

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT

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

JUNE 30, 2017

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Schaller-Crestland Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Alan Movall	President	2017
Trevor Toft	Vice President	2019
Mike Schmitt	Board Member	2019
Tim DeLance	Board Member	2017
Kory Blum	Board Member	2019
School Officials		
Jon Wiebers	Superintendent	2017
Julie McClintic	District Secretary/Treasurer	2017
Cornwall, Avery, Bjornstad & Scott	Attorney	2017

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of Schaller-Crestland 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 Schaller-Crestland Community School District, Schaller, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Schaller-Crestland Community School District as of June 30, 2017, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Members American Institute & Iowa Society of Certified Public Accountants

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 42 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of 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 Schaller-Crestland Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2016 (which are not presented herein) and expressed an unmodified opinion on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, 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 20, 2018 on our consideration of Schaller-Crestland 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 Schaller-Crestland Community School District's internal control over financial reporting and compliance.


NOLTE, CORNMAN & JOHNSON, P.C.

February 20, 2018
Newton, Iowa

Schaller-Crestland Community School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2017 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,635,072 in fiscal year 2016 to \$4,761,668 in fiscal year 2017, while General Fund expenditures increased from \$4,495,187 in fiscal year 2016 to \$4,502,207 in fiscal year 2017. The District's General Fund balance increased from \$1,224,497 at June 30, 2016 to \$1,483,958 at June 30, 2017, a 21.19% increase from the prior year.
- The fiscal year 2017 General Fund revenue increase was attributable to an increase in state source revenues. The increase in expenditures was due primarily to an increase in other instruction expenditures.

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 Schaller-Crestland 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 Schaller-Crestland 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 Schaller-Crestland Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds.

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

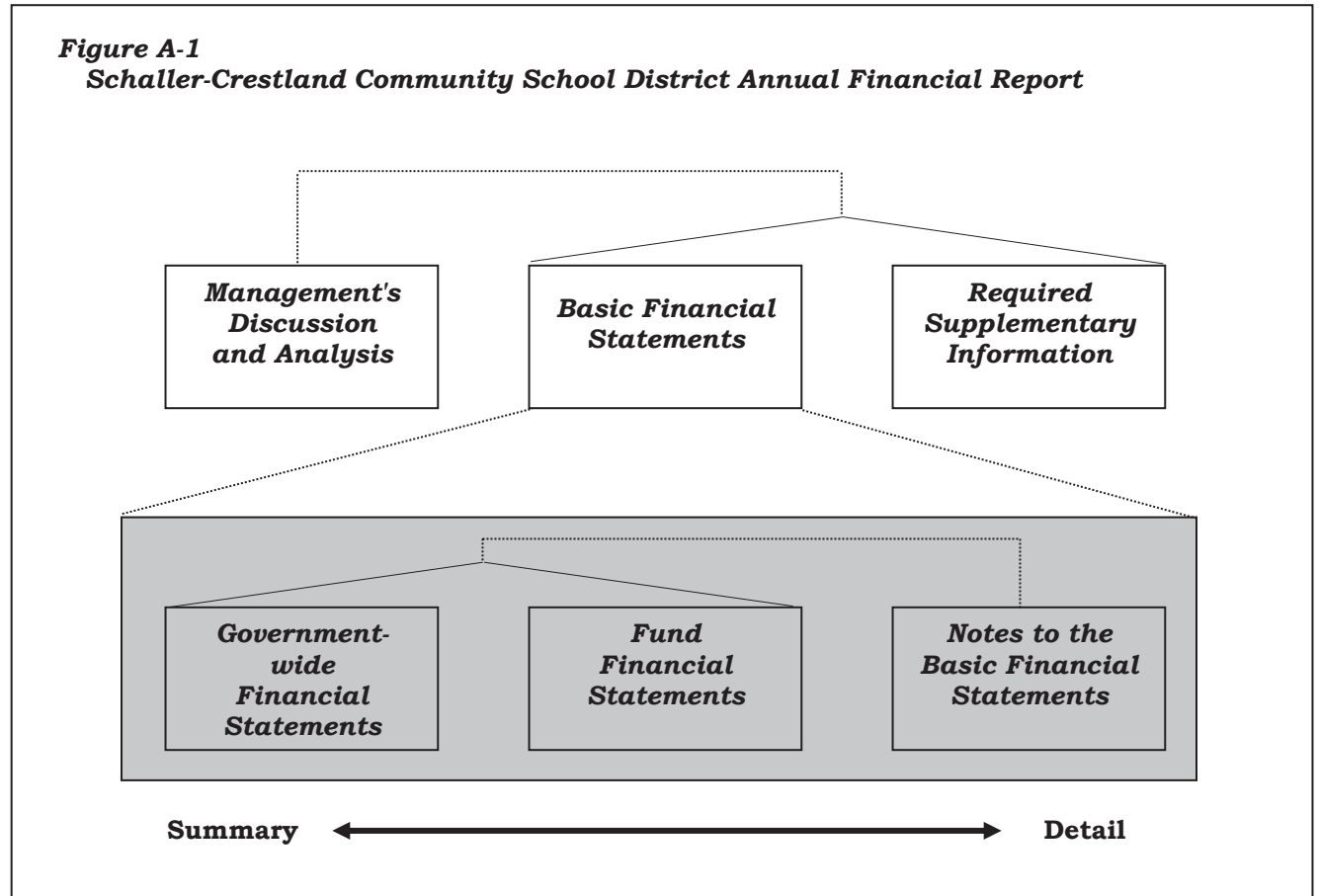


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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 and daycare programs are included here.

Fund Financial Statements

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

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

The District has two kinds of funds:

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

The District's governmental funds include the General Fund, the Special Revenue Funds, the 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 two Enterprise Funds: the School Nutrition Fund and the Daycare Fund.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Figure A-3 Condensed Statement of Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2017	2016	2017	2016	2017	2016	2016-17
Current and other assets	\$ 6,974,054	6,596,024	123,746	121,057	7,097,800	6,717,081	5.67%
Capital assets	2,585,917	2,514,619	43,105	28,910	2,629,022	2,543,529	3.36%
Total assets	9,559,971	9,110,643	166,851	149,967	9,726,822	9,260,610	5.03%
Deferred outflows of resources	489,388	262,291	45,205	18,918	534,593	281,209	90.11%
Long-term liabilities	2,067,354	1,909,485	111,794	103,040	2,179,148	2,012,525	8.28%
Other liabilities	364,289	356,434	9,511	14,265	373,800	370,699	0.84%
Total liabilities	2,431,643	2,265,919	121,305	117,305	2,552,948	2,383,224	7.12%
Deferred inflows of resources	2,662,407	2,656,659	21,635	9,109	2,684,042	2,665,768	0.69%
Net position:							
Net investment in capital assets	2,585,917	2,514,619	43,105	28,910	2,629,022	2,543,529	3.36%
Restricted	2,844,035	2,556,607	-	-	2,844,035	2,556,607	11.24%
Unrestricted	(474,643)	(620,870)	26,011	13,561	(448,632)	(607,309)	26.13%
Total net position	\$ 4,955,309	4,450,356	69,116	42,471	5,024,425	4,492,827	11.83%

The District's total net position increased 11.83% or \$531,598 over the prior year. A large portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment).

Restricted net position represents resources subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The District's restricted net position increased \$287,428, or 11.24%, from the prior year. The increase was primarily due to the increase in the amounts restricted for school infrastructure and 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 \$158,677 or 26.13%. The increase in unrestricted net position can be primarily attributed to the increase in the unassigned General Fund balance.

