

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2018

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	4-6
Management's Discussion and Analysis	7-15
Basic Financial Statements:	<u>Exhibit</u>
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	A 18
Statement of Activities	B 19
<i>Governmental Fund Financial Statements:</i>	
Balance Sheet	C 20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	D 21
Statement of Revenues, Expenditures and Changes in Fund Balances	E 22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 23
<i>Proprietary Fund Financial Statements:</i>	
Statement of Net Position	G 24
Statement of Revenues, Expenses and Changes in Fund Net Position	H 25
Statement of Cash Flows	I 26
<i>Fiduciary Fund Financial Statements:</i>	
Statement of Fiduciary Net Position	J 27
Statement of Changes in Fiduciary Net Position	K 28
Notes to Financial Statements	29-44
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	46
Notes to Required Supplementary Information - Budgetary Reporting	47
Schedule of the District's Proportionate Share of the Net Pension Liability	48
Schedule of District Contributions	49
Notes to Required Supplementary Information - Pension Liability	50
Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes	51
Supplementary Information:	<u>Schedule</u>
<i>Nonmajor Governmental Funds:</i>	
Combining Balance Sheet	1 54
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 55
<i>Capital Projects Fund Accounts:</i>	
Combining Balance Sheet	3 56
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4 57
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	5 58
<i>Private Purpose Trust Fund - Scholarship Accounts:</i>	
Combining Schedule of Fiduciary Net Position	6 59
Combining Schedule of Changes in Fiduciary Net Position	7 60
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	8 61
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	62-63
Schedule of Findings	64-66

South Central Calhoun Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2017 Election)		
Ron Maulsby	President	2017
Judy Hungate	Vice-President	2017
Brad Assman	Board Member	2017
Roger McKinney	Board Member	2019
Alan Wedemeyer	Board Member	2019
Kari Musselman	Board Member	2017
Darci Lightner	Board Member	2017
(After September 2017 Election)		
Judy Hungate	President	2019
Roger McKinney	Vice-President	2019
Jason Hawkins	Board Member	2019
Darci Lightner	Board Member	2021
Kari Musselman	Board Member	2021
Nick Spencer	Board Member	2021
Alan Wedemeyer	Board Member	2019
School Officials		
Jeff Kruse	Superintendent	2018
Carol Collins	Board Secretary/ Treasurer	2018
Rick Franck	Attorney	2018
Brian Gruhn	Attorney	2018
David Willis	Attorney	2018

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(a professional corporation)
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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, 2018, 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, 2018, 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.

Emphasis of a Matter

As discussed in Note 12 to the financial statements, South Central Calhoun Community School District adopted new accounting guidance related to Governmental Accounting Standard Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Changes in the District's Total OPEB Liability, Related Ratios and Notes 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 three years ended June 30, 2017 (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 18, 2019, 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 18, 2019
Newton, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2018. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2018 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$10,903,744 during fiscal year 2017 to \$11,054,087 during fiscal year 2018, while General Fund expenditures increased from \$9,620,120 in fiscal year 2017 to \$10,029,592 in fiscal year 2018. Revenues outpaced expenditures causing the District's General Fund balance to increase from \$7,573,206 at June 30, 2017 to \$8,597,701 at June 30, 2018, a 13.53% increase.
- The District continued 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 2018 General Fund revenue increase was primarily attributable to an increase in local tax 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 70.97% at June 30, 2017 to 86.45% at June 30, 2018.
- The District's total net position increased from \$13,916,672 restated at July 1, 2017 to \$14,942,607 at June 30, 2018. Total revenues decreased from \$13,017,028 in fiscal year 2017 to \$12,979,894 in fiscal year 2018, a .29% decrease, while total expenses increased from \$11,716,664 in fiscal year 2017 to \$11,953,959 in fiscal year 2018, a 2.03% increase compared to the prior year.
- The District implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position for governmental activities was restated by \$16,180, to retroactively report the decrease in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.

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 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 Changes in the District's Total OPEB Liability, related Ratios and Notes.

