	\$ 5,093,802	1,259,634	211,744	6,139,774	284,801
<b>Business type activities:</b>					
Net pension liability	\$ 115,535	29,094	-	144,629	-

Revenue Bonds

Details of the District's June 30, 2017 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of August 1, 2011			
	Interest Rate	Principal	Interest	Total
2018	2.25%	\$ 205,000	22,937	227,937
2019	2.50	215,000	18,325	233,325
2020	2.75	220,000	12,950	232,950
2021	3.00	230,000	6,900	236,900
Total		\$ 870,000	61,112	931,112

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,000,000 of bonds issued in August 2011. The bonds were issued for the purpose of financing a portion of the costs of school building additions for the Southern Cal Community School District. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2021. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 26% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$931,112. For the current year, \$205,000 of principal and \$27,038 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$881,062.

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

- a) \$200,000 of the proceeds from the issuance of the revenue bonds shall be deposited into a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Termination Benefits

In December 2016, the District approved a voluntary early retirement plan for certified teachers only. The plan was only offered to teachers for one year. Eligible employees must have completed at least twenty years of full-time service to the District and must have reached age 55 on or before June 30, 2017. The application for early retirement was subject to approval by the Board of Education.

Early retirement benefits equal \$10,000. Retirees were allowed to choose to receive the benefit in the form of a cash payment or contributions to a Roth 403(b), an employer sponsored 403(b) or a health savings account, or any combination of those choices. The policy requires early retirement benefits be paid on or before November 20, 2017.

The District also had obligations to one participant from a Rockwell City-Lytton Community School District offering during fiscal year 2011. That offering included District contributions of \$562 per month toward the retiree’s continued coverage in the District’s health insurance plan until age 65.

A June 30, 2017, the District had obligations to eight participants with a total liability of \$88,231. Actual early retirement expenditures for the year ended June 30, 2017 totaled \$6,744.

**(5) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 231,227
Disaster Recovery	Capital Projects: Statewide Sales, Services and Use Tax	5,369
Student Activity	General	8,033
		<u>\$ 244,629</u>

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

The transfer from the Capital Projects: Statewide Sales, Services, and Use Tax Fund to the Disaster Recovery Fund was to supplement insurance proceeds for final storm damage expenses.

The transfer from the General Fund to the Student Activity Fund was for reimbursement of football safety equipment expenses.

**(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, any time 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 will use the highest three-year average salary as of that date 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% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% 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 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% of covered payroll, for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2017 totaled \$554,225.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the District reported a liability of \$5,250,675 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the District's proportion was 0.083433%, which was a decrease of 0.001191% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$611,519. At June 30, 2017, 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	\$ 46,406	62,665
Changes of assumptions	80,109	-
Net difference between projected and actual earnings on IPERS investments	748,055	-
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	339,371	454,390
District contributions subsequent to the measurement date	554,225	-
<b>Total</b>	<b>\$ 1,768,166</b>	<b>517,055</b>

\$554,225 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2018	\$ 90,022
2019	90,022
2020	307,649
2021	206,459
2022	2,734
	<u>\$ 696,886</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2016 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, 2016 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%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. 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 to 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%, 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% lower (6.5%) or 1% higher (8.5%) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the net pension liability	\$ 8,494,881	5,250,675	2,512,522

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, 2017, the District reported payable to IPERS of \$141 for legally required District contributions and \$94 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

**(7) Other Postemployment Benefits**

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

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

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

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

The following table shows the components of the Districts OPEB cost for the year ended June 30, 2017, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 29,580
Interest on net OPEB obligation	1,232
Adjustment to annual required contribution	<u>(2,659)</u>
Annual OPEB cost	28,153
Contributions made	<u>(1,918)</u>
Increase in net OPEB obligation	26,235
Net OPEB obligation beginning of year	<u>49,262</u>
Net OPEB obligation end of year	<u><u>\$ 75,497</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2014. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2017

For the year ended June 30, 2017, the District contributed \$1,918 to the medical plan.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 28,120	11.5%	\$ 24,886
2016	26,001	6.2%	49,262
2017	28,153	6.8%	75,497

Funded Status and Funding Progress - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was \$190,735, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$190,735. The covered payroll (annual payroll of active employees covered by the plan) was \$3,730,980, and the ratio of the UAAL to covered payroll was 5.11%. As of June 30, 2017, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates



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

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

As of July 1, 2014 actuarial valuation date, the Entry Age Actuarial Cost Method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

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

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

#### **(8) Risk Management**

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

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2017 were \$40,716.