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

Figure A-4							
Changes in Net Position							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2017	2016	2017	2016	2017	2016	2016-17
Revenues:							
Program revenues:							
Charges for service	\$ 586,644	716,264	278,633	296,352	865,277	1,012,616	-14.55%
Operating grants, contributions and restricted interest	413,504	382,849	180,937	180,610	594,441	563,459	5.50%
General revenues:							
Property tax	2,449,382	2,538,365	-	-	2,449,382	2,538,365	-3.51%
Income surtax	143,802	214,317	-	-	143,802	214,317	-32.90%
Statewide sales, services and use tax	336,894	350,242	-	-	336,894	350,242	-3.81%
Unrestricted state grants	1,687,140	1,522,171	-	-	1,687,140	1,522,171	10.84%
Unrestricted investment earnings	15,544	11,090	238	195	15,782	11,285	39.85%
Other	68,595	111,747	6,387	7,236	74,982	118,983	-36.98%
Total revenues	5,701,505	5,847,045	466,195	484,393	6,167,700	6,331,438	-2.59%
Program expenses:							
Instruction	3,712,283	3,483,809	-	-	3,712,283	3,483,809	6.56%
Support services	1,163,055	1,398,793	9,921	3,526	1,172,976	1,402,319	-16.35%
Non-instructional programs	-	-	435,217	403,216	435,217	403,216	7.94%
Other expenses	315,626	317,880	-	-	315,626	317,880	-0.71%
Total expenses	5,190,964	5,200,482	445,138	406,742	5,636,102	5,607,224	0.52%
Excess of revenues over expenditures	510,541	646,563	21,057	77,651	531,598	724,214	-26.60%
Transfers	(5,588)	-	5,588	-	-	-	0.00%
Change in net position	504,953	646,563	26,645	77,651	531,598	724,214	-26.60%
Net position beginning of year	4,450,356	3,803,793	42,471	(35,180)	4,492,827	3,768,613	19.22%
Net position end of year	\$ 4,955,309	4,450,356	69,116	42,471	5,024,425	4,492,827	11.83%

In fiscal year 2017, property tax and unrestricted state grants accounted for 72.55% of governmental activities revenues while charges for service and operating grants, contributions and restricted interest accounted for 98.58% of the revenue from business type activities.

The District's total revenues were \$6,167,700, of which \$5,701,505 was for governmental activities and \$466,195 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.59% decrease in revenues and a 0.52% increase in expenses. The decrease in revenues was primarily caused by a decrease in charges for service. The increase in expenses occurred primarily in the instruction functional area.

Governmental Activities

Revenues for governmental activities were \$5,701,505 and expenses were \$5,190,964 for the year ended June 30, 2017.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2017 compared to those expenses for the year ended June 30, 2016.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2017	2016	Change 2016-17	2017	2016	Change 2016-17
Instruction	\$ 3,712,283	3,483,809	6.56%	2,906,571	2,557,217	13.66%
Support services	1,163,055	1,398,793	-16.85%	1,117,794	1,380,427	-19.03%
Other expenses	315,626	317,880	-0.71%	166,451	163,725	1.66%
Totals	\$ 5,190,964	5,200,482	-0.18%	4,190,816	4,101,369	2.18%

- The cost financed by users of the District's programs was \$586,644.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$413,504.
- The net cost of governmental activities was financed with \$2,449,382 in property tax, \$143,802 in income surtax, \$336,894 in statewide sales, services and use tax, \$1,687,140 in unrestricted state grants, \$15,544 in interest income and \$68,595 in other general revenues.

Business Type Activities

Revenues of the District's business type activities during the year ended June 30, 2017 were \$466,195 representing a 3.76% decrease from the prior year, while expenses totaled \$445,138, a 9.44% increase from the prior year. The District's business type activities include the School Nutrition Fund and the Daycare Fund. Revenues of these activities were comprised of charges for service and federal and state reimbursements.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Schaller-Crestland 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 \$4,075,406, above last year's ending fund balances of \$3,535,699. The primary reason for the increase was the increase in the General Fund balance.

Governmental Fund Highlights

- The District's General Fund balance increased from \$1,224,497 at June 30, 2016 to \$1,483,958 at June 30, 2017, representing a 21.19% during fiscal year 2017. The District's improving General Fund financial position is the product of many factors. An increase in state source revenues led to an overall increase in revenues from the prior year.
- The Management Levy Fund balance increased from \$1,043,743 at June 30, 2016 to \$1,173,045 at June 30, 2017. Although revenues decreased and expenditures increased slightly from the prior year, revenues still outpaced expenditures resulting in the increase in fund balance.

-
- The Capital Projects Fund balance increased from \$1,230,810 at June 30, 2016 to \$1,382,395 at June 30, 2017. The increase resulted in part from an increase in local taxes received and a decrease in capital outlay expenditures as compared to the previous year.

Proprietary Fund Highlights

- The School Nutrition Fund net position increased from \$47,873 at June 30, 2016 to \$76,900 at June 30, 2017, representing an increase of 60.63%.
- The Daycare Fund net position decreased from deficit \$5,402 at June 30, 2016 to deficit \$7,784 at June 30, 2017, representing a decrease of 44.09%.

BUDGETARY HIGHLIGHTS

Over the course of the year, Schaller-Crestland Community School District amended its budget one time to reflect additional expenditures associated with the hot lunch and daycare programs.

The District's revenues were \$155,891 less than budgeted revenues, a variance of 2.43%. The most significant variance resulted from the District receiving less from local sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is not the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District's budget is developed utilizing realistic projections of revenues and expenditures. The District then manages or controls General Fund spending through its line-item budget. In situations where revenues exceed projections, and expenditures do not exceed spending authority, the Board may take action to amend the budget authorizing additional expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had invested \$2,629,022, 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 amount represents a net increase of 3.36% from last year. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$239,668.

The original cost of the District's capital assets was \$8,165,573. Governmental activities accounted for \$8,017,914 with the remainder of \$138,659 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment, net of depreciation totaled \$250,723 at June 30, 2016, compared to \$438,304 reported at June 30, 2017. The increase in machinery and equipment is attributable in part to the purchase of a new bus and other transportation vehicles during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2017	2016	2017	2016	2017	2016	2016-17
Land	\$ 18,889	18,889	-	-	18,889	18,889	0.00%
Buildings	1,656,502	1,724,187	-	-	1,656,502	1,724,187	-3.93%
Land improvements	515,327	549,730	-	-	515,327	549,730	-6.26%
Machinery and equipment	395,199	221,813	43,105	28,910	438,304	250,723	74.82%
Total	\$ 2,585,917	2,514,619	43,105	28,910	2,629,022	2,543,529	3.36%

Long-Term Debt

The Schaller-Crestland Community School District did not have any outstanding debt as of June 30, 2017.

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:

- School financing is highly dependent upon student enrollment. The District will need to continue to evaluate a possible reduction in staff and look at all expenses carefully in a climate of little increase in state aid for school districts and the difficulty in predicting student enrollment at the District.
- Health insurance costs continue to increase.
- The District will begin the eighth year of whole grade sharing agreement involving grades 6-12 with the Galva-Holstein School District. We will also continue the sharing of superintendent. The state will reinstate the supplemental weightings for the operational sharing.

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 Stephanie Wandrey, District Secretary/Treasurer, Schaller-Crestland Community School District, 300 S. Berwick, Schaller, Iowa 51053.