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

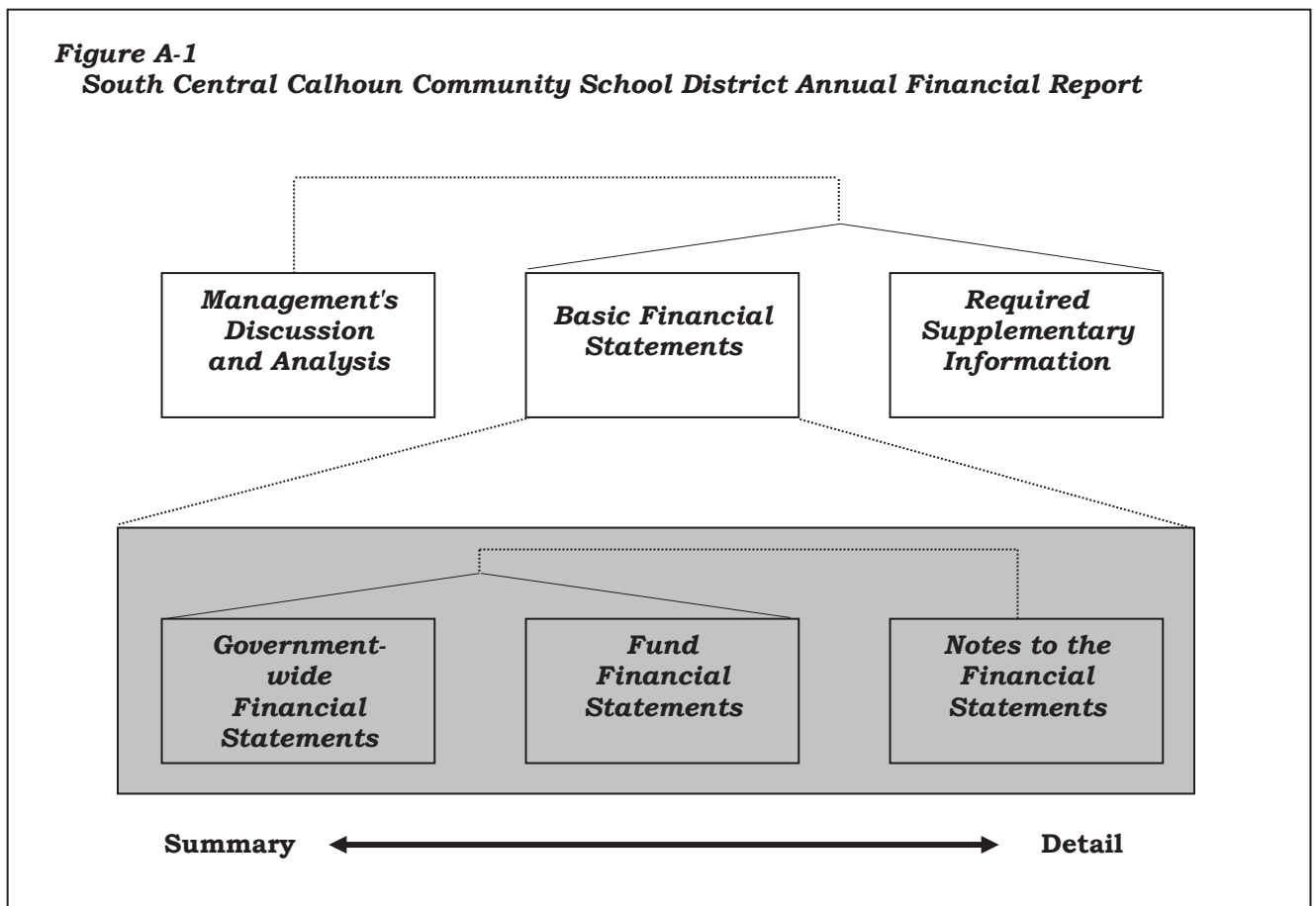


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	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"> · Statement of net position · Statement of activities 	<ul style="list-style-type: none"> · Balance sheet · Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> · Statement of net position · Statement of revenues, expenses and changes in fund net position · Statement of cash flows 	<ul style="list-style-type: none"> · Statement of fiduciary net position · Statement of changes in fiduciary net position
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.

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, 2018 compared to June 30, 2017.

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2017		June 30, 2017		June 30, 2017		June 30, 2017-18
	2018	(Not restated)	2018	(Not restated)	2018	(Not restated)	2017-18
Current and other assets	\$ 16,538,819	14,876,742	363,262	316,238	16,902,081	15,192,980	11.25%
Capital assets	8,650,097	8,570,882	130,604	131,767	8,780,701	8,702,649	0.90%
Total assets	<u>25,188,916</u>	<u>23,447,624</u>	<u>493,866</u>	<u>448,005</u>	<u>25,682,782</u>	<u>23,895,629</u>	<u>7.48%</u>
Deferred outflows of resources	<u>1,741,868</u>	<u>1,725,184</u>	<u>46,807</u>	<u>42,982</u>	<u>1,788,675</u>	<u>1,768,166</u>	<u>1.16%</u>
Long-term liabilities	6,140,154	6,139,774	145,493	144,629	6,285,647	6,284,403	0.02%
Other liabilities	475,456	488,632	10,672	11,248	486,128	499,880	-2.75%
Total liabilities	<u>6,615,610</u>	<u>6,628,406</u>	<u>156,165</u>	<u>155,877</u>	<u>6,771,775</u>	<u>6,784,283</u>	<u>-0.18%</u>
Deferred inflows of resources	<u>5,745,966</u>	<u>4,964,631</u>	<u>11,109</u>	<u>14,389</u>	<u>5,757,075</u>	<u>4,979,020</u>	<u>15.63%</u>
Net position:							
Net investment in capital assets	7,985,097	7,700,882	130,604	131,767	8,115,701	7,832,649	3.61%
Restricted	2,305,625	2,376,736	-	-	2,305,625	2,376,736	-2.99%
Unrestricted	4,278,486	3,502,153	242,795	188,954	4,521,281	3,691,107	22.49%
Total net position	<u>\$ 14,569,208</u>	<u>13,579,771</u>	<u>373,399</u>	<u>320,721</u>	<u>14,942,607</u>	<u>13,900,492</u>	<u>7.50%</u>

Prior to restatement, The District's total net position increased 7.50% or \$1,042,115 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 resources other than capital assets.

Restricted net position represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$71,111 or 2.99% from the prior year. The decrease in restricted net position is primarily a result of a decrease in amounts restricted for management levy purposes.

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 \$830,174 or 22.49% from the prior year. This increase in unrestricted net position is primarily a result of increases 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, 2018 compared to the year ended June 30, 2017.

	Figure A-4						
	Changes in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2018	2017 (Not restated)	2018	2017 (Not restated)	2018	2017 (Not restated)	2017-18
Revenues:							
Program revenues:							
Charges for service	\$ 776,800	765,507	259,552	280,626	1,036,352	1,046,133	-0.93%
Operating grants, contributions and restricted interest	905,593	892,254	316,626	323,151	1,222,219	1,215,405	0.56%
Capital grants, contributions and restricted interest	24,830	34,470	-	-	24,830	34,470	-27.97%
General revenues:							
Property tax	4,422,771	4,350,437	-	-	4,422,771	4,350,437	1.66%
Statewide sales, services and use tax	856,937	881,062	-	-	856,937	881,062	-2.74%
Unrestricted state grants	5,265,363	5,364,018	-	-	5,265,363	5,364,018	-1.84%
Unrestricted investment earnings	64,605	61,202	187	141	64,792	61,343	5.62%
Other	83,834	61,076	2,796	3,084	86,630	64,160	35.02%
Total revenues	12,400,733	12,410,026	579,161	607,002	12,979,894	13,017,028	-0.29%
Program expenses:							
Instruction	7,190,714	7,074,304	-	-	7,190,714	7,074,304	1.65%
Support services	3,402,781	3,280,355	-	27,255	3,402,781	3,307,610	2.88%
Non-instructional programs	4,088	-	504,630	506,365	508,718	506,365	0.46%
Other expenses	851,746	828,385	-	-	851,746	828,385	2.82%
Total expenses	11,449,329	11,183,044	504,630	533,620	11,953,959	11,716,664	2.03%
Excess of revenues over expenses	951,404	1,226,982	74,531	73,382	1,025,935	1,300,364	-21.10%
Transfers	21,853	-	(21,853)	-	-	-	0.00%
Change in net position	973,257	1,226,982	52,678	73,382	1,025,935	1,300,364	-21.10%
Net position beginning of year, as restated	13,595,951	12,352,789	320,721	247,339	13,916,672	12,600,128	10.45%
Net position end of year	\$ 14,569,208	13,579,771	373,399	320,721	14,942,607	13,900,492	7.50%

In fiscal year 2018, property tax and unrestricted state grants accounted for 78.13% of the revenue from governmental activities while charges for service and operating grants and contributions accounted for 99.49% of the revenue from business type activities.

The District's total revenues were approximately \$12.98 million, of which approximately \$12.40 million was for governmental activities and approximately \$0.58 million was for business type activities.

As shown in Figure A-4, the District experienced a .29% decrease in revenues and a 2.03% increase in expenses. The decrease in revenues is primarily due to the decrease in unrestricted state grant revenues received compared to the prior year and the increase in expenses is primarily due to increases in instruction and support services costs incurred from the prior year.

Governmental Activities

Revenues for governmental activities were \$12,400,733 and expenses were \$11,449,329 for the year ended June 30, 2018.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2018 compared to those expenses for the year ended June 30, 2017.