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

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

#### **(9) Categorical Funding**

The District's restricted fund balance for categorical funding at June 30, 2017 is comprised of the following programs:

Program	Amount
Home School Assistance Program	\$ 1,779
Gifted and Talented Programs	2,057
Four-Year-Old Preschool State Aid	25,873
Beginning Teacher Mentoring and Induction Programs	135
Market Factor	1,410
Successful Progression for Early Readers	17,579
Market Factor Incentives	4,653
Teacher Leadership Grants	58,542
Total	<u>\$ 112,028</u>

**(10) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$391,055 for the year ended June 30, 2017 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

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

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

	Net Investment in Capital Assets	Management Levy	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ -	639,960	5,168,805
Capital assets, net of accumulated depreciation	8,570,882	-	-
Revenue bond capitalized indebtedness	(870,000)	-	-
Termination benefits	-	(88,231)	-
Assigned fund balance	-	-	2,292,373
Pension related deferred outflows	-	-	1,725,184
Pension related deferred inflows	-	-	(502,666)
Net pension liability	-	-	(5,106,046)
Net OPEB Liability	-	-	(75,497)
Net position (Exhibit A)	<u>\$ 7,700,882</u>	<u>551,729</u>	<u>3,502,153</u>

**(12) New Accounting Pronouncement**

The District adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about tax abatements of other entities which impact the District.

**(13) Tax Abatements**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Tax Abatements of Other Entities

Property tax revenues of the District were reduced by the following amounts for the year ended June 30, 2017 under agreements entered into by the following entities:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Rockwell City	Urban Renewal	\$ 955
City of Lohrville	Urban Revitalization	\$ 2,504

The State of Iowa reimburses the District an amount equivalent to the increment of valuation on which property tax is divided times \$5.40 per \$1,000 of taxable valuation. For the year ended June 30, 2017, this reimbursement amounted to \$594.

**(14) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's other postemployment benefits.



REQUIRED SUPPLEMENTARY INFORMATION

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE OF  
 REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN BALANCES -  
 BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
 AND PROPRIETARY FUND  
 REQUIRED SUPPLEMENTARY INFORMATION  
 YEAR ENDED JUNE 30, 2017

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 5,281,345	283,851	5,565,196	5,576,494	5,576,494	(11,298)
State sources	6,817,451	4,603	6,822,054	6,599,576	6,599,576	222,478
Federal sources	311,230	318,548	629,778	550,000	550,000	79,778
Total revenues	<u>12,410,026</u>	<u>607,002</u>	<u>13,017,028</u>	<u>12,726,070</u>	<u>12,726,070</u>	<u>290,958</u>
Expenditures/Expenses:						
Instruction	6,978,605	-	6,978,605	12,393,999	12,393,999	5,415,394
Support services	3,164,427	27,255	3,191,682	6,200,435	6,200,435	3,008,753
Non-instructional programs	-	506,365	506,365	525,000	525,000	18,635
Other expenditures	1,013,168	-	1,013,168	2,496,553	2,496,553	1,483,385
Total expenditures/expenses	<u>11,156,200</u>	<u>533,620</u>	<u>11,689,820</u>	<u>21,615,987</u>	<u>21,615,987</u>	<u>9,926,167</u>
Excess(Deficiency) of revenues over(under) expenditures/expenses	1,253,826	73,382	1,327,208	(8,889,917)	(8,889,917)	10,217,125
Other financing sources, net	<u>70,022</u>	<u>-</u>	<u>70,022</u>	<u>1,000</u>	<u>1,000</u>	<u>69,022</u>
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	1,323,848	73,382	1,397,230	(8,888,917)	(8,888,917)	10,286,147
Balances beginning of year	<u>8,602,297</u>	<u>247,339</u>	<u>8,849,636</u>	<u>8,888,917</u>	<u>8,888,917</u>	<u>(39,281)</u>
Balances end of year	<u>\$ 9,926,145</u>	<u>320,721</u>	<u>10,246,866</u>	<u>-</u>	<u>-</u>	<u>10,246,866</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2017

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

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

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

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

	2017	2016	2015	
District's proportion of the net pension liability	0.083433%	0.082242%	0.097366%	**
District's proportionate share of the net pension liability	\$ 5,250,675	4,063,157	3,861,452	**
District's covered-employee payroll	\$ 5,986,560	5,622,922	6,369,705	**
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.71%	72.26%	60.62%	
Plan fiduciary net position as a percentage of the total pension liability	81.82%	85.19%	87.61%	

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

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

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



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

	2017	2016	2015
Statutorily required contribution	\$ 554,225	534,600	502,127
Contributions in relation to the statutorily required contribution	(554,225)	(534,600)	(502,127)
Contribution deficiency (excess)	\$ -	-	-
District's covered-employee payroll	\$ 6,206,325	5,986,560	5,622,922
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%

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

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2017

*Changes of benefit terms:*

Legislation passed 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% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 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% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% 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(unfunded actuarial liability) 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.