Schaller-Crestland Community School District

BASIC FINANCIAL STATEMENTS

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 4,282,329	97,234	4,379,563
Receivables:			
Property tax:			
Delinquent	28,975	-	28,975
Succeeding year	2,376,327	-	2,376,327
Income surtax	158,032	-	158,032
Accounts	6,920	2,907	9,827
Due from other governments	121,471	14,412	135,883
Inventories	-	9,193	9,193
Capital assets not being depreciated:			
Land	18,889	-	18,889
Capital assets, net of accumulated depreciation:			
Buildings, land improvements and machinery and equipment	2,567,028	43,105	2,610,133
Total assets	9,559,971	166,851	9,726,822
Deferred Outflows of Resources			
Pension related deferred outflows	489,388	45,205	534,593
Liabilities			
Accounts payable	75,501	8,468	83,969
Salaries and benefits payable	278,599	-	278,599
Advances from grantors	10,189	-	10,189
Unearned revenue	-	1,043	1,043
Long-term liabilities:			
Portion due within one year:			
Termination benefits	37,678	-	37,678
Portion due after one year:			
Termination benefits	32,295	-	32,295
Net pension liability	1,870,208	111,514	1,981,722
Net OPEB liability	127,173	280	127,453
Total liabilities	2,431,643	121,305	2,552,948
Deferred Inflows of Resources			
Pension related deferred inflows	286,080	21,635	307,715
Unavailable property tax revenue	2,376,327	-	2,376,327
Total deferred inflows of resources	2,662,407	21,635	2,684,042
Net Position			
Net investment in capital assets	2,585,917	43,105	2,629,022
Restricted for:			
Categorical funding	322,560	-	322,560
Management levy purposes	1,103,072	-	1,103,072
Student activities	36,008	-	36,008
School infrastructure	858,468	-	858,468
Physical plant and equipment	523,927	-	523,927
Unrestricted	(474,643)	26,011	(448,632)
Total net position	\$ 4,955,309	69,116	5,024,425

SEE NOTES TO FINANCIAL STATEMENTS.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular	\$ 2,489,857	469,058	27,731	(1,993,068)	-	(1,993,068)
Special	652,054	45,998	52,663	(553,393)	-	(553,393)
Other	570,372	46,349	163,913	(360,110)	-	(360,110)
	<u>3,712,283</u>	<u>561,405</u>	<u>244,307</u>	<u>(2,906,571)</u>	<u>-</u>	<u>(2,906,571)</u>
Support services:						
Student	79,281	-	5,242	(74,039)	-	(74,039)
Instructional staff	116,702	3,065	-	(113,637)	-	(113,637)
Administration	355,459	22,174	-	(333,285)	-	(333,285)
Operation and maintenance of plant	289,500	-	-	(289,500)	-	(289,500)
Transportation	322,113	-	14,780	(307,333)	-	(307,333)
	<u>1,163,055</u>	<u>25,239</u>	<u>20,022</u>	<u>(1,117,794)</u>	<u>-</u>	<u>(1,117,794)</u>
Other expenditures:						
AEA flowthrough	149,175	-	149,175	-	-	-
Depreciation(unallocated)*	166,451	-	-	(166,451)	-	(166,451)
	<u>315,626</u>	<u>-</u>	<u>149,175</u>	<u>(166,451)</u>	<u>-</u>	<u>(166,451)</u>
Total governmental activities	<u>5,190,964</u>	<u>586,644</u>	<u>413,504</u>	<u>(4,190,816)</u>	<u>-</u>	<u>(4,190,816)</u>
Business type activities:						
Support services:						
Administration	9,921	-	-	-	(9,921)	(9,921)
Non-instructional programs:						
Food service operations	282,187	122,741	164,453	-	5,007	5,007
Community service operations	153,030	155,892	16,484	-	19,346	19,346
	<u>435,217</u>	<u>278,633</u>	<u>180,937</u>	<u>-</u>	<u>24,353</u>	<u>24,353</u>
Total business type activities	<u>445,138</u>	<u>278,633</u>	<u>180,937</u>	<u>-</u>	<u>14,432</u>	<u>14,432</u>
Total	<u>\$ 5,636,102</u>	<u>865,277</u>	<u>594,441</u>	<u>(4,190,816)</u>	<u>14,432</u>	<u>(4,176,384)</u>
General Revenues and Transfers:						
Property tax levied for:						
General purposes				\$ 2,181,099	-	2,181,099
Capital outlay				268,283	-	268,283
Income surtax				143,802	-	143,802
Statewide sales, services and use tax				336,894	-	336,894
Unrestricted state grants				1,687,140	-	1,687,140
Unrestricted investment earnings				15,544	238	15,782
Other				68,595	6,387	74,982
Transfers				(5,588)	5,588	-
Total general revenues and transfers				<u>4,695,769</u>	<u>12,213</u>	<u>4,707,982</u>
Change in net position				504,953	26,645	531,598
Net position beginning of year				<u>4,450,356</u>	<u>42,471</u>	<u>4,492,827</u>
Net position end of year				<u>\$ 4,955,309</u>	<u>69,116</u>	<u>5,024,425</u>

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

SEE NOTES TO FINANCIAL STATEMENTS.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Management Levy	Capital Projects	Nonmajor: Student Activity	Total
Assets					
Cash and pooled investments	\$ 1,709,150	1,170,090	1,367,081	36,008	4,282,329
Receivables:					
Property tax:					
Delinquent	22,846	2,955	3,174	-	28,975
Succeeding year	1,790,763	250,000	335,564	-	2,376,327
Income surtax	79,016	-	79,016	-	158,032
Accounts	4,511	-	2,409	-	6,920
Due from other governments	93,504	-	27,967	-	121,471
Total assets	\$ 3,699,790	1,423,045	1,815,211	36,008	6,974,054
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 57,265	-	18,236	-	75,501
Salaries and benefits payable	278,599	-	-	-	278,599
Advances from grantors	10,189	-	-	-	10,189
Total liabilities	346,053	-	18,236	-	364,289
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,790,763	250,000	335,564	-	2,376,327
Income surtax	79,016	-	79,016	-	158,032
Total deferred inflows of resources	1,869,779	250,000	414,580	-	2,534,359
Fund balances:					
Restricted for:					
Categorical funding	322,560	-	-	-	322,560
Management levy purposes	-	1,173,045	-	-	1,173,045
Student activities	-	-	-	36,008	36,008
School infrastructure	-	-	858,468	-	858,468
Physical plant and equipment	-	-	523,927	-	523,927
Unassigned	1,161,398	-	-	-	1,161,398
Total fund balances	1,483,958	1,173,045	1,382,395	36,008	4,075,406
Total liabilities, deferred inflows of resources and fund balances	\$ 3,699,790	1,423,045	1,815,211	36,008	6,974,054

SEE NOTES TO FINANCIAL STATEMENTS.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2017