	Total Cost of Services			Net Cost of Services		
	2018	2017 (Not restated)	Change 2017-18	2018	2017 (Not restated)	Change 2017-18
Instruction	\$ 7,190,714	7,074,304	1.65%	6,058,334	6,001,099	0.95%
Support services	3,402,781	3,280,355	3.73%	3,231,158	3,052,384	5.86%
Non-instructional programs	4,088	-	100.00%	4,088	-	100.00%
Other expenses	851,746	828,385	2.82%	448,526	437,330	2.56%
Totals	<u>\$ 11,449,329</u>	<u>11,183,044</u>	<u>2.38%</u>	<u>9,742,106</u>	<u>9,490,813</u>	<u>2.65%</u>

For the year ended June 30, 2018:

- The cost financed by users of the District's programs was \$776,800.
- Federal and state governments along with contributions from local sources subsidized certain programs with operating and capital grants and contributions totaling \$930,423.
- The net cost of governmental activities was financed with \$4,422,771 in property tax, \$5,265,363 in unrestricted state grants, \$856,937 in statewide sales, services and use tax, \$64,605 in interest income, and \$83,834 in other general revenues.

Business Type Activities

Revenues of the District's business type activities were \$579,161, representing a 4.59% decrease from the prior year and expenses were \$504,630 for the year ended June 30, 2018, representing a decrease of 5.43% 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, 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 \$10,738,512, above last year's ending combined fund balances of \$9,926,145. 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 \$7,573,206 at June 30, 2017 to \$8,597,701 at June 30, 2018. Total revenues increased from the prior year primarily due to a increase in local tax funding received from the prior year and expenditures increased primarily due to an increase in negotiated salaries and benefits. Total revenues continued to outpace total expenditures ensuring an increase in ending fund balance for fiscal year 2018.

- The Capital Projects Fund balance decreased from \$1,368,385 at June 30, 2017 to \$1,309,978 at June 30, 2018. Revenues remained relatively unchanged and expenditures increased approximately 6% from the prior year, resulting in a decrease in the Capital Projects Fund balance for fiscal year 2018.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$320,721 at June 30, 2017 to \$373,399 at June 30, 2018, representing an increase of 16.42%. Both revenues and expenses decreased by approximately \$25,000 compared to the prior year. However, total revenues exceeded expenses ensuring an increase in end net position.

BUDGETARY HIGHLIGHTS

The District's revenues were \$51,455 more than budgeted revenues, a variance of .40%. The most significant variance resulted from the District receiving more from local 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, 2018, the District had invested \$8,780,701 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 .90% 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 \$730,946.

The original cost of the District's capital assets as \$20,456,596. Governmental activities accounted for \$20,172,346 with the remainder of \$284,250 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the land improvement category. The District's land improvements, net of depreciation, totaled \$558,360 at June 30, 2017 compared to \$657,640 at June 30, 2018. This increase resulted primarily from the renovation of a parking lot during the year.

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2018	2017	2018	2017	2018	2017	2017-18
Land	\$ 123,326	123,326	-	-	123,326	123,326	0.00%
Buildings	6,716,052	6,798,458	-	-	6,716,052	6,798,458	-1.23%
Land improvements	657,640	558,360	-	-	657,640	558,360	15.10%
Machinery and equipment	1,153,079	1,090,738	130,604	131,767	1,283,683	1,222,505	4.77%
Total	\$ 8,650,097	8,570,882	130,604	131,767	8,780,701	8,702,649	0.90%

Long-Term Debt

At June 30, 2018, the District had \$665,000 of total long-term debt outstanding. (See Figure A-7) This represents an 23.56% 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 \$665,000 at June 30, 2018 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, 2018	June 30, 2017	2017-18
Revenue bonds	\$ 665,000	870,000	-23.56%

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 Years 2018, 2019 or future budget years.
- The District is required to implement an income surtax for the Instructional Support Levy in FY20 due to the wording of the board-approved language which states property and income surtax will fund the ISL, an impact of an estimated \$55,000 which will be received in FY21. The District had not previously used income surtax to fund ISL.

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, 2018

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 10,920,654	368,143	11,288,797
Receivables:			
Property tax:			
Delinquent	25,114	-	25,114
Succeeding year	5,324,851	-	5,324,851
Accounts	9,556	353	9,909
Internal balances	21,853	(21,853)	-
Due from other governments	236,791	5,307	242,098
Inventories	-	11,312	11,312
Capital assets not being depreciated:			
Land	123,326	-	123,326
Capital assets, net of accumulated depreciation:			
Buildings, land improvements and machinery and equipment	8,526,771	130,604	8,657,375
Total assets	25,188,916	493,866	25,682,782
Deferred Outflows of Resources			
Pension related deferred outflows	1,741,868	46,807	1,788,675
Liabilities			
Accounts payable	475,456	818	476,274
Unearned revenue	-	9,854	9,854
Long-term liabilities:			
Portion due within one year:			
Revenue bonds	215,000	-	215,000
Termination benefits	6,744	-	6,744
Portion due after one year:			
Revenue bonds	450,000	-	450,000
Termination benefits	1,686	-	1,686
Net pension liability	5,407,677	145,493	5,553,170
Total OPEB liability	59,047	-	59,047
Total liabilities	6,615,610	156,165	6,771,775
Deferred Inflows of Resources			
Unavailable property tax revenue	5,324,851	-	5,324,851
OPEB related deferred inflows	8,256	-	8,256
Pension related deferred inflows	412,859	11,109	423,968
Total deferred inflows of resources	5,745,966	11,109	5,757,075
Net Position			
Net investment in capital assets	7,985,097	130,604	8,115,701
Restricted for:			
Categorical funding	173,244	-	173,244
Debt service	202,372	-	202,372
Management levy purposes	432,730	-	432,730
Student activities	187,301	-	187,301
School infrastructure	1,092,314	-	1,092,314
Physical plant and equipment	217,664	-	217,664
Unrestricted	4,278,486	242,795	4,521,281
Total net position	\$ 14,569,208	373,399	14,942,607