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2015	July 1, 2014	-	\$ 233,561	233,561	0.0%	\$ 4,743,835	4.92%
2016	July 1, 2014	-	209,310	209,310	0.0%	3,831,002	5.46%
2017	July 1, 2014	-	190,735	190,735	0.0%	3,730,980	5.11%

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

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



SUPPLEMENTARY INFORMATION

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2017

	Special Revenue			Debt Service	Total
	Student Activity	Management Levy	Total		
<b>Assets</b>					
Cash and pooled investments	\$ 149,201	639,778	788,979	419,441	1,208,420
Receivables:					
Property tax:					
Delinquent	-	1,877	1,877	-	1,877
Succeeding year	-	100,001	100,001	-	100,001
<b>Total assets</b>	<b>\$ 149,201</b>	<b>741,656</b>	<b>890,857</b>	<b>419,441</b>	<b>1,310,298</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 5,529	-	5,529	218,519	224,048
Salaries and benefits payable	-	1,695	1,695	-	1,695
Total liabilities	5,529	1,695	7,224	218,519	225,743
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	-	100,001	100,001	-	100,001
Fund balances:					
Restricted for:					
Debt service	-	-	-	200,922	200,922
Management levy purposes	-	639,960	639,960	-	639,960
Student activities	143,672	-	143,672	-	143,672
Debt service	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	143,672	639,960	783,632	200,922	984,554
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 149,201</b>	<b>741,656</b>	<b>890,857</b>	<b>419,441</b>	<b>1,310,298</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2017

	Special Revenue			Total	Debt Service	Total
	Student Activity	Management Levy	Disaster Recovery			
Revenues:						
Local sources:						
Local tax	\$ -	164,818	-	164,818	-	164,818
Other	261,836	18,496	-	280,332	1,327	281,659
State sources	-	1,404	-	1,404	-	1,404
Total revenues	261,836	184,718	-	446,554	1,327	447,881
Expenditures:						
Current:						
Instruction:						
Regular	-	27,105	-	27,105	-	27,105
Other	261,043	-	-	261,043	-	261,043
Support services:						
Administration	88	69,810	-	69,898	-	69,898
Operation and maintenance of plant	-	52,811	72,491	125,302	-	125,302
Transportation	-	25,315	-	25,315	-	25,315
Long-term debt:						
Principal	-	-	-	-	205,000	205,000
Interest and fiscal charges	-	-	-	-	27,038	27,038
Total expenditures	261,131	175,041	72,491	508,663	232,038	740,701
Excess(Deficiency) of revenues over(under) expenditures	705	9,677	(72,491)	(62,109)	(230,711)	(292,820)
Other financing sources:						
Transfer in	8,033	-	5,369	13,402	231,227	244,629
Insurance proceeds	-	-	67,122	67,122	-	67,122
Total other financing sources	8,033	-	72,491	80,524	231,227	311,751
Change in fund balances	8,738	9,677	-	18,415	516	18,931
Fund balances beginning of year	134,934	630,283	-	765,217	200,406	965,623
Fund balances end of year	\$ 143,672	639,960	-	783,632	200,922	984,554

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUND ACCOUNTS  
 JUNE 30, 2017

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,106,714	253,376	1,360,090
Receivables:			
Property tax:			
Delinquent	-	1,601	1,601
Succeeding year	-	144,820	144,820
Due from other governments	73,314	-	73,314
<b>Total assets</b>	<b>\$ 1,180,028</b>	<b>399,797</b>	<b>1,579,825</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 66,620	-	66,620
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	144,820	144,820
Fund balances:			
Restricted for:			
School infrastructure	1,113,408	-	1,113,408
Physical plant and equipment	-	254,977	254,977
Total fund balances	1,113,408	254,977	1,368,385
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,180,028</b>	<b>399,797</b>	<b>1,579,825</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS FUND ACCOUNTS  
 YEAR ENDED JUNE 30, 2017