Total fund balances of governmental funds(page 20)		\$	4,075,406
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.			2,585,917
Accounts receivable income surtax are not yet available to finance expenditures of the current year and, therefore, are recognized as deferred inflows of resources in the governmental funds.			158,032
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:			
Deferred outflows of resources	\$	489,388	
Deferred inflows of resources		<u>(286,080)</u>	203,308
Long-term liabilities, including termination benefits payable, net pension liability and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.			<u>(2,067,354)</u>
Net position of governmental activities(page 18)		<u>\$</u>	<u>4,955,309</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	General	Management Levy	Capital Projects	Nonmajor: Student Activity	Total
Revenues:					
Local sources:					
Local tax	\$ 2,030,535	249,778	407,163	-	2,687,476
Tuition	545,183	-	-	-	545,183
Other	98,256	16,787	4,803	5,844	125,690
State sources	1,940,144	6,560	343,939	-	2,290,643
Federal sources	146,805	-	-	-	146,805
Total revenues	<u>4,760,923</u>	<u>273,125</u>	<u>755,905</u>	<u>5,844</u>	<u>5,795,797</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,233,526	49,168	-	-	2,282,694
Special	608,792	-	-	-	608,792
Other	530,263	-	10,921	6,314	547,498
	<u>3,372,581</u>	<u>49,168</u>	<u>10,921</u>	<u>6,314</u>	<u>3,438,984</u>
Support services:					
Student	53,956	-	-	171	54,127
Instructional staff	70,315	1,500	61,170	-	132,985
Administration	399,586	2,900	40,385	-	442,871
Operation and maintenance of plant	230,657	78,165	400	-	309,222
Transportation	225,937	12,090	181,674	-	419,701
	<u>980,451</u>	<u>94,655</u>	<u>283,629</u>	<u>171</u>	<u>1,358,906</u>
Capital outlay	-	-	316,732	-	316,732
Other expenditures:					
AEA flowthrough	149,175	-	-	-	149,175
Total expenditures	<u>4,502,207</u>	<u>143,823</u>	<u>611,282</u>	<u>6,485</u>	<u>5,263,797</u>
Excess(Deficiency) of revenues over(under) expenditures	258,716	129,302	144,623	(641)	532,000
Other financing sources:					
Sale of equipment	745	-	4,380	-	5,125
Insurance proceeds	-	-	2,582	-	2,582
Total other financing sources	<u>745</u>	<u>-</u>	<u>6,962</u>	<u>-</u>	<u>7,707</u>
Change in fund balances	259,461	129,302	151,585	(641)	539,707
Fund balances beginning of year	1,224,497	1,043,743	1,230,810	36,649	3,535,699
Fund balances end of year	<u>\$ 1,483,958</u>	<u>1,173,045</u>	<u>1,382,395</u>	<u>36,008</u>	<u>4,075,406</u>

SEE NOTES TO FINANCIAL STATEMENTS.

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

Change in fund balances - total governmental funds (page 22) \$ 539,707

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 exceeded depreciation expense in the current year as follows:

Capital outlay	\$ 304,780	
Depreciation expense	<u>(233,482)</u>	71,298

Income surtax receivable is not considered available revenue and is recognized as deferred inflows of resources in the governmental funds. (94,292)

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. 187,556

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	(30,894)	
Pension expense	(152,164)	
Other postemployment benefits	<u>(16,258)</u>	<u>(199,316)</u>

Change in net position of governmental activities (page 19) \$ 504,953

SEE NOTES TO FINANCIAL STATEMENTS.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Business Type Activities:		
	School Nutrition	Daycare	Total
Assets			
Current assets:			
Cash and pooled investments	\$ 80,394	16,840	97,234
Accounts receivable	-	2,907	2,907
Due from other governments	13,907	505	14,412
Inventories	9,193	-	9,193
Total current assets	<u>103,494</u>	<u>20,252</u>	<u>123,746</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	43,105	-	43,105
Total assets	<u>146,599</u>	<u>20,252</u>	<u>166,851</u>
Deferred Outflows of Resources			
Pension related deferred outflows	18,822	26,383	45,205
Liabilities:			
Current liabilities:			
Accounts payable	7,454	1,014	8,468
Unearned revenue	1,043	-	1,043
Total current liabilities	<u>8,497</u>	<u>1,014</u>	<u>9,511</u>
Noncurrent liabilities:			
Net pension liability	69,279	42,235	111,514
Net OPEB liability	280	-	280
Total noncurrent liabilities	<u>69,559</u>	<u>42,235</u>	<u>111,794</u>
Total liabilities	<u>78,056</u>	<u>43,249</u>	<u>121,305</u>
Deferred Inflows of Resources			
Pension related deferred inflows	10,465	11,170	21,635
Net Position			
Invested in capital assets	43,105	-	43,105
Unrestricted	33,795	(7,784)	26,011
Total net position	<u>\$ 76,900</u>	<u>(7,784)</u>	<u>69,116</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

	Business Type Activities:		
	School Nutrition	Daycare	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 122,741	155,892	278,633
Miscellaneous	1,563	4,824	6,387
Total operating revenues	<u>124,304</u>	<u>160,716</u>	<u>285,020</u>
Operating expenses:			
Support Services:			
Administration			
Salaries	5,418	-	5,418
Benefits	2,185	-	2,185
Services	1,927	391	2,318
	<u>9,530</u>	<u>391</u>	<u>9,921</u>
Non-instructional programs:			
Food service operations:			
Salaries	89,877	-	89,877
Benefits	9,939	-	9,939
Services	2,540	26,195	28,735
Supplies	147,450	-	147,450
Depreciation	6,186	-	6,186
	<u>255,992</u>	<u>26,195</u>	<u>282,187</u>
Community service operations:			
Salaries	-	131,168	131,168
Benefits	-	16,420	16,420
Supplies	-	5,442	5,442
	<u>-</u>	<u>153,030</u>	<u>153,030</u>
	<u>255,992</u>	<u>179,225</u>	<u>435,217</u>
Total operating expenses	<u>265,522</u>	<u>179,616</u>	<u>445,138</u>
Operating loss	<u>(141,218)</u>	<u>(18,900)</u>	<u>(160,118)</u>
Non-operating revenues:			
State sources	1,972	-	1,972
Federal sources	162,481	16,484	178,965
Interest income	204	34	238
Total non-operating revenues	<u>164,657</u>	<u>16,518</u>	<u>181,175</u>
Change in net position before capital contributions	23,439	(2,382)	21,057
Capital contributions	5,588	-	5,588
Change in net position	29,027	(2,382)	26,645
Net position beginning of year	47,873	(5,402)	42,471
Net position end of year	<u>\$ 76,900</u>	<u>(7,784)</u>	<u>69,116</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2017

	Business Type Activities:		
	School Nutrition	Daycare	Total
Cash flows from operating activities:			
Cash received from business operations	\$ 125,092	153,453	278,545
Cash received from miscellaneous	1,563	4,824	6,387
Cash payments to employees for services	(111,161)	(150,240)	(261,401)
Cash payments to suppliers for goods or services	(138,751)	(33,702)	(172,453)
Net cash used in operating activities	(123,257)	(25,665)	(148,922)
Cash flows from non-capital financing activities:			
State grants received	1,972	2,965	4,937
Federal grants received	148,359	16,604	164,963
Net cash provided by non-capital financing activities	150,331	19,569	169,900
Cash flows from capital financing activities:			
Acquisition of capital assets	(14,793)	-	(14,793)
Cash flows from investing activities:			
Interest on investments	204	34	238
Net increase(decrease) in cash and pooled investments	12,485	(6,062)	6,423
Cash and pooled investments beginning of year	67,909	22,902	90,811
Cash and pooled investments end of year	\$ 80,394	16,840	97,234
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$ (141,218)	(18,900)	(160,118)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	16,181	-	16,181
Depreciation	6,186	-	6,186
Increase in inventories	(1,856)	-	(1,856)
Decrease(Increase) in accounts receivable	2,885	(2,439)	446
Decrease in accounts payable	(1,159)	(1,674)	(2,833)
Decrease in salaries and benefits payable	(1,387)	-	(1,387)
Increase in other postemployment benefits	35	-	35
Increase in net pension liability	4,037	4,682	8,719
Increase in deferred outflows of resources	(9,212)	(17,075)	(26,287)
Increase in deferred inflows of resources	2,785	9,741	12,526
Decrease in unearned revenues	(534)	-	(534)
Net cash used in operating activities	\$ (123,257)	(25,665)	(148,922)

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2017, the District received \$16,181 of federal commodities.