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	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
Functions/Programs:							
Governmental activities:							
Instruction:							
Regular	\$ 4,376,660	278,741	-	-	(4,097,919)	-	(4,097,919)
Special	1,240,084	20,390	93,767	-	(1,125,927)	-	(1,125,927)
Other	1,573,970	388,585	350,897	-	(834,488)	-	(834,488)
	<u>7,190,714</u>	<u>687,716</u>	<u>444,664</u>	<u>-</u>	<u>(6,058,334)</u>	<u>-</u>	<u>(6,058,334)</u>
Support services:							
Student	307,763	-	14,306	-	(293,457)	-	(293,457)
Instructional staff	593,677	-	32,433	-	(561,244)	-	(561,244)
Administration	1,097,798	75,461	-	-	(1,022,337)	-	(1,022,337)
Operation and maintenance of plant	781,857	-	-	24,830	(757,027)	-	(757,027)
Transportation	621,686	13,623	10,970	-	(597,093)	-	(597,093)
	<u>3,402,781</u>	<u>89,084</u>	<u>57,709</u>	<u>24,830</u>	<u>(3,231,158)</u>	<u>-</u>	<u>(3,231,158)</u>
Non-instructional programs:							
Food service operations	4,088	-	-	-	(4,088)	-	(4,088)
Long-term debt interest	22,938	-	-	-	(22,938)	-	(22,938)
Other expenditures:							
AEA flowthrough	403,220	-	403,220	-	-	-	-
Depreciation(unallocated)*	425,588	-	-	-	(425,588)	-	(425,588)
	<u>828,808</u>	<u>-</u>	<u>403,220</u>	<u>-</u>	<u>(425,588)</u>	<u>-</u>	<u>(425,588)</u>
Total governmental activities	<u>11,449,329</u>	<u>776,800</u>	<u>905,593</u>	<u>24,830</u>	<u>(9,742,106)</u>	<u>-</u>	<u>(9,742,106)</u>
Business type activities:							
Non-instructional programs:							
Food service operations	504,630	259,552	316,626	-	-	71,548	71,548
Total	<u>\$ 11,953,959</u>	<u>1,036,352</u>	<u>1,222,219</u>	<u>24,830</u>	<u>(9,742,106)</u>	<u>71,548</u>	<u>(9,670,558)</u>
General Revenues and Transfers:							
Property tax levied for:							
General purposes					\$ 4,279,495	-	4,279,495
Capital outlay					143,276	-	143,276
Statewide sales, services and use tax					856,937	-	856,937
Unrestricted state grants					5,265,363	-	5,265,363
Unrestricted investment earnings					64,605	187	64,792
Other					83,834	2,796	86,630
Transfers					21,853	(21,853)	-
Total general revenues and transfers					<u>10,715,363</u>	<u>(18,870)</u>	<u>10,696,493</u>
Change in net position					973,257	52,678	1,025,935
Net position beginning of year, as restated					<u>13,595,951</u>	<u>320,721</u>	<u>13,916,672</u>
Net position end of year					<u>\$ 14,569,208</u>	<u>373,399</u>	<u>14,942,607</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, 2018

	General	Capital Projects	Nonmajor	Total
Assets				
Cash and pooled investments	\$ 8,592,518	1,280,488	1,047,648	10,920,654
Receivables:				
Property tax:				
Delinquent	23,738	813	563	25,114
Succeeding year	4,420,259	774,590	130,002	5,324,851
Due from other funds	21,853	-	-	21,853
Accounts	8,822	-	734	9,556
Due from other governments	164,188	72,603	-	236,791
Total assets	\$ 13,231,378	2,128,494	1,178,947	16,538,819
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 213,418	43,926	218,112	475,456
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	4,420,259	774,590	130,002	5,324,851
Fund balances:				
Restricted for:				
Categorical funding	173,244	-	-	173,244
Debt service	-	-	202,372	202,372
Management levy purposes	-	-	441,160	441,160
Student activities	-	-	187,301	187,301
School infrastructure	-	1,092,314	-	1,092,314
Physical plant and equipment	-	217,664	-	217,664
Assigned for special purposes	3,021,314	-	-	3,021,314
Unassigned	5,403,143	-	-	5,403,143
Total fund balances	8,597,701	1,309,978	830,833	10,738,512
Total liabilities, deferred inflows of resources and fund balances	\$ 13,231,378	2,128,494	1,178,947	16,538,819

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, 2018

Total fund balances of governmental funds(page 20)		\$ 10,738,512
 <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.		8,650,097
Pension and OPEB 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	\$ 1,741,868	
Deferred inflows of resources	<u>(421,115)</u>	1,320,753
Long-term liabilities, including revenue bonds payable, termination benefits payable, total OPEB liability and net pension liability are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(6,140,154)</u>
Net position of governmental activities(page 18)		<u><u>\$ 14,569,208</u></u>

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, 2018

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 4,180,556	143,276	98,939	4,422,771
Tuition	344,710	-	-	344,710
Other	254,585	25,548	346,977	627,110
State sources	5,832,233	859,271	1,590	6,693,094
Federal sources	313,048	-	-	313,048
Total revenues	<u>10,925,132</u>	<u>1,028,095</u>	<u>447,506</u>	<u>12,400,733</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,299,183	88,459	90,328	4,477,970
Special	1,214,410	-	-	1,214,410
Other	1,219,150	-	295,235	1,514,385
	<u>6,732,743</u>	<u>88,459</u>	<u>385,563</u>	<u>7,206,765</u>
Support services:				
Student	280,855	21,215	-	302,070
Instructional staff	477,304	-	-	477,304
Administration	925,066	80,184	69,643	1,074,893
Operation and maintenance of plant	762,039	29,506	129,105	920,650
Transportation	438,168	198,006	22,984	659,158
	<u>2,883,432</u>	<u>328,911</u>	<u>221,732</u>	<u>3,434,075</u>
Non-instructional programs:				
Food service operations	-	2,110	1,978	4,088
Capital outlay	-	456,318	-	456,318
Long-term debt:				
Principal	-	-	205,000	205,000
Interest and fiscal charges	-	-	22,938	22,938
	<u>-</u>	<u>-</u>	<u>227,938</u>	<u>227,938</u>
Other expenditures:				
AEA flowthrough	403,220	-	-	403,220
Total expenditures	<u>10,019,395</u>	<u>875,798</u>	<u>837,211</u>	<u>11,732,404</u>
Excess(Deficiency) of revenues over(under) expenditures	905,737	152,297	(389,705)	668,329
Other financing sources(uses):				
Transfer in	21,853	-	235,984	257,837
Transfer out	(10,197)	(225,787)	-	(235,984)
Insurance proceeds	107,102	-	-	107,102
Proceeds from the sale of equipment	-	15,083	-	15,083
Total other financing sources(uses)	<u>118,758</u>	<u>(210,704)</u>	<u>235,984</u>	<u>144,038</u>
Change in fund balances	1,024,495	(58,407)	(153,721)	812,367
Fund balances beginning of year	<u>7,573,206</u>	<u>1,368,385</u>	<u>984,554</u>	<u>9,926,145</u>
Fund balances end of year	<u>\$ 8,597,701</u>	<u>1,309,978</u>	<u>830,833</u>	<u>10,738,512</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, 2018

Change in fund balances - total governmental funds(page 22) \$ 812,367

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

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

Capital outlay	\$ 790,055	
Depreciation expense	<u>(710,840)</u>	79,215

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. 547,000

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	79,801	
Pension expense	(742,140)	
Total OPEB liability and related expenses	<u>(7,986)</u>	<u>(670,325)</u>

Change in net position of governmental activities(page 19) \$ 973,257

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2018

	Enterprise, School Nutrition
Assets	
Current assets:	
Cash and pooled investments	\$ 368,143
Accounts receivable	353
Due from other governments	5,307
Inventories	11,312
	385,115
Noncurrent assets:	
Capital assets, net of accumulated depreciation	130,604
Total assets	515,719
 Deferred Outflows of Resources	
Pension related deferred outflows	46,807
 Liabilities	
Current liabilities:	
Accounts payable	818
Due to other funds	21,853
Unearned revenue	9,854
	32,525
Noncurrent liabilities:	
Net pension liability	145,493
Total liabilities	178,018
 Deferred Inflows of Resources	
Pension related deferred inflows	11,109
 Net Position	
Net investment in capital assets	130,604
Unrestricted	242,795
Total net position	\$ 373,399