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	140,954	140,954
Other	35,186	-	35,186
State sources	881,062	1,199	882,261
Total revenues	<u>916,248</u>	<u>142,153</u>	<u>1,058,401</u>
Expenditures:			
Current:			
Instruction:			
Regular	79,654	-	79,654
Other	58,851	-	58,851
Support services:			
Student	6,551	-	6,551
Administration	52,207	-	52,207
Operation and maintenance of plant	31,048	-	31,048
Transportation	-	185,026	185,026
Capital outlay	390,075	-	390,075
Total expenditures	<u>618,386</u>	<u>185,026</u>	<u>803,412</u>
Excess(Deficiency) of revenues over(under) expenditures	297,862	(42,873)	254,989
Other financing sources(uses):			
Transfer out	(236,596)	-	(236,596)
Proceeds from the sale of equipment	-	2,900	2,900
Total other financing sources(uses)	<u>(236,596)</u>	<u>2,900</u>	<u>(233,696)</u>
Change in fund balances	61,266	(39,973)	21,293
Fund balances beginning of year	<u>1,052,142</u>	<u>294,950</u>	<u>1,347,092</u>
Fund balances end of year	<u>\$ 1,113,408</u>	<u>254,977</u>	<u>1,368,385</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
YEAR ENDED JUNE 30, 2017

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund/ Interfund Transfers	Balance End of Year
Interest - Titans	\$ -	506	-	(506)	-
Administrative-postage	197	-	89	-	108
Drama	4,995	1,283	876	172	5,574
Speech	1,250	100	1,672	1,723	1,401
Vocal Music	244	146	827	1,378	941
Band	2,063	544	2,096	1,378	1,889
Art Projects	50	250	245	-	55
9-12 Projects	797	47	324	50	570
4-8 Projects	648	4,905	4,297	(1,148)	108
Science Club	-	1,249	951	-	298
Activity Tickets	185	17,785	31	(17,229)	710
Public Relations	-	5,178	5,178	-	-
Music Awards	-	271	271	-	-
Athletic Awards	-	1,591	1,591	-	-
Booster Club	-	67	67	-	-
Field Trip	-	680	1,404	724	-
Cross Country	2,020	1,646	3,068	517	1,115
FB Cheerleader	3,838	8,130	6,734	85	5,319
BB Cheerleaders	644	-	88	172	728
Wrestling Cheerleaders	790	-	224	172	738
Dance Team	1,764	3,303	4,783	629	913
Boys Drill Team	629	-	-	(629)	-
Boys Basketball	2,632	3,479	4,075	-	2,036
JH Boys Basketball	75	1,425	1,497	-	3
Football	6,018	5,391	9,071	7,729	10,067
JH Football	139	877	1,321	305	-
Baseball	150	3,463	4,738	1,125	-
JH Baseball	-	-	775	775	-
Boys Track	5,825	7,647	7,285	257	6,444
JH Boys Track	1,735	-	308	-	1,427
Boys Golf	731	939	1,106	600	1,164
Wrestling	-	2,390	2,463	833	760
JH Wrestling	-	598	700	102	-
Girls Basketball	932	4,417	3,448	(789)	1,112
JH Girls Basketball	75	690	1,554	789	-
Volleyball	4,368	12,155	15,083	517	1,957
JH Volleyball	805	947	831	-	921
Softball	1,164	3,051	3,333	1,263	2,145
JH Softball	-	-	460	460	-
Girls Track	5,552	4,217	5,528	777	5,018
JH Girls Track	1,607	-	307	-	1,300
Girls Golf	1,171	1,047	1,068	434	1,584
General Athletics	936	8,133	11,610	3,305	764
Football Camp	9,048	24,589	13,751	(315)	19,571
Boys Basketball Camp	944	677	1,308	-	313
Cheer Camp	-	581	425	(156)	-
Girls Basketball Camp	3,412	4,101	5,359	-	2,154
Baseball Camp	2,050	6,285	7,002	(155)	1,178
Softball Camp	672	2,382	2,439	-	615
Titans Uniforms	2,996	13,349	13,873	315	2,787
State Athletic Competitions	-	5,797	5,794	(3)	-
National Honor Society	408	-	385	151	174
Student Council	4,476	1,070	836	151	4,861
4-6 MS Student Council	1,261	1,027	1,533	550	1,305
7-8 MS Student Council	468	501	1,567	598	-
Leadership Activities	1,990	-	563	151	1,578
Annual	9,181	8,740	10,760	-	7,161
FCCLA	472	-	-	-	472
Class of 2017	1,880	1,396	2,716	-	560
Class of 2018	1,277	6,930	4,766	-	3,441
Class of 2019	840	960	-	-	1,800
Class of 2020	-	945	-	-	945
HS Pop Machines	-	4,086	3,582	(504)	-
Academic Competitions	-	-	1,280	1,280	-
FFA	39,530	69,873	71,815	-	37,588
<b>Total</b>	<b>\$ 134,934</b>	<b>261,836</b>	<b>261,131</b>	<b>8,033</b>	<b>143,672</b>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION -  
 FIDUCIARY FUND  
 JUNE 30, 2017