SEE NOTES TO FINANCIAL STATEMENTS.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1. Summary of Significant Accounting Policies

Schaller-Crestland Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Schaller, Iowa, and the predominate agricultural territory in Sac and Ida and Buena Vista 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, Schaller-Crestland 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 Schaller-Crestland 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 Sac, Ida and Buena Vista County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the 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 in the following categories:

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

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

Unrestricted net position consists of net position that does not meet the definition of the 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 restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Management Levy Fund is utilized to account for the revenues and expenses of unemployment benefits, early retirement benefits, and insurance agreements relating to such liabilities.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following nonmajor proprietary funds:

The District's nonmajor proprietary funds are the Enterprise, School Nutrition Fund and Enterprise, Daycare Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Daycare Fund is used to account for the daycare operations of the District.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are 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 nonoperating revenues and expenses.

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

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

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2016.

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

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

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

Asset Class	Amount
Land	\$ -
Buildings	1,000
Land improvements	1,000
Intangibles	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

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

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

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

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

Advances from Grantors - Grant proceeds which have been received by the District but will be spent in a succeeding year.

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

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

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

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position applicable 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 inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year end.

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

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

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

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

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

Note 2. Cash and Pooled Investments

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

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. At June 30, 2017, the District had no such investments to be reported.

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

Note 3. Capital Assets

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

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 18,889	-	-	18,889
Total capital assets not being depreciated	<u>18,889</u>	<u>-</u>	<u>-</u>	<u>18,889</u>
Capital assets being depreciated:				
Buildings	5,685,407	64,363	-	5,749,770
Land improvements	1,011,884	-	-	1,011,884
Machinery and equipment	1,019,679	240,417	22,725	1,237,371
Total capital assets being depreciated	<u>7,716,970</u>	<u>304,780</u>	<u>22,725</u>	<u>7,999,025</u>
Less accumulated depreciation for:				
Buildings	3,961,220	132,048	-	4,093,268
Land improvements	462,154	34,403	-	496,557
Machinery and equipment	797,866	67,031	22,725	842,172
Total accumulated depreciation	<u>5,221,240</u>	<u>233,482</u>	<u>22,725</u>	<u>5,431,997</u>
Total capital assets being depreciated, net	<u>2,495,730</u>	<u>71,298</u>	<u>-</u>	<u>2,567,028</u>
Governmental activities capital assets, net	<u>\$ 2,514,619</u>	<u>71,298</u>	<u>-</u>	<u>2,585,917</u>
Business type activities:				
Machinery and equipment	\$ 139,074	20,381	20,796	138,659
Less accumulated depreciation	110,164	6,186	20,796	95,554
Business type activities capital assets, net	<u>\$ 28,910</u>	<u>14,195</u>	<u>-</u>	<u>43,105</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 2,221
Other	4,136
Support services:	
Administration	6,462
Operations and maintenance of plant	10,208
Transportation	44,004
	<u>67,031</u>
Unallocated depreciation	<u>166,451</u>
Total governmental activities depreciation expense	<u>\$ 233,482</u>
Business type activities:	
Food service operations	<u>\$ 6,186</u>

Note 4. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Governmental activities:					
Termination benefits	\$ 39,079	64,590	33,696	69,973	37,678
Net pension liability	1,759,491	110,717	-	1,870,208	-
Net OPEB liability	110,915	24,846	8,588	127,173	-
Total	\$ 1,909,485	200,153	42,284	2,067,354	37,678
Business type activities:					
Net pension liability	\$ 102,795	8,719		111,514	-
Net OPEB liability	245	54	19	280	-
Total	\$ 103,040	8,773	19	111,794	-

Termination Benefits

The District offered a voluntary early retirement plan to its employees during fiscal year 2017. The plan was only offered for one year. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of 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 a cash benefit of \$30,0000. The policy requires early retirement benefits be paid in two equal installments with the first payment being made on or after July 1, 2017 and the second on or after July 1, 2018.

At June 30, 2017, the District had early retirement obligations to three participants for a total liability of \$69,973. Actual early retirement expenditures for the year ended June 30, 2017 totaled \$33,696.

Note 5. Pension Plan

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

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

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, 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 members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the

reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

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

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

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

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% of covered payroll, for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2017 were \$204,510.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the District reported a liability of \$1,981,722 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the District's collective proportion was 0.031489%, which was a decrease of 0.006205% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$164,076. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,515	23,651
Changes of assumptions	30,235	-
Net difference between projected and actual earnings on IPERS' investments	282,333	-
Changes in proportion and differences between District contributions and the District's proportionate share of contributions	-	284,064
District contributions subsequent to the measurement date	204,510	-
Total	\$ 534,593	307,715

\$204,510 reported as deferred outflows of resources related to pensions resulting from the District

contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2018	\$ (32,777)
2019	(32,777)
2020	82,512
2021	24,955
2022	(19,545)
Total	<u>\$ 22,368</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. 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 7.50%, 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 (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 3,206,157	1,981,722	948,282

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.

Payables to IPERS - At June 30, 2017, the District reported payables to IPERS of \$21,133 for legally required District contributions and \$14,080 for legally required employee contributions withheld from employee wages which had not yet remitted to IPERS.

Note 6. Other Postemployment Benefits

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 37 active and 5 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

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

Annual required contribution	\$ 32,018
Interest on net OPEB obligation	2,779
Adjustment to annual required contribution	<u>(9,897)</u>
Annual OPEB cost	24,900
Contributions made	<u>(8,607)</u>
Increase in net OPEB obligation	16,293
Net OPEB obligation beginning of year	<u>111,160</u>
Net OPEB obligation end of year	<u><u>\$ 127,453</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end

of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2017.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 23,632	12.2%	\$ 96,711
2016	26,298	45.1	111,160
2017	24,900	34.6	127,453

Funded Status and Funding Progress - As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was \$201,393, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$201,393. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,268,646, and the ratio of the UAAL to covered payroll was 8.9%. As of June 30, 2017, there were no trust fund assets.

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

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

As of the July 1, 2015 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.50% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Annuity Mortality Table projected to 2015, applied on a gender-specific basis. The UAAL is being amortized as a level percentage of projected payroll on an open basis over 30 years.

Note 7. Risk Management

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

Note 8. 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 \$149,175 for the year ended June 30, 2017 and is recorded in the General Fund by making

a memorandum adjusting entry to the cash basis financial statements.

Note 9. Reconciliation of Governmental Fund Balances to Net Position

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

	Management Levy	Unassigned/ Unrestricted
Fund balance (Exhibit C)	\$ 1,173,045	1,161,398
Termination benefits	(69,973)	-
Income surtax	-	158,032
Net pension liability	-	(1,870,208)
Pension related deferred outflows of resources	-	489,388
Pension related deferred inflows of resources	-	(286,080)
Net OPEB liability	-	(127,173)
Net position (Exhibit A)	<u>\$ 1,103,072</u>	<u>(474,643)</u>

Note 10. Prospective Accounting Change

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

Note 11. Categorical Funding

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

Program	Amount
Home school assistance program	\$ 2,696
At-risk programs	5,394
Gifted and talented programs	44,603
Returning dropouts and dropout prevention programs	62,438
Four-year-old preschool state aid	49,905
Beginning teacher mentoring and induction program	3,481
Teacher salary supplement	21,113
Successful progression for early readers	58,093
Professional development for model core curriculum	38,720
Professional development	25,092
Teacher leadership grants	11,025
Total	<u>\$ 322,560</u>

Note 12. New Accounting Pronouncement

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

Note 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.