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, 2018

	Enterprise, School Nutrition
Operating revenues:	
Local sources:	
Charges for service	\$ 259,552
Miscellaneous	2,796
Total operating revenues	262,348
Non-instructional programs:	
Food service operations:	
Salaries	166,474
Benefits	21,406
Services	455
Supplies	296,189
Depreciation	20,106
Total operating expenses	504,630
Operating loss	(242,282)
Non-operating revenues:	
State sources	4,433
Federal sources	312,193
Interest income	187
Total non-operating revenues	316,813
Change in net position before other financing uses	74,531
Other financing uses:	
Transfer out	(21,853)
Change in net position	52,678
Net position beginning of year	320,721
Net position end of year	\$ 373,399

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2018

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 260,662
Cash received from miscellaneous	2,796
Cash payments to employees for services	(194,121)
Cash payments to suppliers for goods or services	(252,338)
Net cash used in operating activities	(183,001)
Cash flows from non-capital financing activities:	
State grants received	4,433
Federal grants received	272,930
Net cash provided by non-capital financing activities	277,363
Cash flows from capital and related financing activities:	
Purchase of capital assets	(18,943)
Cash flows from investing activities:	
Interest on investments	187
Net increase in cash and pooled investments	75,606
Cash and pooled investments beginning of year	292,537
Cash and pooled investments end of year	\$ 368,143
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (242,282)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	42,936
Depreciation	20,106
Decrease in inventories	3,161
Increase in accounts receivable	(105)
Decrease in accounts payable	(1,791)
Increase in unearned revenue	1,215
Increase in net pension liability	864
Increase in deferred outflows of resources	(3,825)
Decrease in deferred inflows of resources	(3,280)
Net cash used in operating activities	\$ (183,001)

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

During the year ended June 30, 2018, the District received \$42,936 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2018

	<u>Private Purpose Trust Scholarship</u>
Assets	
Cash and pooled investments	\$ 5,921
Liabilities	<u>-</u>
Net Position	
Held in trust for scholarships	<u>\$ 5,921</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, 2018

	<u>Private Purpose Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	<u>\$ 6,892</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u> 5,150</u>
Change in net position	1,742
Net position beginning of year	<u> 4,179</u>
Net position end of year	<u><u>\$ 5,921</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

(1) Summary of Significant Accounting Policies

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 interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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/Net Position

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 is 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 reported as a deferred inflow of resources 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, 2016 assessed property valuations; is for the tax accrual period July 1, 2017 through June 30, 2018 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2017.

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 if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. 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. Reportable 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 and OPEB expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and contributions from the District after the measurement date but before the end of the District'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.

Total OPEB Liability - For purposes of measuring the total OPEB liability, deferred outflows and inflows of resources related to OPEB and OPEB expense, information has been determined based on the District's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB 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 year(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 unrecognized items not yet charged to pension and OPEB expense.

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, 2018 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, 2018, 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, 2018 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 123,326	-	-	123,326
Capital assets being depreciated:				
Buildings	11,990,195	271,354	-	12,261,549
Land improvements	1,979,467	171,108	-	2,150,575
Furniture and equipment	5,448,609	347,593	159,306	5,636,896
Total capital assets being depreciated	19,418,271	790,055	159,306	20,049,020
Less accumulated depreciation for:				
Buildings	5,191,737	353,760	-	5,545,497
Land improvements	1,421,107	71,828	-	1,492,935
Furniture and equipment	4,357,871	285,252	159,306	4,483,817
Total accumulated depreciation	10,970,715	710,840	159,306	11,522,249
Total capital assets being depreciated, net	8,447,556	79,215	-	8,526,771
Governmental activities capital assets, net	\$ 8,570,882	79,215	-	8,650,097
Business type activities:				
Furniture and equipment	\$ 273,938	18,943	8,631	284,250
Less accumulated depreciation	142,171	20,106	8,631	153,646
Business type activities capital assets, net	\$ 131,767	(1,163)	-	130,604

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 52,498
Special	985
Other	35,637

Support services:

Instructional staff	2,957
Administration	3,191
Operation and maintenance of plant	36,250
Transportation	153,734
	<u>285,252</u>

Unallocated depreciation

Total depreciation expense - governmental activities	<u>\$ 710,840</u>
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Business type activities:

Food service operations	<u>\$ 20,106</u>
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(4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2018 are summarized as follows:

	Balance Beginning of Year, as restated	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Revenue bonds	\$ 870,000	-	205,000	665,000	215,000
Termination benefits	88,231	-	79,801	8,430	6,744
Net pension liability	5,106,046	301,631	-	5,407,677	-
Total OPEB liability	59,317	-	270	59,047	-
Total	<u>\$ 6,123,594</u>	<u>301,631</u>	<u>285,071</u>	<u>6,140,154</u>	<u>221,744</u>
Business type activities:					
Net pension liability	<u>\$ 144,629</u>	<u>864</u>	<u>-</u>	<u>145,493</u>	<u>-</u>

Revenue Bonds

Details of the District's June 30, 2018 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
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		<u>\$ 665,000</u>	<u>38,175</u>	<u>703,175</u>

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 27% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$703,175. For the current year, \$205,000 of principal and \$22,938 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$856,937.

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. No obligation remain outstanding from the fiscal 2017 year offering.

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, 2018, the District had obligations to 1 participant with a total liability of \$8,430. Actual early retirement expenditures for the year ended June 30, 2018 totaled \$79,801.

(5) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2018 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects: Statewide Sales, Services and Use Tax	\$ 225,787
General	Enterprise: School Nutrition	21,853
Student Activity	General	10,197
		<u>\$ 257,837</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 Enterprise: School Nutrition Fund to the General Fund was to reimburse for indirect costs.

The transfer from the General Fund to the Student Activity Fund was for reimbursement of 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 P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, 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 2018, 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, 2018 totaled \$561,659.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2018, the District reported a liability of \$5,553,170 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the District's proportion was 0.0833651%, which was a decrease of 0.000067% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$750,558. At June 30, 2018, 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	\$ 50,983	48,114
Changes of assumptions	964,885	-
Net difference between projected and actual earnings on IPERS investments	-	58,001
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	211,148	317,853
District contributions subsequent to the measurement date	561,659	-
Total	\$ 1,788,675	423,968

\$561,659 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 ending June 30, 2019. 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
2019	\$ 122,769
2020	340,122
2021	239,096
2022	35,580
2023	65,481
	\$ 803,048

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00%, compounded annually, net of investment expense, including inflation
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and .65% real wage inflation.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated March 24, 2017.

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:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. 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 7.00%, 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 (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 9,149,396	5,553,170	2,531,649

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.