	Private Purpose Trust Fund - Scholarship Accounts			
	FFA Scholarship	Eric Findley Scholarship	Buenting Scholarship	Total
<b>Assets</b>				
Cash and pooled investments	\$ 2,714	1,215	250	4,179
<b>Liabilities</b>				
	-	-	-	-
<b>Net Position:</b>				
Held in trust for scholarships	\$ 2,714	1,215	250	4,179

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION -  
 FIDUCIARY FUND  
 FOR YEAR ENDED JUNE 30, 2017

	Private Purpose Trust Fund - Scholarship Accounts					
	Taylor Heuton Scholarship	FFA Scholarship	Eric Findley Scholarship	Buenting Scholarship	Miscellaneous Scholarship	Total
Additions:						
Local sources:						
Gifts and contributions	\$ -	959	1,000	250	250	2,459
Deductions:						
Instruction:						
Regular:						
Scholarships awarded	500	3,049	700	250	250	4,749
Change in net position	(500)	(2,090)	300	-	-	(2,290)
Net position beginning of year	500	4,804	915	250	-	6,469
Net position end of year	\$ -	2,714	1,215	250	-	4,179

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

	Modified Accrual Basis		
	2017	2016	2015
Revenues:			
Local sources:			
Local tax	\$ 4,350,437	4,291,990	4,201,029
Tuition	306,602	316,800	312,569
Other	624,306	928,971	685,579
State sources	6,817,451	6,155,218	6,580,276
Federal sources	311,230	279,663	285,151
Total	<u>\$ 12,410,026</u>	<u>11,972,642</u>	<u>12,064,604</u>
Expenditures:			
Current:			
Instruction:			
Regular	\$ 4,232,455	4,626,806	4,374,867
Special	1,208,075	1,228,525	1,002,956
Other	1,538,075	1,288,661	1,343,046
Support services:			
Student	300,014	289,390	269,861
Instructional	448,837	224,031	203,315
Administration	1,005,717	998,437	1,027,911
Operation and maintenance of plant	741,587	2,225,170	2,308,741
Transportation	668,272	696,421	626,877
Capital outlay	390,075	617,498	603,075
Long-term debt:			
Principal	205,000	205,000	200,000
Interest and fiscal charges	27,038	30,625	35,124
Other expenditures:			
AEA flowthrough	391,055	381,674	380,986
Total	<u>\$ 11,156,200</u>	<u>12,812,238</u>	<u>12,376,759</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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

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

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

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of South Central Calhoun Community School District as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 12, 2018.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses 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 misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-17 and I-B-17 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-C-17 to be a significant deficiency.

## **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2017 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


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

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

## **Purpose of this Report**

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

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



NOLTE, CORNMAN & JOHNSON, P.C.

February 12, 2018  
Newton, Iowa

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2017

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

I-A-17     Segregation of Duties

Criteria - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody, and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the District's financial statements.

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

- 1) Cash - handling and recording cash, posting and reconciling.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 4) Disbursements - purchase order processing, check preparation, mailing and recording.
- 5) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting, and distribution.
- 6) Journal entries - writing, approving, and posting.

Cause - The District has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect - Inadequate segregation of duties could adversely affect the District's ability to prevent or detect and correct misstatements, errors, or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

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 - Central office staff members continue to address methods to reduce risks associated with segregation of duties. Staff review cash handling procedures with staff annually and on an individual basis as needed.

Conclusion - Response accepted.



I-B-17 Bank Reconciliations

Criteria - An effective internal control system provides internal controls related to the reconciliation of cash on the general ledger to bank statements. Bank reconciliations, when performed timely, provide support for the cash position and allow users a higher degree of confidence in the amount of cash reflected on financial statements.