The District was not impacted by any tax abatements which meet the disclosure requirements of Governmental Accounting Standards Board Statement No. 77 for fiscal year 2017.

Schaller-Crestland Community School District

REQUIRED SUPPLEMENTARY INFORMATION

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

	Governmental	Proprietary	Total Actual	Budgeted Amounts		Final to Actual Variance
	Funds	Funds		Original	Final	
	Actual	Actual				
Revenues:						
Local sources	\$ 3,358,349	285,258	3,643,607	3,866,209	3,866,209	(222,602)
State sources	2,290,643	1,972	2,292,615	2,284,174	2,284,174	8,441
Federal sources	146,805	178,965	325,770	267,500	267,500	58,270
Total revenues	5,795,797	466,195	6,261,992	6,417,883	6,417,883	(155,891)
Expenditures/Expenses:						
Instruction	3,438,984	-	3,438,984	4,030,000	4,030,000	591,016
Support services	1,358,906	9,921	1,368,827	2,469,943	2,469,943	1,101,116
Non-instructional programs	-	435,217	435,217	415,000	515,000	79,783
Other expenditures	465,907	-	465,907	702,900	702,900	236,993
Total expenditures/expenses	5,263,797	445,138	5,708,935	7,617,843	7,717,843	2,008,908
Excess(Deficiency) of revenues over(under) expenditures/expenses	532,000	21,057	553,057	(1,199,960)	(1,299,960)	1,853,017
Other financing sources, net	7,707	5,588	13,295	-	-	13,295
Excess(Deficiency) of revenues and other financing sources over(under) expenditures/expenses	539,707	26,645	566,352	(1,199,960)	(1,299,960)	1,866,312
Balances beginning of year	3,535,699	42,471	3,578,170	2,022,950	2,022,950	1,555,220
Balances end of year	\$ 4,075,406	69,116	4,144,522	822,990	722,990	3,421,532

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2017

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

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

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$100,000.

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

	2017	2016	2015
District's proportion of the net pension liability	0.031489%	0.037694%	0.039139%
District's proportionate share of the net pension liability	\$ 1,981,722	1,862,286	1,552,222
District's covered-employee payroll	\$ 2,259,787	2,582,408	2,561,097
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.70%	72.11%	60.61%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

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

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.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST TEN YEARS
REQUIRED SUPPLEMENTARY INFORMATION

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Statutorily required contribution	\$ 204,510	201,799	230,609	228,706	218,363	194,413	154,642	167,710	157,262	141,525
Contributions in relation to the statutorily required contribution	\$ (204,510)	(201,799)	(230,609)	(228,706)	(218,363)	(194,413)	(154,642)	(167,710)	(157,262)	(141,525)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 2,290,142	2,259,787	2,582,408	2,561,097	2,518,604	2,409,083	2,225,065	2,521,955	2,476,567	2,339,256
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2017

Changes of benefit terms:

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

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

Changes of assumptions:

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

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

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

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

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 169,443	169,443	0.0%	\$ 2,144,000	7.9%
2011	July 1, 2009	-	167,196	167,196	0.0	1,822,000	9.2%
2012	July 1, 2009	-	163,658	163,658	0.0	1,945,000	8.4%
2013	July 1, 2012	-	182,972	182,972	0.0	1,983,000	9.2%
2014	July 1, 2012	-	182,450	182,450	0.0	1,995,000	9.1%
2015	July 1, 2012	-	181,852	181,852	0.0	2,054,000	8.9%
2016	July 1, 2015	-	210,725	210,725	0.0	1,777,265	11.9%
2017	July 1, 2015	-	201,393	201,393	0.0	2,268,646	8.9%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

Schaller-Crestland Community School District

SUPPLEMENTARY INFORMATION

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUND ACCOUNTS
 JUNE 30, 2017

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 842,887	524,194	1,367,081
Recivables:			
Property tax:			
Delinquent	-	3,174	3,174
Succeeding year	-	335,564	335,564
Income surtax	-	79,016	79,016
Accounts	-	2,409	2,409
Due from other governments	27,967	-	27,967
Total assets	\$ 870,854	944,357	1,815,211
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 12,386	5,850	18,236
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	335,564	335,564
Income surtax	-	79,016	79,016
Total deferred inflows of resources	-	414,580	414,580
Fund balances:			
Restricted for:			
School infrastructure	858,468	-	858,468
Physical plant and equipment	-	523,927	523,927
Total fund balances	858,468	523,927	1,382,395
Total liabilities, deferred inflows of resources and fund balances	\$ 870,854	944,357	1,815,211

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUND ACCOUNTS
 YEAR ENDED JUNE 30, 2017

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	407,163	407,163
Other	2,737	2,066	4,803
State sources	336,894	7,045	343,939
Total revenues	<u>339,631</u>	<u>416,274</u>	<u>755,905</u>
Expenditures:			
Current:			
Instruction:			
Other	10,921	-	10,921
Support services:			
Instructional staff	-	61,170	61,170
Administration	1,124	39,261	40,385
Operation and maintenance of plant	400	-	400
Transportation	58,908	122,766	181,674
Capital outlay	126,090	190,642	316,732
Total expenditures	<u>197,443</u>	<u>413,839</u>	<u>611,282</u>
Excess of revenues over expenditures	142,188	2,435	144,623
Other financing sources:			
Sale of equipment	-	4,380	4,380
Insurance proceeds	-	2,582	2,582
Total other financing sources	<u>-</u>	<u>6,962</u>	<u>6,962</u>
Change in fund balances	142,188	9,397	151,585
Fund balances beginning of year	<u>716,280</u>	<u>514,530</u>	<u>1,230,810</u>
Fund balances end of year	<u>\$ 858,468</u>	<u>523,927</u>	<u>1,382,395</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2017

Account	Balance Beginning of Year	Revenues	Expendi- tures	Intra- fund Transfers	Balance End of Year
Activity tickets	\$ 300	-	-	-	300
Concession stand	5,927	813	1,074	-	5,666
Activity resale	-	76	38	-	38
Band resale	-	1,133	640	-	493
Football	1,546	-	600	47	993
Boys Track	-	521	178	(83)	260
Volleyball	919	-	-	-	919
FFA	8	-	-	-	8
Middle school student council	2,042	3,179	2,228	-	2,993
Peerhelpers	745	-	1	-	744
Industrial arts club	36	-	-	36	72
Annual	8,189	-	1	-	8,188
Dance squad	1,148	-	-	-	1,148
TATTO	7,055	-	1,077	-	5,978
K-8 activity	4,305	-	299	2,278	6,284
Lego league	363	-	-	-	363
Class of 2011	1,459	-	-	(1,459)	-
Class of 2013	819	-	-	(819)	-
Reducing raptors club	1,223	-	172	-	1,051
SCCS students	565	122	177	-	510
Total	\$ 36,649	5,844	6,485	-	36,008