(7) Other Postemployment Benefits (OPEB)

Plan Description - The District administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits - Individuals who are employed by the District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2018, the following employees were covered by the benefit terms:

Active employees	<u>63</u>
Total	<u><u>63</u></u>

Total OPEB Liability - The District's total OPEB liability of \$59,047 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2018)	2.75% per annum.
Rates of salary increase (effective June 30, 2018)	3.00% per annum, including inflation.
Discount rate (effective June 30, 2018)	3.72% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2018)	6.00% per annum

Discount Rate - The discount rate used to measure the total OPEB liability was 3.72% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP-2014 Annuity Mortality Table applied on a gender specific basis. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year, as restated	\$ 59,317
Changes for the year:	
Service cost	6,424
Interest	2,334
Differences between expected and actual experiences	(8,274)
Changes in assumptions	<u>(754)</u>
Net changes	<u>(270)</u>
Total OPEB liability end of year	<u><u>\$ 59,047</u></u>

Changes of assumptions reflect a change in the discount rate from 3.55% in fiscal year 2017 to 3.72% in fiscal year 2018.

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.72%) or 1% higher (4.72%) than the current discount rate.

	1% Decrease (2.72%)	Discount Rate (3.72%)	1% Increase (4.72%)
Total OPEB liability	\$ 63,619	59,047	54,799

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of the District as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.00%) or 1% higher (7.00%) than the current healthcare cost trend rates.

	1% Decrease (5.00%)	Healthcare Cost Trend Rate (6.00%)	1% Increase (7.00%)
Total OPEB liability	\$ 52,420	59,047	66,834

OPEB Expense and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2018, the District recognized OPEB expense of \$7,994. At June 30, 2018, the District reported deferred inflows of resources related to OPEB from the following resources:

	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,566
Changes in assumptions	690
Total	<u>\$ 8,256</u>

The amount reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,	Amount
2019	\$ (772)
2020	(772)
2021	(772)
2022	(772)
2023	(772)
Thereafter	<u>(4,396)</u>
Total	<u>\$ (8,256)</u>

(8) Risk Management

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

In accordance with Iowa Administrative Code Section 98.1, categorical funding is financial support from the state and federal governments targeted for particular categories of students, special programs, or special purposes. This support is in addition to school district or area education agency general purpose revenue, for purposes beyond the basic educational program and most often has restrictions on its use. Any portion of categorical funding provided by the state that is not expended by the end of the fiscal year must be carried forward as a restricted fund balance.

The following is a schedule of the categorical funding restricted in the General Fund at June 30, 2018.

Program	Amount
Home School Assistance Program	\$ 1,779
Returning Dropouts and Dropout Prevention	40,386
Teacher Leadership State Aid	107,221
Four-Year-Old Preschool State Aid	5,295
Market Factor	1,410
Professional Development	12,500
Market Factor Incentives	4,653
Total	<u>\$ 173,244</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 \$403,220 for the year ended June 30, 2018 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)	\$ -	441,160	5,403,143
Capital assets, net of accumulated depreciation	8,650,097	-	-
Revenue bond capitalized indebtedness	(665,000)	-	-
Termination benefits	-	(8,430)	-
Assigned fund balance	-	-	3,021,314
Pension related deferred outflows	-	-	1,741,868
Pension related deferred inflows	-	-	(412,859)
OPEB related deferred inflows	-	-	(8,256)
Net pension liability	-	-	(5,407,677)
Total OPEB Liability	-	-	(59,047)
Net position (Exhibit A)	<u>\$ 7,985,097</u>	<u>432,730</u>	<u>4,278,486</u>

(12) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and

required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

	<u>Governmental Activities</u>
Net position June 30, 2017, as previously reported	\$ 13,579,771
OPEB obligation measured under previous standards	75,497
Total OPEB liability at June 30, 2017	<u>(59,317)</u>
Net position July 1, 2017, as restated	<u>\$ 13,595,951</u>

(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, 2018 under agreements entered into by the following entities:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
Calhoun County	Urban Renewal	\$ 9,341
City of Lohrville	Urban Revitalization	\$ 2,147

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, 2018, this reimbursement amounted to \$5,808.

(14). Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2018 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise: School Nutrition	<u>\$ 21,853</u>

The Enterprise: School Nutrition Fund is repaying the General Fund for indirect costs incurred but not paid prior to year end.

(15). Subsequent Event – General Obligation Capital Loan Note Issuance

In August 2018, the Board of Education of South Central Calhoun Community School District authorized the issuance of \$4,880,000 in general obligation school capital loan notes which will be used for facility improvement projects throughout the District. The capital loan notes will be paid from property tax revenue sources collected in the Capital Projects: Physical Plant and Equipment Levy Fund.

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, 2018

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Fund		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 5,394,591	262,535	5,657,126	5,587,233	5,587,233	69,893
State sources	6,693,094	4,433	6,697,527	6,773,706	6,773,706	(76,179)
Federal sources	313,048	312,193	625,241	567,500	567,500	57,741
Total revenues	12,400,733	579,161	12,979,894	12,928,439	12,928,439	51,455
Expenditures/Expenses:						
Instruction	7,206,765	-	7,206,765	13,813,521	13,813,521	6,606,756
Support services	3,434,075	-	3,434,075	5,738,401	5,738,401	2,304,326
Non-instructional programs	4,088	504,630	508,718	747,210	747,210	238,492
Other expenditures	1,087,476	-	1,087,476	2,205,546	2,205,546	1,118,070
Total expenditures/expenses	11,732,404	504,630	12,237,034	22,504,678	22,504,678	10,267,644
Excess(Deficiency) of revenues over(under) expenditures/expenses	668,329	74,531	742,860	(9,576,239)	(9,576,239)	10,319,099
Other financing sources, net	144,038	(21,853)	122,185	-	-	122,185
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	812,367	52,678	865,045	(9,576,239)	(9,576,239)	10,441,284
Balances beginning of year	9,926,145	320,721	10,246,866	9,576,239	9,576,239	670,627
Balances end of year	\$ 10,738,512	373,399	11,111,911	-	-	11,111,911

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2018

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. 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 function level, not by fund. The Code of Iowa also provides 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 FOUR YEARS*
REQUIRED SUPPLEMENTARY INFORMATION

	2018	2017	2016	2015	
District's proportion of the net pension liability	0.083365%	0.083433%	0.082242%	0.097366%	**
District's proportionate share of the net pension liability	\$ 5,553,170	5,250,675	4,063,157	3,861,452	**
District's covered payroll	\$ 6,206,325	5,986,560	5,622,922	6,369,705	**
District's proportionate share of the net pension liability as a percentage of its covered payroll	89.48%	87.71%	72.26%	60.62%	
IPERS' net position as a percentage of the total pension liability	82.21%	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 payroll is the sum of the covered wages of the former Southern Cal Community School District and the former Rockwell City-Lytton 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 FOUR YEARS*
REQUIRED SUPPLEMENTARY INFORMATION