Condition - During our audit we noted several outstanding checks and electronic fund transfers were listed on the June bank reconciliation which had cleared the District's bank in various months throughout the year but were not marked as cleared on the District's uniform accounting system. These uncleared items give the appearance bank reconciliations might not be completed in a timely manner or completed fully each month.

Cause - District personnel may not possess the required skills, knowledge and expertise to complete bank reconciliations in a timely manner. District policies and procedures do not appear to have been established to require bank reconciliations be performed in a timely manner.

Effect - Inadequate performance of bank reconciliations could adversely affect the District's ability to prevent or detect and correct misstatements, errors, or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation - The Business Manager or designated individual should perform bank reconciliations of the District's bank statements to the District's general ledger in a timely manner each month. If the accounting staff is not comfortable using the accounting software to perform bank reconciliations, the District should consider sending their accounting staff to additional software training on bank reconciliations through tutorials provided by software unlimited and/or through continuing education provided through groups such as IASBO.

Response - The central office staff had arranged automatic payment with some vendors in an attempt to streamline regular monthly payments; however some additional issues arose with the process. Therefore some automatic payments were discontinued. Central office staff will work together to finalize bank reconciliations and present all transactions in the manner best suited for the accounting software capabilities.

Conclusion - Response accepted.

I-C-17 Credit Card Payments Electronically Pulled from District Bank Account

Criteria - An effective internal control system provides internal controls related to ensuring proper accounting for disbursements made by the District. Internal controls over safeguarding assets constitute a process, effected by an entity's governing body designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation.

Condition - District credit card payments are automatically pulled from the District's checking account by the credit card vendor.

Cause - The District has not established a secondary bank account separate from the District's main checking account from which vendors can automatically pull funds for amounts owed to them by the District.

Effect - Lack of a separate account could give vendors who pull funds from District checking accounts access to all of the District's money in the event of a manual entry error or computer error on the part of the vendor.

Recommendation - The District should not allow credit card vendors or any other vendors to automatically "pull" money out of any of the District's main checking accounts. These automatic payments appear to circumvent the "audit and allow" provisions required by state statute. The Iowa Office of the Auditor of State released guidance on this issue and recommended procedures and controls to implement if the District wishes to continue to allow automatic payments to vendors via the "pull" method.

If electronic transfers are processed by the vendor "pulling" from District checking accounts, the District's controls and procedures should at a minimum be as follows:

- a. If a vendor statement is available prior to payment due date (applies to IASBO p-card payment as well):
  - i. Vendor statement reconciled for approved amounts due by the appropriate individual.
  - ii. The District should establish separate bank account at financial institution designated only for amounts to be "pulled" by vendors.
  - iii. SBO transfers approved amounts to designated bank account to be "pulled" by vendors on or before payment due dates.
- b. If a vendor statement is NOT available prior to payment due date:
  - i. Communicate and work with vendor for District to receive statement in sufficient time to provide appropriate reconciliation.
  - ii. When accomplished pursue procedures as described in item (a.) listed above.
  - iii. If NOT accomplished discontinue business with that vendor as under no circumstance are funds to be made available for vendor "pulling" prior to reconciliation for audit and approval prior to payment of public funds.

Response - Central office staff will work with United Bank of Iowa to improve automatic payments with vendors and present updated procedures to the Board prior to the end of Fiscal Year 2018. Central office staff find most automatic payments create efficiencies and reduce errors of double payments when mail delivery delays vendor payments and account credits before the next billing cycle.

Conclusion - Response accepted.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2017

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

- II-A-17 Certified Budget - District expenditures for the year ended June 30, 2017, did not exceed the amounts budgeted.
- II-B-17 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-17 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-17 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
David Birks, Teacher Owns Birks Family Mowing	Purchase services	\$ 4,910

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

- II-E-17 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-17 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-17 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-H-17 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-17 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-17 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-17 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-L-17 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2017, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$ 1,052,142
Revenues/transfers in:		
Sales tax revenues	\$ 881,062	
Other local revenues	<u>35,186</u>	<u>916,248</u>
		1,968,390
Expenditures/transfers out:		
School infrastructure construction	270,264	
Equipment	192,303	
Other	155,819	
Transfers to other funds:		
Disaster recovery	5,369	
Debt service	<u>231,227</u>	<u>854,982</u>
Ending Balance		<u>\$ 1,113,408</u>

For the year ended June 30, 2017, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.