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 FOR THE LAST TEN YEARS

	Modified Accrual Basis									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Local sources:										
Local tax	\$ 2,687,476	2,697,378	2,956,418	2,851,048	2,753,911	2,877,500	2,691,484	2,542,636	2,404,839	2,108,773
Tuition	545,183	679,258	889,410	827,840	704,900	732,837	660,360	49,141	58,821	107,730
Other	125,690	163,538	160,704	144,547	258,070	218,397	198,388	164,695	162,369	217,772
Intermediate sources	-	-	-	-	-	-	-	-	15,000	-
State sources	2,290,643	2,080,747	2,145,949	2,127,537	2,035,962	1,701,065	1,611,456	1,394,092	1,787,233	1,955,362
Federal sources	146,805	170,820	124,912	132,764	132,628	197,720	225,795	410,510	147,036	139,130
Total	\$ 5,795,797	5,791,741	6,277,393	6,083,736	5,885,471	5,727,519	5,387,483	4,561,074	4,575,298	4,528,767
Expenditures:										
Current:										
Instruction:										
Regular	\$ 2,282,694	2,371,783	2,489,435	2,606,570	2,703,354	2,727,090	2,399,561	2,045,353	2,066,279	1,999,387
Special	608,792	598,834	600,051	519,249	497,958	518,520	465,085	349,002	392,626	350,382
Other	547,498	347,325	393,970	449,891	453,612	402,832	476,219	620,725	556,286	431,628
Support services:										
Student	54,127	128,847	93,249	71,963	80,585	61,807	72,272	44,291	44,471	86,669
Instructional staff	132,985	145,643	156,355	197,611	186,356	169,183	161,526	155,061	149,084	126,342
Administration	442,871	428,156	591,117	570,417	465,734	468,460	440,571	480,326	447,824	446,237
Operation and maintenance of plant	309,222	332,360	399,453	350,961	342,359	274,560	287,224	309,559	306,937	326,191
Transportation	419,701	294,357	251,114	269,677	297,903	416,111	286,392	238,315	227,415	235,217
Non-instructional programs	-	-	-	4,875	-	-	-	-	-	-
Capital outlay	316,732	557,183	344,491	342,212	360,591	348,628	243,444	415,877	186,140	298,670
Other expenditures:										
AEA flow-through	149,175	154,155	153,651	154,875	148,118	146,032	164,682	163,420	150,332	147,520
Total	\$ 5,263,797	5,358,643	5,472,886	5,538,301	5,536,570	5,533,223	4,996,976	4,821,929	4,527,394	4,448,243

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

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**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 Schaller-Crestland Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Schaller-Crestland Community School District as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 20, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Schaller-Crestland 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 Schaller-Crestland Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Schaller-Crestland Community School District's internal control.

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-A-17 and I-B-17 to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Schaller-Crestland 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 which 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, 2017 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Schaller-Crestland Community School District's Responses to Findings

Schaller-Crestland Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Schaller-Crestland 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 Schaller-Crestland 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 20, 2018
Newton, Iowa

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2017

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-17 Segregation of Duties

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

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

- 1) Cash - handling and recording cash, posting and reconciling.
- 2) Investments - investing, detailed recordkeeping, custody of investments and reconciling earnings.
- 3) Inventories - ordering, receiving, issuing and storing.
- 4) Receipts - collecting, recording, depositing, journalizing, posting and reconciling.
- 5) Disbursements - purchase order processing, check preparation, mailing and recording.
- 6) Capital assets - recording and reconciling.
- 7) Payroll - recording approved pay rates and deductions, recordkeeping, preparation, posting, and distribution.
- 8) Wire transfers - processing and approving.
- 9) Financial reporting - preparing, reconciling and approving.
- 10) Computer systems - performing all general accounting functions and controlling all data input and output.
- 11) 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 - We understand the concern of segregation of duties. We will continue to segregate duties to the best of our abilities.

Conclusion - Response accepted.

I-B-17 Bank Reconciliations

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

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

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

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

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

Response - New School Business Official has recently been trained with the software program and will be expected to complete monthly.

Conclusion - Response accepted.

I-C-17 Bank Account Not Included in General Ledger

Criteria - An effective internal control system provides for internal controls related to financial reporting which includes ensuring that all bank accounts under the District's federal identification number are included in the District's uniform financial accounting system.

Condition - During our audit we noted a bank account with an immaterial balance which did not appear to be included in the District's uniform financial accounting system. The account appears to be used to safeguard receipts collected at the Early building until they are remitted to the central office. The related revenues appear to be recorded when funds are remitted via check to the central office.

Cause - The District has not implemented policies and procedures to ensure that all bank accounts using the District's federal identification number are included in the District's uniform financial accounting system.

Effect - Lack of policies and procedures resulted in the District's financial statements not including the immaterial District bank account and the corresponding revenues. The

situation provides an environment where errors or misappropriation would not be detected by employees in the course of performing their assigned functions.

Recommendation - The District should include all bank accounts in the District's name or using their federal identification number in the uniform financial accounting system and record revenues when they are collected.

Response - We will include all bank accounts in the district's name in the uniform financial accounting system. We will also record revenues when they are collected.

Conclusion - Response accepted.

I-D-17 Supporting Documentation

Criteria - An effective internal control system provides for internal controls related to ensuring disbursements are properly and adequately supported, documented and reviewed.

Condition - We noted during our audit instances of purchases which lacked an invoice or detailed receipt to be used as supporting documentation. The District appears to lack processes and procedures to be followed when an invoice or detailed receipt may not be available.

Cause - The District appears to have policies and procedures to ensure all disbursements are properly supported, however, these policies and procedures do not always appear to be followed or enforced.

Effect - Lack of adherence and enforcement of District policy led to instances of disbursements presented to the Board of Education for approval which lacked appropriate documentation to support the public purpose served.

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

Response - New School Board Official will require all necessary documentation prior to purchasing and/or paying invoices.

Conclusion - Response accepted.

I-E-17 Title I Reporting

Criteria - An effective internal control system provides for internal controls related to Title I reporting ensuring the accuracy of reports submitted to the Iowa Department of Education.

Condition - We noted during our audit that Title I reports submitted to the Iowa Department of Education do not appear to have been reconciled to actual expenses reported in the District's general ledger. As a result, the District's carryover allocation of the Title I revenues exceed the 15% allowed.

Cause - District policies do not require and procedures do not appear to have been established to require timely review of Title I reports submitted to the Iowa Department of Education to ensure their accuracy and compliance.

Effect - Lack of policies and procedures resulted in District employees not detecting the errors of Title I reporting the normal course of performing their assigned function.

Recommendation - The District needs to reconcile Title I reports submitted to the Iowa Department of Education to actual expenses reported in the District's general ledger. Once this reconciliation is completed, the District should amend the Title I budget to actual general ledger expenditures prior to final submission if needed. The District should also contact the Iowa Department of Education and develop a workout plan for the amount of Title I claimed in excess of actual expenses.

Response - The district will reconcile Title I reports submitted to Iowa Department of Education to the actual expenses reported. Any necessary amendments to the Title I budget will be made prior to the final submission.

Conclusion - Response accepted.

SCHALLER-CRESTLAND COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2017

Part II: Other Findings Related to Statutory Reporting:

- II-A-17 Certified Budget - District expenditures for the year ended June 30, 2017 did not exceed amounts budgeted.
- II-B-17 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- II-C-17 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted and no travel advances to District officials or employees were noted.
- II-D-17 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Doug Reis, Bus Driver Owns Reis Brothers	Vehicle Repairs	\$ 19,429
Trevor Toft, Board Member Agent at State Bank Agency	Property/liability insurance	\$ 72,406

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 Board Member Trevor Toft for property/liability insurance appear to represent a conflict of interest, as the transaction exceeded the \$2,500 limit and the District did not receive bids for the services purchased.