	2018	2017	2016	2015
Statutorily required contribution	\$ 561,659	554,225	534,600	502,127
Contributions in relation to the statutorily required contribution	(561,659)	(554,225)	(534,600)	(502,127)
Contribution deficiency (excess)	\$ -	-	-	-
District's covered payroll	\$ 6,289,568	6,206,325	5,986,560	5,622,922
Contributions as a percentage of covered payroll	8.93%	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, 2018

Changes of benefit terms:

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

Changes of assumptions:

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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 CHANGES IN THE DISTRICT'S
 TOTAL OPEB LIABILITY, RELATED RATIOS AND NOTES
 FOR THE CURRENT YEAR
 REQUIRED SUPPLEMENTARY INFORMATION

	2018
Service cost	\$ 6,424
Interest cost	2,334
Differences between expected and actual experiences	(8,274)
Changes in assumptions	(754)
Net change in total OPEB liability	(270)
Total OPEB liability beginning of year, as restated	59,317
Total OPEB liability end of year	\$ 59,047
Covered-employee payroll	\$ 3,183,169
Total OPEB liability as a percentage of covered-employee payroll	1.85%

Notes to Schedule of Changes in the District's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2018	3.72%
Year ended June 30, 2017	3.55 %

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



SUPPLEMENTARY INFORMATION

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018

	Special Revenue			Debt Service	Total
	Student Activity	Management Levy	Total		
Assets					
Cash and pooled investments	\$ 188,210	440,597	628,807	418,841	1,047,648
Receivables:					
Property tax:					
Delinquent	-	563	563	-	563
Succeeding year	-	130,002	130,002	-	130,002
Accounts	734	-	734	-	734
Total assets	\$ 188,944	571,162	760,106	418,841	1,178,947
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,643	-	1,643	216,469	218,112
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	-	130,002	130,002	-	130,002
Fund balances:					
Restricted for:					
Debt service	-	-	-	202,372	202,372
Management levy purposes	-	441,160	441,160	-	441,160
Student activities	187,301	-	187,301	-	187,301
Total fund balances	187,301	441,160	628,461	202,372	830,833
Total liabilities, deferred inflows of resources and fund balances	\$ 188,944	571,162	760,106	418,841	1,178,947

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, 2018

	Special Revenue			Debt Service	Total
	Student Activity	Management Levy	Total		
Revenues:					
Local sources:					
Local tax	\$ -	98,939	98,939	-	98,939
Other	328,751	14,625	343,376	3,601	346,977
State sources	-	1,590	1,590	-	1,590
Total revenues	328,751	115,154	443,905	3,601	447,506
Expenditures:					
Current:					
Instruction:					
Regular	-	90,328	90,328	-	90,328
Other	295,235	-	295,235	-	295,235
Support services:					
Administration	84	69,559	69,643	-	69,643
Operation and maintenance of plant	-	129,105	129,105	-	129,105
Transportation	-	22,984	22,984	-	22,984
Non-instructional programs:					
Food service operations	-	1,978	1,978	-	1,978
Long-term debt:					
Principal	-	-	-	205,000	205,000
Interest and fiscal charges	-	-	-	22,938	22,938
Total expenditures	295,319	313,954	609,273	227,938	837,211
Excess(Deficiency) of revenues over(under) expenditures	33,432	(198,800)	(165,368)	(224,337)	(389,705)
Other financing sources:					
Transfer in	10,197	-	10,197	225,787	235,984
Change in fund balances	43,629	(198,800)	(155,171)	1,450	(153,721)
Fund balances beginning of year	143,672	639,960	783,632	200,922	984,554
Fund balances end of year	\$ 187,301	441,160	628,461	202,372	830,833

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND ACCOUNTS
 JUNE 30, 2018

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 1,063,637	216,851	1,280,488
Receivables:			
Property tax:			
Delinquent	-	813	813
Succeeding year	-	774,590	774,590
Due from other governments	72,603	-	72,603
Total assets	\$ 1,136,240	992,254	2,128,494
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 43,926	-	43,926
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	774,590	774,590
Fund balances:			
Restricted for:			
School infrastructure	1,092,314	-	1,092,314
Physical plant and equipment	-	217,664	217,664
Total fund balances	1,092,314	217,664	1,309,978
Total liabilities, deferred inflows of resources and fund balances	\$ 1,136,240	992,254	2,128,494

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, 2018

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	143,276	143,276
Other	25,548	-	25,548
State sources	856,937	2,334	859,271
Total revenues	<u>882,485</u>	<u>145,610</u>	<u>1,028,095</u>
Expenditures:			
Current:			
Instruction:			
Regular	88,459	-	88,459
Support services:			
Student	21,215	-	21,215
Administration	80,184	-	80,184
Operation and maintenance of plant	29,506	-	29,506
Transportation	-	198,006	198,006
Non-instructional programs:			
Food service operations	2,110	-	2,110
Capital outlay	456,318	-	456,318
Total expenditures	<u>677,792</u>	<u>198,006</u>	<u>875,798</u>
Excess(Deficiency) of revenues over(under) expenditures	204,693	(52,396)	152,297
Other financing sources(uses):			
Transfer out	(225,787)	-	(225,787)
Proceeds from the sale of equipment	-	15,083	15,083
Total other financing sources(uses)	<u>(225,787)</u>	<u>15,083</u>	<u>(210,704)</u>
Change in fund balances	(21,094)	(37,313)	(58,407)
Fund balances beginning of year	<u>1,113,408</u>	<u>254,977</u>	<u>1,368,385</u>
Fund balances end of year	<u>\$ 1,092,314</u>	<u>217,664</u>	<u>1,309,978</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, 2018