Recommendation - Chapter 279.7A of the Code of Iowa states that a board member cannot have a direct or indirect interest in the contract of goods or services of the school district where the board member would derive a benefit of over \$2,500.

In the future, the Board of Directors should require competitive bids from area businesses. The competitive bids should be presented and acted upon by the District’s entire board of directors. Board members that have an affiliation with businesses should recuse himself/herself from voting on the approval of the bid. The approval of the bid with any recusals of board members should be noted in the District’s official minutes to avoid the appearance of a conflict of interest. We also recommend the District contact its legal counsel regarding this issue.

Response - The Board of Directors will require competitive bids from area businesses. The Board will then take action on those bids. We did not receive a letter from Mr. Toft’s employer stating that his compensation was less than \$2,500.

Conclusion - Response noted.

- II-E-17 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed

annually to ensure that the coverage is adequate for current operations.

- II-F-17 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board, however, we did note certain minutes which were not furnished to a local paper for publication within two weeks of the meeting as required by Chapter 279.35 by the Code of Iowa.

Recommendation - The Board Secretary should furnish a copy of the proceedings to be published within two weeks following the adjournment of each meeting, in accordance with Chapter 279.35 of the Code of Iowa.

Response - New School Business Official will make sure that minutes are submitted within the two week time frame.

Conclusion - Response accepted.

- II-G-17 Certified Enrollment - During our audit we noted variances in the basic enrollment data certified to the Iowa Department of Education. The number of students certified to the Iowa Department of Education appears to have been overstated by 0.44 students.

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

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

Conclusion - Response accepted.

- II-H-17 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

- II-I-17 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

- II-J-17 Certified Annual Report - The Certified Annual Report was filed timely to the Iowa Department of Education.

- II-K-17 Categorical Funding - Except as noted, no instances of categorical funding being used to supplant rather than supplement other funds were noted. During our audit, we noted the District coded 140 Student Licenses from Spelling City for testing expenses to identify TAG students to the District's 1118 Talented and Gifted categorical funding. This does not appear to be an expense exclusive to TAG students. As such we question this TAG expense per Chapter 281-98.20 (1) and (2) of the Iowa Administrative Code. We also noted the District coded \$75.47 in PBIS student rewards, and \$50 in administrator professional development to the 3376 Professional Development state categorical funding. PBIS rewards and professional development for District administrators would not appear to be an allowable expense for the 3376 Professional Development state categorical funding per Chapter 281-98.26 of the Iowa Administrative Code. The following are the adjustments to the June 30, 2017 ending restricted balances for the District's gifted and talented program and its professional development program.

	Restricted Balance on District's CAR	Amount of Expense Adjustment	Audited Ending Restricted Balance
Gifted and Talented Programs	\$ 44,323.20	280.00	44,603.20
Professional Development	\$ 24,966.46	125.47	25,091.93

Recommendation - The District should review expenses coded to its categorical funding programs for its gifted and talented programs and professional development program to ensure they meet "appropriate uses" as defined in Chapter 98 of the Iowa Administrative Code - Financial Management of Categorical Funding. The District should also contact the Iowa Department of Education regarding any additional action which may be required.

Response - The district will review expense coding to its categorical funding programs for Professional Development and Talented and Gifted.

Conclusion - Response accepted.

- II-L-17 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

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

Beginning balance		\$ 716,280
Revenues:		
Sales tax revenue	\$ 336,894	
Other local revenues	2,737	339,631
		<u>1,055,911</u>
Expenditures:		
School infrastructure construction	18,211	
Equipment	96,743	
Other	82,489	197,443
		<u>858,468</u>
Ending balance		<u>\$ 858,468</u>

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

- II-M-17 Non-certified Time Sheets - We noted during our audit that the District does not maintain documentation of hours worked by coaches who are non-certified staff. This creates a situation where calculating wage per hour amounts is not possible.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for noncertified staff coaches. The District should then determine if wages paid comply with minimum wage and overtime requirements.

Response - We will have non-certified coaches fill out timesheets to comply with the Department of Labor requirements.

Conclusion - Response accepted.

- II-N-17 Physical Plant and Equipment Levy (PEEL) Expenditures - We noted during our audit that the District had expenditures of \$5,638 for snow removal from the PEEL Fund which do not appear to be in compliance with Chapter 423 and 298.3 of the Code of Iowa.

Recommendation - Expenditures for snow removal and other maintenance do not appear to be allowable from the PEEL Fund and are more appropriate from the General Fund. The District should review Chapter 423 and Chapter 298 of the Code of Iowa for allowable expenditures from the PEEL Fund. Since the District had allowable expenditures from the General Fund, we did not request a corrective transfer on the financial statements.

Response - New School Business Official will code all snow removal out of the General Fund.

Conclusion - Response accepted.

- II-O-13 Electronic Check Retention - Chapter 291.6 of the Code of Iowa requires the Board Secretary to preserve and file all copies of pertinent paperwork related to the business of the District. Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. During our audit, we noted there were no electronic images or copies of the backs of checks written from District bank accounts during fiscal 2017.

Recommendation - The District Secretary should be required by the Board of Directors of the District to preserve all copies of pertinent paperwork for the District to be in compliance with Chapter 291.6 of the Code of Iowa. The District could choose to retain electronic images of the front and back of each cancelled check in accordance with Chapter 554D.114 of the Code of Iowa.

Response - New School Board Official will comply with the recommendation.

Conclusion - Response accepted.

- II-P-17 Activity Fund - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Code 281-12.6(1), the purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for students. In the course of our audit questions arose about the propriety of certain accounts as well as specific revenues and expenses within the Student Activity Fund. More specific examples of these instances of questioned items and recommendations are as follows:

Inactive Accounts: We noted during our audit that the District had six accounts in the Student Activity Fund which appear to be inactive. The accounts include the FFA, Industrial Arts, Annual, Middle School Annual and Dance Squad accounts.

Recommendation - The District should review these accounts to determine if these groups are still active or if the accounts should be closed out to other groups within the Student Activity Fund per the direction of the District's Board of Directors.

Response - New School Business Official will be reviewing all activity accounts to determine if necessary to keep or to inactivate. All inactive accounts will be transferred to other groups within student activity accounts.

Conclusion - Response accepted.

Questioned Revenues: We noted that the District was currently receipting revenues from Box Tops for Education into the Student Activity Fund. These revenues would appear to be related to the instructional programs of the District and, therefore, would be more appropriately accounted for in the General Fund.

Recommendation - The District should review its procedures for revenue recognition to ensure that money collected is receipted into the appropriate fund which can legally collect and expend the proceeds.

Response - New School Board Official will review accounts and deposit receipts in appropriate fund.

Conclusion - Response accepted.

Questioned Expenses: During our audit we noted expenditures for incentives given to individual students for good behavior purchased from the Student Activity Fund. We also noted expenditures for pizza for a Board meeting and for interviewees applying for a nursing position. These expenditures do not appear to be allowable from the Student Activity Fund per Chapter 98 of the Iowa Administrative Code and would appear to be more appropriate from the General Fund.

Recommendation - The District should review Chapter 98 of the Iowa Administrative Code for allowable expenditures from the Student Activity Fund and make the necessary changes to comply.

Response - New School Board Official will review and look for appropriate General Fund account.

Conclusion - Response accepted.