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intrafund/ Interfund Transfers	Balance End of Year
Interest - Titans	\$ -	2,266	-	(2,266)	-
Administrative-postage	108	-	84	266	290
Drama	5,574	787	437	184	6,108
MS Drama	-	748	350	183	581
Speech	1,401	53	1,205	1,834	2,083
Music	-	501	501	-	-
Vocal Music	941	206	1,405	1,467	1,209
Band	1,889	1,984	3,463	1,467	1,877
Art Projects	55	1,847	1,179	-	723
9-12 Projects	570	-	500	319	389
4-8 Projects	108	6,031	3,520	-	2,619
Science Club	298	-	-	-	298
Activity Tickets	710	17,740	-	(18,340)	110
Public Relations	-	141	141	-	-
Music Awards	-	356	356	-	-
Athletic Awards	-	1,481	1,481	-	-
Booster Club	-	224	224	-	-
Field Trip	-	1,129	405	(724)	-
Cross Country	1,115	7,449	7,013	550	2,101
FB Cheerleader	5,319	8,605	5,546	184	8,562
BB Cheerleaders	728	334	380	183	865
Wrestling Cheerleaders	738	-	57	183	864
Dance Team	913	6,646	6,830	-	729
Boys Basketball	2,036	4,569	4,715	(763)	1,127
JH Boys Basketball	3	704	1,470	763	-
Football	10,067	13,109	12,493	(23)	10,660
JH Football	-	1,143	1,166	23	-
Baseball	-	5,060	6,507	1,764	317
JH Baseball	-	-	565	565	-
Boys Track	6,444	7,566	9,916	367	4,461
JH Boys Track	1,427	571	361	-	1,637
Boys Golf	1,164	165	359	367	1,337
Wrestling	760	5,747	6,249	1,467	1,725
Girls Basketball	1,112	5,015	5,001	-	1,126
JH Girls Basketball	-	862	340	-	522
Volleyball	1,957	6,877	6,786	550	2,598
JH Volleyball	921	3,302	3,535	-	688
Softball	2,145	1,912	3,551	1,074	1,580
JH Softball	-	1,120	1,880	760	-
Girls Track	5,018	3,644	4,313	367	4,716
JH Girls Track	1,300	571	362	-	1,509
Girls Golf	1,584	592	678	367	1,865
General Athletics	764	-	12,465	15,651	3,950
Football Camp	19,571	26,181	13,111	(1,227)	31,414
Boys Basketball Camp	313	2,555	2,396	-	472
Cheer Camp	-	3,617	2,422	-	1,195
Girls Basketball Camp	2,154	2,774	1,830	-	3,098
Baseball Camp	1,178	10,694	10,395	155	1,632
Softball Camp	615	2,603	1,539	-	1,679
Titans Uniforms	2,787	17,553	20,367	1,227	1,200
State Athletic Competitions	-	10,379	10,383	4	-
National Honor Society	174	-	496	418	96
Student Council	4,861	7,502	7,726	418	5,055
4-6 MS Student Council	1,305	3,581	3,373	-	1,513
7-8 MS Student Council	-	2,683	2,407	-	276
Leadership Activities	1,578	-	938	418	1,058
Annual	7,161	6,245	7,185	-	6,221
FCCLA	472	3,285	3,141	-	616
Class of 2017	560	-	380	(180)	-
Class of 2018	3,441	365	2,692	-	1,114
Class of 2019	1,800	7,368	6,906	-	2,262
Class of 2020	945	1,550	60	-	2,435
Class of 2021	-	795	-	-	795
HS Pop Machines	-	4,216	2,824	(1,392)	-
Academic Competitions	-	25	1,592	1,567	-
FFA	37,588	93,723	75,367	-	55,944
Total	\$ 143,672	328,751	295,319	10,197	187,301

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION -
 FIDUCIARY FUND
 JUNE 30, 2018

	Private Purpose Trust Fund - Scholarship Accounts			
	FFA Scholarship	Eric Findley Scholarship	Justin Martin Scholarship	Total
Assets				
Cash and pooled investments	\$ 4,319	415	1,187	5,921
Liabilities				
	-	-	-	-
Net Position:				
Held in trust for scholarships	\$ 4,319	415	1,187	5,921

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, 2018

	Private Purpose Trust Fund - Scholarship Accounts					Total
	FFA Scholarship	Eric Findley Scholarship	Justin Martin Scholarship	Buenting Scholarship	Miscellaneous Scholarship	
Additions:						
Local sources:						
Gifts and contributions	\$ 5,005	200	1,187	-	500	6,892
Deductions:						
Instruction:						
Regular:						
Scholarships awarded	3,400	1,000	-	250	500	5,150
Change in net position	1,605	(800)	1,187	(250)	-	1,742
Net position beginning of year	2,714	1,215	-	250	-	4,179
Net position end of year	\$ 4,319	415	1,187	-	-	5,921

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	2018	2017	2016	2015
Revenues:				
Local sources:				
Local tax	\$ 4,422,771	4,350,437	4,291,990	4,201,029
Tuition	344,710	306,602	316,800	312,569
Other	627,110	624,306	928,971	685,579
State sources	6,693,094	6,817,451	6,155,218	6,580,276
Federal sources	313,048	311,230	279,663	285,151
Total	<u>\$ 12,400,733</u>	<u>12,410,026</u>	<u>11,972,642</u>	<u>12,064,604</u>
Expenditures:				
Current:				
Instruction:				
Regular	\$ 4,477,970	4,232,455	4,626,806	4,374,867
Special	1,214,410	1,208,075	1,228,525	1,002,956
Other	1,514,385	1,538,075	1,288,661	1,343,046
Support services:				
Student	302,070	300,014	289,390	269,861
Instructional staff	477,304	448,837	224,031	203,315
Administration	1,074,893	1,005,717	998,437	1,027,911
Operation and maintenance of plant	920,650	741,587	2,225,170	2,308,741
Transportation	659,158	668,272	696,421	626,877
Non-instructional programs	4,088	-	-	-
Capital outlay	456,318	390,075	617,498	603,075
Long-term debt:				
Principal	205,000	205,000	205,000	200,000
Interest and fiscal charges	22,938	27,038	30,625	35,124
Other expenditures:				
AEA flowthrough	403,220	391,055	381,674	380,986
Total	<u>\$ 11,732,404</u>	<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, 2018, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 18, 2019.

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 have not been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be material weakness.

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 deficiency described in Part I of the accompanying Schedule of Findings as item I-A-18 to be a material weakness.

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.

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. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2018 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 18, 2019
Newton, Iowa

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2018

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-18 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 - The District understands the continued focus on segregation of duties with the limited staff members. The central office staff regularly informs all district employees of cash handling and purchasing procedures. The District will continue to address the segregation of duties concerns as recommended by the auditors.

Conclusion - Response accepted.

SOUTH CENTRAL CALHOUN COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2018

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-18 Certified Budget - District expenditures for the year ended June 30, 2018, did not exceed the amounts budgeted.
- II-B-18 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-18 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-18 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	\$ 4,945
Kari Musselman, Board Member Coach	Purchase services	\$ 1,172
Nick Spencer, Board Member Substitute Teacher	Purchase services	\$ 633

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.

In accordance with Chapter 279.7A of the Code of Iowa, the above transactions with district board members do not appear to represent conflicts of interest.

- II-E-18 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 the coverage is adequate for current operations.
- II-F-18 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-18 Certified Enrollment - We noted the basic enrollment data certified to the Iowa Department of Education was understated by 3.00 for the fall 2017 count.

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

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

Conclusion - Response accepted.

II-H-18 Supplementary Weighting - We noted the supplementary weighting data certified to the Iowa Department of Education was overstated by 1.493.

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

Response - The District's auditors will contact the Iowa Department of Education and the Iowa Department of Management to resolve this matter. The District is also in communication with local legislators to create additional exceptions to the supplementary weighting guidelines in rural schools.

Conclusion - Response accepted.

II-I-18 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-18 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-18 Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

II-L-18 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, 2018, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning Balance		\$	1,113,408
Revenues/transfers in:			
Sales tax revenues	\$	856,937	
Other local revenues		25,548	882,485
			<u>1,995,893</u>
Expenditures/transfers out:			
School infrastructure construction		256,862	
Equipment		147,326	
Other		273,604	
Transfers to other funds:			
Debt service		225,787	903,579
			<u>903,579</u>
Ending Balance			<u>\$ 1,092,314</u>

For the year ended June 30, 2018, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.